

Money Matters

The County Council's Financial Position

2016/17 Outturn

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Money Matters –The County Council's Financial Position as at 31st March 2017

1. Introduction

This report provides a summary of the County Council's financial position at the end of the 2016/17 financial year.

2. Summary Position

The overall financial health of the County Council continues to be one of its greatest risks. Although a revenue underspend of £23.101m is reported at the end of 2016/17, and is an improvement from the position reported to Cabinet at Quarter 3, it is critical to recognise that the underspend predominantly is as a result of one-off additional income arising from Treasury Management activity. **Without this one-off extraordinary income the Council would have overspent by £0.324m and therefore it is important to note that there remains an underlying pressure within a number of service budgets.**

The final outturn position includes £82.886m from reserves (details can be found in Section C). This includes an amount of £18.286m to fund the financial gap as agreed at Full Council in February 2016. The amount also includes £35.153m to support the transformational activity required to deliver the previously agreed savings which is significantly lower (£11.4m) than the £46.5m originally agreed, reflecting early delivery of a number of savings. In addition there are transfers between reserves and contributions to reserves that total £0.912m. **It is important to note, that without the use of reserves the County Council would have overspent by £59.785m, and without the use of reserves and treasury management gains would have overspent by £83.210m. It is important to note that the budget for 2017/18 includes reserve funding of c£104m which includes £57m relating to the identified funding gap and £17m supporting transformational activity resulting in savings. This is a significant increase from the level utilised in 2016/17 and further increases the reliance upon reserves.**

Section A of this report sets out the final position for the revenue budget for 2016/17 and highlights:

- £23.101m underspend on services (including an underspend of c£23m on Treasury Management).
- £5.000m flexible use of Capital Receipts to support expenditure that is forecast to generate ongoing savings.
- The availability of additional one-off resources from the government and council tax payments in 2016/17 of £4.898m. (see Section 3.10)

Section B of this report considers progress in relation to the Capital Programme. LCC (non LEP / City Deal) Capital spending in the year was £144.653m which equates to c90% of the agreed in year 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 £263.839m along with school's reserves of £79.209m.

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

2.1 Recommendations

Cabinet is asked to:

1. Note the Council's final revenue and capital outturn position for 2016/17,
2. Approve the transfer of the 2016/17 underspend to the transitional reserve

3. Section A – The 2016/17 Revenue Budget

3.1 The Overall Summary

In February 2016 the County Council approved a revenue budget of £713.020m.

The final position for the end of the year was total net expenditure of £689.919m, reflecting an in year underspend of £23.101m which represents a 3.2% variance against the overall County Council budget.

The 2016/17 financial position represents an improved position of £7.803m from the forecast underspend position reported to Cabinet in January (£15.298m underspend), which reflected the position at the end of Quarter 3.

It is important to recognise that the year-end position includes the impact of additional income arising from Treasury Management activities, with a surplus of c£23m achieved. This, in great part, reflects opportunities in response to external events post Brexit and is an extremely positive position. **Without these gains however, the County Council would have overspent by £0.324m across service budgets. Therefore it is critical to note that there remains an underlying pressure within a number of service budgets, particularly in demand led areas such as Children's Social Care, Adults Social Care and Waste Services.**

The final outturn position includes £82.886m from reserves (details can be found in Section C). This includes an amount of £18.286m to fund the financial gap as agreed at Full Council in February 2016. The amount also includes £35.153m to support the transformational activity required to deliver the previously agreed savings which is significantly lower (£11.4m) than budgeted amount in 2016/17 to support savings from reserves of £46.5m due to early delivery. In addition there are transfers between reserves and contributions to reserves that total £0.912m. **It is important to note, that without the use of reserves the County Council would have overspent by £59.785m, and without the use of reserves and treasury management gains would have overspent by £83.210m. It is important to note that the budget for 2017/18 includes reserve funding of c£104m which is an increased level of funding from reserves compared to 2016/17.**

The impact of the ongoing financial pressures have been factored into the medium term financial strategy (MTFS) agreed by Cabinet and Full Council in January and February 2017. As can be seen from the outturn position (and as reported to Cabinet throughout the financial year) there has been a significant increase in demand pressure on children's services agency placements. Additional funds have been built into the MTFS, primarily in 2017/18, to reflect this. The forecast for 2018/19 and beyond has included a much smaller growth in demand than is currently being experienced this will be closely reviewed in detail as part of the budget monitoring position and review of the MTFS in 2017/18 to determine the need for any changes. A review of the 2016/17 outturn is underway to establish whether there are any recurrent over or underspends that need to be reflected in the updated MTFS that will be presented to Cabinet in September 2017.

The 2016/17 budget of £713.020m included a significant savings requirement of c£100m and, in addition, there are further agreed savings of c£54m predominantly relating to 2017/18 although some of which will not be fully delivered until 2020/21.

The 2016/17 outturn position includes the achievement of the majority of savings that were agreed, with a small amount of slippage and non-delivery (with most being reflected already within the MTFS). In addition there was early delivery of some savings that were due to be achieved in 2017/18 and 2018/19 which has resulted in a reduced requirement from reserves compared to the level originally agreed.

The narrative in the body of the report provides details as to progress on the achievement and delivery of the savings relating to each Head of Service. The level of reserves that were approved to be applied from the transitional reserve 2016/17 in support of the delivery of savings was £46.417m and the amount that has been required is £35.153m. This is due to early delivery of some savings, particularly through staff vacancies and turnover, although this was partially offset by some budget savings that have been delayed and required some reserve funding to cover the delay in implementation.

Delivery of the significant savings programme has been identified as a key risk area and the savings plans have been subject to detailed regular scrutiny by the Programme Office and Finance throughout 2016/17 and will continue to be monitored in detail throughout 2017/18.

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

Use of Capital Receipts

In previous years the use of capital receipts (income derived from the sale of long term assets) has been restricted to funding capital expenditure or the repayment of debt. However, from 1st April 2016 the Government introduced the flexibility for capital receipts to be used to fund revenue expenditure which meets certain criteria. To meet the qualifying criteria the revenue expenditure needs to relate to activity which is designed to generate ongoing revenue savings or to transform a service which results in revenue savings or improvements in the quality of provision.

Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts (prior to 1st April 2016) to finance the revenue costs of service reform.

As part of the 2016/17 budget capital receipts of £5.000m were budgeted for as being applied to support the revenue budget. Capital receipts of £9.629m were actually generated within the financial year with £4.629m carried forward into 2017/18 with the 2017/18 revenue budget having being set on the basis of £12.5m of capital receipts being applied to revenue.

The £5m in 2016/17 was used to support the following service areas that were completing transformational activity that is forecast to both contribute towards future savings and improvements to the quality of service provision.

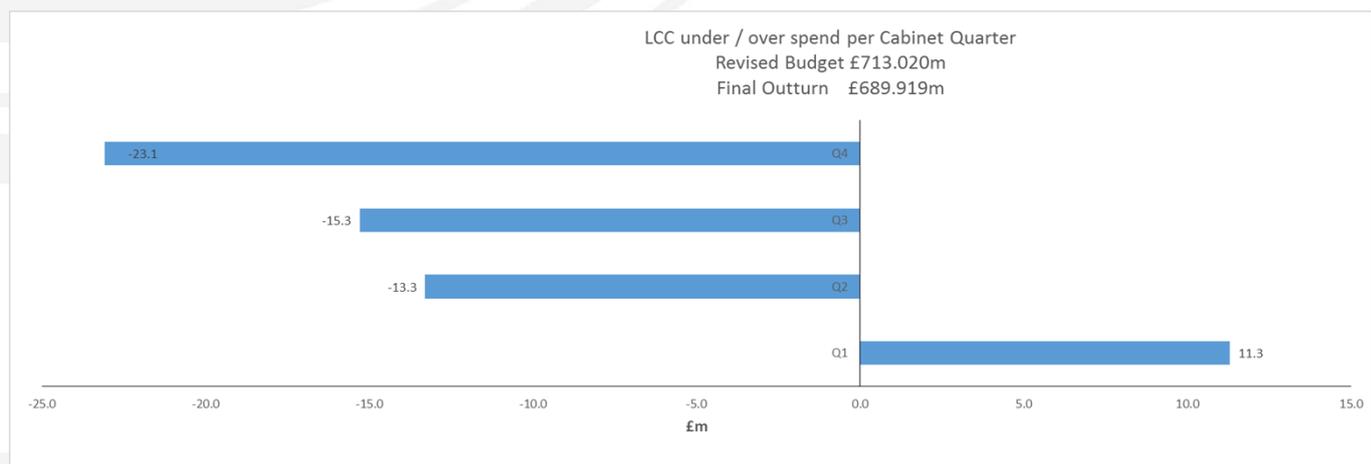
Service Area	Value (£m)
Children's Social Care Staffing	1.749
Waste Services	0.784
Exchequer Services	0.205
Human Resources (Corporate Team 50%)	0.454
Programme Office	0.593
Financial Management (Operational)	0.340
Legal Services	0.060
Policy, Information and Commissioning	0.215
Estates	0.080
Facilities Management	0.080
Asset Management	0.440
Grand Total	5.000

At Full Council in February each year the County Council's prudential indicators are reviewed and approved. In February 2016 and 2017 the level of indicators incorporated the budgeted level of capital receipts that would be used to support the revenue budget. The indicators are reviewed on a regular basis and reported to Members on a quarterly basis.

The final outturn for 2016/17 is as follows:

Ref	Service Area	Approved Budget £m	Outturn £m	Budget / Outturn Variance £m	Outturn Variance %	Q3 Cabinet Forecast Variance £m
3.2	ADULT SERVICES	317.674	322.015	4.341	1%	1.854
3.3	CHILDREN'S SERVICES	119.421	132.428	13.007	11%	13.308
3.4	COMMUNITY SERVICES	134.239	133.588	-0.651	0%	2.805
3.5	PUBLIC HEALTH & WELLBEING	28.860	24.661	-4.199	-15%	0.007
3.6	DEVELOPMENT AND CORPORATE SERVICES	35.574	34.261	-1.313	-4%	-0.166
3.7	COMMISSIONING	46.649	42.142	-4.507	-10%	-2.093
3.8	CHIEF EXECUTIVE	30.603	0.824	-29.779	-97%	-31.013
	TOTAL	713.020	689.919	-23.101	-3%	-15.298

The graph below shows how the variances have developed over the course of the financial year:



3.2 Operations and Delivery – Adult Services

Ref	HEAD OF SERVICE	Approved Budget £m	Outturn 2016/17 £m	2016/17 Variance £m	Outturn Variance %	Q3 Cabinet Forecast Variance
3.2.1	DISABILITY (adults)	-4.468	-4.598	-0.130	3%	0.069
3.2.2	OLDER PEOPLE	0.629	0.051	-0.578	-92%	-0.349
3.2.3	LEARNING DISABILITIES, AUTISM & MENTAL HEALTH	161.886	160.702	-1.184	-1%	-3.495
3.2.4	SOCIAL CARE SERVICES (adults)	159.627	165.861	6.234	4%	5.629
	TOTAL - ADULT SERVICES	317.674	322.015	4.341	1%	1.854

The total net approved budget for Adult Services in 2016/17 was £317.674. The service has overspent by £4.341m, an increase of £2.487m compared with the previous Quarter 3 update to Cabinet.

This outturn includes the impact of the fee increases across homecare services, Learning Disabilities supported living and Physical Support over 65 residential and nursing services. Several further fee uplifts have also been included in the outturn position and future year impact has been considered as part of the MTFs review. The outturn position includes the delivery of £0.680m of savings relating to the ongoing phased implementation of the Passport to Independence programme, which is being supported by Newton Europe, and is forecast to deliver a significantly increasing level of financial savings in subsequent years.

Adult Services staffing including Mental Health, Learning Disabilities and Autism are currently implementing their interim staffing restructure which have utilised £0.497m from reserves.

3.1.1 Disability Service

The service achieved an overall positive variance to budget of £0.130m. This is a positive change of £0.199m from the position reported to Cabinet in Quarter 3 and is the result of additional income identified and claimed during Quarter 4.

The 2016/17 variance to budget is as a result of increased running costs of £0.100m which are offset by additional income of £0.230m.

In general, the net expenditure for Day and Domiciliary services is largely in line with 2015/16 spend patterns. The service have been able to manage the impact of the revised transport to day services policy through changes to staff rotas to extend opening hours where required, and indeed this policy change has been experienced as neutral or even positive in its impact for the majority of service users. During the year the domiciliary service also undertook to provide additional hours for provider failure, crisis hours and a supported living service on top of existing provision.

3.1.2 Older People – In-House Care Services

The service has achieved a positive variance of £0.578m against their budget. This is due to an overachievement of income of £0.980m and an overspend on running costs of £0.402m.

The overachievement of income during the year is mainly due to additional community beds being made available and the introduction of a standard rate, resulting in additional income of £0.531m, which includes NHS England funding. In addition, Health income was identified for individual packages of care worth a further £0.148m.

3.1.3 Learning Disability, Autism & Mental Health

The service has underspent by £1.184m, compared with a forecast underspend of £3.495m reported to Cabinet for Quarter 3.

Learning Disability, Autism & Mental Health overspent on staffing by £0.885m. In order to minimise the draw down from reserves across Adults Services this overspend was offset by a similar underspend in Social Care Adult Services.

Learning Disabilities

- Learning Disability services include the provision of care services including residential and nursing care, but predominantly supported living and direct payments. Services are commissioned via a pooled fund arrangement with the six Lancashire CCGs.
- The LCC share of the service has underspent by £0.192m, which is a reduced underspend of £0.895m compared to the Quarter 3 forecast underspend of £1.087m.
- Approximately £1.146m of savings from the remodelling of Supported Living have contributed to the underspend. This was as a result of 49 houses being remodelled during 2016/17.
- The outturn position includes the impact of agreed fee increases for supported living and domiciliary care estimated at £7.400m across all Adult Services. Of this, £3.099m of Learning Disability fee increases have been funded from reserves in 2016/17 as agreed with the future impacts built into the MTFs.
- There is continued pressure on the budget from transitions from Children's Services. The impact was c£1.5m in 2016/17, which had a similar impact on 2015/16 costs.

Mental Health – Residential

- Mental Health residential care has underspent by £1.424m, compared with the £2.535m underspend reported for Quarter 3. Spend was higher than previously forecast, partly due to a provision for backdated placement costs. Income was also higher than forecast which helped to offset the increase in spend.
- Review team savings have contributed to the underspend, where package costs have reduced or service users have moved to more appropriate services.
- The number of service users supported as at March 2017 was 288. The average weekly cost of care packages has increased by 11.4% from £796 to £887 over

the year. This increase is as a result of a combination of fee increases, as detailed earlier in the report, and also a general increase in average weekly costs as a result of supporting individuals with more complex needs.

Mental Health – Nursing Homes

- Mental Health Nursing Homes have overspent by £0.506m, a reduction in overspend of £0.169m compared with Quarter 3 due to a slight reduction in service user numbers.
- The number of service users supported as at March 2017 was 79 compared to 94 in March 2016. This decrease in service user numbers should however be treated with caution as some of the decrease is as a result of a data cleansing exercise.
- The overspend is due to average weekly package costs increasing at a rate higher than budgeted for (April 2016 £707; March 2017 £762).

Mental Health - Home Care

- Mental Health Home Care services has underspent by £0.771m, an increase in underspend of £0.130m compared with Quarter 3 due to a small change in service user numbers.
- During the year numbers of individuals supported has increased by 6.6% (April 2016 472; March 2017 503) which was lower than originally forecast.

Mental Health – Direct Payments

- There was an underspend of £0.150m on Direct Payments in 2016/17.
- The number of service users supported as at March 2017 was 238 compared to 266 service users at the end of March 2016 (11.7% reduction).

In addition there were other small variances across Mental Health that resulted in an additional underspend of £0.038m.

The 2016/17 outturn includes the drawdown of £0.217m from the Transitional Reserve to support an agreed uplift of residential and nursing home fees within Mental Health. The future year's impact above the level built into the current budget has been built into the MTFS in future years.

This budget has been reduced by £0.362m as a result of approved savings, however it was agreed that funding from the Transitional Reserve would fully support this saving in 2016/17. Due to natural turnover and disbandment of the Health & Care Systems Development Team the funding is no longer required and no drawdown from reserves has taken place.

3.2.4 Social Care Services (Adults)

Changes in statutory reporting requirements has meant the previous client groups of 'Older People' and 'Physical Disability' have been combined to form the client group 'Physical Support'. People enter these services from community settings but a significant proportion come as they are discharged from hospital.

The total budget for this service area is £159.627m. The overspend is £6.234m, an increase of £0.605m compared with Quarter 3.

Social Care Services (Adults) underspent on staffing by £0.943m. In order to minimise the draw down from reserves across Adults Services this overspend was offset by a similar overspend in Learning Disability, Autism & Mental Health.

The significant areas of variance are detailed below:

Prevention

Prevention includes services for carers, equipment and adaptations and reablement, and covers all of adult social care.

In 2016/17 there was an overspend of £0.883m as spend on prevention has increased, primarily as the number of carers receiving direct payments has increased from 2,593 in 2015/16 to 5,495 in 2016/17 which is an increase of 112%.

Physical Support

The service has overspent by £6.639m, an increase of £1.902m compared with Quarter 3.

- In 2016/17 there was an increase in long term nursing placements of 72 (1,050 in March 2016 to 1,122 as at March 2017). The estimated additional net expenditure impact of the increase was around £0.676m.
- The number of long term residential placements decreased slightly over the year, from 3,345 in March 2016 to 3,324 as at March 2017, with little impact on the 2016/17 outturn.
- The number of weekly direct payments service users fell from 2,102 in March 2016 to 2,021 in March 2017. Net expenditure fell by £1.268m due to the fall in service user numbers, and also due to an increase in income from various sources (client contributions, health etc.) of around £0.533m.
- Net expenditure on home care increased by £3.059m in 2016/17. Service user numbers fell slightly from 5,664 as at March 2016 to 5,610 as at March 2017, but average costs per user were higher during 2016/17 compared to the previous year.
- This service area includes the in-year budget pressure of £5.346m reflecting the re-profiling of the delivery timeframes for the agreed savings programme particularly where they are impacted by the phased implementation of the Passport to Independence programme.

The final outturn includes the drawdown of £1.700m from the Transitional Reserve to support the uplift of residential and nursing home fees in 2016/17, and £0.185m to support increases in supported living and domiciliary fees within Physical Support. The future years' impact above the level built into the current budget has been built into the MTFs in future years. A further £0.009m has been drawn down in respect of Winter Resilience Funding.

Social Care Service Central Costs

This covers central costs for all of Adult Social Care, and includes professional fees such as Newton Europe, insurance, repayment of balances held for CCGs and Direct Payments support contracts.

The service has underspent by £0.346m through controlling costs on non-essential spending. Net expenditure has increased by £0.352m since Quarter 3, when an underspend of £0.698m was forecast as a result of additional costs that had not been forecast.

The outturn for 2016/17 includes £9.392m contributions from reserves, offsetting the expenditure of £5.969m in relation to the Newton's design and implementation work, and £3.423m for the repayment of outstanding CCG monies held on their behalf.

Supporting People

Supporting People services assist people to live as independently as possible. The range of services include supported and sheltered housing, refuges for women experiencing domestic violence, alarm services for elderly people, and 'floating support' where workers visit people in their own homes. The delivery of the service to Lancashire residents is facilitated by a large number of contracts with external providers and agencies directly providing these schemes.

The outturn for this service has resulted in a nil variance to budget with contributions from reserves as detailed below.

A full assessment in conjunction with the service consultation has been carried out to review the ongoing budget requirement in 2017/18. Required extensions to contracts have been granted during 16/17 to ensure appropriate support during the transition period. The service is working towards a reduced service aimed at providing accommodation for homeless 16/17 year olds. The remaining service has close links to the Prevention and Early Help Fund and the aims of this funding stream.

It was originally anticipated and approved that £10.150m would be drawn down from reserves to support the transitional arrangements of this budget option however a reduced amount of £8.747m has been required due to early delivery of savings.

3.3 Operations and Delivery – Children's Services

Ref	HEAD OF SERVICE	Approved Budget £m	Outturn £m	Budget / Outturn Variance £m	Outturn Variance %	Q3 Cabinet Forecast Variance £m
3.3.1	CHILDREN'S SERVICES	-0.736	-0.820	-0.084	-11%	-0.019
3.3.2	SEN & DISABILITY	15.690	13.800	-1.890	-12%	-1.715
3.3.3	SAFEGUARDING INSPEC & AUDIT	9.376	7.718	-1.658	-18%	-1.645

3.3.4	ADOPTION & FOSTERING RESIDENTIAL AND YOT	26.134	24.753	-1.381	-5%	-1.145
3.3.5	CHILDREN SOCIAL CARE	64.832	85.270	20.438	32%	19.706
3.3.6	SCHOOL IMPROVEMENT	6.785	5.308	-1.477	-22%	-0.627
3.3.7	TRADED SERVICES (START WELL)	-2.660	-3.601	-0.941	-35%	-1.247
	TOTAL - CHILDREN'S SERVICES	119.421	132.428	13.007	11%	13.308

Children's Services overspent by £13.007m in 2016/17 against the cash limit of £119.421m. This is a decrease of £0.301m from the forecast outturn reported to Cabinet at Quarter 3. An additional £5.000m was included in the 2016/17 budget following the Ofsted inspection in mid-2015/16 alongside investment in staffing (such as Child Sexual Exploitation Team and the practice improvement model), information technology and an increased budget provision for anticipated demand and price increases in 2016/17.

3.3.2 Special Education Needs and Disability (SEND)

SEN and Disability underspent by £1.890m in 2016/17.

- Children with Disabilities (CwD) Family Support underspent by £0.147m.
- CwD agency placements which includes in house fostering payments and residential and foster care placements with external providers underspent by £0.094m. Underspends of £0.296m relate to in-house fostering payments and £0.133m to agency fostering placements, offset by overspends of £0.336m on agency residential which reflects an increase in placements from 14 in April 2016 to 18 in March 2017.
- CwD Direct Payments Outturn underspent by £0.402m is a result of a non-recurring clawback of previous payments and the implementation of tighter controls following a review of payments.
- Underspends of £0.307m relate to budgeted increases in charges for SLA's with Health for Occupational Therapy and Speech and Language Services which did not materialise in 2016/17. This has been adjusted for within the MTFs for future years.
- Underspends of £0.111m relate to Aids & Adaptations as a result of a reduced level of Disability Facilities Grant requests and reimbursements back from other Local Authorities
- Lancashire Break Time underspent by £0.262m which relates to delays in the tender processes and a decrease in take up of providers than anticipated throughout the year.
- There are also underspends of £0.731m across a number of teams of which £0.374m relates to staff costs and vacancies, £0.260m to non-staff costs and £0.097m to over recovery of income.
- SEN Traded Services overspent by £0.164m. The redirection of Associate Education Psychologists within SEN Traded Service to work on statutory

services and the reduction in the commissioning of specialist teachers has resulted in some under recovery of income.

The service reported underspends of £1.715m to Cabinet at the end of Quarter 3 compared to underspends of £1.890m at the end of the financial year, an increase in underspends of £0.175m. This relates to underspends on Lancashire Break Time and Aids and Adaptations not previously reported, further underspends on Direct Payments, offset by further overspends on CWD Agency Placements and SEN Traded Services.

The outturn reflects the achievement of approved budget savings of £0.301m in 2016/17.

3.3.3 Safeguarding, Inspection and Audit

Safeguarding, Inspection and Audit (SIA) underspent by £1.658m in 2016/17.

- Underspends of £1.639m relate to staff costs across the service and in particular vacant posts covered by agency staff for which the costs are included within the Children's Social Care service, and £0.150m relates to over recovery of income, offset by overspends of £0.131m on non-staff costs. The cost of all agency staff recruited to social work related posts following the Ofsted inspection in 2015/16 and non-staff costs incurred in response to the Ofsted inspection, are recorded against the Children's Social Care budget in order to identify and track additional costs arising from the inspection.

There is no significant change to the outturn from the forecast reported to Cabinet at the end of Quarter 3.

3.3.4 Adoption, Fostering Residential and YOT

Adoption, Fostering, Residential and YOT underspent by £1.381m in 2016/17.

- Adoption Service underspent by £1.073m. Of this underspends of £0.430m relate to staff costs and vacant posts, some of which are covered by agency staff for which the costs are included within Children's Social Care, and £0.165m relate to various non-staff costs. Underspends of £0.262m relate to adoption allowances. Underspends of £0.262m relate to inter-agency adoption fees and both the extension of grant funding from October 2016 to March 2017 and a number of adoption placements for which a grant has been received (in line with grant conditions) but no fees are payable to other organisations. These underspends are offset by a small overspend of £0.046m on the Adoption Support Fund.
- Residential In-house Provision overspent by £0.143m which predominantly relates to staff costs.
- There are also underspends of £0.451m across a number of teams, of which underspends of £0.332m relate to staff costs in the In-house Fostering Service, SCAYT and the Adoption, Fostering, Residential and YOT Management Team (some of which relates to posts covered by agency staff for which costs are included within Children's Social Care), £0.072m to over recovery of income, offset by overspends of £0.047m on non-staff costs.

The service reported underspends of £1.145m to Cabinet at the end of Quarter 3 compared to £1.381m at the end of the financial year, an increase in underspends of £0.236m. This relates to a number of small changes across the service.

The budget for Adoption, Fostering, Residential and YOT includes approved budget savings of £0.956m for 2016/17. The outturn reflects the delivery of £0.642m of savings on YOT, £0.233m on Over Nights Short Break (ONSB) Service and £0.075m on In-house Fostering Service, but non-delivery of £0.006m of savings on Residential In-house Provision in 2016/17.

The outturn includes the application of non-recurrent funding of £0.078m from the YOT (Youth Offending Team) – General Youth Offending Reserve to cover the cost of projects approved by the Youth Justice Board. Whilst the use of £0.320m of non-recurrent funding from the Transitional Reserve was originally approved, early delivery of savings for YOT has meant that this was not required in 2016/17.

3.3.5 Children's Social Care

Children's Social Care overspent by £20.438m in 2016/17.

- Overspends of £7.363m relate to Social Work Staff and CSC Management.
 - Of this £4.124m relate to staff costs (including car allowances) which includes agency staff covering vacant posts, additional temporary staff required for 12 months throughout 2016/17 and 2017/18 to increase capacity in children's social care and to support the development and implementation of a single operating model across Children's Services, currently being trialled in Fylde and Wyre, and temporary workstarts required for 3 months to provide business support to Project Accuracy. This is offset by underspends of £2.692m on staff within Safeguarding, Inspection and Audit Service and Adoption Fostering, Residential and YOT Service.
 - Overspends of £3.349m relate to a number of other expenses arising as a result of work undertaken in response to the Ofsted inspection. Of the additional £5.000m included in the budget for 2016/17 following the Ofsted inspection, circa £4.400m, was budgeted to cover staff costs, with the remaining amount, circa £0.600m, budgeted to cover various non-staff costs, consultant and professional fees. The outturn includes one-off spend of £3.348m for Children's Social Care Referral and Assessment Service Framework, £0.168m for children in need assessments undertaken by an external social work provider and £0.922m for consultant and professional fees of which £0.675m is funded by reserves.
 - Underspends of £0.110m relate to various non-staff costs.
- Agency Residential Placements overspent by £10.907m. This includes the recoupment of £0.542m for education costs. Placements have increased by 100 (74%) from 135 in November 2015 to 235 in March 2017. Work is continuing as part of the 0–25 Programme Board to review the underlying reasons for

increases in numbers of placements and to estimate likely future demand and the impact of this on the County Council's budget. The capacity of a number of in-house residential units is limited due to the placement of young people with increasingly complex needs that require high staff to child ratios to support. Consequently young people who would otherwise have been placed in these units have been placed with external providers. As at 31st March 2017 there were 15 vacancies within in-house residential units. It is likely that demand has been effected by work undertaken following the Ofsted inspection, although the pathway diagnostic work has already identified some potential for efficiencies which could reduce costs in the future without affecting levels of service delivery.

- Overspends of £1.855m relate to agency fostering placements. Placements have increased by 81 (20%) from 392 in October 2015 to 473 in March 2017. As noted above, work is continuing as part of the 0–25 Programme Board to review the underlying reasons for increases in numbers of placements, and to estimate likely future demand and the impact of this on the County Council's budget.
- Family support which covers Special Guardianship Orders (SGOs), Child Arrangement Orders (CAOs), assistance to families and other payments overspent by £1.122m, largely due to increases in the number of SGOs of circa 20% in 2016/17.
- Underspends of £0.329m relate to Leaving Care Allowances which is line with 2015/16 outturn.
- Underspends of £0.329m relate to other placement costs including, agency remand, staying put, and in-house residential and fostering placements.
- Underspends of £0.151m relate to a number of other items and in particular DBS checks.

The service reported overspends of £19.706m to Cabinet at the end of Quarter 3 compared to £20.438m at the end of the financial year, an increase in overspends of £0.732m. This largely relates to agency residential placement costs due to increased placements of which 2 were high cost secure placements, and an increase in family support payments.

The budget for Children's Social Care includes approved budget savings of £0.504m for 2016/17. The outturn reflects the fact that delivery of savings which relate to CSC Placements and Social Worker Teams are delayed due to demand pressures.

The outturn includes the following application of non-recurrent funding.

- Contribution of £0.275m from the Risk Management Reserve to cover the cost of the LCC Children's Priority Reporting on LCS contract with Newton's (Project Accuracy).
- Contribution of £0.200m from the Transitional Reserve to fund the cost of the Transformation of Children's Services Pathways in Lancashire Assessment/Diagnostic based on payments made to date.

- Contribution of £0.200m from the Former CYP DFM General Reserve to fund risk assessment training and models and quality assurance, auditing and training costs.

3.3.6 School Improvement

School Improvement achieved a positive variance compared to budget of £1.477m in 2016/17.

- Underspends of £0.704m largely relate to vacancies across a number of teams as the service awaits approval and implementation of a new structure.
- Underspends of £0.625m relate to non-staff costs with £0.517m of this relating to supplies & services. This underspend is across the whole service with some of the larger savings being made within, Welfare Training, Childcare Systems, Education Health & Wellbeing, Value Added Data Product and EMA Grant. This is not guaranteed to recur for future years.
- Additional income achieved above budget totalling £0.148m relates to traded services, income from products and income from fines for children missing education. The additional income this year has been generated by the Attendance legal team in fines and traded income from the Advisory Service, this is offset by less income than budgeted being received from data products sold to schools and other smaller traded services.

The service reported a positive variance of £0.627m to Cabinet at the end of Quarter 3 compared to £1.477m at the end of the financial year, an improved position of £0.850m. This is mainly due to lower than anticipated expenditure on supplies and services and additional income.

The outturn reflects the achievement of approved budget savings of £0.657m in 2016/17. Furthermore the service has delivered £0.252m of it's 2017/18 early.

3.3.7 Traded Services (Start Well)

Traded Services achieved a positive variance compared to budget of £0.941m in 2016/17. The underspend is the result of increased activity and overachievement of income, as well as continued efficiencies.

- School Catering achieved a positive variance of £0.770m. The service generated meal sales income of £3.030m in 2016/17 due to a rise in demand levels with an additional four schools buying into the catering service SLA (524 units in 2016-17 compared to 520 in 2015-16), Universal Free School meals and an increase in trading days compared to 2015/16. However, offsetting this is an over accrual of £0.731m at the end of 2015/16 which is non-recurring, other catering related expenditure and predominantly an increase in food cost prices of £2.260m. This increase is linked to the value of sterling, due to the impact of Brexit and a harsh winter affecting crops in parts of Europe thus reducing availability of supplies, particularly supplies of soft produce. These pressures are likely to remain as we move into 2017/18 and will potentially impact on the additional £2.000m budget target that has been agreed for this service area as part of the zero based budget review. This potential pressure will be regularly monitored during 2017/18.

- Learning Excellence achieved a negative variance of £0.136m. This is largely due to the impending closure and transfer of an LCC Conferencing Centre which has resulted in a significant reduction in income following a fall in course bookings in 2016/17 compared to 2015/16. Consequently the service did not achieve its budgeted surplus of £0.481m before corporate overheads. Mitigating actions are planned in 2017/18 which will assist in recouping lost trade by better meeting demand from schools in terms of delivery locations.
- Additional income over and above budget of £0.105m was generated by Governor Services, £0.084m by Educational Visits, and £0.085m by Lancashire Music Service and £0.033m by Other Services.

The outturn includes a planned contribution to reserves of £0.300m in relation to the IT implementation in schools kitchens and £0.216m net schools contribution to the schools catering repair and maintenance reserve for planned and reactive repairs.

3.4 Operations and Delivery – Community Services

Ref	HEAD OF SERVICE	Approved Budget £m	2016/17 Outturn £m	Budget / Outturn Variance £m	Outturn Variance %	Q3 Cabinet Forecast Variance £m
3.4.1	CUSTOMER ACCESS	3.778	2.845	-0.933	-25%	-0.545
3.4.2	HIGHWAYS	21.268	18.373	-2.895	-14%	-1.001
3.4.3	LIBRARIES MUSEUMS CULTURE & REGISTRARS	9.698	9.520	-0.178	-2%	0.365
3.4.4	PUBLIC & INTEGRATED TRANSPORT	42.100	43.331	1.231	3%	0.133
3.4.5	WASTE MGT	57.395	59.519	2.124	4%	3.854
	TOTAL - COMMUNITY SERVICES	134.239	133.588	-0.651	-0%	2.805

Community Services underspent by £0.651m in 2016/17 compared to a budget of £134.239. This is position has improved by £3.456m compared to the forecast outturn reported to Cabinet at Quarter 3.

3.4.1 Customer Access

Customer Access has underspent by £0.933m in 2016/17. The underspend predominantly relates to staff vacancies and the over recovery of income. Delays in recruiting to vacant posts could lead to further underspends in 2017/18 which will be kept under review as part of the budget monitoring process in the new financial year.

The additional underspend of £0.388m compared to that reported to Cabinet at the end of Quarter 3 is as a result of further staff savings through vacancies the service have not been able to recruit to. The outturn reflects the achievement of approved budget savings of £0.234m in 2016/17.

3.4.2 Highways

Highways underspent by £2.895m in 2016/17.

- Underspends of £0.946m relate to additional permit scheme income across highways which includes traffic regulation orders and charges to utilities companies for breaching codes of practice, delays in work and road closures. Additional income was seen in the 2015/16 outturn and as a result, part of the savings strategy was to increase these income targets in the 2016/17 budget. However, these targets have been exceeded during the course of the year. This is largely due to fee increases and the fact that these fee increases have not resulted in a significant reduction in utilities companies' activity.
- Underspends of £0.568m and £0.144m relate to increased income due to improved utilisation rates and productivity on labour and plant respectively.
- Overspends of £0.884m relate to severe weather and is due to a combination of factors. Overspends of £0.320m relate to spend on storm damage for which there is no specific budget allocation. Overspends of £0.193m relate to high levels of repair and maintenance costs for gritters, £0.245m to higher than budgeted salt usage and £0.126m to salary costs charged to severe weather for standby and winter gritting.
- The combined highways maintenance and drainage budgets underspent by £2.608m of which a significant proportion of the underspend relates to a budgeted revenue contribution to capital for demand led defects that has now been reversed and the expenditure funded from borrowing instead.
- Overspends of £0.314m relate to the net position on highways and street lighting damages as income recovery levels have been lower than budgeted.
- Overspends of £0.173m relate to a number of items across the remainder of the service including street lighting maintenance.

The service reported underspends of £1.001m to Cabinet at the end of Quarter 3 compared to an underspend of £2.895m at the end of the financial year, an increase in underspends of £1.894m, which mainly relates to the overspend on severe weather offset by a reversed out revenue contribution to capital.

The outturn includes the approved application of non-recurrent funding from the roundabout sponsorship reserve of £0.017m relating to previous years income generation and subsequent reinvestment in specific public realm schemes and £0.010m from the priority contingency reserve for specific public realm schemes.

The budget for Highways includes approved budget savings of £3.210m in 2016/17. The outturn reflects the fact that overall these savings have been delivered, therefore the approved application of non-recurrent reserve funding of £1.404m from the Transitional Reserve in 2016/17 to support the service as it works towards delivering these savings was not required.

3.4.3 Libraries, Museums, Culture and Registrars

Libraries, Museums, Cultural Services and Registrars (LMCR) underspent by £0.178m in 2016/17.

- Cultural Services Museums overspent by £0.333m. Following the closure of 5 museums from October 2016 it is expected that the remaining 6 museums will be self-financing, including covering costs associated with collections, with the exception of Gawthorpe Hall for which there is a recurring annual budget (of £0.104m in 2016/17) to cover running costs. In 2016/17 it cost £0.437m to run the Museums after applying non-recurrent funding of £0.500m from the Transitional Reserve. Of the 5 museums which have closed it is expected that 3 of the museums will transfer to other organisations during 2017/18 and the future of 2 museums is still to be determined.
- County Libraries overspent by £0.097m which relates to the net effect of non-delivery of pre-BOP agreed savings offset by the earlier than planned delivery of BOP savings linked to the closure of 27 libraries during 2016/17 and the subsequent implementation of the LMCR restructure in February 2016/17. The outturn position also includes the agreed application of non-recurrent funding of £1.608m from the Transitional Reserve.
- Registration Service underspent by £0.275m of which £0.224m relates to over recovery of income and £0.051m relates to underspends on non-staff costs.
- Underspends of £0.333m relate to the remainder of the service which includes Archives, Conservation, Heritage and Arts, Museum School Service, and Support and Development. Of this, underspends of £0.151m relate to staff, £0.076m to non-staff costs and £0.106m to income. The forecast includes the application of non-recurrent funding of £0.487m from the Transitional Reserve.

The service reported overspends of £0.365m to Cabinet at the end of Quarter 3 compared to an underspend of £0.178m at the end of the financial year, a decrease in spend of £0.543m which relates to reduced overspends on Museums and Libraries and additional income on Registration Service

The budget for Libraries, Museums, Culture and Registrars includes approved budget savings of £5.808m in 2016/17. The outturn reflects the fact that £2.783m of savings have been achieved and £0.430m have not been achieved. Of this £2.595m is offset by the approved application of non-recurrent reserve funding from the Transitional Reserve (see below) to support the service as it transitions and works towards delivering these savings.

- Contribution of £0.500m from Transitional Reserve to cover the cost of operating 5 museums which closed on 30th September 2016.
- Contribution of £0.347m from Transitional Reserve to cover the continuation of Arts Grants to outside bodies within the Heritage and Arts Service.
- Contribution of £0.140m from the Transitional Reserve to cover staff costs within Cultural Services Support and Development.

- Contribution of £1.608m from the Transitional Reserve to fund transition costs as the County Library Service downsizes.

The outturn also includes the following planned application of non-recurrent funding to and from reserves.

- Contribution of £0.005m from the Queen St Engine Repair Fund.
- Contribution of £0.020m from the Former Adults Directorate Grant Funded Reserve to fund a Borrowbox scheme.
- Contribution of £0.060m from the Former Adults Directorate Grant Funded Reserve towards the book fund.
- Contribution of £0.001m (net) to the Lancaster City General Acquisitions Fund.
- Contribution of £0.042m to the LMCR Grant Funded reserve relating to the schools museums service

3.4.4 Public & Integrated Transport

Public and Integrated Transport overspent by £1.231m in 2016/17.

- Public Transport Initiatives overspent by £0.732m. Overspends of £0.828m relate to lower than originally estimated sales from the Todmorden Curve New Rail Scheme. Whilst demand levels (passenger numbers) appear to be in line with the ramp up period predictions, revenues are lower than expected due to discounted fares with student rather than commuter full price fares accounting for the bulk of sales. This is offset by underspends of £0.096m on Heysham Park and Ride which opened in November 2016 but for which there is a full year budget provision in 2016/17. This scheme is part of a 3 year funding agreement, and despite efforts to increase revenues it is currently anticipated that there will be an ongoing, although at a lower level, pressure in 2017/18.
- Integrated Transport Travelcare overspent by £2.427m. Savings of £2.499m were approved at Full Council in February 2016 in relation to entirely ceasing the provision of free travel to day care from September 2016. However, the service has been redesigned to continue to provide a free service by reconfiguring the transport arrangements which was expected to deliver savings of £1.170m in 2016/17 from September 2016, resulting in a partial non-delivery of savings of £0.489m. There have, however, been some issues around the transfer of sufficient passengers from taxis into Travelcare buses due to their location and with route planning which has resulted in non-delivery of a further £0.202m of savings. In addition overspends of £0.200m on staffing relates to the service using higher numbers of casual staff than assumed in the budget. Savings of £2.200m approved in previous years relate to transport for children and young people with special educational needs (SEN). Of these £0.500m of savings relating to staff cost have been achieved. Delivery of the remaining savings of £1.700m is delayed and these will not be delivered until September 2017 at the earliest. Non-recurring underspends of £0.320m relate to the impact in 2016/17 of an over accrual in 2015/16, which offsets overspends of £0.156m largely relating to additional demand on children's taxis.

- Public Transport Concessionary Travel underspent by £0.969m, due to a seasonal decline in passenger numbers and changes in eligibility criteria relating to pensionable age (increased from 60 to 65). The impact of the decline in passenger numbers has been included in the MTFs with the budget reducing by £0.998m in 2017/18.
- Public Transport School Transport underspent by £0.338m. The agreed saving of £0.282m in 2016/17 is not achievable in the way originally planned because denominational transport services cannot cease until September 2018 at the earliest. However, this has been offset by the impact in 2016/17 of an over accrual of £0.268m at the end of 2015/16, underspends of £0.082m relating to a combination of actual price inflation being less than was built into the MTFs and efficiencies resulting from merging and retendering some services, and increases in income of £0.270m due to increased demand for season tickets as a result of parents purchasing season tickets to guarantee their children can travel on services which are running close to full capacity.
- Public Transport Bus Stations, Interchanges and Information Centres underspent by £0.204m. The underspend is non-recurring and relates to Accrington Bus Station. Whilst there is a budget for Accrington Bus Station (Pennine Reach) in 2016/17, this has now been superseded by the introduction of departure fees as the service moves towards all bus stations operated or supported by the County Council becoming self-financing in order to deliver agreed savings and therefore this budget has been removed in the MTFs from 2017/18. The outturn does, however, include the use of £0.712m of Bus Service Operators Grant (BSOG) which it was not anticipated the County Council would receive in 2016/17 following the cessation of the majority of tendered network bus services, to cover the in-year shortfall arising from the phased introduction of departure fees at bus stations over a 2 year period from 2016/17.
- Community transport and tendered network bus services underspent by £0.256m, which relates to contracts with bus operators and vehicle costs.
- Other underspends of £0.162m relate to a number of other areas including Fleet Services.

The service reported overspends of £0.133m to Cabinet at the end of Quarter 3 compared to an overspend of £1.231m at the end of the financial year, an increase in overspends of £1.098m which largely relates to a review of regulations and clarification of expenditure that could be charged to schools.

The budget for Public and Integrated Transport includes approved budget savings of £15.133m in 2016/17, and the outturn reflects the fact it is not anticipated that all savings have been made in year (as detailed above) and some savings are offset by the application of non-recurrent reserve funding of £0.836m from the Transitional Reserve in 2016/17 (see below) to support the service as it transitions and works towards delivering these savings.

The outturn includes the following planned application of non-recurrent funding from reserves.

- Contribution of £0.836m from the Transitional Reserve to fund the cost of transport to day centres.
- Contribution of £0.352m from the Transitional Reserve to cover the travel costs for young people not in education, employment or training (NEET).
- Contribution of £0.100m from the Transitional Reserve to cover the naval architect fees employed to carry out a feasibility study on and valuation of the Knott End Ferry and revenue costs in 2016/17
- Contribution of £0.852m of Bus Service Operators Grant (BSOG) to transport reserves to be used to fund shortfalls in 2017/18 arising from the phased introduction of departure charges at bus stations.
- Contribution of £0.371m from DfT to transport reserves to be used by the Lancashire Community Transport consortium.

3.4.5 Waste Management

Waste management overspent by £2.124m in 2016/17.

Overspends relate to a number of pressures which have previously been highlighted by the Waste Management Service and reported to Cabinet:

- Overspends of £2.952m relate assumptions in the MTFS that have not materialised. A significant element of this related to waste arisings which were 3% per annum compared to a budgeted increase of 1% per annum.
- The one-off cost of landfilling residues from emptying of the composting halls following cessation of processing activities (as required to deliver agreed savings) is £0.784m in 2016/17.
- An overspend due to contract termination costs relating to equipment leases of £0.220m were incurred in order to deliver budgeted savings.
- Additional overspends totalling £1.315m relate to a number of other items across the service including the high cost of insurance premiums at the waste recovery parks.

Steps have been taken where possible to reduce the above pressures and resulting underspends include the following:

- Underspends of £1.125m relate to the operating and lifecycle costs of the waste recovery parks.
- Underspends of £1.656m have resulted from diverting waste from landfill to alternative treatment facilities.
- Underspends of £0.366m relate to green waste such as garden waste composting where work with district councils to remove food waste from garden waste collections has been completed allowing in year reductions in gate prices.

The service reported overspends of £3.854m to Cabinet at the end of Quarter 3 compared to an overspend of £2.124m at the end of the financial year, a decrease in overspends of £1.730m. This relates to underspends at the waste recovery parks and a reduction in forecast increases in waste arisings which were previously forecast to increase by 5% per annum.

The budget for Waste Management includes approved budget savings of £20.337m in 2016/17, and the outturn reflects the fact that some savings are offset by the approved application of non-recurrent funding of £10.258m from the Transitional Reserve to cover the costs of payments to District Councils under cost sharing arrangements and £7.750m also from the Transitional Reserve to cover transition costs associated with the transformation of the waste company.

The outturn also includes the application of non-recurrent reserves funding of £1.138m from the Waste Plant Rectification Reserve (this is a reserve which holds Blackpool Council funds and is not a LCC reserve) to cover part of Blackpool Council's contribution to waste costs, and a transfer to reserves of £0.396m to fund Blackpool's share of Waste capital expenditure.

3.5 Operations and Delivery – Public Health and Wellbeing Services

Ref	HEAD OF SERVICE	Approved Budget £m	2016/17 Outturn £m	Budget / Outturn Variance £m	Outturn Variance %	Q3 Cabinet Forecast Variance £m
3.5.1	PUBLIC HEALTH & WELLBEING	-73.426	-71.554	1.872	3%	1.813
3.5.2	PATIENT SAFETY & QUALITY IMPROVEMENT	4.832	4.102	-0.730	-15%	-0.240
3.5.3	HEALTH EQUITY WELFARE & PARTNERSHIPS	70.636	67.293	-3.343	-5%	0.000
3.5.4	WELLBEING PREVENTION & EARLY HELP	22.642	20.825	-1.817	-8%	-1.385
3.5.5	EMERGENCY PLANNING & RESILIENCE	1.224	0.572	-0.652	-53%	-0.389
3.5.6	TRADING STANDARDS & SCIENTIFIC SERVICES	2.951	3.423	0.471	16%	0.208
	TOTAL – PUBLIC HEALTH	28.860	24.661	-4.199	-15%	0.007

The total net revised budget for Public Health & Wellbeing Services in 2016/17 is £28.860m. The service has underspent overall by £4.199m. The outturn position has improved by £4.206m against the value reported to Cabinet in Quarter 3.

3.5.1 Public Health & Wellbeing

The overspend of £1.872m is largely due to a reduction in the Public Health Grant amounting to £1.925m. Further grant reductions continue into 2017/18 and have been highlighted and adjusted for within the revised Medium Term Financial Strategy (MTFS).

3.5.2 Patient Safety & Quality Improvement

The outturn position for the service is an underspend of £0.730m. This is mainly due to the delayed restructure of the service resulting in staffing underspends along with the ceasing of contributions to the Lancashire Workforce Development Partnership.

The forecast underspend reported to Cabinet in Quarter 3 has increased by £0.490m, mainly due to an increase in staffing underspend and the release of the commitment for the workforce development programme.

The budget for Patient Safety & Quality Improvement includes approved budget savings of £0.788m in 2016/17 which have been delivered through contract reductions and staff restructuring.

The outturn includes the following planned application of non-recurrent funding:

- Contribution of £0.156m from the Public Health Reserve in relation to the Steady On falls prevention strategy.
- Contribution of £0.297m from the Health Reserve in relation to building resilience.
- Contribution of £0.171m from the Health Reserve utilising the Section 256 monies on agreed activities.

3.5.3 Health Equity, Welfare & Partnerships

The overall underspend for this service is £3.343m.

- Behavioural Change has underspent by £1.575m. There has been a delay in the substance misuse saving strategy causing an in year pressure of £1.000m which has been offset by an underspend of £0.273m on Substance Misuse and Alcohol Rehabilitation packages and associated staff cost and an underspend of £1.057m on Sexual Health contracts. In addition there are further underspends on tariff based contracts, £0.375m on the Nicotine Replacement Treatment contract, £0.372m on the Inpatient Detox service, £0.049m on Suicide Prevention and £0.449m on the Integrated Wellbeing Service (the majority of which is as a result of a one off refund relating to 2015/16).
- Public Health Services have underspent by £0.554m, mainly due to Health Checks tariff based contracts underspending by £0.344m and the Healthy Lifestyles contracts, underspending by £0.375m. These underspends are offset by the additional pressure of a delay in ceasing the Homestart contract £0.165m earmarked to end March 2016 as part of the agreed savings (Budget Option (BOP) 48)
- Within Asset Based Development, the Prevention and Early Help Fund has underspent by £1.308m.
- There are additional underspends on Safer Travel of £0.128m and Public Health-General includes an underspend of £0.110m for office space rental no longer required.
- The service has an overall staffing underspend of £0.360m.
- Within the outturn position there is additional spend of £0.566m related to Neighbourhood Wellbeing Initiatives and £0.127m relating to other Public Health initiatives which had been planned to be supported by reserves in year however

as overall the service has an underspend there is no need to draw down this funding.

At outturn the service has seen its underspend increase by £3.343m since Quarter 3 due to efficiencies within the Public Health contracts and Prevention and Early Help fund.

In addition there has been a significant budget realignment of £61.237m that has taken place between Health Equity, Welfare & Partnerships and Wellbeing Prevention and Early Help in agreement with the relevant Head of Service in this time period due to the change of budget responsibilities for Public Health services as a result of the recent restructure implementation. This should be noted when comparing previously reported variances reported to Cabinet as £0.654m of the £1.385m underspend previously reported under Wellbeing Prevention and Early Help now sits under Health Equity, Welfare & Partnerships.

The budget for Health Equity, Welfare & Partnerships includes approved budget savings of £7.785m in 2016/17 which have been delivered.

The outturn includes the following application of non-recurrent funding.

- Contribution of £0.832m from reserves in relation to the Domestic Abuse strategy to continue this service up to the end of March 2017. This is part funded from the Crime and Disorder reserve £0.714m and part funded from the Transitional reserve £0.118m.
- Contribution of £1.000m to the Transitional reserve in relation to the Prevention & Early Help Fund to facilitate services for care leavers and young people who are homeless into 2017/18 from the underspend of this £3.000m fund in 2016/17.

3.5.4 Wellbeing, Prevention & Early Help

An overall outturn for the service is an underspend of £1.817m.

- The Public Health Combined Offer budget had an underspend in 2015/16 that has continued into 2016/17. As the restructure takes shape staff turnover has increased meaning there is no requirement to fund the service from reserves in its transition year and the service has an outturn underspend of £2.506m on staff vacancies predominantly within the Children Centres and Young Peoples services. This level of underspend in staffing has meant the service is currently struggling to achieve its aims and objectives. In addition, the services have underspent by £0.658m on site running costs and operational spend as a result of a reduction in non-essential spending.
- Within the outturn is additional spend of £0.111m related to the Young Peoples Service which had been planned to be met by reserves in year but as there is an overall underspend, there has been no need to draw down on this.
- Troubled Families outturn position is £1.236m overspend due to a revised income budget based on 2833 attachment numbers and 1320 payments by results. In terms of LCC's performance in year, the national Troubled Families

programme attachment numbers were achieved, however, the payment by results target has not been met in year resulting in an income shortfall of £0.736m. This was due to changes to the requirements and staff shortages. The remaining underachievement of income relates to a transfer to reserves of £0.500m relating to the Service Transformation Grant (STG).

The underspend has increased by £0.432m since Quarter 3 which relates to additional staffing vacancies.

In addition there has been a significant budget realignment of £61.237m has taken place between Health Equity, Welfare & Partnerships and Wellbeing Prevention and Early Help in agreement with the relevant Head of Service due to the change of budget responsibilities for Public Health services as a result of the recent restructure implementation. This should be noted when comparing previously reported variances reported to Cabinet as £0.654m of the £1.385m underspend previously reported under Wellbeing Prevention and Early Help now sits under Health Equity, Welfare & Partnerships.

The budget for Wellbeing, Prevention & Early Help includes budget reductions of £4.755m in 2016/17 but offsetting these savings is an approved drawdown from the Transitional Reserve of £4.755m. However due to early delivery of some of the savings and the large number of staff vacancies the service holds the drawn down from the transitional reserve to support the Wellbeing & Prevention Service Offer has not been needed.

The outturn includes the following planned application of non-recurrent funding amounting to £0.325m.

- Contribution of £0.175m from the Working Together With Families Reserve for planned workforce development and transition work.
- Contribution of £0.500m to the CYP DFM Reserve in respect of the troubled families unit to fund the unit's staff costs going forward.

The planned use of £0.170m for work force development has not been drawn down in 2016/17 but is planned to be utilised in 2017/18.

3.5.5 Emergency Planning & Resilience

An underspend of £0.652m is the outturn position for the service.

This is due to the over-delivery of income against current targets for Health & Safety work of £0.459m. This income stream has been explored further as part of the service's zero based budget review to ensure the fees and budget are set at a sustainable level going forward. In addition, the service has underspent on staffing by £0.193m.

The forecast underspend reported to Cabinet at Quarter 3 has increased by £0.263m as a result of more Schools purchasing the Health & Safety services and staffing under spends only being realised in Quarter 4.

The budget for Emergency Planning & Resilience includes approved budget savings of £0.088m as part of the Health and Safety traded service which have been delivered.

The outturn includes the following planned contribution to reserves of £0.137m in relation to DEFRA grant monies.

3.5.6 Trading Standards & Scientific Services

The service has an outturn overspend of £0.471m.

The variance is predominantly as a result of a shortfall on income levels for Scientific Services:

- Reduction on FSA Foods grant, a £0.085m, in addition to unrealised income of £0.018m.
- The transfer of the asbestos function from Design & Construction to Scientific Services created a pressure on the budget of £0.115m
- Shortfall in income £0.239m, of which £0.137m is un-invoiced income for Asbestos work.
- Increased rates at the Laboratory have resulted in an additional pressure of £0.014m.

The forecast overspend reported to Cabinet at Quarter 3 has increased by £0.263m by the end of the year, mainly due to the shortfall on income levels for Scientific Services.

The budget for Trading Standards & Scientific Services includes approved budget savings of £0.363m to be achieved as part of the current restructure.

The outturn includes the following planned application of non-recurrent funding amounting to £0.061m.

- Contribution of £0.055m from equipment renewal reserve for the purchase of food testing/analysis equipment for Scientific Services.
- Contribution of £0.051m from improved outcomes reserve reinvesting crime proceeds into local crime reduction initiatives delivered via the service.
- Contribution of £0.045m to proceeds of crime reserve reinvesting crime proceeds money into asset recovery work to drive up performance and to fund local crime fighting priorities for the benefit of the community delivered via the service.

3.6 Development and Corporate Services

Ref	HEAD OF SERVICE	Approved Budget £m	2016/17 Outturn £m	Budget / Outturn Variance £m	Outturn Variance %	Q3 Cabinet Forecast Variance £m
3.6.1	LANCASHIRE ADULT LEARNING	-0.075	-0.090	-0.015	-20%	-0.030
3.6.2	CORE BUSINESS SYSTEMS TRANSFORMATION	24.273	22.350	-1.923	-8%	-0.209
3.6.3	FACILITIES MGT	5.625	5.466	-0.159	-3%	0.422
3.6.4	HUMAN RESOURCES	1.035	0.518	-0.517	-50%	-0.110
3.6.5	ECONOMIC DEVELOPMENT	0.190	0.174	-0.016	-9%	0.000
3.6.6	BUSINESS GROWTH	0.080	0.085	0.005	7%	0.000
3.6.7	LEP COORDINATION	0.000	0.124	0.124	N/A	0.064
3.6.8	STRATEGIC ECONOMIC DEVELOPMENT	0.235	0.144	-0.091	-39%	-0.155
3.6.9	DESIGN and CONSTRUCTION	-2.019	-0.868	1.151	57%	0.068
3.6.10	ESTATES	1.552	1.406	-0.146	-9%	0.000
3.6.11	PLANNING AND ENVIRONMENT	1.459	1.487	0.028	2%	-0.270
3.6.12	PROGRAMME OFFICE	-0.073	0.520	0.593	812%	0.000
3.6.13	SKILLS LEARNING & DEVELOPMENT	3.292	2.945	-0.347	-11%	0.055
	TOTAL - DEVELOPMENT AND CORPORATE	35.574	34.261	-1.313	-4%	-0.166

The total net revised budget for Development and Corporate Services in 2016/17 is £35.574m. The services have achieved an underspend of £1.313m which is an improved position by £1.147m compared to the position reported to Cabinet at Quarter 3.

3.6.1 Lancashire Adult Learning

There is no significant variance from budget for Lancashire Adult Learning in 2016/17 and there is no significant change from the forecast reported to Cabinet at the end of Quarter 3.

The forecast includes the planned application of non-recurrent funding of £0.030m from the Lancashire Adult Learning Reserve to cover the cost of back dated pay awards for lecturer staff, £0.007 to cover the costs of Skills Funding Agency Grant clawback for ESF Programmes from 2007 to 2013 and £0.005m for costs relating to projects dating back to 2014/15.

3.6.2 Core Business Systems/Transformation

Core Systems has underspent by £1.923m in 2016/17.

- Underspends of £0.271m relates to underspends on staffing as the service have been carrying significant numbers of vacancies throughout the year.

- ICT Services underspent by £0.600m. Of this £0.860m relates to core system (asset management project) ongoing support costs which are less than budgeted as a result of a combination of delays in implementing the asset management system, reduced implementation costs and the capitalisation of some costs for which revenue provision was made. Of this it is estimated that underspends of approx. £0.200m are likely to be recurring. Further underspends of £0.050m relating to VRs are also recurring and represent partial early delivery of approved savings of £2m in 2017/18. Overspends of approx. £0.310m as a result of under recovery of income in respect of printing and mail income are offset by underspends on service budgets across the authority.
- Payroll Services underspent by £0.109m which predominantly relates to reduced numbers of DBS checks in 2016/17 which also represents early delivery of 2017/18 savings.
- Underspends of £0.290m relate to a rebate for mobile phone costs following the renegotiation of the mobile phone contract in 2015/16.
- Underspends of £0.653m relate to a number of non-recurring items including the impact of a net over-accrual in 2015/16 and the recovery of charges in 2016/17 relating to 2015/16.

The budget for Core Business Systems/Transformation includes approved budget savings of £0.592m. The forecast reflects the achievement of savings and whilst £0.175m of non-recurrent funding from the Transitional Reserve in 2016/17 was approved, in year underspends have meant that this was not required.

3.6.3 Facilities Management

Facilities Management underspent by £0.159m in 2016/17 which is an improved position of £0.581m compared to what was reported to Cabinet at Quarter 3.

- Overspends of £0.325m relate to staff and civic catering which are largely due to non-delivery of 2015/16 savings and non-delivery of 2015/16 and 2016/17 savings on Reflections. The financial position of both Woodlands and Reflections will need to be considered as part of the combined conferencing and catering service at County Hall when Woodlands closes in 2017/18
- Overspends of £0.405m relate to delays in delivering savings as a result of the impact of the property strategy and a number of properties transferred to Facilities Management for which there is insufficient budget.
- Overspends of £0.077m relate to the non-delivery of savings and changes to the opening hours of County Hall which will not now go ahead.
- Underspends of £0.422m relating to electricity costs in County Buildings.
- Underspend of £0.115m relate to staff costs.
- Underspend of £0.429m relation to a revenue contribution to capital that has now been reversed out and the expenditure funded from borrowing instead.

The service reported overspends of £0.422m to Cabinet at the end of Quarter 3 compared to an underspend of £0.159m at the end of the financial year, an improvement of £0.581m which mainly relates to reversed out revenue contribution to capital to fund

resurfacing work of car park ahead of the new conferencing facility opening at County Hall.

The budget for Facilities Management includes approved budget savings of £0.286m and progress against those savings is referred to above.

3.6.4 Human Resources

Human Resources is underspent by £0.517m in 2016/17 which was an increased underspend of £0.407m compared to the previous position reported to Cabinet in Quarter 3.

The underspend position is predominantly as a result of the over recovery of income following the transition to operating on a traded basis during 2015/16 with other underspends achieved across staffing and other expenditure budgets.

The improved position from Quarter 3 is due to additional income and further underspends in staff and other expenditure budgets.

The budget for Human Resources includes approved budget savings of £0.289m with agreed non-recurrent funding from the Transitional Reserve of the same value in 2016/17, this has been fully drawn down.

3.6.5 Economic Development

3.6.6 Business Growth

3.6.7 LEP Coordination

3.6.8 Strategic Economic Development

Economic Development (covering all of the above services) overspent by £0.022m in 2016/17.

Economic Development includes approved budget savings of £0.650m offset by an application of funding from the Transitional Reserve.

The outturn also includes the following application of non-recurrent funding to and from reserves.

- Contribution of £0.618m from the CYP Reserve drawn down as the funds were moved into a reserve in 2015/16 in error.
- Contribution of £0.660m from the Strategic Investment Reserve relating to the BOOST project for Strategic Economic Development and Infrastructure. This is match funding a DCLG contribution to the project.
- Contribution of £0.016m from the Transitional Reserve for to the Schools Advisory Network. This is match funding a contribution from the Careers and Enterprise Company.
- Contribution of £0.137m from the Growing Places Reserve to fund a Growing Places loan.
- Contribution of £0.310m of unspent LEP funds transferred into the LEP Reserve.
- Contribution of £0.400m of LCDL income transferred into the Transitional Reserve.

3.6.9 Design and Construction

Design and Construction has under recovered compared to budget by £1.151m in 2016/17.

During 2016/17 the implementation of the new project management system (PPMS) has encountered some early implementation problems that have created some difficulties within the service including recording time against projects, claiming fees and accurately forecasting the financial position throughout the year. The system issues are currently being addressed to avoid similar difficulties in 2017/18. The outturn position is summarised below:

- Under recovery of income of £0.802m relating to highways work. There has been an under recovery relating to the savings project which has only achieved £0.097m of the budgeted savings of £0.220m due to delays in recruiting additional staff who would recover income for the projects they work on, this has been previously reported as part of the regular savings project monitoring. This saving should however be fully delivered in 2017/18.
- Under recovery of income of £0.349m on property related work. The recovery of fees for property projects is reliant on projects reaching a series of milestones, at which point payments are due. Changes to start dates for a number of projects resulted in projects not achieving milestones within the financial year, resulting in less fees being claimed. There has also been a reduction in the work carried out for schools under the PROp planned scheme. This work is commissioned by schools.

The forecast includes the application of non-recurrent reserves funding of £6.210m from the Schools Prop Reserve to cover the cost of schools repairs and maintenance and also a transfer of £6.401m to the Schools Prop Reserve for future repairs.

3.6.10 Estates

Estates underspent by £0.146m in 2016/17 which is an improved position of £0.146m as no variance from budget was reported at the end of Quarter 3.

The movement in outturn compared to the previous forecast relates to additional income that was identified as part of the zero based budget review for 2017/18 being partly received in 2016/17.

The forecast reflects the achievement of approved budget savings of £0.067m in 2016/17.

3.6.11 Planning and Environment

The Planning and Environment service overspent by £0.028m in 2016/17.

The budget for Planning and Environment includes approved budget savings of £1.016m and the outturn reflects the approved application of non-recurrent funding of £0.305m from the Transitional Reserve to cover the cost of the phased reduction in countryside services.

The forecast also includes the application of non-recurrent funding of £0.010m from the Waste General Reserve to recompense Farington residents for odour issues and a transfer to planning reserves of £0.020m from DCLG in relation to work relating to Shale Gas.

3.6.12 Programme Office

The Programme Office has overspent by £0.593m in 2016/17. The service aims to operate with a model of staff recovering income for the project work they complete, however during 2016/17 several staff have completed work that does not generate income therefore resulting in an overspend. The budget includes savings of £2.590m with the application of non-recurrent reserves funding of £0.831m from the Transitional Reserve to cover staff costs as agreed.

3.6.13 Skills, Learning and Development

Skills, Learning and Development underspent by £0.347m in 2016/17.

- Underspend of £0.312m relates to staff costs.
- Underspend of £0.035m relates to the remainder of the service including operational training budgets.

The budget for Skills, Learning and Development includes approved budget savings of £0.646m in 2016/17. Whilst £1.013m of non-recurrent funding from the Transitional Reserve in 2016/17 was approved, in year underspends and early delivery of savings has meant that this will not be required in 2016/17.

The outturn represents an improved position from the forecast reported to Cabinet at the end of Quarter 3 as no significant variance to budget was forecast at that time.

The forecast includes the following planned application of non-recurrent funding from reserves.

- Contribution of £0.287m from the Strategic Investment Reserve to cover the costs of the Ex Service Personnel Mentoring in Schools.
- Contribution of £0.304m from the Strategic Investment Reserves to cover the costs of promoting sustainable employment for young people.
- Contribution of £0.052m from the Former Adults Directorate Grant Funded Reserve relating to North Lancashire Carers.
- Contribution of £0.177m from the Transitional Reserve to cover the cost of approved apprentices and graduates programme.
- Contribution of £0.379m from the Former CYP DFM reserve relating to young people not in Education, Employment or Training (NEET)

3.7 Commissioning Services

Ref	HEAD OF SERVICE	Approved Budget £m	2016/17 Outturn £m	Budget / Outturn Variance £m	Outturn Variance %	Q3 Cabinet Forecast Variance £m
3.7.1	ASSET MGT	15.729	12.150	-3.579	-23%	-0.995
3.7.2	POLICY INFO & COMMISSION AGE WELL	0.528	0.530	0.002	0%	-0.001
3.7.3	POLICY INFO & COMMISSION LIVE WELL	0.513	0.553	0.040	8%	-0.002
3.7.4	POLICY INFO & COMMISSION START WELL	0.432	0.400	-0.032	-7%	0.030
3.7.5	PROCUREMENT	1.271	1.672	0.401	32%	-0.001
3.7.6	BUSINESS INTELLIGENCE	0.809	0.851	0.042	5%	0.001
3.7.7	EXCHEQUER SERVICES	2.643	2.461	-0.182	-7%	-0.404
3.7.8	FINANCIAL MGT (DEVELOPMENT AND SCHOOLS)	0.424	0.091	-0.333	-79%	-0.217
3.7.9	FINANCIAL MGT (OPERATIONAL)	1.572	1.080	-0.492	-31%	-0.219
3.7.10	OFFICE OF THE POLICE AND CRIME COMMISSIONER	-0.015	-0.010	0.005	33%	0.000
3.7.11	CORPORATE FINANCE	6.374	6.650	0.276	4%	0.000
3.7.12	CORONER'S SERVICE	2.472	2.514	0.042	2%	0.242
3.7.13	INTERNAL AUDIT	0.623	0.556	-0.067	-11%	-0.031
3.7.14	LEGAL AND DEMOCRATIC SERVICES	13.274	12.644	-0.630	-5%	-0.497
	TOTAL - COMMISSIONING	46.649	42.142	-4.507	-10%	-2.093

The total net revised budget for Commissioning Services in 2016/17 is £46.649m with the service achieving a £4.507m underspend in 2016/17. This is an improved position by £2.414m compared to the monitoring position reported to Cabinet at the end of Quarter 3, mainly due to an increased underspend in Asset Management.

3.7.3 Asset Management

Asset Management underspent by £3.579m in 2016/17.

- Underspends of £1.288m relate to street lighting energy as a result of significant investment (c£5m) in LED energy efficient lanterns. In addition the MTFS included price and volume increases within the street lighting budget which have not materialised.
- Underspends of £0.379m relate to the Asset Management of Properties including Building Schools for the Future (BSF). This is partly due to some capital funding being available to cover some expenditure and to a review of the demands which has highlighted a recurring underspend.
- Underspends of £0.294m relate to highways expenditure where a review of demands has highlighted a recurring underspend.
- Underspends of £1.289m relate to repairs and maintenance spend due to delays in work being undertaken particularly on the County Hall complex. Also issues

around the new system and how commitments have been accounted for has led to lower levels of work being undertaken due to outstanding commitments still showing when work has been finalised and paid for.

- Underspend of £0.329m relating to a revenue contribution to capital that has now been reversed and the expenditure funded from borrowing instead.

The underspend on BSF and highways are expected to be recurrent underspends and will be considered as part of the MTFS presented to Cabinet at Quarter 1 in 2017/18.

The Asset Management Service reported underspends of £0.995m to Cabinet at the end of Quarter 3 compared to an underspend of £3.579m at the end of the financial year, an increase in underspend of £2.584m which relates mainly to an increased underspend on street lighting energy, a revenue contribution to capital that has been reversed in addition to other smaller underspends detailed above which were not identified in Quarter 3.

The budget for Asset Management includes approved budget savings of £0.391m in 2016/17 which is offset by the application of non-recurrent reserve funding of £0.341m from the Transitional Reserve. Whilst use of £0.341m was originally approved, vacancies and early delivery of savings has meant that this will not be required in 2016/17.

The forecast includes a contribution from the Schools Private Finance Initiative (PFI) Reserves of £0.090m and a contribution to the PFI BSF Reserve of £2.260m to fund BSF PFI costs over the life of the PFI contracts.

3.7.2 Policy, Information and Commissioning Age Well

3.7.3 Policy, Information and Commissioning Live Well

3.7.4 Policy, Information and Commissioning Start Well

There was not a significant variance from budget for the Policy, Information and Commissioning Teams for Start Well, Live Well and Age Well in 2016/17 and there is no significant change compared to the forecast reported to Cabinet at the end of Quarter 3.

The budget for Policy, Information and Commissioning includes approved budget savings of £1.337m in 2016/17 which is offset by the application of non-recurrent reserve funding of £0.657m from the Transitional Reserve. Whilst use of £1.337m was originally approved, vacancies and early delivery of savings has meant that only £0.657m was required.

3.7.5 Procurement

The service has overspent by £0.401m in 2016/17 due to an underachievement of income. This is a movement of £0.402m compared to the variance reported to Cabinet at the end of Quarter 3 mainly due to pressures that have emerged surrounding the deliverability of income budgets held within the service.

The budget for Procurement includes approved budget savings of £0.416m in 2016/17, which is offset by the application of non-recurrent reserves funding of £0.365m from the

Transitional Reserve, although £0.416m was approved the full amount is not required due to early delivery of savings.

3.7.6 Business Intelligence

The service has overspent by £0.042m in 2016/17 and is not a significant change to the forecast reported to Cabinet at the end of Quarter 3.

The budget for Business Intelligence includes approved budget savings of £0.555m in 2016/17, which is offset by the application of non-recurrent reserves funding of £0.298m from the Transitional Reserve. Whilst use of £0.472m was originally approved, vacancies and early delivery of savings has meant that only £0.298m has been required in 2016/17.

3.7.7 Exchequer Services

3.7.8 Financial Management (Development and Schools)

3.7.9 Financial Management (Operational)

3.7.10 Office of the Police and Crime Commissioner Treasurer

3.7.11 Corporate Finance

Financial Resources (covering all of the above services) underspent by £0.726m in 2016/17, which relates to mainly to staff vacancies. There is no significant change to the forecast reported to Cabinet at the end of Quarter 3.

3.7.12 Coroners

Coroner's service overspent by £0.042m in 2016/17 which relates to SLA's with other Local Authorities, various fees for services provided (toxicology, pathology, mortuary fees, etc.) as a result of demand led pressures and coroner related staff costs.

The change from forecast reported in Quarter 3 is a £0.200m improvement, due to a reduction in expected charges.

3.7.13 Internal Audit

The service has achieved an underspend of £0.067m in 2016/17 which is not a significant change from the forecast provided to Cabinet in Quarter 3. The underspend is largely due to staff vacancies during the year.

3.7.14 Legal and Democratic Services

Legal and Democratic Services has underspent by £0.630m in 2016/17 which is a £0.133m improvement since Quarter 3 reporting.

- Members & Members Grants has underspent by £0.078m, mainly due to historically underused £0.065m official visitor's budget. The worsening position since Quarter 3 is mainly as a result of the transfer of a range of Members' related underspends into reserves as a contingency for the set-up costs of new members following the May elections.
- Legal & Democratic Management and Legal Services is underspent by £0.406m which is as a result of staff vacancies.

- Democratic Services is underspent by £0.146m mainly due to staffing vacancies.

3.8 Chief Executive Services

Ref	HEAD OF SERVICE	Approved Budget £m	2016/17 Outturn £m	Budget / Outturn Variance £m	Outturn Variance %	Q3 Cabinet Forecast Variance £m
3.8.1	CHIEF EXECUTIVE SERVICES	0.553	-1.661	-2.214	-400%	-1.120
3.8.2	SERVICE COMMUNICATIONS	0.791	0.632	-0.159	-20%	0.018
3.8.3	LARGE SPECIFIC GRANTS TO SUPPORT THE AUTHORITY	-14.589	-14.554	0.035	0%	0.000
3.8.4	NON SERVICE ISSUES CORPORATE BUDGETS	43.848	16.407	-27.440	-63%	-29.911
	TOTAL - CHIEF EXECUTIVE	30.603	0.824	-29.779	-97%	-31.013

Chief Executive Services has underspent by £29.779m which is a reduction of £1.234m compared to budget monitoring reported at the end of Quarter 3.

The budget includes approved budget savings of £0.065m which has reduced the former contingencies budget to nil and is therefore not shown in the table above.

3.8.1 Chief Executive Services

Chief Executive Services underspent by £2.214m in 2016/17.

- An underspend of £0.996m relates to a surplus on staff budgets across the authority that were identified when an exercise was done to move to budgeting for actual staff in post and only including vacancies that there was approval to recruit.
- Underspend of £1.218m as a result of a balance sheet review.

The service reported underspends of £1.120m to Cabinet at the end of Quarter 3 compared to an underspend of £2.214m at the end of the financial year, an increase in underspends of £1.094m which largely relates to the balance sheet review.

The budget for Chief Executive includes approved budget savings of £0.930m in 2016/17, which is offset by the approved application of non-recurrent reserves funding of £0.930m from the Transitional Reserve to cover staff costs (specifically Executive Directors, Directors and Executive Support).

3.8.2 Service Communications

The Service Communications budget has achieved an underspend of £0.159m in 2016/17 which is an improved position of £0.177m compared to the forecast reported to Cabinet at the end of Quarter 3. This is as a result of staff vacancies and increased income.

The budget for Service Communications includes approved budget savings of £0.829m in 2016/17, which is offset by the approved application of non-recurrent reserves funding of £0.542m from the Transitional Reserve. Whilst use of £0.760m was originally approved, early delivery of savings has meant that only £0.542m was required in 2016/17.

3.8.4 Non Service Issues Corporate Budgets

Non Service Issues Corporate Budgets has underspent by £27.440m in 2016/17 which is a reduction of £2.471m compared to what was reported at the end of Quarter 3.

- The inherited liabilities provision and centralised employers liability has underspent by £1.019m which is 3.2% of the total budget.
- The Strategic budget has underspent by £2.918m. Of this £1.295m relates to borrowing for the annual contribution to the City Deal rather than charging this amount to the revenue budget. This was identified as part of the zero based budget review in 2017/18 but has also been completed in 2016/17. The remainder of £1.623m relates to uncommitted budget that there has been no call on in 2016/17.
- Projects has overspent by £0.111m relating to school closure costs for which there is no budget. Budget of £0.060m has been added in the MTFS from 2017/18.
- Subscriptions has underspent by £0.189m partly due to a payment of £0.106m relating to 2016/17 which was paid in 2015/16 in error. This underspend is therefore non recurrent.
- Treasury Management has underspent by £23.425m. Of this £1.940m relates to interest payable being lower than budgeted and the level of borrowings (net of shared investment scheme) reducing along with more favourable interest rates which has thereby reduced interest payable. A further £21.561m relates to a surplus on interest receivable largely due to gains incurred for the sale of core bonds and the volatility of markets since BREXIT, offsetting the reduction in interest receivable on sold bonds which was reflected in the budget. The ability to make a surplus on the sale of bonds generally arises as bond prices rise in reaction to economic uncertainty and monetary policy. These are slightly offset by a deficit of £0.076m relating to Minimum Revenue Provision (MRP) resulting from changes in the 2016/17 capital programmes.

The impact of external events can be shown by the weekly gains with some £15m of the gains coming in just three weeks as follows.

- Some £9.2m of the gains arose in 2 weeks in early August. This followed the Bank of England announcing a package of measures to stimulate the economy based on concerns around the impact on the economy of BREXIT. These measures include the purchase of UK corporate and government bonds thereby increasing the price of GILTS in particular.

- A further £5.5m was generated in early October when markets reacted to Government announcements on the BREXIT timetable and the potential of a so called hard exit which may involve not having free access to trade.

The forecast only includes those gains actually realised. This is a prudent approach because there is no guarantee that market movement will provide the opportunity for future gains. It must also be taken into account that there is actually a potential for some loss. Although the level of investments are kept within approved levels there is a possibility that some of them will need to be sold for liquidity purposes. If this was to be the case then any gain or loss generated would be dependent upon the market at the time of sale.

The gains achieved in recent years may indicate that the budget should include an additional estimated level of gain. However, in addition to the difficulty in predicting future market conditions there are a couple of other factors which need to be considered. Firstly, the ability for the County Council to have an investment portfolio is based on holding reserves and other cash backed accounts on the Balance Sheet. It has been well documented that it is estimated that the County Council is anticipating a significant reduction in these balances over the next two years. The Investment Strategy will need to be altered to meet the changes and it is reasonable to assume that the investment portfolio will then be much smaller. This significantly reduces the ability to generate gains

Across all Chief Executive Services underspends of £31.013m were reported to Cabinet at the end of Quarter 3 compared to an underspend of £29.777m at the end of the financial year, a decrease in underspends of £1.236m which largely relates to a reduced underspend within Treasury Management.

The outturn includes the application of non-recurrent reserve funding of £18.286m from the Transitional Reserve and relates to the agreed application of funds to support the shortfall in the County Council's revenue budget. This forecast also includes an agreed contribution from capital receipts of £5.000m under new flexibilities to support the revenue budget.

3.9 Areas outside Cash-Limit Revenue Budgets

3.9.1 Additional One-Off Income

During the year additional net income of £4.898m was received from Central Government, council tax and business rates payments. This consists of:

- £7.037m additional Council Tax Collection Fund surplus 2015/16.
- £0.195m additional New Homes Bonus grant.
- £2.334m deficit in the Business Rates Collection Fund 2015/16.

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

3.9.2 Schools Spending

This report sets out the year end position of schools' delegated budgets at 31 March 2017.

The final outturn position against schools delegated budgets at 31 March 2017 is an overspend of £8.432m. This means that school balances have decreased by £8.432m in 2016/17, to a total of £45.281m. The tables below show analysis of school balances by phase at the end of the financial year 2016/17.

2016/17 School Balances - In-Year Movement of Balances by Phase

Phase	Opening Balance 1/04/16 £m	In Year Movement 16/17 £m	Closing Balance 31/03/17 £m
Nursery	0.847	-0.047	0.800
Primary	36.874	-2.871	34.003
Secondary	10.580	-5.461	5.119
Special	4.490	0.312	4.802
Short Stay	0.922	-0.365	0.557
Total	53.713	-8.432	45.281

The outturn position reveals that school balances have decreased by 16% at 31 March 2017, which is largest single year reduction on record, and reflects the increasing financial pressure on school budgets. Balances reduced across all phases, with the exception of special schools.

2016/17 School Balances –In-Year Movement Count of Schools by Phase

Phase	Count of deficit in year	Count of surplus in year
Nursery	13	11
Primary	293	181
Secondary	47	15
Special	9	19
Short Stay	6	3
Total	368	229

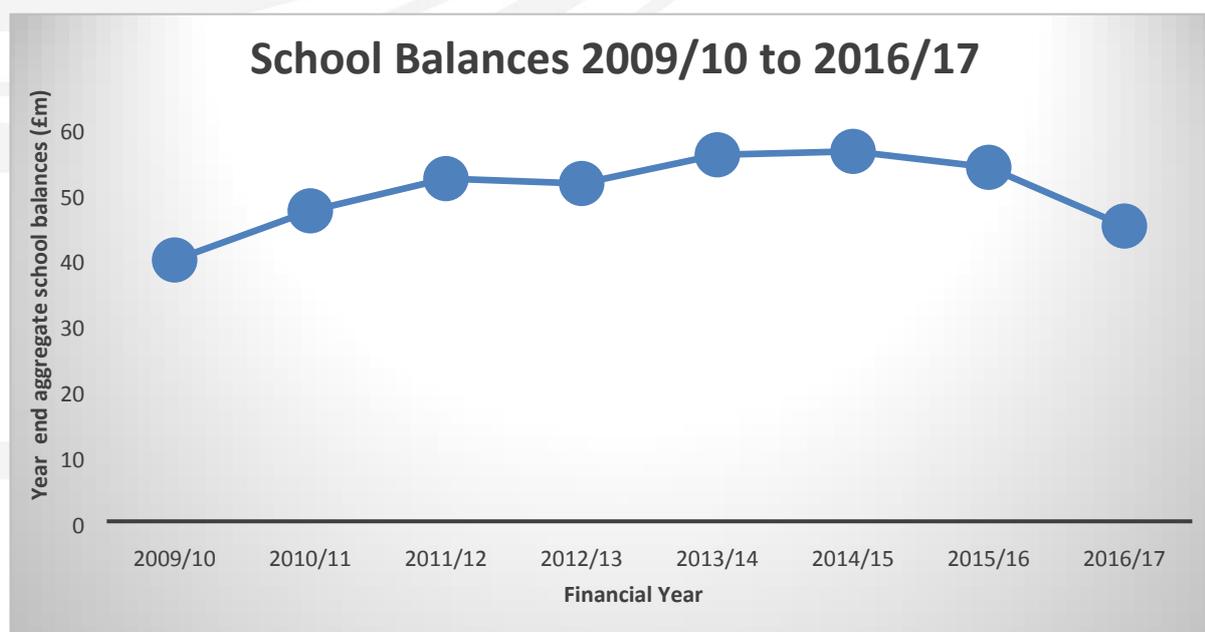
Overall, 368 schools (62%) operated an in year deficit in 2016/17, spending funding from reserves. This compares to 276 schools in 2015/16 and 256 in 2014/15. Only the special school sector had a greater proportion of schools operating an in year surplus, with larger numbers of schools across all other phases running in year deficits. The increasing number of schools operating in year deficits is further evidence of the financial constraints across the school sector.

2016/17 School Balances – No of Schools in Surplus/Deficit by Phase

Phase	Count of Deficit close balance	Count of Surplus close balance
Nursery	5	19
Primary	17	457
Secondary	14	48
Special	2	26
Short Stay	2	7
Total	40	557

The number of schools ending the year in deficit shows the worsening real terms position around school funding, with 40 schools ending the year in deficit. This compares to 25 schools with deficit balances at 31 March 2016 and 18 schools with deficit balances at 31 March 2015. There are schools from every sector facing financial difficulty and ending the year in deficit.

Aggregate School Balances by Year



The graph demonstrates the trend in aggregate school balances over recent years. Balances at 31 March 2017 are at their lowest level since 2009/10 and show a second consecutive, and more significant, reduction in balances levels from a peak in 2014/15.

4. Section B – Capital Programme 2016/17

4.1 The 2016/17 Position – Executive Summary for Capital Programme LCC only excluding LEP/ City Deal

Cabinet, at its meeting in October 2016 agreed a re-profiled overall Capital Programme of £390.967m covering the period 2016/17 through to 2020/21. This followed a review

undertaken in response to the significant level of slippage identified within the 2015/16 outturn report.

The review had due regard to the experience of actual delivery in 2015/16 and Cabinet agreed to a forecast of £151.510m of expenditure in 2016/17 against the multi-year programme and covered delivery of a number of schemes across the agreed blocks of activity.

Since October there have been a number of agreed changes to the capital programme as a result of Cabinet Member approvals and further funding received which increased the agreed level of 2016/17 forecast expenditure by c£9m in 2016/17. Table 1 below illustrates the original agreed and final 2016/17 phase of the programme for which approval was given to spend £160.505m. This profile represents the programme relating to LCC (non-LEP) activity.

Table 1	Re-profiled 2016/17 Forecast Capital Expenditure agreed at Cabinet 6th October 2016 £m	Final 2016/17 Forecast Expenditure £m
SCHOOLS	27.318	28.769
SCHOOLS DEVOLVED FORMULA CAPITAL	2.545	2.545
CHILDREN AND YOUNG PEOPLES SERVICE	1.491	1.523
HIGHWAYS MAINTENANCE	51.063	52.903
TRANSPORT IMPROVEMENT	35.280	38.818
WASTE AND OTHER PROJECTS	6.091	6.091
ADULT SOCIAL CARE	12.537	12.537
CORPORATE	13.251	15.385
VEHICLE REPLACEMENT PROGRAMME	1.934	1.934
TOTAL	151.510	160.505

Table 2 below indicates the changes to the programme since the 2015/16 position and the major additions the programme are illustrated below totalling £34.864m:

Table 2	Slippage from 2015/16 £m	Re-profiled into future years £m	Cabinet report additions to programme £m	Total £m
Original Feb 2016				105.861
Changes	108.778	-88.998	25.869	45.649
6th October 2016 re-profiled and Q3 monitoring				151.510
Changes	0.000	0.000	8.995	8.995
Final 2016/17 Forecast Expenditure			34.864	160.505

The additions between February 2016 and October 2016 totalling £25.869m were set out in the 6th October 2016 re-profiling report to Cabinet.

The changes since 6th October 2016 Cabinet report total £8.995m are detailed below:

- £3.600m contribution to Preston Bus Station
- £0.288m Clean Bus Technology Fund
- £0.135m Bay Gateway Park and Ride
- £0.100m North West Flood and Coastal Communities
- £0.019m re Rawtenstall Bus Station
- £0.100m s106 schemes
- £1.236m s278 schemes
- £0.573m contribution received from Schools towards capital projects
- £0.877m budgets brought forward from future years profiling re delivery in 16/17
- £0.521m re Mill 14 (White Cross Education Centre)
- £1.546m re County Hall refurbishment

Table 3 below shows for 2016/17 the final agreed forecast of 2016/17 programme expenditure, actual spend and the variance, which represents circa 9.8 % of the agreed forecast.

Table 3	Agreed 2016/17 forecast Programme Exp. £m	Outturn £m	Variance spend more than budget/ (spend less than budget) £m
SCHOOLS	28.769	30.016	1.247
DEVOLVED FORMULA CAPITAL	2.545	2.818	0.273
CHILDREN AND YOUNG PEOPLES SERVICE	1.523	0.256	-1.267
HIGHWAYS MAINTENANCE	52.903	44.423	-8.480
TRANSPORT IMPROVEMENT	38.818	38.282	-0.536
WASTE AND OTHER PROJECTS	6.091	3.032	-3.059
ADULT SOCIAL CARE	12.537	11.808	-0.729
CORPORATE	15.385	12.460	-2.925
VEHICLE REPLACEMENT PROGRAMME	1.934	1.558	-0.376
TOTAL LCC	160.505	144.653	-15.852

Section 4.2 of this report sets out the key deliverables in more detail in each of the areas of the capital programme along with the reasons for any variances to the agreed forecast for 2016/17.

Expenditure

As set out in Table 2 above, the revised total forecast for 2016/17 delivery totals £160.505m, being £8.995m more than the figure for 2016/17 contained in the 6th October re-profiling report. Hence the total of the multi-year programme increased from £390.967m to £399.962m.

Expenditure of £144.653m during 16/17 represents c90% of the agreed in-year forecast for 2016/17 expenditure of £160.505m. The equivalent figure for 2015/16 was 58%, and therefore the 2016/17 outturn position represents a much higher proportion of agreed programme delivery than was the case in 2015/16.

Delivery has included the completion of major refurbishments at a number of the authority maintained schools, completion and opening of the Bay Gateway (Heysham to M6 Link Road) and significant progress on a number of other major transport schemes such as the Burnley Pendle Growth Corridor. In addition projects have been completed relating to ABC roads, footpaths, street lighting, traffic signals, bridge repairs and flood damaged roads.

Financial variance to agreed forecast

Table 3 above shows that in 2016/17 the expenditure was less than the agreed forecast by £15.852m. This does not mean that all projects were not delivered or that estimates of expenditure were necessarily incorrect. The variance has been analysed and falls into a number of different categories as shown below:

- £4.073m spend less than forecast relating to completed projects delivered at a lower than agreed forecast level.
- £3.403m spend more than forecast relating to completed projects delivered at a cost above agreed forecast level.
- £10.477m spend less than forecast due to delays in delivery, including many projects spanning more than one financial year. These are live projects which are still ongoing which project managers are actively managing.
- £2.074m spend less than forecast due to LCC retentions on completed schemes pending final sign-off.
- £9.502m spend less than forecast relating to legal delays. These often relate to land access issues and the like.
- £5.100m delay in delivery relating to schemes not directly under LCC control.
- £9.172m spend more than forecast relating to early delivery of projects within the 2017/18 budget and £2.801m spend on Highways structural defects greater than original capital forecast spend reflecting an existing agreed ongoing revenue contribution to capital spend which has been reversed and the expenditure funded from external borrowing.

Greater detail can be seen within Section 4.2 of this report.

4.2 Capital Outturn Variance Analysis detail for each block

In this section more details are provided on the specific areas of the programme. A summary of what has been delivered is provided and the variances to agreed forecast explained.

Schools

Delivery

During the year the actual spend was £30.016m, this is 4.3% over and above the approved in-year forecast of expenditure of £28.769m. The following was delivered:

- The completion of significant basic need projects, to expand Primary Schools at:
 - Morecambe Road, Lancaster
 - Lever House, Farrington
 - Grange Avenue, Preston
- The completion of a new building for Weeton Primary School at Weeton Barracks.
- Completion of a phased programme of condition projects at over 50 schools.
- The completion of 4 improvement projects in special and alternative provision schools including a new build at Broadfield, Oswaldtwistle
- The commissioning of 2 additional capital improvement projects in special and alternative provision schools.

Financial variance to agreed forecast

The overall position on the schools approved capital programme for 2016/17 (excluding DFC) is an over delivery of £1.247m. This is due to a number of factors:

- £2.734m early delivery against 17/18 forecast spend: relating to agreed re-phasing of the Weeton Primary School project; rapid progress made at Chorley Trinity, Chorley St George and Balshaw Lane and work brought forward to address dry rot at Colne Lord Street Primary.
- £0.115m genuine overspend on a number of completed projects.
- £0.180m genuine underspend on completed projects.
- £0.094m of projects which were to be delivered in 2016/17 have not yet been completed, mostly due to logistical delays.
- £1.328m spend less than forecast relating to retentions on approximately 20 projects in the 12 month defect liability stage where the retentions and final fees will be incurred in 2017/18 e.g. Morecambe Lancaster Road.

Schools Devolved Formula Capital

Devolved Formula Capital is funding delegated to Lancashire maintained schools and managed by the Schools themselves. The expenditure is £0.273m more than the 2016/17 profiled expenditure but still within the funding available overall across the multi-year programme.

Children and Young People's Services

During the year £0.256m was spent on residential redesign activities against a total agreed forecast for the block of £1.523m.

The reasons for spend in 2016/17 being £1.267m less than the agreed forecast for 2016/17 are:

- £1.100m resulting from a legal delay in the signing of the legal agreement relating to Chorley Youth Zone
- £0.250m delay in contributing to the Preston Bus Station Youth Zone
- £0.124m overspend on General Improvement projects
- £0.042m retentions to be paid in 2017/18
- £0.001m early delivery against 2017/18 agreed forecast

Highways Maintenance

Delivery

In 2016/17 £44.423m was spent on the Highways programme, this represents 84% of the 2016/17 programme. This programme comprises 1,726 individual projects and during the year money has been spent in the following areas:

- ABC roads: £8.798m
- Footpaths: £2.610m
- Drainage works: £0.773m
- Local Priority Response Fund: £2.522m
- Street lighting and energy reduction: £10.756m
- Structural defects: £4.801m
- Bridges: £2.736m
- Flood damage repairs: £3.311m
- Pot hole action fund: £1.087m
- Other activities ranging from moss roads, traffic signals and road safety: £7.029m

Financial variance to agreed forecast

The reasons for spend being £8.480m (ie. 16%) less than the agreed forecast for 2016/17 are set out below. £3.929m of this figure relates to Rawtenstall Bus Station caused by delay in signing the legal agreement with Rossendale Borough Council.

- £1.413m underspends on completed projects.
- £0.571m overspends on completed projects.
- £3.502m delivery delays comprising: £0.539m Street Lighting Energy reduction scheme delivery re-scheduled; £2.375m delayed delivery on a variety of programmes due to factors including land access, drainage issues and staff resources; £0.588m unspent budget mostly in the Priority Neighbourhoods programme where projects are determined against issues raised by County Councillors.

- £0.704m retention payments not yet made on larger schemes such as M65 Crash barrier work, Defra projects and DfT Pothole Action Fund programme
- £3.929m legal agreement delay as £3.929m re Rawtenstall Bus Station as explained above.
- £5.100m non delivery outside of LCC Control: programmed delivery of £5.100m has been re programmed. The funding is provided by developers under either Section 106 or 278 agreements. The delivery of these programmes of work are solely dependent on developer's timeframes, commercial and legal requirements as given in the individual agreements, for example Cottam Hall highway layout changes.
- £2.796m early delivery against 2017/18 Budget: advanced delivery against 2017/18 profiled budgets has been achieved on the bridges programme, street lighting and the Local Priority Response Programme.
- £2.801m spend greater than the original capital programme forecast spend on structural defects, reflecting an existing agreed ongoing annual revenue contribution to capital spend which has been reversed and the expenditure funded from external borrowing.

Transport Improvement

Delivery

During the year the actual spend was £38.282m, which equates to 99% of the £38.818m approved 2016/17 programme. In year the following was undertaken:

- £22.112m spend on completion of major part of Bay Gateway (Heysham to M6 Link Road), opened to the public in October 2016
- £4.232m spend on Burnley Pendle Growth Corridor
- £1.780m spend on Burnley Town Centre
- £3.600m contribution to Preston Bus Station
- £1.129m spend on Pennine Reach
- £0.716m East Lancashire Strategic Cycle Network
- £0.610m Blackpool Tramway
- £2.500m City Deal Funding
- £1.603m on a variety of smaller projects

Financial variance to agreed forecast

The reasons for spend being £0.536m less than the agreed forecast for 2016/17 are set out below:

- £0.616m underspends on completed projects: relating to Eaves Green compensation non-payment and maintenance of assets.
- £0.752m overspends on completed projects: relating to minor transport schemes, Burnley Pendle growth Corridor projects and the Clitheroe to Manchester project.
- £0.942m spend less than agreed forecast for ongoing projects: including delays due to third parties relating to the East Lancashire Cycle Network.
- £2.471m legal agreement delays: the majority of which was re the LCC contribution to the Blackpool Tramway. Two further delays relate to land access

issues and the supply of catalytic regeneration systems for double deck buses operated between Heysham/Morecambe and Lancaster University.

- £2.741m spend more than agreed forecast due to early delivery against 2017/18 Budget: relating to the Bay Gateway (catch up from earlier delays), Burnley Pendle Growth Corridor, Burnley Town Centre and Bacup transport heritage improvements.

Waste and Other Projects

Waste and other projects spend £3.059m less than agreed forecast, reasons for which are identified below:

- £0.058m overspend on completed projects; Jameson Road landfill site and Garstang HWRC.
- £3.189m spend less than agreed forecast due to £2.268m planned underspend on upgrading of the fire suppression systems at Farington and Thornton waste recovery parks as the need for this activity is currently being reviewed; -£0.571m asset preservation activity and the delayed delivery of waste recovery plants where work will be completed in 2017/18; £0.250m expenditure at Rowley closed landfill site re additional works identified and a pause agreed whilst further assessment was undertaken; -£0.100m contribution to Lancashire Environmental Fund not made by year end.
- £0.072m early delivery re IT projects.

Adult Social Care

The majority of the 2016/17 Adult capital programme of £12.537m relates to the Disabled Facilities Grant £11.477m which is passed straight to the District Councils. The reasons for spend being £0.729m less than the agreed forecast for 2016/17 are identified below:

- £1.000m not paid over to Chorley BC due to delays in the signing of a legal agreement relating to Extra Care scheme.
- £0.271m early delivery against future year's budgets, comprising: £0.105m urgent expenditure on Care Homes for which Cabinet approval was granted; £0.113m expenditure on Autonomy not originally profiled for 2016/17; £0.015m re Changing Places for severely disabled adults; £0.038m expenditure relating to Adult social care IT projects.

Corporate

Delivery

During the year the actual spend was £12.460m, the following was delivered

- £1.927m spend on Phase 2 of Superfast Broadband
- £0.278m spend on Brierfield Mill which is being developed into a Leisure complex as part of the Burnley Pendle Growth Corridor
- £2.024m spend on Programme and Project Management Core Systems Transformation project

- £1.136m spend on Customer Access Core Systems Transformation project
- £1.404m spend on Mill 14 (White Cross Education Centre) as part of the property portfolio strategy
- £4.109m ongoing refurbishment of County Hall complex to enable ongoing revenue savings by supporting the movement into County Hall of staff from offices being closed and to provide Conference and Training facilities to enable closure of the current venue in Leyland
- £1.582m on a variety of smaller projects

Financial variance to agreed forecast

The total variance from agreed forecast is £2.925m. This is explained by the following factors:

- £1.542m spend less than agreed forecast re Superfast Broadband (BT) behind forecast delivery profile, catch up is anticipated in 2017/18.
- £0.197m spend less than agreed forecast in respect of repairs and renewals of Older People's Homes arising from some redesign activity.
- £0.283m spend less than forecast re Customer Access Core Systems due to delays within Phase 1 of the project.
- £0.480m spend less than forecast re Dilapidations on terminated surrendered leases resulting from timing of property vacation and lead times from handover.
- £0.477m spend less than forecast County Hall refurbishment delays resulting from additional health and safety works.
- £0.211m spend less than forecast re Renewable energy schemes on County buildings as a result of design delays.
- £0.130m spend less than forecast re Affordable Warmth programme due to delays in payments to District Councils.
- £0.054m spend less than forecast re Core Systems Transformation programme
- £1.002m Legal agreement delay: Brierfield Mill delay in signing the legal agreement.
- £0.557m early delivery against profile comprising: £0.153m re Property Portfolio Rationalisation Sustainability Investment in Neighbourhood Centres and £0.404m re White Cross Educational Centre (Mill 14).
- £0.894m of spend more than forecast on a variety of projects including Growing Places.

Vehicle Replacement Programme

During the year expenditure was £1.558m compared to an agreed forecast of £1.934m. Purchase orders for vehicles have been placed and funds are committed but delivery has been delayed.

4.3 Capital Programme Financing

The extract below sets out how the 2016/17 capital programme was proposed to be funded within the 12th February 2016 Full Council submission and how it was actually funded within year:

Table 4	As at Full Council February 2016 (£m)	Outturn (£m)
Borrowing	42.285	45.780
Capital Receipts received prior to 1.4.16, as receipts after that date can now be used to support the revenue budget	1.036	3.600
Reserves	4.000	0.000
Government grants	54.278	92.213
External contributions	3.400	3.060
Use of unprogrammed prior year budgets	0.862	0.000
TOTAL	105.861	144.653

The use of government grant funding at outturn was significantly higher than was contained in the February 2016 programme, due to several factors.

- Annual grants such as Schools Devolved Formula Capital and Adult Disabled Facilities Grant figures were unconfirmed as at February 2016 (total £14.408m).
- Additional DfT grants were announced after that date (Highways Incentive Fund and Pothole Action Fund total £2.534m).
- Unused grants from previous years were used to fund significant spend, where appropriate, in an attempt to utilize all grants that were not specifically earmarked, and therefore to be carried forward to use against future spend on specific multi-year projects (total £ 25.791m)

A review will be undertaken of the impact of the 2016/17 outturn variances on the 2017/18 profiled capital programme that was approved on 6th October 2016. The results of the review and any other amendments required including any additional cabinet approvals, or funding to be brought in, will be brought back to Cabinet later in the year to agree any subsequent re-profiling or other changes required.

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

The County Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. All reserves have been extensively reviewed throughout the financial year to ascertain whether the need for them remains and whether their scale continues to be appropriate.

Reserve Name	Opening Balance as at 1 April 2016	In Year Changes	Closing Balance as at 31 March 2017
	£m	£m	£m
Reserves held to meet spending pressures			

County Fund	(36.000)	0.000	(36.000)
	(36.000)	0.000	(36.000)
Reserves held to deliver corporate priorities			
Strategic Investment Reserve	(10.971)	6.525	(4.447)
	(10.971)	6.525	(4.447)
Reserves held to deliver organisational change			
Downsizing Reserve	(64.841)	45.928	(18.913)
Risk Management	(15.784)	5.345	(10.439)
Transitional Reserve	(141.836)	(20.178)	(162.014)
	(222.461)	31.094	(191.367)
Reserves held to pay for expenditure commitments			
Election Reserve	(1.251)	(0.349)	(1.599)
Funding of Capital Projects (Non LCC)	(0.148)	0.137	(0.009)
	(1.399)	(0.212)	(1.608)
Reserves held to meet service priorities			
YOT - General Youth Offending	(1.024)	0.078	(0.946)
Children's DFM* General	(5.903)	4.369	(1.534)
SEND Reform/Implementation Grant	(1.852)	(0.641)	(2.493)
Crime & Disorder	(0.714)	0.714	0.000
Fleetwood High School PFI reserve	(1.014)	0.076	(0.938)
Building Schools for the Future Wave 1 PFI reserve	(6.311)	(2.246)	(8.557)
LSCB Reserve	(0.449)	0.006	(0.443)
Museum Acquisition Fund	(0.002)	0.002	0.000
Queen Street Steam Engine Repair Fund	(0.204)	0.005	(0.199)
Lancaster City General Acquisitions Fund	(0.008)	(0.001)	(0.009)
Lancashire Adult Learning HQ General	(0.429)	0.429	0.000
Adults Grant Funded	(0.537)	0.152	(0.385)
Adult Social Care – Transition	(4.004)	1.535	(2.469)
Health Services	(4.100)	3.426	(0.674)
Better Care Fund Reserve	(1.368)	0.000	(1.368)
Bus Stations Reserve	0.000	(0.853)	(0.853)
Roundabout Sponsorship Income	(0.048)	0.017	(0.031)
Improved Outcomes Partnership	(0.057)	0.051	(0.006)
UK & Ireland Civinet Network	(0.030)	0.030	0.000
Waste General Reserve	(0.482)	0.304	(0.178)
Equipment Renewal Reserve	(0.331)	0.326	(0.005)

Joint Service Needs Assessment Reserve	(0.104)	0.000	(0.104)
Multi Agency Data Exchange Reserve	(0.051)	(0.002)	(0.053)
Parking Reserve Fund	(0.144)	0.144	0.000
Building Design & Consultancy Reserve	(0.020)	0.020	0.000
NoW Card Renewal	(0.400)	0.100	(0.300)
Energy Surveys	(0.066)	0.066	0.000
Priorities Contingencies Reserve	(0.010)	0.010	0.000
Waste Plant Rectification	(7.500)	6.534	(0.966)
Finance & Information DFM General	(0.060)	0.060	0.000
Former OCE General Reserve	(0.727)	0.000	(0.727)
Economic Development Reserve	(0.027)	0.000	(0.027)
Lancashire Enterprise Partnership (LEP) Reserve	(1.553)	(0.309)	(1.862)
Champions Funds	(0.003)	(0.001)	(0.004)
Corporate DFM Schemes	(1.830)	1.028	(0.802)
Local Member & Gateway Grant	(0.083)	(0.083)	(0.166)
Public Health Grant Reserve	(0.628)	(1.160)	(1.788)
School Catering Repair And Maintenance	(1.743)	(0.084)	(1.827)
Emergency Planning	0.000	(0.137)	(0.137)
Financial Investigations Reserve	0.000	(0.045)	(0.045)
Grants c/f Reserve	0.000	(0.521)	(0.521)
	(43.816)	13.399	(30.417)
LCC Reserves Total	(314.647)	50.806	(263.839)
Schools Reserves**			
Individual Schools Reserves	(53.713)	8.432	(45.281)
Other Schools Reserves	(26.098)	(1.427)	(27.525)
Centrally managed PROP Schools Maintenance Reserve	(6.210)	(0.191)	(6.401)
	(86.021)	6.814	(79.209)
Total Revenue Reserves	(400.668)	57.620	(343.048)

* DFM – Devolved Financial Management.

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

The County Council's revenue reserves for balances held as at 31 March 2017 are described as follows:

5.1 Reserves held to meet spending pressures

County Fund:

The County Fund balance remains at £36.000m at the end of the financial year. The County Fund exists to cover the authority against any serious emergency situation (e.g. widespread flooding); a critical and unexpected loss of income and for general cash flow purposes. The reserve is set at approximately 5% of the County Council's net budget. It is proposed the balance is maintained as a prudent safeguard against any unexpected financial pressures.

5.2 Reserves held to deliver corporate priorities**Strategic Investment Reserve:**

The County Council previously agreed a programme of investment in areas including economic development, green energy, increasing employment opportunities and the development of apprenticeship programmes. The Strategic Investment Reserve will continue to deliver the funding for this investment programme.

5.3 Reserves held to deliver organisational change**Downsizing Reserve:**

This reserve is set aside to support the County Council paying the associated redundancy costs as it continues to downsize to deliver its agreed savings in 2016/17 and beyond.

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.

Transitional Reserve:

This reserve was approved by Cabinet in November 2015. It was to be created by re-prioritising existing reserves and replacing capital reserves with borrowing. A review of all reserves was undertaken to meet the dual requirements of funding the lead-in time for the savings programme in 2016/17 and 2017/18 as well as providing the resources necessary to cover the funding shortfall in those two years until further budget savings could be identified.

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.

Funding of capital projects (Non LCC):

This reserve comprises of revenue monies earmarked to support committed LEP capital projects in the County Council capital programme,

5.5 Reserves held to meet service priorities

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

YOT - General Youth Offending Reserve:

This reserve is made up of partner organisation contributions for YOT contingencies and monies earmarked for one off projects. The majority of this reserve is not available for other purposes.

Children's DFM General Reserve:

This reserve is for a wide range of agreed projects including School Support Services, Working Together with Families and European Social Fund (ESF) grant funding. These projects have been funded in 2016/17 and have commitments in future years.

SEND Reform/Implementation Grant:

This reserve was created from unutilised grant funding monies and is earmarked for various agreed projects including Special Educational Needs (SEND).

Crime & Disorder Reserve:

This reserve is earmarked to deliver the domestic abuse strategy.

Fleetwood High School Private Finance Initiative (PFI) Reserve:

This Private Finance Initiative (PFI) Reserve is to cover future costs that are not funded by Central Government as part of the PFI scheme. This reserve was created as directed by our external auditors.

Building Schools for the Future Wave 1 PFI Reserve:

This PFI Reserve is for future commitments created as directed by our external auditors.

LSCB Reserve:

This reserve comprises contributions from funding partners e.g. LCC, Police, CCGs, Probation & Police. This reserve is needed to manage an estimated increase in revenue expenditure on serious case reviews. Additionally, the Safeguarding Board are considering using the reserve to fund work around Childhood Sexual Exploitation, the Continuum of Need and Routine Enquiry into Adverse Childhood Experiences (REACH).

Museum Acquisition Fund:

The small remaining balance on this reserve was transferred to the Transitional Reserve in 2016/17.

Queen St Steam Engine Repair Fund:

LCC received £0.209m from the Ellison to be used for the upkeep of the Lancashire Looms at Queen Street Mill.

Lancaster City General Acquisitions Fund:

The 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 into the fund to pay for collection care materials or purchasing items for the collection. The funds are ring fenced for this purpose.

Lancashire Adult Learning HQ General:

This is a specific reserve for the Lancashire Adult Learning Service. The remaining balance on this reserve has been transferred to the Transitional Reserve.

Adults Grant Funded:

This reserve was created from unutilised grant funding monies and a proportion was earmarked for the downsizing of the Supporting People programme.

Adults Social Care – Transition:

The reserve is to cover the costs of changes to Personal Social Care staffing and improvements to domiciliary services.

Health Services:

This reserve consists 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 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. There are contributions from both Health and the County Council in this reserve.

Bus Stations Reserve:

This reserve is made up of partnership monies held on behalf of the County Council, Blackpool and Blackburn with Darwen to be spent on new digital traffic cameras.

Roundabout Sponsorship Income:

This reserve is generated from roundabout sponsorship schemes and is used to pay towards highways works.

Improved Outcomes Partnership:

This reserve consists of funds from external partners (e.g. NHS) to be spent on Trading Standards Projects.

UK & Ireland Civinet Network:

The reserve consists of the residual balance on the scheme's bank account plus the surplus from the Euro project. The reserve is used to pay for continued membership of the wider UK and Ireland network.

Waste General Reserve:

This reserve was created to fund a tree planting initiative and the Farrington Reserve (money available to residents in Farrington to compensate for Waste plant located there).

Equipment Renewal Reserve:

The reserve is for various equipment purchases including highways video survey and scientific services equipment.

Joint Services Need Assessment Reserve:

This reserve 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:

The reserve is for the County Council to fulfil its statutory duties according to the Crime and Disorder Act.

Parking Reserve Fund:

This fund was to be used for improvements to parking signs, road markings and parking ticket machines.

Building Design and Consultancy Reserve:

The balance on this reserve has been transferred to the Transitional Reserve in 2016/17.

NoW Card Renewal:

This reserve is used to build up the balance when the NoW Card renewal is due. NoW Card is renewed every 5 years.

Energy Surveys:

This reserve was created to cover the costs of conducting energy surveys. It is a statutory requirement to display Energy Certificates and Advisory Reports in all buildings accessed by the public.

Priorities Contingencies Reserve:

The remaining balance on this reserve has been spent in 2016/17.

Waste Plant Rectification:

This reserve is set aside for rectification works at the Farrington and Thornton Waste Treatment plants or for works to resolve environmental issues. Part of the reserve is partnership funding which cannot be used for any other purpose. A significant proportion of the reserve has been redirected to the Transitional Reserve.

Finance & Information DFM General:

This Finance reserve is for projects usually relating to financial system implementation.

Former OCE General Reserve:

The balance on this reserve was earmarked to contribute towards property development costs across County Buildings.

Economic Development Reserve:

This is a LEP reserve that has commitments in 17/18 in relation to economic growth.

Lancashire Enterprise Partnership (LEP) Reserve:

This reserve is used to support the ongoing objectives of the LEP to direct economic growth and drive job creation. The reserve is ring fenced to LEP and cannot be used for any other purpose.

Champions Funds:

These are balances carried forward for Champion Members to provide funding to local organisations within their remit.

Corporate DFM Schemes:

This reserve is set aside for Members' development.

Local Member & Gateway Grant:

Funding carried forward to future years for Members' awards and local initiatives.

Public Health Grant Reserve:

This reserve was planned to support the reduction in Public Health Grant.

School Catering Repair and Maintenance:

These are funds held on behalf of schools relating to maintenance and development of school kitchens. The funds are ring fenced to schools and cannot be used for any other purpose.

Emergency Planning Reserve:

This reserve contains DEFRA Grant that is to be used for work surrounding the flood campaigns etc.

Financial Investigations Reserve:

This reserve contains monies received from the Home Office to fund financial investigation work. The Home Office regularly monitor how these funds are spent by the Trading Standards service.

Grants c/f Reserve:

This reserve is for grants that are carried forward with no specific conditions attached.

5.6 Schools Reserves

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

5.7 Provision for Bad and Doubtful Debts

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

	Opening Balance as at 1 April 2016 £m	In Year Changes £m	Closing Balance as at March 2017 £m
Corporate Bad Debt Provision	(15.032)	1.116	(13.916)

5.8 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/Head of Service	Opening Balance as at 1 April 2016 £m	In Year Changes £m	Closing Balance as at March 2017 £m
Adult Services - Safeguarding	(0.508)	0.008	(0.500)
Children's Services – Special Educational Needs	(0.124)	0.023	(0.101)
Financial Resources	(3.952)	2.593	(1.359)
Total	(4.584)	2.624	(1.960)

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

Whilst the revenue outturn position for 2016/17 is a positive one and reflects early delivery of a number of elements of the agreed savings programme, there is also a significant caveat in that it is largely the product of non-recurrent additional income arising from Treasury Management activity in addition to the fact that the revenue budget was heavily supported (over £82m) from reserves during the year, albeit by less than was originally agreed.

Without these offsetting factors, the revenue outturn position would have been significantly worse reflecting the current structural gap between forecast expenditure and available resources that has been regularly reported to Cabinet. This, to a large extent, reflects significant financial pressures on a number of service budgets caused by increasing demand, particularly across Children's and Adults social care. The risk to the ongoing longer-term financial viability of the County Council therefore remains one of the Council's highest level current risks identified in the Corporate Risk and Opportunity Register.

The most significant financial challenge facing upper tier Local Authorities is Social Care. This is a national issue and additional funding has been provided for Adult Social Care, via the Adult Care Support Grant (£5.543m) in 2017/18, the introduction of the additional Adult Social Care precept and additional 3 year grant funding announced in the Spring Budget as part of the iBCF (Improved Better Care Fund) which is to be used for the purposes of meeting adult social care needs, ensuring the local social care market is supported and to reduce pressure on the NHS. Whilst these are a welcome recognition of the significant cost pressures being faced, the grants do not represent recurrent funding and all of the additional funding together does not meet the full cost of additional demographic demand and cost pressures within the Care Sector, particularly impacted by the National Living Wage.

The current MTFs (Medium Term Financial Strategy) is forecasting a funding gap of c£88m for 2018/19, and rising to c£156m by 2020/21, and the forecast level of reserves that remain uncommitted are insufficient in themselves to enable future year's revenue budgets to be set without the identification and delivery of a significant value of further

savings which is a key priority. In addition, if any previously agreed savings become non-deliverable or experience delays in their implementation then this would further increase the funding gap. The current savings programme therefore will continue to be closely monitored and the impact of the 2016/17 outturn position is being reviewed, with any impacts not already reflected in the current MTFs to be reported at a future Cabinet meeting.

The scale of the financial challenge therefore remains a hugely significant one. The Council has delivered a revenue underspend which, notwithstanding the use of reserves and Treasury Management performance, does demonstrate strong financial management, particularly with regard to the delivery of the agreed saving programme, with a significant proportion being delivered ahead of schedule.

A significant amount of reserves has been applied to support the revenue budget in 2016/17 with similar plans in 2017/18 and therefore, whilst the balance sheet still remains relatively strong in headline terms at the end of 2016/17, it is critical that work progresses quickly to identify additional savings areas for inclusion in the 2018/19 and future budgets and that strong financial management is maintained to ensure that the Council can maintain an effective approach to meeting the financial challenge ahead.