

Report to the Cabinet

Meeting to be held on Thursday, 14 September 2017

Report of the Director of Financial Resources

Part I

Electoral Divisions affected:
All

Money Matters 2017/18 Position - Quarter 1

(Appendices 'A', 'B', 'C', 'D', 'E' and 'F' refer)

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Executive Summary

This report provides an update of the forecast outturn Financial Position for 2017/18 on revenue and capital as at 30 June 2017, and the County Council's updated Medium Term Financial Strategy for the period 2017/18 to 2021/22. The report also sets out budget proposals for Cabinet to consider.

Recommendation

The Cabinet is asked to:

- (i) Note the forecast underspend of £5.022m on the 2017/18 revenue budget.
- (ii) Note the revised Medium Term Financial Strategy (MTFS) and funding gap of £167.132m covering the period 2018/19 to 2021/22.
- (iii) Note the position in respect of the Council's reserves and to agree the transfers outlined in the report.
- (iv) Note the position in respect of the Capital Programme in-year delivery for 2017/18.
- (v) Note the additions to the Capital Programme approved during Quarter 1 of 2017/18 set out in Table 1 of Appendix 'F'.
- (vi) Agree the re-profiling of the County Council's Capital Programme for 2017/18 as set out in Table 1 of Appendix 'F'.
- (vii) Approve the budget proposals set out within Appendix 'D', authorise officers to proceed with their implementation and agree that the 2018/19 budget is based upon these revenue decisions.
- (viii) Note the budget proposals set out within Appendix 'E' and request that officers prepare a full Equality Impact Assessment to be considered at the next meeting of Cabinet on 12 October.

Background and Advice

Financial Position as at 30 June 2017 (Appendix 'A')

An underspend is forecast for the County Council of £5.022m and represents a variance of 0.69% against the overall County Council budget. This is subject to a number of assumptions around the anticipated profile of expenditure for the rest of the year which is difficult to predict in some demand led budget areas. The report identifies those areas where forecast pressures exist and will be subject to ongoing detailed review with a focus on controlling and reducing costs and the delivery of an improved financial position by year-end.

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

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 2017/18 in support of the delivery of savings was £24.2m and the amount that is now forecast to be required is £17.2m. This is due to early delivery of some savings, particularly through staff vacancies and turnover, although this is partially offset by some budget savings that are delayed and will require reserve funding to cover the delay in implementation.

The forecast position includes £95.737m from reserves which includes the strategic investment reserve, downsizing reserve, risk management reserve, transitional reserve and specific service reserves. (Details can be found in Appendix 'C').

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

The Medium Term Financial Strategy (Appendix 'B')

A revised MTFs was presented to Cabinet in September with a reported funding gap of £167.132m.

This report provides an updated position for the rolling 4 year period to include 2021/22 and a review of the existing assumptions to reflect the most current information available. As a result of these reviews and despite the identification and identification of £45.628m of new savings (the MTFs includes an assumption that all identified savings in Appendices 'D' and 'E' will be agreed) the funding gap has increased to £167.132m.

The increased gap is also as a result of the inclusion of an additional year's funding, demand and inflationary pressures. The forecast funding gap increases in each of the next 4 years, but it is important to note that the increases are not evenly spread, with a gap of £90.205m forecast for 2018/19, £98.637m in 2019/20, £150.495m in 2020/21 and £167.132m in 2021/22.

The County Council's Reserves Position (Appendix 'C')

At Full Council in February 2017 the revenue budget included a forecast commitment from the Transitional Reserve of £88.040m in 2018/19 to support the reported financial gap at that time. However, following a review of the Medium Term Financial Strategy (MTFS) for Cabinet based on the financial position at the end of June 2017 (Appendix B), it has been identified that the gap between forecast expenditure and funding in 2018/19 is £90.205m.

The value of the uncommitted Transitional Reserve is currently £91.498m and, whilst it is anticipated that further revenue savings for 2018/19 will be identified, Table 2 shows the impact of utilising the Transitional Reserve to fund the £90.205m gap which would leave £1.293m for 2019/20 based on current forecasts. Table 2 demonstrates the funds that are forecast to be available to support the budget gap in 2018/19 and part of 2019/20. However, in order to set a legal budget further savings will need to be made.

Table 1 also shows available balances in the Strategic Investment Reserve, Risk Management Reserve and Service Reserves where work is currently underway to review if there are further commitments or other conditions (such as grant requirements) that would mean that these funds cannot be transferred to the Transitional Reserve. The total of the balances under review is £9.501m.

The report indicates that there are sufficient funds within the Transitional Reserve to support the budget gap between forecast expenditure and available funding in 2018/19 but not then in 2019/20 and beyond. However, this is dependent upon a number of key factors and risks which are as follows:

- All values within reserves that are currently reported to be available are transferred into the transitional reserves with no further commitments emerging in these areas now that the transfer has taken place.
- There is limited slippage on the agreed savings programme for 2018/19 and beyond. Any slippage will result in a requirement for funding from reserves.
- Further savings are identified and implemented from April 2018 to support achieving a balanced budget position.
- Impact of the in-year revenue position – a positive or negative outturn will impact on the level of reserves available from April 2018.

Additional Savings 2018/19 – 2021/22 (Appendix 'D')

As the County Council continues to have a significant and increasing financial gap over future financial years a detailed review has been completed of service budgets. This has resulted in initial savings totalling £45.628m (over the next 3 financial years) being included within this MTFS from 2018/19 onwards with the total value presented across Appendices 'D' and 'E'.

Appendix 'D' contains those savings that are deemed not to require an Equality Impact Assessment as it is not considered that these proposals will have any negative impact on any persons with protective characteristics as set out in s.149 of the Equality Act 2010.

This is the first phase of savings that will be put forward with further phases to follow. These savings are deemed to be deliverable from 1 April 2018, with some savings reflecting work that is already underway within services. Many of these savings are relatively straightforward to deliver with some already being shown as underspending areas within 2017/18 budget monitoring. These savings primarily cover efficiencies, recurrent underspends, income generation and service changes which are not expected to have a negative impact on front line service delivery.

It is anticipated that further savings proposals will be presented for approval at future Cabinet meetings, reflecting that there remains an estimated shortfall of £90.205m in 2018/19 should savings in this report be agreed and delivered.

Additional Savings 2018/19 – 2021/22 (Appendix 'E')

Appendix 'E' contains those savings proposals that are considered to require an Equality Impact Assessment as it is considered that these proposals may have a negative impact on any persons with protective characteristics as set out in s.149 of the Equality Act 2010.

Capital Monitoring – Quarter 1 (Appendix 'F')

This report sets out the Quarter 1 capital monitoring position for 2017/18 against the re-profiled capital programme 2017/18 budget approved by Full Council in February 2017.

The report presents the Quarter 1 forecast position for the 2017/18 programme showing the projected 2017/18 outturn position, the variance against budget in value and percentage in addition to the expenditure to date as at the end of June 2017 (this is also shown as a value and percentage of budget to assess progress against the year's programme).

At the end of June 2017 the 2017/18 programme of delivery is expected to spend £1.221m less than the agreed profile.

Equality and Cohesion

Cabinet must ensure that they comply with the requirements of the Public Sector Equality Duty contained in s.149 of the Equality Act 2010.

Appendix 'D' contains proposals that it is not considered will have any negative impact on any persons with protected characteristics as defined in s.149, whilst Appendix 'E' contains those proposals that require an assessment that will be presented to Cabinet in October.

Implications:

This item has the following implications, as indicated:

Risk management

The County Council's overall approach to managing financial risks continues to be to identify and acknowledge risks early and build their impact into financial plans while continuing to develop strategies which will minimise their impact. This approach operates in parallel with the identification and setting aside of sufficient resources to manage the financial impact of the change risks facing the organisation.

The financial risks that could affect the position outlined in the report primarily cover the following:

- Level of Future Resources from Central Government

Risks remain in relation to the level of resources the Council receives from the government in terms of Revenue Support Grant and the impact of the statement by the Chancellor of the Exchequer regarding the retention of 100% business rates and the ending of RSG by the end of this Parliament. At this point in time there is insufficient detailed information regarding the changes to amend the funding assumptions within the MTFs.

- Demand

There is continued pressure on the Council's budget, particularly around Adults and Children's social care, and the most up to date demand forecasts have been included.

However any increase in demand over above that forecast will add additional pressure to future years.

- Inflation

A significant level of additional resource has been included in the MTFs, primarily on contractual price increases and particularly on social care where there are nationally recognised funding issues in the residential and domiciliary care markets. In addition, the MTFs includes estimates of the cost of increases that would enable independent sector providers to meet the additional costs of meeting new national living wage levels for their employees.

- Delivery

The MTFs assumes that c£54m of existing agreed savings (aside from those agreed within these reports) will be delivered in the period 2017/18 to 2020/21 to ensure the current forecast gap does not increase. There are a significant number of factors, both internal and external which may impact upon delivery and the impact of these

on new and existing budget proposals being taken forward will need to be clearly identified and minimised.

Consultations

N/A

List of Background Papers

Paper	Date	Contact/Tel
The County Council's Budget	9 February 2017	Neil Kissock/(01772) 536154

Reason for inclusion in Part II, if appropriate

N/A