

Report to the Cabinet

Meeting to be held on Thursday, 7 December 2017

Report of the Director of Financial Resources

Part I

Electoral Divisions affected:
All

Money Matters - Updated Medium Term Financial Strategy (2018/19 - 2021/22) (Appendices 'A', 'B' and 'C' refer)

Contact for further information:

Neil Kissock, Tel: (01772) 536154, Director of Financial Resources,
neil.kissock@lancashire.gov.uk

Executive Summary

This report provides a brief update of the County Council's Medium Term Financial Strategy for the period 2018/19 to 2021/22 including budget proposals for Cabinet to consider.

Recommendation

The Cabinet is recommended to:

- (i) Note the revised Medium Term Financial Strategy (MTFS) and funding gap of £157.786m covering the period 2018/19 to 2021/22.
- (ii) Approve, for purposes of consultation, the budget proposals set out in Appendix 'B', the outcomes of the consultation to be reported back to Cabinet for consideration in due course, and
- (iii) Approve the budget proposals set out in Appendix 'C', authorise officers to proceed with their implementation and agree that the 2018/19 budget is based upon these revenue decisions.

Background and Advice

The Medium Term Financial Strategy (Appendix 'A')

A revised MTFS was presented to Cabinet in September with a reported funding gap of £161.217m. At the meeting of Cabinet a proposed saving relating to Foundation Living Wage was confirmed by Cabinet as not being taken forward, therefore the restated financial gap was £162.260m.

This report provides an updated position for the period 2018/19 - 2021/22 incorporating proposed new savings set out in Appendices 'B' and 'C', the implications of Cabinet's decision to retain the Living Wage (as confirmed at Cabinet in November 2017), and the inclusion of a further undeliverable saving. As a result of these changes the funding gap has reduced to £157.786m.

It is important to note that the funding gap is not evenly spread, with a gap of £60.313m forecast for 2018/19, £85.623m in 2019/20, £139.253m in 2020/21 and £157.786m in 2021/22.

Appendix 'A' contains details of the revised MTFs position.

Proposed Additional Savings 2018/19 – 2021/22 (Appendices 'B' and 'C')

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 process has resulted in additional proposed savings totalling £7.112m (over the next 3 years) set out in Appendices 'B' and 'C'. The figures presented within the revised MTFs from 2018/19 onwards are presented on the assumption that these budget proposals are agreed by Cabinet, subject in the case of the budget proposals set out in Appendix 'B' to appropriate consultation, the outcomes to be reported back to Cabinet for a final decision in due course.

It is anticipated that further savings proposals will be presented for approval at future Cabinet meetings, reflecting that there remains an estimated shortfall of £60.313m in 2018/19 should savings in this report be agreed and delivered.

Consultations

Cabinet is recommended to approve the budget proposals set out in Appendix 'B' for the purposes of appropriate consultation with individuals and parties potentially affected as set out in the budget option templates. The outcomes of the consultation will be reported back to Cabinet in due course and will be incorporated in Equality Analysis reports as necessary for Cabinet to consider.

Implications

This item has the following implications, as indicated:

Equality and Cohesion

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

The budget proposals set out in Appendix 'B' may have a negative impact on persons with protected characteristics and initial Equality Analysis reports are presented within the Appendix for Cabinet to consider. These reports will be revised to take account of the consultations which will be undertaken and reported back to Cabinet in due course for them to consider when decisions are taken.

Risk management and Financial Implications

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 (RSG) 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 above the current 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 as part of 2017/18 reports to Cabinet) 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.

The financial implications of Cabinet agreeing to the budget proposals are set out in the report and the individual budget option templates.

Legal Implications

The immediate legal implications of the budget proposals to be considered by Cabinet are set out in the budget option templates and Equality Analysis reports at Appendix 'B'.

List of Background Papers

Paper	Date	Contact/Tel
Money Matters 2017/18 Position and Medium Term Financial Strategy	9 November 2017	Neil Kissock/(01772) 536154

Reason for inclusion in Part II, if appropriate

N/A