****

**Money Matters**

**The County Council's Revenue Financial Position**

**2018/19 Quarter 3**

1. **Summary Revenue Budget Monitoring Position as at 31st December 2018**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Service Area** | **Approved Expenditure Budget** | **Current Period Expenditure Forecast Outturn** | **Current Period Expenditure Forecast Variance** | **Approved Income Budget** | **Current Period Income Forecast Outturn** | **Current Period Income Forecast Variance** | **Approved Net Budget** | **Current Period Net Forecast Outturn** | **Current Period Net Forecast Variance** | **Current Period Net Forecast Variance** | **Q2 Forecast Variance** |
| **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **%** | **£m** |
| **Adult Services** | 555.639 | 567.123 | 11.484 | -209.702 | -220.030 | -10.328 | 345.937 | 347.093 | 1.156 | 0.33% | 0.717 |
| **Public Health & Wellbeing** | 97.525 | 95.164 | -2.361 | -77.379 | -77.931 | -0.552 | 20.146 | 17.233 | -2.913 | -14.46% | -2.433 |
| **Education & Childrens Services** | 231.830 | 232.591 | 0.761 | -71.741 | -70.119 | 1.622 | 160.089 | 162.472 | 2.383 | 1.49% | 2.013 |
| **Community Services** | 220.699 | 225.993 | 5.294 | -87.736 | -93.564 | -5.828 | 132.963 | 132.429 | -0.534 | -0.40% | -0.919 |
| **Economic Development & Planning** | 10.572 | 11.052 | 0.480 | -6.948 | -8.040 | -1.092 | 3.624 | 3.012 | -0.612 | -16.89% | -0.224 |
| **Programmes & Project Management and Customer Access** | 34.705 | 33.536 | -1.169 | -30.253 | -28.372 | 1.881 | 4.452 | 5.164 | 0.712 | 15.99% | 0.933 |
| **Finance, Corporate & Property Services** | 158.493 | 157.414 | -1.079 | -80.161 | -77.975 | 2.186 | 78.332 | 79.439 | 1.107 | 1.41% | 0.663 |
| **Chief Executive Services** | 72.311 | 72.206 | -0.105 | -53.214 | -62.870 | -9.656 | 19.097 | 9.336 | -9.761 | -51.11% | -2.129 |
| **TOTAL** | **1,381.774** | **1,395.079** | **13.305** | **-617.134** | **-638.901** | **-21.767** | **764.640** | **756.178** | **-8.462** | **-1.11%** | **-1.379** |

1. **Executive Summary**

This report provides an update to cabinet on the county council's 2018/19 revenue financial position as at the end of December 2018. The forecast outturn for 2018/19 is outlined in the table above, with a £8.462m underspend, which by way of context is 1.11% of the county council's net budget.

The narrative within this report provides details of key variances and the progress towards the achievement of savings. The revenue position includes significant levels of support from reserves that have previously been agreed. In 2018/19 the structural reserve funding totals £44.987m, primarily covering the funding gap, and if this support had not been available then forecast expenditure would have exceeded forecast income by £36.525m.

In order to complete the forecast position at the end of Quarter 3 a detailed analysis of year to date income and expenditure has taken place for each service area in conjunction with a review of activity data and comparing this to trends in previous years and the position that is reported currently reflects our most robust forecast at this stage. However, there are some volatile, primarily demand led, service areas that could see their forecast fluctuate both positively and negatively during the final quarter of the financial year. Areas such as recyclate income, concessionary travel, treasury management, adult social care and children's social care are areas that are particularly closely monitored as fluctuation across these areas are most likely to materially impact the forecast position. For example a 1% change in children's social care placements demand over that currently forecast would have a £2.7m impact on the current forecast position.

As part of the forecast above, analysis is also completed of some key cross cutting areas within service budgets, particular analysis undertaken on staffing budgets (as they are approximately half of the net budget of the county council). These budgets are forecast to underspend by c£2.8m. Services such as Mental Health and the Children, Family and Wellbeing Service currently have relatively high levels of vacancies but have undertaken successful recruitment campaigns during 2018/19 and therefore their underspends will not be recurrent. The staffing budgets this year contain savings relating to a vacancy factor and also terms and conditions. The information available at Quarter 3 indicates that the vacancy factor saving is being achieved, however the terms and conditions saving which relates to unpaid annual leave, sickness levels and agency spend is not. Whilst this saving is not being met, this is manageable in 2018/19 as staff vacancy levels are higher than the 2% vacancy factor that has been built into the budget, this will be kept under close review.

The savings that have been agreed to date are also closely monitored. The financial position at the end of quarter 3 has maintained the position of 93% of savings rated as on track, but some potentially with issues to work through such as delays. The remaining 7% are the most challenging to deliver currently, but services are working hard to deliver those savings and are regularly reporting progress.

1. **Adult Services**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Approved Expenditure Budget** | **Current Period Expenditure Forecast Outturn** | **Current Period Expenditure Forecast Variance** | **Approved Income Budget** | **Current Period Income Forecast Outturn** | **Current Period Income Forecast Variance** | **Approved Net Budget** | **Current Period Net Forecast Outturn** | **Current Period Net Forecast Variance** | **Current Period Net Forecast Variance** | **Q2 Forecast Variance** |
| **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **%** | **£m** |
| **DISABILITY (adults)** | 29.939 | 29.281 | -0.658 | -31.955 | -31.927 | 0.028 | -2.016 | -2.646 | -0.630 | -31.25% | -0.475 |
| **OLDER PEOPLE** | 25.571 | 25.998 | 0.427 | -23.149 | -22.731 | 0.418 | 2.422 | 3.267 | 0.845 | 34.89% | 0.636 |
| **Learning Disabilities, Autism & Mental Health** | 198.107 | 197.413 | -0.694 | -23.409 | -24.402 | -0.993 | 174.698 | 173.011 | -1.687 | -0.97% | -2.082 |
| **SOCIAL CARE SERVICES (adults)** | 300.837 | 313.277 | 12.440 | -131.050 | -140.865 | -9.815 | 169.787 | 172.412 | 2.625 | 1.55% | 2.638 |
| **POLICY INFO & COMMISSION AGE WELL** | 0.449 | 0.451 | 0.002 | 0.000 | 0.000 | 0.000 | 0.449 | 0.451 | 0.002 | 0.45% | 0.000 |
| **POLICY INFO & COMMISSION LIVE WELL** | 0.736 | 0.703 | -0.033 | -0.139 | -0.105 | 0.034 | 0.597 | 0.598 | 0.001 | 0.17% | 0.000 |
| **TOTAL ADULT SERVICES** | **555.639** | **567.123** | **11.484** | **-209.702** | **-220.030** | **-10.328** | **345.937** | **347.093** | **1.156** | **0.33%** | **0.717** |

**Adult Services – forecast overspend £1.156m**

The overall forecast overspend shows little change compared with Quarter 2, with the position being a slightly higher overspend. This is mainly due to increased costs on commissioned services offset by additional income. The position at quarter 3 reflects the additional winter pressures funding for 2018/19 which provides monies to pay for additional capacity including, for example, more care provision and staff support to alleviate pressures in hospitals and support effective discharges.

There is an overall underspend across our Learning Disability, Autism and Mental Health services including social work and in-house care support teams. A number of factors are contributing to this position such as staff turnover and delays in recruitment, however this has not impacted on quality ratings with all provision rated good or outstanding. Lower than forecast placement numbers are suppressing costs overall in social work teams although the service is having to manage the unexpected costs for individuals/service users who live outside of Lancashire but who may have originated from the county and the authority is now required to cover these costs which are significant. Legislation has since changed to minimise future financial risks.

In contrast the older people and physical disability services, including social work teams and in house care provision, has an overall overspend although it is supporting significantly higher numbers of people. The financial challenge in the in house service concerns occupancy levels which are below target and the necessity of covering staff absences and work is underway to improve attendance levels and establish a casual pool of employees. However, demand for residential and nursing placements is lower than 2017/18 levels, with a continuing increase in placement costs are putting some pressure on the budget. It must be noted that the level of residential and nursing placements are more costly when compared to other care packages such as domiciliary care, in addition alternative placements to residential care often provide better outcomes for the service user.

Domiciliary care and direct payments are the greatest area of demand pressure, which had started to emerge during the final quarter of the 2017/18 financial year and have continued during 2018/19. Direct Payments service user numbers continue to increase significantly (10.73%) compared to the number of people that were supported through these packages of care in 2017/18. These demand levels are much higher than budgeted for within the 2018/19 funding envelope and therefore results in a pressure within the budget. However, offsetting this pressure is additional income which is higher than budgeted.

1. **Public Health and Wellbeing**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **PUBLIC HEALTH & WELLBEING** | **Approved Expenditure Budget** | **Current Period Expenditure Forecast Outturn** | **Current Period Expenditure Forecast Variance** | **Approved Income Budget** | **Current Period Income Forecast Outturn** | **Current Period Income Forecast Variance** | **Approved Net Budget** | **Current Period Net Forecast Outturn** | **Current Period Net Forecast Variance** | **Current Period Net Forecast Variance** | **Q2 Forecast Variance** |
| **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **%** | **£m** |
| **PUBLIC HEALTH & WELLBEING** | 0.431 | 0.773 | 0.342 | -68.367 | -68.675 | -0.308 | -67.936 | -67.902 | 0.034 | 0.05% | 0.035 |
| **PATIENT SAFETY & QUALITY IMPROVEMENT** | 5.825 | 6.104 | 0.279 | -0.587 | -0.641 | -0.054 | 5.238 | 5.463 | 0.225 | 4.30% | 0.353 |
| **HEALTH EQUITY WELFARE & PARTNERSHIPS** | 66.308 | 65.530 | -0.778 | -1.259 | -1.394 | -0.135 | 65.049 | 64.136 | -0.913 | -1.40% | -0.831 |
| **CHILDREN AND FAMILY WELLBEING SERVICE** | 18.626 | 16.227 | -2.399 | -4.500 | -4.519 | -0.019 | 14.126 | 11.708 | -2.418 | -17.12% | -2.085 |
| **Health, Safety & Resilience** | 1.785 | 1.826 | 0.041 | -1.203 | -1.389 | -0.186 | 0.582 | 0.437 | -0.145 | -24.91% | -0.127 |
| **TRADING STANDARDS & SCIENTIFIC SERVICES** | 4.550 | 4.704 | 0.154 | -1.463 | -1.313 | 0.150 | 3.087 | 3.391 | 0.304 | 9.85% | 0.222 |
| **TOTAL PUBLIC HEALTH & WELLBEING** | **97.525** | **95.164** | **-2.361** | **-77.379** | **-77.931** | **-0.552** | **20.146** | **17.233** | **-2.913** | **-14.46%** | **-2.433** |

**Public Health and Wellbeing – forecast underspend £2.913m**

The overall forecast overspend shows little change compared with quarter 2, with the position being a slightly higher underspend. This is mainly due to an increased underspend within the children and family wellbeing service due to a reduced forecast staffing and operational costs.

Areas of overspend include patient safety and quality improvement which is due to an increased volume of referrals into the safeguarding enquiry service via Multi Agency Safeguarding Hub (MASH) which resulted in some additional temporary resource costs to clear the backlog whilst more fundamental changes are made to service processes.

An additional area of overspend within the health equity, welfare and partnerships service relates to the sexual health contracts (c£1.3m) This service is funded on the basis of activity which has significantly increased to a level within the original scope of the contract but considerably higher than in previous years, with work underway to review and revise arrangements. This overspend is offset by underspends on other contract costs and staffing budgets.

Trading Standards and Scientific Services is also forecast to overspend predominantly due to costs within scientific services of £0.264m, in particular equipment renewal and repairs and under achievement of income in trading standards.

The majority of the overall underspend relates to staffing underspends in the children and family wellbeing service (£1.878m) due to vacancies and delays in recruitment and additional underspends across operational costs. In addition the health, safety and resilience service are forecast to underspend due to one-off over achievement of income.

1. **Education and Children's Services**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **EDUCATION AND CHILDRENS SERVICES** | **Approved Expenditure Budget** | **Current Period Expenditure Forecast Outturn** | **Current Period Expenditure Forecast Variance** | **Approved Income Budget** | **Current Period Income Forecast Outturn** | **Current Period Income Forecast Variance** | **Approved Net Budget** | **Current Period Net Forecast Outturn** | **Current Period Net Forecast Variance** | **Current Period Net Forecast Variance** | **Q2 Forecast Variance** |
| **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **%** | **£m** |
| **EDUCATION & CHILDREN'S SERVICES CENTRAL COSTS** | 2.998 | 2.757 | -0.241 | -4.376 | -4.376 | 0.000 | -1.378 | -1.619 | -0.241 | -17.49% | -0.138 |
| **SAFEGUARDING INSPEC & AUDIT** | 12.466 | 12.681 | 0.215 | -0.568 | -1.060 | -0.492 | 11.898 | 11.621 | -0.277 | -2.33% | -0.275 |
| **POLICY INFO & COMMISSION START WELL** | 1.421 | 2.499 | 1.078 | -0.545 | -1.593 | -1.048 | 0.876 | 0.906 | 0.030 | 3.42% | 0.020 |
| **INCLUSION** | 23.033 | 22.622 | -0.411 | -6.603 | -6.005 | 0.598 | 16.430 | 16.617 | 0.187 | 1.14% | 0.145 |
| **ADOPTION & FOSTERING RESIDENTIAL AND YOT** | 32.382 | 32.999 | 0.617 | -2.848 | -3.430 | -0.582 | 29.534 | 29.569 | 0.035 | 0.12% | -0.076 |
| **CHILDREN SOCIAL CARE LOCALITIES** | 103.364 | 105.835 | 2.471 | -2.010 | -2.228 | -0.218 | 101.354 | 103.607 | 2.253 | 2.22% | 2.072 |
| **EDUCATION QUALITY & PERFORMANCE** | 15.234 | 14.959 | -0.275 | -8.434 | -8.726 | -0.292 | 6.800 | 6.233 | -0.567 | -8.34% | -0.608 |
| **LEARNING SERVICES & SKILLS** | 40.932 | 38.239 | -2.693 | -46.357 | -42.701 | 3.656 | -5.425 | -4.462 | 0.963 | 17.75% | 0.873 |
| **TOTAL EDUCATION AND CHILDRENS SERVICES** | **231.830** | **232.591** | **0.761** | **-71.741** | **-70.119** | **1.622** | **160.089** | **162.472** | **2.383** | **1.49%** | **2.013** |

**Education & Children's Services Central Costs – forecast underspend £0.241m**

This is due to underspends forecast across Premature Retirement Costs (PRC) budgets and central costs.

**Safeguarding, Inspection and Audit - forecast underspend £0.277m**

The service is forecasting underspends on staffing as a result of vacant posts. In addition, an over recovery of income is forecast for safeguarding services which is anticipated will be similar to 2017/18. These underspends are offset by overspends forecasted in operational costs.

**Inclusion** - **forecast overspend by £0.187m**

The most significant overspends relate to family support costs, which are forecast to overspend by £0.833m, and direct payments, which are forecast to overspend by £0.100m. In addition, an under recovery of income is forecast in SEN Traded Services and a further pressure of £0.107m due to a delay in the achievement of savings. Offsetting these overspends are forecast underspends within Lancashire Break Time and underspends across a number of teams due to staff vacancies.

**Adoption, Fostering Residential and YOT - forecast overspend £0.035m**

An overspend is forecast within the residential service of £0.613m due to an increase in staffing costs and operational costs across the service. An offsetting underspend is forecast within the Adoption Service of £0.318m due to staff vacancies and lower than budgeted expenditure on adoption allowances. In addition foster care allowances are forecasting underspends of £0.200m. The forecast position compared to quarter 2 has deteriorated by £0.111. The increase in forecast spend is mainly due to additional staff costs in in-house residential units.

**Children's Social Care Localities - forecast overspend £2.253m**

The forecast variance includes an anticipated overspend of £2.113m related to staffing due to a number of vacant posts being covered by agency staff.

The most significant overspends relate to both agency residential and fostering placements which are forecast to overspend by £2.332m. Placements increased from 206 in March 2017 to 265 in March 2018 and increased again to 302 in November 2018.

An underspend of £1.128m is forecast within family support payments (which covers Special Guardianship Orders (SGO's), Child Arrangement Orders (CAO's), assistance to families and other payments) as a result of the forecasted growth not materialising.

In addition, further underspends are forecast within leaving care allowances and agency remand placements. There is also a forecast underspend on staying put placements due to the receipt of a grant that was not expected in 2018/19.

It is important to note that there is no budget for agency staff to respond to growth in demand and the staffing establishment has not been reviewed for some time. This will be addressed as a matter of priority to ensure that staff have the time to do all the work they need to do to visit the children in their care.

**Education Quality & Performance - forecast underspend £0.567m**

The most significant underspends are in relation to children looked after (CLA) work placements (£0.384m) and staffing (£0.196m) due to the delay of the implementation of the restructure.

It is of the upmost importance that the service for children looked after is sustainable and consistent . This review and possible restructure will be looked at alongside the expected Ofsted inspection on this topic which may be as early as July.

**Learning Services & Skills - forecast overspend £0.963m**

This service makes c£5m contribution to corporate overheads, however the service is not currently achieving the targeted contribution. The forecast position is predominantly due to an undeliverable saving of c£0.500m within the Schools Catering Service which has been adjusted for within the MTFS for 2019/20. The main areas of pressure are Schools Catering Service, Outdoor Education and Learning Excellence.

1. **Community Services**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **COMMUNITY SERVICES** | **Approved Expenditure Budget** | **Current Period Expenditure Forecast Outturn** | **Current Period Expenditure Forecast Variance** | **Approved Income Budget** | **Current Period Income Forecast Outturn** | **Current Period Income Forecast Variance** | **Approved Net Budget** | **Current Period Net Forecast Outturn** | **Current Period Net Forecast Variance** | **Current Period Net Forecast Variance** | **Q2 Forecast Variance** |
| **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **%** | **£m** |
| **HIGHWAYS** | 48.665 | 51.042 | 2.377 | -36.549 | -38.231 | -1.682 | 12.116 | 12.811 | 0.695 | 5.74% | -0.648 |
| **LIBRARIES MUSEUMS CULTURE & REGISTRARS** | 15.625 | 14.669 | -0.956 | -6.388 | -5.566 | 0.822 | 9.237 | 9.103 | -0.134 | -1.45% | -0.013 |
| **PUBLIC & INTEGRATED TRANSPORT** | 75.306 | 76.818 | 1.512 | -31.090 | -29.714 | 1.376 | 44.216 | 47.104 | 2.888 | 6.53% | 1.369 |
| **WASTE MGT** | 81.103 | 83.464 | 2.361 | -13.709 | -20.053 | -6.344 | 67.394 | 63.411 | -3.983 | -5.91% | -1.627 |
| **TOTAL COMMUNITY SERVICES** | **220.699** | **225.993** | **5.294** | **-87.736** | **-93.564** | **-5.828** | **132.963** | **132.429** | **-0.534** | **-0.40%** | **-0.919** |

**Highways – forecast overspend £0.695m**

The forecast overspend is due to a combination of factors, the most significant of which are lower than budgeted utilisation of plant on capital work, less staff supervising capital works delivery (meaning lower than budgeted income charged to capital), costs relating to grounds maintenance being higher than the income received for this type of work and an income pressure on pay and display at Preston Bus Station.

This overspend is partly offset due to additional income that the service is forecasting relating to charges for utility companies working in the network. It is a combination of permit scheme income, inspection fees, defect inspections and also penalty charges when work overruns.

**Libraries Museums Culture & Registrars – forecast underspend £0.134m**

No significant variance is forecast overall within the service, however it is projected that within individual services there will be some variances, but the budget will be managed overall. The most significant being pressures relating to museums and the conservation and collections team but the expectation is that these will be covered by additional income from the registration service.

**Public & Integrated Transport – forecast overspend £2.888m**

There are a number of variances across the service with the significant areas detailed below:

* The most significant overspend relates to transport costs for pupils with special educational needs and disabilities (SEND) and excluded pupils. This is due to a combination of factors, there are additional school days falling within the 2018/19 financial year as opposed to 2017/18 largely relating to when schools have taken Easter holidays. In addition a combination of higher than assumed passenger numbers and greater taxi price increases is resulting in further pressures on the budget. These factors combined are resulting in a pressure of c£1.500m.
* An additional pressure of c£0.600m relates to transport costs for taking pupils to non-maintained independent schools that previously has been paid for from schools budgets but upon review should be paid for from LCC transport budgets. The full costs for an academic year is c£0.900m and will be built into the MTFS from 2019/20.
* Savings on special educational needs and disabilities (SEND) transport largely relating to a scheme enabling children to have the skills to travel independently. Due to delays in the scheme being implemented it is envisaged there will be a delayed delivery of achieving these savings of c£0.400m. Work is ongoing to review the delivery of these savings.
* An overspend of £0.222m relates to bus station running costs. The budget saving relating to this area was re-profiled for 2018/19 onwards, however it is forecast that the actual net running costs will exceed this budget provision.
* A 2018/19 budget saving relating to the closure of 4 transport information centres was agreed. Expressions of interest to run these sites have been received and have been agreed to be explored which will result in delayed delivery of savings whilst the sites remain operational.
* Forecast overspends of £0.498m relate to tendered public bus services. The budget for this service was increased to £3.000m in 2018/19 with additional routes are being delivered, however, fare income to date is lower than originally anticipated.
* Offsetting some of the budget pressures outlined above is a forecast underspend of £0.429m on concessionary travel. The costs in 2017/18 were particularly low due to the poor winter weather and a reduction was made in the MTFS for 2018/19, however the reduced trend in demand has continued in 2018/19 at a higher level than the adjustment that was made.

The forecast overspend has increased by £1.519m compared to that reported to cabinet at quarter 2 largely due to further increases on transport costs for SEND and excluded pupils and the transport costs relating to transport to independent schools.

**Waste Management – forecast underspend £3.983m**

The most significant underspend of £3.923m relates to the costs of waste disposal. The reasons for this are that there are lower than budgeted waste arisings, more waste is being diverted away from landfill which is the most expensive method of disposal and a higher than assumed level of evaporation of waste is being achieved at Thornton waste recovery park.

Partly offsetting this underspend is a pressure relating to income received for recycled waste, particularly paper and card which is resulting in forecast overspends of £0.635m. These markets are volatile so the position is subject to change throughout the year.

Other underspends are forecast relating to the operating costs of the waste company of £0.200m and the costs of green waste due to lower tonnages of £0.245m.

The forecast position has improved by £2.356m compared to what was reported to cabinet at quarter 2 mainly due to further reductions in waste arisings and achieving significantly more evaporation of waste at Thornton resulting in reduced landfill costs.

1. **Economic Development and Planning**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ECONOMIC DEVELOPMENT & PLANNING** | **Approved Expenditure Budget** | **Current Period Expenditure Forecast Outturn** | **Current Period Expenditure Forecast Variance** | **Approved Income Budget** | **Current Period Income Forecast Outturn** | **Current Period Income Forecast Variance** | **Approved Net Budget** | **Current Period Net Forecast Outturn** | **Current Period Net Forecast Variance** | **Current Period Net Forecast Variance** | **Q2 Forecast Variance** |
| **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **%** | **£m** |
| **ECONOMIC DEVELOPMENT** | 0.129 | 0.061 | -0.068 | 0.000 | 0.000 | 0.000 | 0.129 | 0.061 | -0.068 | -52.71% | 0.008 |
| **BUSINESS GROWTH** | 4.416 | 4.377 | -0.039 | -2.786 | -2.877 | -0.091 | 1.630 | 1.500 | -0.130 | -7.98% | 0.060 |
| **LEP COORDINATION** | 1.019 | 1.768 | 0.749 | -0.773 | -1.518 | -0.745 | 0.246 | 0.250 | 0.004 | 1.63% | 0.004 |
| **STRATEGIC ECONOMIC DEVELOPMENT** | 0.503 | 0.347 | -0.156 | -0.509 | -0.504 | 0.005 | -0.006 | -0.157 | -0.151 | -2516.67% | -0.129 |
| **PLANNING AND ENVIRONMENT** | 4.505 | 4.499 | -0.006 | -2.880 | -3.141 | -0.261 | 1.625 | 1.358 | -0.267 | -16.43% | -0.167 |
| **TOTAL ECONOMIC DEVELOPMENT & PLANNING** | **10.572** | **11.052** | **0.480** | **-6.948** | **-8.040** | **-1.092** | **3.624** | **3.012** | **-0.612** | **-16.89%** | **-0.224** |

**Business Growth – forecast underspend £0.130m**

The forecast underspend relates to additional income and an underspend on staffing.

**Strategic Economic Development – forecast underspend £0.151m**

The forecast underspend is as a result of additional income received by the service.

**Planning and Environment – forecast underspend £0.267m**

The forecast underspend relates to additional income and a small underspend on staffing.

1. **Programmes and Project Management**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **PROGRAMMES & PROJECT MANAGEMENT AND CUSTOMER ACCESS** | **Approved Expenditure Budget** | **Current Period Expenditure Forecast Outturn** | **Current Period Expenditure Forecast Variance** | **Approved Income Budget** | **Current Period Income Forecast Outturn** | **Current Period Income Forecast Variance** | **Approved Net Budget** | **Current Period Net Forecast Outturn** | **Current Period Net Forecast Variance** | **Current Period Net Forecast Variance** | **Q2 Forecast Variance** |
| **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **%** | **£m** |
| **CORE BUSINESS SYSTEMS** | 4.052 | 3.997 | -0.055 | -0.302 | -0.302 | 0.000 | 3.750 | 3.695 | -0.055 | -1.47% | -0.025 |
| **DESIGN and CONSTRUCTION** | 23.051 | 22.071 | -0.980 | -25.894 | -24.631 | 1.263 | -2.843 | -2.560 | 0.283 | 9.95% | 0.415 |
| **PROGRAMME OFFICE** | 2.305 | 2.020 | -0.285 | -1.852 | -1.021 | 0.831 | 0.453 | 0.999 | 0.546 | 120.53% | 0.541 |
| **CUSTOMER ACCESS** | 5.297 | 5.448 | 0.151 | -2.205 | -2.418 | -0.213 | 3.092 | 3.030 | -0.062 | -2.01% | 0.002 |
| **TOTAL PROGRAMMES & PROJECT MANAGEMENT AND CUSTOMER ACCESS** | **34.705** | **33.536** | **-1.169** | **-30.253** | **-28.372** | **1.881** | **4.452** | **5.164** | **0.712** | **15.99%** | **0.933** |

**Design and Construction – forecast overspend £0.283m**

* A lower than forecast income recovery of £0.713m is expected largely due to the service working on a larger number of smaller projects which tend to require a proportionately greater amount of staffing resource. Partly offsetting this are forecast underspends of £0.598m on staffing and agency costs. Depending on levels of work the service flexes staffing resource, particularly their reliance on agency staff, however the mix of projects that are being delivered in 2018/19 means the staffing underspend is significantly lower than the reduced income levels.
* Design and Construction highways is forecast to overspend by £0.168m. There are currently several vacancies so whilst there is a significant staffing underspend there is a greater under recovery on income as the service is income generating.

**Programme Office – forecast overspend £0.546m**

This forecast overspend is due to project work being undertaken not generating the level of income required within the budget. This recurring pressure is offset by underspends on staffing and non-staffing costs. The forecast position includes the support of £0.861m reserves funding in 2018/19.

1. **Finance, Corporate and Property Services**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **FINANCE, CORPORATE AND PROPERTY SERVICES** | **Approved Expenditure Budget** | **Current Period Expenditure Forecast Outturn** | **Current Period Expenditure Forecast Variance** | **Approved Income Budget** | **Current Period Income Forecast Outturn** | **Current Period Income Forecast Variance** | **Approved Net Budget** | **Current Period Net Forecast Outturn** | **Current Period Net Forecast Variance** | **Current Period Net Forecast Variance** | **P06 Variance** |
| **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **%** | **£m** |
| **BTLS** | 24.526 | 24.661 | 0.135 | -2.832 | -2.074 | 0.758 | 21.694 | 22.587 | 0.893 | 4.12% | 0.873 |
| **LANCASHIRE PENSION FUND** | 0.184 | 0.217 | 0.033 | -0.184 | -0.217 | -0.033 | 0.000 | 0.000 | 0.000 | 0.00% | -0.001 |
| **EXCHEQUER SERVICES** | 4.520 | 4.481 | -0.039 | -1.944 | -2.020 | -0.076 | 2.576 | 2.461 | -0.115 | -4.46% | -0.068 |
| **FINANCIAL MGT (DEVELOPMENT AND SCHOOLS)** | 2.337 | 2.323 | -0.014 | -2.148 | -2.290 | -0.142 | 0.189 | 0.033 | -0.156 | -82.54% | -0.139 |
| **FINANCIAL MGT (OPERATIONAL)** | 1.929 | 1.882 | -0.047 | -0.192 | -0.171 | 0.021 | 1.737 | 1.711 | -0.026 | -1.50% | -0.029 |
| **OFFICE OF THE POLICE AND CRIME COMMISSIONER TRES** | 0.086 | 0.090 | 0.004 | -0.097 | -0.097 | 0.000 | -0.011 | -0.007 | 0.004 | 36.36% | 0.004 |
| **CORPORATE FINANCE** | 17.840 | 17.414 | -0.426 | -14.221 | -13.804 | 0.417 | 3.619 | 3.610 | -0.009 | -0.25% | -0.012 |
| **INTERNAL AUDIT** | 0.889 | 0.864 | -0.025 | -0.193 | -0.172 | 0.021 | 0.696 | 0.692 | -0.004 | -0.57% | 0.020 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **FINANCE, CORPORATE AND PROPERTY SERVICES** | **Approved Expenditure Budget** | **Current Period Expenditure Forecast Outturn** | **Current Period Expenditure Forecast Variance** | **Approved Income Budget** | **Current Period Income Forecast Outturn** | **Current Period Income Forecast Variance** | **Approved Net Budget** | **Current Period Net Forecast Outturn** | **Current Period Net Forecast Variance** | **Current Period Net Forecast Variance** | **P06 Variance** |
| **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **%** | **£m** |
| **PROCUREMENT** | 3.149 | 2.754 | -0.395 | -1.626 | -1.231 | 0.395 | 1.523 | 1.523 | 0.000 | 0.00% | -0.001 |
| **LEGAL AND DEMOCRATIC SERVICES** | 14.173 | 16.379 | 2.206 | -2.237 | -2.255 | -0.018 | 11.936 | 14.124 | 2.188 | 18.33% | 1.707 |
| **CORONER'S SERVICE** | 2.948 | 2.606 | -0.342 | -0.260 | -0.258 | 0.002 | 2.688 | 2.348 | -0.340 | -12.65% | -0.107 |
| **HUMAN RESOURCES** | 9.734 | 10.111 | 0.377 | -8.859 | -9.463 | -0.604 | 0.875 | 0.648 | -0.227 | -25.94% | -0.256 |
| **BUSINESS INTELLIGENCE** | 1.302 | 1.285 | -0.017 | -0.405 | -0.406 | -0.001 | 0.897 | 0.879 | -0.018 | -2.01% | 0.013 |
| **SKILLS LEARNING & DEVELOPMENT** | 4.722 | 4.260 | -0.462 | -2.140 | -1.996 | 0.144 | 2.582 | 2.264 | -0.318 | -12.32% | -0.221 |
| **FACILITIES MGT** | 28.932 | 28.329 | -0.603 | -9.396 | -8.146 | 1.250 | 19.536 | 20.183 | 0.647 | 3.31% | 0.593 |
| **ASSET MGT** | 39.537 | 38.138 | -1.399 | -32.320 | -32.281 | 0.039 | 7.217 | 5.857 | -1.360 | -18.84% | -1.658 |
| **ESTATES** | 1.685 | 1.620 | -0.065 | -1.107 | -1.094 | 0.013 | 0.578 | 0.526 | -0.052 | -9.00% | -0.055 |
| **TOTAL FINANCE, CORPORATE AND PROPERTY SERVICES** | **158.493** | **157.414** | **-1.079** | **-80.161** | **-77.975** | **2.186** | **78.332** | **79.439** | **1.107** | **1.41%** | **0.663** |

**BTLS – forecast overspend £0.893m**

The forecast overspend is due to delayed delivery of savings, income and inflationary pressures.

**Legal and Democratic Services – forecast overspend £2.188m**

The forecast overspend is predominantly due to legal fees budget pressures. The increase in legal fees spend can be attributed to a significant increase in referrals to the child protection team over the year and costs associated with some procurement court cases and large capital schemes.

**Coroner's Service – forecast underspend £0.340m**

The forecast underspend principally is due to further ongoing reductions in pathologists fees and mortuary storage costs following the introduction of electronic scanning.

**Human Resources – forecast underspend £0.227m**

The forecast underspend largely relates an increase in income and underspends on staffing and operational costs.

**Skills, Learning and Development – forecast underspend £0.318m**

The forecast underspend largely relates to reduced costs within operational budgets.

**Facilities Management – forecast overspend £0.647m**

The forecast overspend is partly the result of a non-recurring overspend due to some delayed charges that relate to 2017/18 that the service have incurred in addition to this year's costs.

The budget for repairs and maintenance in 2018/19 was reduced for agreed savings of £0.750m. Work is underway to carry out condition surveys and develop a programme of planned works to reduce future reactive repair and maintenance costs, however, it is not anticipated the saving will be fully achieved this year and an overspend of £0.384m is anticipated.

Following a full review and centralisation of property running costs in 2017/18 savings of £1.002m are forecast to be delivered in year, reducing the call on reserves previously agreed.

**Asset Management – forecast underspend £1.360m**

The forecast underspend is mainly due to a non-recurrent underspend of £0.651m which relates to the timing of recharging schools for utility costs relating to 2017/18 and an underspend of c£900k relating to taxation for carbon emissions that has been paid in earlier years.

**Financial Management (Development and Schools) – forecast underspend £0.156m**

The forecast underspend of £0.156m is due to additional income.

1. **Chief Executive Services**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **CHIEF EXECUTIVE SERVICES** | **Approved Expenditure Budget** | **Current Period Expenditure Forecast Outturn** | **Current Period Expenditure Forecast Variance** | **Approved Income Budget** | **Current Period Income Forecast Outturn** | **Current Period Income Forecast Variance** | **Approved Net Budget** | **Current Period Net Forecast Outturn** | **Current Period Net Forecast Variance** | **Current Period Net Forecast Variance** | **Q2 Forecast Variance** |
|  | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **%** | **£m** |
| **CHIEF EXECUTIVE** | 2.142 | 2.482 | 0.340 | -0.116 | -0.493 | -0.377 | 2.026 | 1.989 | -0.037 | -1.83% | -0.037 |
| **SERVICE COMMUNICATIONS** | 1.317 | 1.236 | -0.081 | -0.521 | -0.439 | 0.082 | 0.796 | 0.797 | 0.001 | 0.13% | 0.001 |
| **CORPORATE BUDGETS (FUNDING AND GRANTS)** | 0.000 | 11.025 | 11.025 | -44.637 | -44.637 | 0.000 | -44.637 | -33.612 | 11.025 | 24.70% | 11.025 |
| **CORPORATE BUDGETS (PENSIONS & APPRENTICESHIP LEVY)** | 21.874 | 22.124 | 0.250 | 0.000 | 0.000 | 0.000 | 21.874 | 22.124 | 0.250 | 1.14% | 0.250 |
| **CORPORATE BUDGETS (TREASURY MANAGEMENT)** | 46.978 | 35.339 | -11.639 | -7.940 | -17.301 | -9.361 | 39.038 | 18.038 | -21.000 | -53.79% | -13.368 |
| **TOTAL CHIEF EXECUTIVE SERVICES** | **72.311** | **72.206** | **-0.105** | **-53.214** | **-62.870** | **-9.656** | **19.097** | **9.336** | **-9.761** | **-51.11%** | **-2.129** |

**Corporate Budgets – forecast underspend £9.725m**

A significant underspend is forecast following approval of a change to the Minimum Revenue Provision policy. This has enabled a £9m reduction in costs in 2018/19. However, this is offset by a £11m pressure relating to a forecast shortfall in capital receipts relating to the Cuerden site.

Additionally, there is a forecast underspend of over £11m within the Treasury Management budget as a result of extra income received, which is forecast to be far higher than initially anticipated. With the markets responding to economic and political events there has been volatility in the price of Gilts and other bonds. The subsequent increase in the price has enabled sales to be made which has generated a significant surplus. Also, further savings have been made following the repayment of LOBO loans which has resulted in reduced interest costs.

Finally, there is an estimated overspend of £0.250m due to a saving relating to the apprenticeship levy not yet being delivered.