**Cabinet**

Meeting to be held on 12 August 2015

**Report of the Interim Director of Financial Resources**

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| Electoral Divisions affected:  All |

**Money Matters – 2015/16 Financial Position and Revised Medium Term Financial Strategy**

(Appendices 'A', 'B' and 'C' refer)

Contact for further information:

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| Executive Summary This report provides the Financial Position as at 30th June 2015, the latest position in respect of the County Council's reserves and the County Council's updated financial outlook and Medium Term Financial Strategy for the period 2016/17 to 2020/21.  Financial Position as at 30th June 2015  An overspend is forecast on the revenue budget of £33.251m, in the main, due to a base budget pressure from 2014/15 totalling £24.838m and an additional 2015/16 emerging net pressure of £16.328m (after the application of earmarked reserves totalling £12.395m) offset by a net gain of £7.915m. This represents a net ongoing budget pressure of £45.646m. This is reflected in the financial outlook and Medium Term Financial Strategy.  The County Council's reserves position  The County Council is forecast to have £87.406m (excluding schools) in reserves at 31st March 2018, of which the County Fund will remain at £36.000m leaving £51.406m to finance the 2015/16 potential overspend, future downsizing and uncommitted service pressures. In addition, it would be currently prudent to allocate £33.251m against reserves as reported on the 2015/16 forecast outturn.  The Financial Outlook and Medium Term Financial Strategy  This report outlines the financial position facing Lancashire County Council over the period 2015/16 to 2020/21. The County Council is experiencing an on-going period of unprecedented financial pressure as a result of the government's extended programme of austerity combined with significant increases in demand for public services.  The County Council's three year Medium Term Financial Strategy (MTFS) was approved by Full Council in February 2015 covering the 2015/16 budget and the forecast position for 2016/17 to 2017/18. This identified a funding gap of £18.3m in 2016/17 and £8.1m in 2017/18 (£26.4m in total). The Council also agreed that the MTFS should be reviewed following the General Election in May 2015 to allow a revised revenue budget to be set out. It was also agreed that the period of the MTFS should be extended to cover the full life of the parliamentary term (to 2020/21).  This report has revised the assumptions in the MTFS for both funding and expenditure and extended the period to 2020/21. The funding gap is £223.200m. Recommendations The Cabinet is asked to:   1. Note the forecast overspend of £33.251m on the revenue budget in 2015/16 and ongoing pressure of £45.646m; 2. Note the position in respect of the Council's reserves and to agree transfers outlined in the report; and 3. Note the revised funding gap of £223.200m as set out in the revised financial outlook forecast for the Council. |

**Background and Advice**

The detailed reports at Appendices 'A', 'B' and 'C' present the County Council's revenue position as at 30th June, the latest position in respect of the Council's reserves and an updated financial outlook and Medium Term Financial Strategy for the period 2016/17 to 2020/21.

**Consultations**

N/A

**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.

##### List of Background Papers

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| Paper | Date | Contact/Tel |
| Budget Monitoring Working Papers | July 2015 | Neil Kissock (01772 536154)  Abbi Leech (01772 530808) |
| Reason for inclusion in Part II, if appropriate  N/A | | |