

# Lancashire County Council

## Cabinet

Thursday, 3rd February, 2011 at 2.00 pm in Cabinet Room 'B' - County Hall, Preston

## Agenda

### Part 1 (Open to Press and Public)

#### No. Item

#### 1. Disclosure of Personal and Prejudicial Interests

Members are asked to consider any Personal/Prejudicial Interests they may have to disclose to the meeting in relation to matters under consideration on the Agenda.

#### Matters for Decision:

#### 2. The Leader of the County Council

- County Councillor Geoff Driver

(a) Revenue Budget 2011/12 - 2013/14 (Pages 1 - 38)

(b) Capital Investment Strategy 2011/12 - 2014/15 (Pages 39 - 70)

#### Matters for Information:

3. Report of a Decision taken by the Leader of the Council - Superfast Broadband in Lancashire (Pages 71 - 80)

#### Miscellaneous Matters:

#### 4. Urgent Business

An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

#### 5. Date of Next Meeting

The next meeting of the Cabinet will be held on  
Thursday 3 March 2011 at 2.00 p.m. at County Hall,  
Preston.

Phil Halsall  
Chief Executive

County Hall  
Preston

**Cabinet – 3 February 2011**

**Report of the Executive Director for Resources and Deputy Chief Executive**

**Part I - Item No. 2 (a)**

Electoral Division affected:  
All

## **The 2011/12 to 2013/14 Revenue Budget**

(Appendix 'A' refers)

Contact for further information:

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### **Executive Summary**

At its meeting on 6 January 2011, the Cabinet agreed the revenue budget proposals for 2011/12 to 2013/14, to form the basis for consultation with a range of stakeholders including:

- Overview and Scrutiny Committees
- Lancashire District and Unitary Councils
- Youth Council
- Trade Unions, and
- The Business Community.

This report provides Cabinet with an update on budget issues, and covers the consultation responses received.

Since 6 January 2011, District Councils have confirmed the information on council tax resources for 2011/12. There has been a further increase in the tax base which provides additional ongoing resources of £0.137m in 2011/12, a further £0.028m in 2012/13, and £0.054m in 2013/14.

In addition, there is a small surplus on the 2010/11 council tax collection fund which will provide additional, one-off resources of £0.099m in 2011/12.

Although the two year government settlement provides certainty over the next two years, there remains a level of financial risk within the budget, given the level of budget reductions to be achieved over the next three years.

It is therefore proposed that the additional resources set out above be incorporated within the proposal for additional investment in highways maintenance in 2011/12 and 2012/13, enabling the level of savings required in 2013/14 to be reduced.

This proposal would have no impact on the commitment not to increase council tax in 2011/12; it results in a budget estimate of £769.256m in 2011/12, which is a reduction in expenditure of 4.09% over 2010/11, when compared on a like for like basis.

The report also includes the comments of the County Treasurer (Designate) on the robustness of the estimates within the revenue budget and the level of reserves and provisions held by the County Council. It is her view that the estimates are robust, and that the level of reserves and provisions held by the County Council are appropriate, given the level of risk the County Council is exposed to regarding the potential impact of the ordinary residence clarification and the level of uncertainty regarding future resource levels arising from the Local Government Resource Review.

The County Council must deliver savings of £179.1m over the next three years, and this presents an unprecedented level of challenge and as such, contains significant risks that must be effectively managed over the next three years and beyond. Access to an appropriate level of balances is a fundamental tool in managing this level of risk.

### **Recommendations**

The Cabinet is asked:

- (i) to note the change in council resources as a result of the increase in the council tax base and surplus on the council tax collection fund;
- (ii) to consider the proposal that these resources be incorporated within the proposal for additional investment in highways maintenance in 2011/12 and 2012/13; enabling the level of savings required in 2013/14 to be reduced;
- (iii) to consider the responses received from the consultation on the revenue budget and council tax for 2011/12;
- (iv) to note and have regard to the advice of the County Treasurer (Designate) in relation to the robustness of the budget and the adequacy of reserves; and
- (v) to recommend to the Full Council on 17 February 2011 proposed budget allocations to Directorates, a total budget requirement and the associated Band D Council Tax for 2011/12.

### **Background and Advice**

See attached report set out at Appendix 'A'.

### **Consultations**

Consultations have been undertaken with the Life in Lancashire Panel, the twelve District Councils and two Unitary Councils, Trade Unions, the Youth Council and with Business representatives. The Overview and Scrutiny Committees have also considered the budget proposals. Details of these consultations are set out in the report at Appendix 'A'.

**Implications:**

This item has the following implications, as indicated:

**Risk management**

See attached report set out at Appendix 'A'.

**Any representations made to the Cabinet prior to the issue being considered in accordance with the Public Notice of Forward Plans**

Name:	Organisation:	Comments:
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N/A

**Local Government (Access to Information) Act 1985  
List of Background Papers**

Paper	Date	Contact/Directorate/Tel
Report to Cabinet – Revenue Budget 2011/12 – 2013/14	6 January 2011	Dave Gorman, Office of the Chief Executive, (01772) 534261

Reason for inclusion in Part II, if appropriate

N/A



## The 2011/12 to 2013/14 Revenue Budget

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### Background

On 6th January 2011, Cabinet considered a report detailing the County Council's financial position for the next three years, i.e. 2011/12 – 2013/14.

The report set out the impact of the local government settlement (announced on the 13<sup>th</sup> December 2010) on the County Council's financial position. The settlement introduced the new term of "Spending Power" which describes the level of overall resources and includes:-

- *General Formula Grant*
- *Early Intervention Grant*
- *Learning Disability Grant*
- *NHS funding to support social care and benefit health*
- *Council tax revenue*
- *Council tax freeze grant*

In overall terms, the County Council's "spending power" will reduce by £32.514m in 2011/12 (a reduction of 3.63% from 2010/11) and a further £24.088m in 2012/13 (a reduction of 2.8%). In addition, the County Council is facing significant increased spending pressures. It is worth reflecting that in 2011/12 the implementation of the waste PFI adds £42m to the cost base. Overall, the County Council's costs will increase by over £71m as a result of inflation and demographic pressures (particularly in both adult and children's social care).

In addition to its "spending power" the County Council is estimated to continue to receive £19.6m of specific grants in 2011/12 and 2012/13. However, there remains some uncertainty regarding the level of specific grants, with further announcements originally scheduled during January 2011 still awaited, and a verbal update will be provided at the meeting.

As a result, the County Council will need to make the following savings over the next three years:

2011/12	£71.666m
2012/13	£50.047m
2013/14	£57.363m
<b>Total</b>	<b>£179.076m</b>

It should also be noted that whilst the settlement provided certainty for the next two years, uncertainty remains in 2013/14 due to the forthcoming Local Government Resource Review.

At the January meeting Cabinet:

- Confirmed the commitment to a three year council tax strategy of a freeze in 2011/12, and a maximum council tax increase of 2½% in 2012/13 and 2013/14.
- Agreed to maximise the "below the line" savings (which will reduce the management and administration costs of the County Council, without impacting on services) over the next three years, thereby minimising savings needed from services. This will reduce costs by £31.2m in 2011/12, a further £15m in 2012/13 and a further £9.1m in 2013/14.
- Agreed to maximise the level of efficiencies to reduce costs but maintain service provision; approving service efficiencies of £3.35m in 2011/12, a further £6.61m in 2012/13 and a further £2m in 2013/14.
- Proposed for consultation, proposals for service reductions totalling £34.654m, in 2011/12 (with an impact of £30.892m in 2012/13 and £31.476m in 2013/14).
- Agreed to further invest in Lancashire's highways network by £2.038m in 2011/12 and £6.223m in 2012/13
- Proposed for consultation, increasing income through charges totalling £4.5m in 2011/12 (with an impact of £1.73m in 2012/13 and £1.1m in 2013/14)
- Charged the Chief Executive, Executive Directors and the County Treasurer (Designate) with identifying further efficiency savings and/or "below the line" savings in 2013/14 of £7.464m in order to present a balanced, sustainable three year budget for the County Council for 2011/12 to 2013/14.
- Asked Executive Directors to maintain an ongoing review of costs.

## **Investment in Lancashire Community Strategies**

Within the three year budget strategy 2011/12 – 2013/14, the commitment previously given to Lancashire District Councils that the additional council tax raised from a reduction in the second homes council tax discount (amounting to just over £1m), is maintained.

This provides stability to the Local Strategic Partnerships at a time when public sector finance is under great pressure, thereby enabling LSPs to continue to work to deliver real benefits for local communities.

## **Update on the Financial Position**

Since January, there have been a small change to the financial position for 2011/12 and future years with the provision of final information. This relates to an increase in the level of council tax income and a reduction in future costs.



## ***Confirmation of the 2011/12 and 2012/13 Grant Settlement***

The two year grant settlement for 2011/12 and 2012/13 remains provisional, with the final settlement originally expected to be received at the end of January or early February. Latest indications are that the earliest it will be received is the 10<sup>th</sup> February. Upper tier authorities are facing the very real possibility of having to set the 2011/12 budget without confirmation of the final settlement. Indeed, Lancashire Police Authority's budget meeting is on the 9<sup>th</sup> February.

## ***Council Tax Income***

District councils have now supplied final figures for the position on the council tax collection fund and the tax base to be used for the calculation of the 2011/12 council tax.

District council treasurers had been previously indicating a balanced position on the council tax collection fund, however, the final position is a small surplus of £0.099m which means the County Council will receive marginally more revenue than previously factored into the budget proposals.

Previously, the budget included an increase in the council tax base of £1m. District council treasurers have now notified the County Council of a 0.27% increase in the tax base. This increases the council tax income in 2011/12 of £0.137m above that previously factored (rising to an increase in additional council tax income of £0.165m in 2012/13, and £0.219m in 2013/14).

## **Financial Risks and Uncertainties in 2011/12 to 2012/13**

Uncertainty remains within the 2010/11 position caused by the current economic climate and potential legislative changes which may impact upon the County Council's financial position.

## ***Ordinary Residence***

In July 2010, the potential risk to the County Council's financial strategy as a result of the clarification in the guidance which relates to "Ordinary Residence" was highlighted. In essence, once a person establishes permanent residence in an area (other than in a registered care or nursing home) they are deemed to have become the responsibility of the authority in whose area they now live (the host authority) and no longer the financial responsibility of the authority which made the original placement (the placing authority). Some authorities, such as Lancashire, which had a number of large long stay hospitals for adults with learning disability, have significant numbers of residents who have now settled in their area. Because of this the County Council will assume financial responsibility for around 180 placements made by other authorities (this number is still rising as further placements are identified) but will only lose responsibility for around 60 placements which will transfer to other local authorities. In July 2010 the potential impact on the County Council was estimated at £4m in 2011/12, but was highly uncertain.

Work was undertaken with other authorities to seek agreement to a regional approach, which would mitigate the risk. This agreement was secured, but the challenging financial settlement received by local authorities has put this agreement under pressure. Requests for transfer of financial responsibility are also now coming in from authorities outside of the North West. As yet financial responsibility has only transferred in a small number of cases with an additional cost of £380k in 2010/11 and £570k in a full year. The situation remains uncertain, and will be closely monitored over the next 12 months.

### ***Local Government Resource Review***

The Government is committed to undertaking from January 2011 a Local Government Resource Review.

Included in the review are outline proposals for some form of retention or localisation of business rates as well as changes to the overall distribution formula. The recent settlement has demonstrated that the current formula system has difficulty coping with the present financial scenario of declining resources. However, any fundamental change to the grant system creates significant uncertainty beyond the announced 2 year settlement. Whilst the budget strategy for 2013/14 is in line with the outcome of the settlement, changes in the distribution formula may result in significant change for Lancashire. At this stage the timings of the various stages of the review are not known but further information will be provided as the timing becomes clearer.

### ***Level of Specific Grant***

As previously set out to Cabinet in January, within the financial strategy for 2011/12 and future years, some £19.6m of funding is expected to be maintained from specific grants. Some grants have been confirmed. However, announcements in relation to others, in particular the previously ring fenced Learning Skills Council grant which supports Adult Learning, are due in January 2011. The expectation is that if the funding is reduced, the services will look to reduce costs and manage the reduction in funding. No further announcements have been made by the governments. A verbal update will be provided at the meeting.

### ***New Homes Bonus***

The Government proposes to pay a "New Homes Bonus" for six years to local authorities' equivalent to the average Council Tax for each new home constructed or long term empty home brought back in to use. It is intended that the scheme will begin from 2011/12 and £200m has been top sliced from the overall settlement. Consultation on the design of the scheme closed on Christmas Eve 2010 and included a number of key questions including the split between County and District Councils in two tier areas. At this stage it is impossible to estimate what might flow to the Council from this source. Updates will be provided as further information becomes available.

## **Impact on the Budget Proposals**

The combination of increased council tax income, and reductions in costs provides additional resources of £0.236m in 2011/12 (of which £0.99m is one-off), a further £0.028m in 2012/13 and a further £0.054m in 2013/14.

It is proposed that the additional resources be incorporated within the proposal for additional investment in highways maintenance in 2011/12 and 2012/13, and the full year effect of £0.219m be used to reduce the level of further savings required in 2013/14.

This proposal would have no impact on the proposed level of council tax in 2011/12 to 2013/14. The proposal results in a budget estimate of £769.256m in 2011/12, a reduction of 4.09% over 2010/11 (when compared on a like for like basis); which if agreed, would produce no increase in council tax in 2011/12. The detailed council tax calculations are set out in section 8 below.

## **Consultation Responses**

As a result of the limited time for completion and reporting of the Stage 2 consultation between the Cabinet meeting on 6<sup>th</sup> January and the finalisation of this report for 3<sup>rd</sup> February, it has not been possible to include a complete set of consultation responses with this report.

Instead the various consultation responses will be included in a separate Annex 2, to be circulated, as set out below:

- Overview and Scrutiny: a written response will be included in the Annex, also to be reported orally to Cabinet by the Chairs of the Overview and Scrutiny Committees;
- Lancashire District and Unitary Councils, trade unions and business representatives: written responses will be included in the Annex;
- Youth Council: representatives from the Youth Council will make an oral report to the Cabinet at the meeting.

As part of the approach to budget consultation, an interactive 'budget calculator' has been available through the county council website. This allowed visitors to the website to identify how they would balance the budget over the next two years, without increasing council tax. The results of this exercise are set out in Annex 3.

## **Robustness of the Estimates and Balances and Reserves**

The opinion of the County Treasurer (Designate) is that the budget for 2011/12 to 2013/14 is robust, and the process has taken all practical steps to identify and make appropriate provision for the commitments, and risks, to which the County Council will be exposed in these years.

However, the County Council must deliver £179.1m of savings over this period. Although we have a strong and proven ability to deliver change and effectively

manage the County Council's resources, the level of challenge facing the County Council is unprecedented and as such, contains significant risks that must be effectively managed over the next three years and beyond. Access to an appropriate level of balances is a fundamental tool in managing this level of risk.

It is also clear that as the County Council downsizes, there will be a significant call upon the County Council's reserves to support voluntary severance. It is vital that the County Council has adequate provision to meet such costs over the next three years. However, it should be noted that this potential cost will be mitigated by the robust management of vacancies, which will maximise the opportunity for staff to be redeployed into available posts, rather than leave the authority on severance terms.

It is likely that pressure on local government finance will be maintained beyond this period, and as such, a robust level of balances and reserves will be a vital element of maintaining a sustainable and stable financial strategy over the coming years.

Given the level of financial risk the County Council remains exposed to over the next three years, together with the uncertainty surrounding the impact of the Local Government Resource Review on future funding levels; it is the view of the County Treasurer (Designate) that the levels of reserves and provisions held are appropriate.

Comments on specific areas of balances and reserves are set out below:

### **County Fund balance**

The 2010/11 budget monitoring reported to Cabinet on 6 January 2011 set out that the County Fund balance was expected to be £50.9m on 31 March 2011.

This level of balances needs to be considered in the context of the remaining level of risk within the budget over the next three years (and beyond). The economic recovery, together with the need to deliver significant savings results in the County Council facing a high level of financial risk over the next three years. Over this period, access to one-off funds through the County Fund balance will be essential. In addition, access to one-off funds which deliver invest to save proposals will be key to reducing the County Council's costs. Such investment must secure the County Council's ongoing financial health and stability, in addition to safeguarding service levels during the period of service transition.

### **Equal Pay Reserve**

The Equal Pay reserve was established to enable the County Council to meet any one-off costs arising from the equal pay review, including for example, the compensation payments previously made to staff at risk of an equal pay claim. The equal pay review is almost complete, and as a result, it is appropriate to review the level of the provision.

There will remain some call on the provision over the next two to three years as the final elements of the review are concluded. The outstanding areas include the

finalisation of the remaining equal pay claims, the Chief Officer and Special Grades review, and the review of staff within the Soulbury pay and grading structure.

After reviewing the commitments which have arisen and the potential future costs, it is appropriate that the reserve remains, but at a lower level in order that the County Council is well placed to be able to effectively manage the outcome of the equal pay review without exposing itself to additional financial risk.

As such, £30m of the Equal Pay Reserve will be released, and made available to support voluntary severance costs over the next three years. These resources will also support the investment in the Service Improvement Plans agreed as part of the development of the Strategic Partnership with BT.

The level of balances will be kept under close review by the County Treasurer (Designate), in order to ensure the County Council keeps an appropriate balance between the need for a robust level of reserves and balances and the need to invest in priority areas.

## Council Tax Calculations

The exact council tax calculations are set out in the tables below. A budget set using the latest figures for:

- The updated cash limits set out in Annex 1, which takes into consideration the budget proposals for 2011/12 and subsequent years;
- the associated budget requirement of £769.256m in 2011/12;
- the government grant settlement
- the council tax net surplus for 2010/11 and the tax base for 2011/12

as set out in the preceding paragraphs of the report would result in a Band D council tax for 2011/12 of £1,108.30, which is a nil increase over the current year.

The calculation is as follows:

Budget requirement	769.256
Less formula grant	<u>-333.821</u>
Equals council tax requirement	435.435
Less Council Tax Freeze grant	-10.606
Less prior year council tax net surplus	<u>-0.099</u>
Equals council tax cash	424.730
Divided by tax base	383,227
Gives Band D council tax	£1,108.30

2010/11 council tax	£1,108.30
Percentage increase	0%

**The Cabinet is requested to make recommendations to the Full Council on 17 February 2011 on the County Council's budget requirement for 2011/12, the proposed allocations to Directorates, and the associated Band D Council Tax for 2011/12.**

## Appendix 'A' - Annex 1

### 2011/12 Revenue Budget

Budget	2010/11 Budget (see note below)	2011/12 Proposed Cash Limit	Change over 2010/11	Change over 2010/11
	£m	£m	£m	%
Adult & Community Services	399.093	333.253	-65.840	-16.50
Children & Young People	199.890	164.321	-35.569	-17.79
Environment	160.829	191.971	31.142	19.36
Office of the Chief Executive	25.901	26.782	0.881	3.40
County Treasurer's Department	14.351	11.323	-3.028	-21.10
Corporate	10.282	6.856	-3.426	-33.32
Financing Charges	46.753	37.125	-9.628	-20.59
Balances & Reserves	26.110	-2.525	-28.635	-109.67
Additional Investment in Highways Maintenance	-	2.275	2.275	100.00
ABG	-79.966	-	79.966	-100.00
LSPs	1.028	1.028	-	-
DSOs	-2.192	-3.153	-0.961	-43.84
<b>Total</b>	<b>802.079</b>	<b>769.256</b>	<b>-32.823</b>	<b>-4.09%</b>

Note:

As set out in the report, in 2011/12, a number of specific grants have been rolled into the County Council's formula grant. In order to be able to compare 2010/11 and 2011/12 on a like for like basis, 2010/11 has been adjusted to show the spend funded by specific grant now funded through formula grant, and also reflects £22m in respect of the additional responsibility related to Concessionary Fares.

## Revenue Budget 2012/13 and 2013/14

2011/12 Proposed Budget £m	Budget	2012/13 Budget £m	Change over 2011/12 £m	Change over 2011/12 %	2013/14 Budget £m	Change over 2012/13 £m	Change over 2012/13 %
333.253	Adult & Community Services	326.926	-6.327	-1.90	322.224	-4.702	-1.44
164.321	Children & Young People	157.865	-6.456	-3.93	155.013	-2.852	-1.81
191.971	Environment	182.965	-9.006	-4.69	187.462	4.497	2.46
26.782	Office of the Chief Executive	23.635	-3.147	-11.75	22.113	-1.522	-6.44
11.323	County Treasurer's Department	9.211	-2.112	-18.65	5.866	-3.345	-36.32
6.856	Corporate	8.604	1.748	25.50	8.642	0.038	0.44
37.125	Financing Charges	38.125	1.000	2.69	36.625	-1.500	-3.93
-2.525	Balances & Reserves	0.655	3.180	125.94	6.369	5.714	872.37
2.275	Additional Investment in Highways Maintenance	6.389	4.114	180.84	-	-6.389	-100.00
0	ABG	-	-	-	-	-	-
1.028	LSPs	1.028	-	-	1.028	-	-
-3.153	DSOs	-2.115	1.038	32.92	-1.316	0.799	37.78
<b>769.256</b>	<b>Total</b>	<b>753.288</b>	<b>-15.968</b>	<b>-2.08</b>	<b>744.026</b>	<b>-9.262</b>	<b>-1.23</b>



## Appendix 'A' - Annex 2

### Budget Consultation: Scrutiny Committee Response

The Scrutiny Committee has conducted a thorough examination of the cabinet's budget proposals, meeting with every cabinet member in the course of its considerations stretching over four meetings. Full notes of those meetings have been provided to the cabinet.

From its wide considerations, the committee would like to highlight the following issues as key messages for the cabinet in taking the budget proposals forward:

#### Cabinet Member for Adult and Community Services

- The direction of travel on libraries is welcomed as a continuation of longer term project
- Support is given for reconsideration of the current level of fees and charges – increased fees to better reflect actual cost is supported as a principle
- Support is given for the future of libraries as community hubs
- Support is also given for the use of libraries as service centres for a range of council services and services delivered by partners.
- Engagement with volunteers & community groups in using, supporting and running library services is essential
- It will be important to ensure that the capital investment in libraries and staffing level reductions are managed carefully to ensure service levels are maintained through the process
- There is a need to continue to engage in continuing dialogue with the major recipients of arts grant funding

#### Cabinet Members for Children and Schools and for Young People

- Support is given for the Total Family model
- Opportunities for income generation through young people's service premises should be fully explored
- Efforts to ensure PCTs are effectively coordinated on efforts to tackle teenage pregnancy are supported
- The needs of vulnerable children remain the principle concern and this should be taken into account in the development of the proposals

#### Cabinet Member for Highways and Transport

- Community involvement in decisions about part-night switch offs is essential
- Consideration should be given to retaining Real Time Information, that consideration to include reviewing cost recovery options.
- Support is given to discussions with bus operators, parish councils and local communities about alternative solutions where bus services no longer met the threshold for council subsidy

## Appendix 'A' - Annex 2

### Leader (including cross cutting issues)

- Efforts to develop shared back office services with other local authorities and other bodies are recognised as a major area for savings across the public sector and are supported.
- Mechanisms for developing and delivering joint services could be strengthened.

### Deputy Leader (waste portfolio)

- Concern exists about the level of tree planting in Lancashire, and reassurance is sought on future levels.
- There is concern that the reduction in HWRCs will seriously impact the current excellent performance in recycling in Lancashire

### Cabinet Member for Environment and Planning

- The further exploration of options for joint working and engagement with community organisations are supported.
- The cabinet is encouraged to examine the potential for the use of Section 106 monies to mitigate budget reductions

## Appendix 'A' - Annex 2

### Recommendations of the Education Scrutiny Committee to be reported to the Cabinet on the 3 February 2011

In addition to the published Minutes of the meeting the Cabinet is asked to take account of the following recommendations when considering budget proposals in relation to the 2011/12 and 2012/13 revenue budget.

1. That the possibility of further efficiency savings through the provision of a joint training programme for passenger assistants who accompany children with Special needs and frequently also work in the schools be explored. Those who often work more widely with these children presently are given 2 sets of training.
2. That, subject to the necessary safeguarding checks, young people with SEN be encouraged to make greater use of public transport or shared transport in order to develop their confidence and independence.
3. that greater use be made of County council vehicles for other services when they are not required for SEN transport.
4. that the implications of the government white paper 'The importance of teaching' be monitored and the county council continue to provide good quality services in areas such as school improvement in order that they can be made available to schools as a traded service.
5. That should the proposed change in relation to interest on school balances be implemented the Schools Forum continue to be consulted in order to monitor the impact on schools.
6. That the proposed investment in developing facilities for outdoor education at Tower Wood be welcomed and that once completed the facilities be marketed in order that they can be made available to other groups at off peak times in order to generate additional income.

## Appendix 'A' - Annex 2

### Recommendations of the Health Scrutiny Committee to be reported to the Cabinet on the 3 February 2011

The Steering Group of the Health Scrutiny Committee met on 18 January to formulate their response to the budget proposals relating to adult social care following a discussion at the full Committee on 11 January

Present:

CC Keith Bailey, CC Carolyn Evans, CC Margaret Brindle, CC Jennifer Mein (replacing CC Maggie Skilling) and representing West Lancashire Borough Council Cllr Doreen Stephenson

Members had a conversation about the discussions that took place in Committee and agreed that the minutes of the meetings would be provided to Cabinet for presentation at their meeting on 3 February. However members also agreed that certain key issues should be specifically drawn to Cabinet's attention and these are now detailed below:

- Under the circumstances the Steering Group accept that these proposals need to be implemented but safeguards needs to be in place to ensure that service users are not too detrimentally affected.

Whilst the Committee acknowledged the proposed changes to Fair Access to Care Services [FACS] and older people's day care provision, their main area of concern was around affordability and asked that the Directorate should consider the following suggestions:-

- People need to be provided with information on alternative provision and different opportunities that they may wish to take up.
  - Involve the new 3 tier locality working regarding the sharing of information relating to potential service users and financial assessments to ensure that they are claiming all the benefits they are eligible for.
  - Consider any changes to the state benefits and how this will also impact on service users
  - Carers eligibility for benefits –promote a take-up campaign
  - Recognition of the need to liaise with expert partner organisations to enable full eligibility of potential benefits
  - Easy co-ordinated access for help and opportunity to have an advocate
  - Consider the impact on those who were once deemed as 'moderate' - concerns around the reassessment of existing services users categorised as 'moderate' in terms of timescales and processes
  - Greater promotion of the welfare rights service through existing staff and partner organisations
  - Ensure that Help Direct are able to signpost effectively
  - Minimum period of review for service users under the FACS criteria – suggested that a review take place at least every 2/3 years to ensure that changes to eligibility are effectively identified.
- Again whilst the Committee acknowledged the proposed changes to the Learning Disability Supported Living Services, their main area of concern was service user choice and asked that the Directorate should consider the following suggestions:-

## Appendix 'A' - Annex 2

- Service users should where possible remain in their local area if that was their wish
  - Any consideration of sharing accommodation needs should meet the individual's specific requirements and personalities & there should be greater use of person centred planning [PCP]
- Concerns that some service users may be affected by more than one proposal relating to service provision and/or support available which may compound their difficulties of affordability
- Concerns around the financial affordability for those on the fringes of benefit eligibility who in the past have received many services at a low cost or free and therefore there needs to be adequate support for those service users to help them with the transitional period.
- Safeguarding concerns for the most vulnerable in society due to reductions in services and affordability issues.
- Impact of the proposals need to reported back to the Committee after a suitable period to determine whether they have delivered the intended outcomes and affect on service users

## **Appendix 'A' - Annex 2**

### **Budget Consultation responses – Lancashire District and Unitary Councils**

#### **Response from Cllr Langhorn, Leader – Lancaster City council**

**FROM COUNCILLOR STUART LANGHORN TO COUNTY COUNCILLOR GEOFF DRIVER:**

Dear Geoff

Thank you for the meeting earlier today, I think we now have a way forward regarding Three Tier Working. City Council members raised several issues in relation to the County Council's Budget which you explained is out for consultation.

- the issue of continued funding to the Community Safety Partnership which provides gap funding for 10 PCSOs
- the relative priority of the Arts to this District because of their importance of attracting visitors and economic development generally
- Supporting People funding

What we didn't mention is that in terms of alternative savings we would be happy to discuss any flexibility that there may be in respect of Second Homes Funding and Performance Reward Grant.

If you consider there is some potential in this, would you be happy for Mark to discuss with Phil?

Yours sincerely

**Stuart**

**Councillor Stuart Langhorn  
Leader of the Council**

## Appendix 'A' - Annex 2

### Response from Lancaster City Council – Extract from Budget and Performance Panel Minutes 25.1.11

#### 37 THE COUNTY COUNCIL'S 2011/12 REVENUE BUDGET AND CAPITAL INVESTMENT

The Panel received a verbal presentation from Gill Kilpatrick, the County Council's Director for Resources on the County Council's Revenue Budget and Capital Investment Proposals for 2011/12. At the meeting members were given a summary of the proposals to accompany the verbal presentation.

The Director for Resources thanked the Panel for the invitation and advised that she would ensure that any comments regarding the budget proposals would be fed back to the County Council's Cabinet at its next meeting. The Panel were advised that the County Council's budget was facing similar issues and processes to those occurring at the city Council. The County Council anticipated having to make £179M in savings over the next 3 years, which represented a reduction of one quarter of the annual budget. The reasons for this were reduction in funding from central government and significant increases in costs.

Members were advised that the County Council's cabinet's overriding priority was to protect vulnerable members of the community.

It was noted that the County Council's Cabinet had resolved to maximise the 'below the line' savings which would reduce the management and administration costs of the Council, without impacting on services. Over a three year period 'below the line' savings were estimated to generate over £55M. Savings from service efficiencies were estimated at approximately £12M over the same period of time.

It was proposed that reductions in services would amount to approximately £97M, and would affect a broad range of services and areas. The Director for Resources outlined some of the more significant proposals in detail, including working with the private sector to negotiate social care fee reductions, and it was advised that the County Council

currently paid one of the highest rates in the North West. It was also proposed that the Fair Access to Care eligibility be amended, and that care would no longer be available for those assessed as having 'moderate' needs.

The Panel were advised of the proposals relating to libraries staff and service rationalisation. It was reported that the intention was not to close libraries, but to move towards self service and attempt to recruit more volunteers.

The Director for Resources discussed the proposals relating to Children and Young People. It was advised that there were a number of proposals which affected shape of services for young people and the Panel were given details regarding some of these proposals.

Following the verbal presentation, the County Council's Director for Resources answered extensive questions from the Panel and stakeholders. The issues raised by the Panel and stakeholders were:

## Appendix 'A' - Annex 2

- Reduction in public transport information and removal of Real Time information service.
- The future of Sure Start Children's Centres.
- The potential cost of the M6 Link Road.
- Regarding Transforming Care Services - the reduction in the number of authority residential places for children and young people.
- The change in assessment of care needs for the elderly, including the proposal to remove all services for those assessed as having 'moderate' needs.
- The rationale behind the reductions in service for Children and Young People given the number of difficulties facing children and young people in the district.
- Given the proposals that no front line staff would be made redundant, how was front line to be defined for this purpose?
- The high dependency of Lancaster District on public sector employment, and the impact that a reduction of public sector jobs could have for young people in the district.
- The proposals relating to revised charging policy for day centre care for the elderly.
- The proposed reduction in specialist Special Educational Needs and Disability Transport (SEND).

The Director for Resources advised that she would ensure that these comments would be fed back to the County Council's Cabinet.

***Resolved:***

- (1) That the Director for Finance, Gill Kilpatrick be thanked for her presentation.



Response from Cllr Gibson, Leader – Wyre Borough council


Record 24/1/11  
Scanned

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**Wyre Borough Council**  
WYRE LOVE WYRE

Civic Centre,  
Breck Road,  
Poulton-le-Fylde,  
Lancashire FY6 7PU

Te: Poulton (01253) 891000  
Fax: Poulton (01253) 899000  
Website: [www.wyrebc.gov.uk](http://www.wyrebc.gov.uk)

  
INVESTOR IN PEOPLE

County Councillor Geoff Driver  
Leader, Lancashire County  
Council  
PO Box 78  
County Hall  
Preston  
PR1 8XJ

**Cllr Peter Gibson**  
**Leader of the Council**

**Our Ref:** PG/PD  
**Your Ref:**  
**Please ask for:** Cllr Peter Gibson  
**Date:** 21 January 2011  
**Email:** [pgibson@wyrebc.gov.uk](mailto:pgibson@wyrebc.gov.uk)

Dear Geoff,

**The County Council's Budget Proposals for 2011/12 to 2013/14.**

Whilst I welcome the opportunity to comment on the County Council's budget proposals and strategy for the next three years, I feel I must express my disappointment in that much of the detail surrounding the service proposals has not been made available and it is therefore very difficult to assess the likely impact on Wyre residents.

My Cabinet colleagues and I are particularly concerned about the impact of the proposed cuts on front line services including libraries, household waste recycling facilities, the reduction in bus services (in particular the Super 8 Service) and street lighting.

Only this week, community libraries, which are being successfully managed by volunteers in certain parts of the country, have been highlighted by the media and I know from our experience with our wide volunteer base that this is certainly a strategy worth pursuing.

I note the reference to voluntary redundancies in order to reduce costs but would suggest that this indicates an absence of strategic thinking and would challenge this approach. Whilst we at Wyre recognise that this is a difficult time for public sector staff, our role as elected members is surely to deliver the services that matter most to the public.

If you wish to discuss the matter further, please do not hesitate to contact me.

Yours sincerely,



**Cllr Peter Gibson (Leader)**

Do you have a compliment, complaint or suggestion about any of our services? Please contact our Corporate Feedback Co-ordinator on 01253 891000

## Appendix 'A' - Annex 2

### Response from Cllr Driver to the letter from Cllr Gibson

<a href="http://www.lancashire.gov.uk">www.lancashire.gov.uk</a>		<b>Lancashire</b> County Council 
		Phone: (01772) 533355 Fax: (01772) 532885 Email: <a href="mailto:geoff.driver@lancashire.gov.uk">geoff.driver@lancashire.gov.uk</a>
Councillor Peter Gibson Leader Wyre Borough Council Civic Centre Breck Road Poulton-le-Fylde FY6 7PU	Your ref: Our ref: <b>GD/MB</b> Date: 1 February 2011	

Dear Peter

Thank you for your letter dated 21<sup>st</sup> January.

You will note from the budget papers that the County Council need to save £180m over the next 3 years. Rather than adopt an annual salami slice approach we have sought to set out how we intend delivering all of these savings over the 3 year period thereby removing uncertainty for our stakeholders, particularly service recipients and staff.

You will appreciate that at this stage it is not possible to provide the detailed implications of all cuts over the next 3 years, particularly how they may relate to 12 individual District Councils but we did offer to meet with individual District Councils and you did not take up this offer. However, we will endeavour to engage with each District as the budget is implemented.

I am surprised and disappointed at your comments regarding the County Council's preference for voluntary redundancies and I note that your Chief Executive said something similar on the BBC Politics Show on the 23<sup>rd</sup> January. Of course we have made strategic decisions as to where the reductions will be made but we are managing the job losses that will result in a much more sensitive and caring manner than would apparently be the case at Wyre.

The County Council employs over 20,000 staff and will obviously employ less in the future. I believe that at a time when councils are looking to get more from staff than ever before, the approach that you and your Chief Executive advocate would

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County Councillor Geoff Driver Leader, Lancashire County Council PO Box 78 County Hall Preston PR1 6XJ	 2000-2009 Regional Authority 2000-2009 Active Engagement of Local Bodies Regional Economic Partnership Strategic Development Collaboration and Innovation Centres
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2\*

## Appendix 'A' - Annex 2

be entirely inappropriate. It would simply create a demotivated workforce constantly looking over its collective shoulder. In a time of huge change, the likes of which we have never seen before, a well motivated, fully engaged, productive workforce is crucial.

Thanks again for taking the time to write to me.

Best wishes.

Yours sincerely



County Councillor Geoff Driver  
Leader,  
Lancashire County Council

## Appendix 'A' - Annex 2

### Note of Budget Consultation Meeting with representatives of the Lancashire Trade Unions – 17 January 2011, Cabinet Room 'C', County Hall, Preston.

#### Present:

#### Members

County Councillor Geoff Driver (in the Chair)  
County Councillor Albert Atkinson  
County Councillor Jennifer Mein  
County Councillor Bill Winlow

#### Officers

Ian Young - Deputy County Secretary and Solicitor (LCC)  
George Graham - Assistant Director of Finance (LCC)  
Andy Milroy - Principal Support Officer, Executive Support Team (LCC – Clerk)

#### Representing the Lancashire Trade Unions

Liz Laverty - Association of School & College Lecturers  
M J Harrison - National Association of Schoolmasters Union of Women Teachers  
Les Ridings\* - Association of Teachers and Lecturers  
Carol Lukey - UNISON  
John Lewis - UNISON  
Ken Cridland - National Union of Teachers  
L J Turner - National Association of Headteachers  
Liz Laverty - Association of School & College Leaders (ASCL)  
T Mattinson - UNITE The Union  
Sandra Blight - GMB – Britain's General Union  
David Bone - ASPECT

\*Les Ridings attended in place of M Haworth

#### Apologies for absence

Apologies for absence were received from Tony Hayes (UNITE) and Yakub Padia (Association of Educational Psychologists)

#### Welcome and Introductions

The Leader, County Councillor Driver, welcomed the Trade Union representatives and explained that the purpose of the meeting was to consult with the Trade Unions on the

## Appendix 'A' - Annex 2

Cabinet's budget proposals for 2011/12 to 2013/14. The proposals agreed by Cabinet on the 6<sup>th</sup> of January 2011 were circulated to the Trade Union representatives and their comments invited.

Comments made by the Trade Union Representatives included the following:

- General concerns were expressed regarding the level of reductions being proposed but it was accepted that the Council needed to address the financial position in which it found itself. The Leader emphasised that the Council was required to deliver a balanced budget and that the Cabinet's proposals were intended to protect the most vulnerable service users so far as the Council was able to do so within available resources.
- Concerns were expressed regarding the Strategic Partnership between the Council and BT, and whether the anticipated level of savings would in fact be achieved. The Leader emphasised that the agreement gave a minimum level of guaranteed savings and that it was hoped that more would be achieved.
- Clarification was sought concerning the staffing implications of the proposals. The Leader responded that he felt that it would be wrong to give out numbers of possible job losses at this stage as he wanted to take a more measured approach and ensure staff who were likely to be affected were the first to know. The fact that the Cabinet was proposing to set a 3 year budget gave a greater level of certainty for staff going forward. The Leader also confirmed that he had already given an undertaking that compulsory redundancies would only be a last resort and he was confident that savings could be achieved through voluntary redundancies. External recruitment had also been frozen and there would be a greater emphasis on redeployment.
- Concerns were raised regarding the proposals for "Transforming Care Services for Children and Young People" (page 32 of Appendix 'C'), the level of savings to be made relating to children's social care and reshaping residential homes, and proposals regarding the charging policy. The Leader confirmed that all proposals had been made on the basis that each Executive Director felt that the savings targets were achievable.

In conclusion, County Councillor Driver thanked the Trade Union representatives for their attendance and stated that he would be happy to respond further and in more detail on any specific points if requested.

DS/AM

## **Appendix 'A' - Annex 2**

### **Budget Consultation responses – Representatives of the Local Business Community**

No responses have been received to date from the representatives of the local business community to whom consultation letters have been sent.

## **Appendix 'A' - Annex 2**

### **Lancashire Youth Council**

#### **Consultation on Lancashire County Council's Budget for 2011/12**

**Thursday 13<sup>th</sup> January 2011, County Hall**

#### **The Process:**

This is the third year in which the Youth Council have been involved in the Lancashire County Council budget consultation process and we would like to take this opportunity to thank the cabinet for involving us in this process.

The consultation was split into two parts. The first part being done in district Youth Councils during November and December, young people were asked to discuss which areas of the council they thought were most important to them and should be discussed in more detail at the meeting in January and which needed key funding.

The second part of the consultation took place at the Lancashire Youth Council meeting on 13<sup>th</sup> January. At this meeting young people focused on the three main areas that they thought were most important: job opportunities for 16-24 year olds, highways and the Young People's Service.

#### **Feedback**

The young people discussed how relevant the consultation could be given the current budget cuts faced by the council. The youth council were given an overview of the budget proposals generally, approved by cabinet on 6<sup>th</sup> January, and specifically of the proposals in each of the three areas and were asked for their views. It was stressed that young people would have to put forward suggestions and thoughts on how money could be saved if they suggested not making cuts to certain areas.

#### **1. Young People's Service**

The key priority was to preserve youth centres, as budget reductions may lead to a loss of some of the centres. To some extent it was agreed that they should be focussed on areas of highest deprivation.

As an alternative, to accompany other accommodation initiatives it was felt that the service could make use of already operational buildings, for example schools and libraries, to provide places for young people to go. The young people felt there was scope for integrating libraries and services for young people.

It was felt there could be a review of charging options and potential revenue streams for centres to raise income, there would be a willingness among young people to support this.

Where possible, the young people support keeping face to face contact – it raises opportunities for young people and has proven results. However within the Information and Guidance element, the service could further utilise online communication methods (e-mail, texts, and social networks), particularly where paper based methods are used at present.

## **Appendix 'A' - Annex 2**

The young people agreed with the proposal to narrow the focus however it was felt 11-19 year olds (rather than proposed 13-19) would be appropriate.

It was felt cutting young people's services could result in more young people hanging about on the street, higher crime rates, underage drinking and higher teenage pregnancy rates which would put pressure on public services in other areas.

### **Suggestions for saving money:**

- Share premises with schools, libraries or premises already used by district councils to reduce building costs
- Utilise mobile libraries so that libraries in rural areas could be closed, or integrate with youth clubs
- Reduce the number of books purchased and have electronic copies online so more room for other things
- Streamline library services and review charging options, for example for computer usage
- Tighter use of resources
- Spend less on publicity for competitions and campaigns which are not essential

## **2. Job Opportunities for 16-24yr olds**

No specific cuts were mentioned with regard to these opportunities.

The young people hadn't heard of all the schemes discussed as they weren't directly relevant to them depending on their age. It was felt that advertisement and promotion of these needs to be a priority, and more money could be spent in this area.

Job opportunity schemes in general are a good idea and should be protected from cuts, but possibly the number of entry levels in the schemes, e.g. WorkStart, could be reduced as a way of saving money.

There was positive feedback in particular regarding the Future Horizons scheme (which opens up work experience without qualifications), and the apprenticeship scheme, which is seen as an essential part of job opportunity development to be protected.

It was felt that funding could be used in a number of ways to support job opportunities for this age group:

- Provide graduate opportunities and placements by linking other businesses and organisations with the council, in addition to existing schemes
- Encourage local businesses to attend school events in Lancashire to advertise job opportunities
- Target training towards areas which are short staffed, concentrate the schemes on the employment needs of the council (to encourage retention)
- Run curriculum based learning to prepare young people in schools for work
- Job opportunities and training offered in schools/colleges rather than the council

## **3. Highways/Bus Services**

Suggestions for saving money in this area include:



## Appendix 'A' - Annex 2

- Reduce the number of street lights – for example use one in five in some areas (where this wouldn't compromise safety)
- Invest in new technologies, for example movement activated lights
- Educate teachers in road safety so that young people can learn about it in schools rather than the council providing the training courses
- Agree that real time bus information is not a necessity and could be removed
- Schemes for over 60s, for example the NoW card should be means tested

As has been raised in previous years, the young people would like the council to engage with local bus companies to potentially fund student bus cards to encourage more young people onto public transport. The following suggestions were made:

- Increase bus fares for over 18's and those who are able to pay in order to subsidise fares for young people
- Charge more when buses are empty at night and less when it is full, pay as a proportion of how many are using the bus
- Look to merge bus companies operating across Lancashire

### **The future:**

The young people expressed their concern with the budget cuts and felt that they would feel the effects quite dramatically especially within resources provided by the Young People's Service.

We would like to take this opportunity to thank the Finance team for their time and support in the consultation and hope that we can continue to work together in the future.

## **Lancashire County Council Budget Consultation 2011/12 – 2013/14**

### **Consultation with the Public**

Members of the public have been invited to submit responses to the Leader of the Council in respect of the Council's budget proposals for 2011/12 to 2013/14.

These comments have been received through the Council's website at the [enquiries@lancashire.gov.uk](mailto:enquiries@lancashire.gov.uk) address and the key issues raised in those responses are summarised below.

- Concern expressed in respect of the proposals being made relating to Children's care and in particular the provision of respite for families that care for children with disabilities
  - o What consultation has been undertaken in respect of the change in legislation relating to the provision of overnight respite care?
  - o On what basis has the Council determined that current provision operates below full capacity and why are these facilities not operating at full capacity?
  - o What is the 'thresholds model' and how does it work in determining the future level of demand for such care?
  - o How is the review of Special Educational Needs Transport going to impact upon the users of the service?
- The publication of the Council magazine distributed to all households in Lancashire should be scrapped
- Consideration should be given to charging for entry to Museums
- Why is the Council proceeding with the project for a new school at Laneshaw bridge when resources are so scarce?

# Budget Consultation

## YouChoose Budget Calculator Results

**Prepared by** Phil Jones  
Corporate Research and Intelligence Team  
Policy Unit  
Lancashire County Council  
January 2011

## 1 Executive summary

Lancashire County Council must save approximately £130 million from its budget over the next two financial years (2011/12 and 2012/13). Lancashire residents were invited to share their views on how to make these savings by completing an online budget calculator called 'YouChoose'. This is a national tool, provided by YouGov and the Local Government Group, as a resource for local authorities to engage their citizens in decisions about how they spend their revenue budgets and increase understanding of the tough choices each council faces.

The calculator required each respondent to choose whether to reduce or increase spending within different service areas while maintaining the current level of council tax and balancing the books. Therefore respondents needed to identify savings in most, if not all, areas of the budget. The findings show which services respondents are more likely to identify for making savings and where they suggest the biggest savings should come from. The calculator was available through the county council website from 3 December 2010 to 4 January 2011 and a total of 736 responses were received.

### 1.1 Key findings

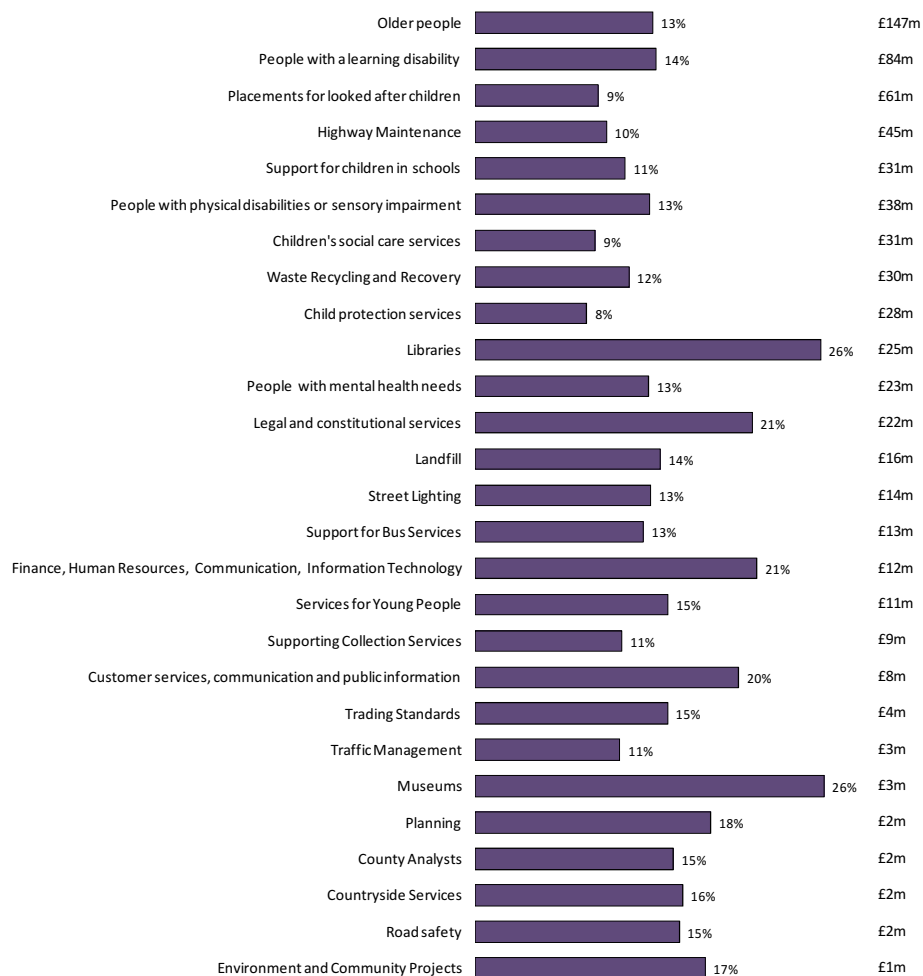
- Services respondents were more likely to reduce spending for were: council support and public engagement; cultural services; and adult social care (699, 698 and 690 respondents, out of 736, respectively).
  - Services fewer respondents chose to reduce spending for were: roads and public transport; children and young people; and waste services (600, 625 and 630 respondents).
  - Respondents made the highest proportional reductions in spending for: cultural services; council support and public engagement; and environment and public protection (27%, 22% and 18% average reduction in budget respectively).
  - Respondents made the lowest proportional reductions for: children and young people; adult social care; and waste (13%, 14% and 14%).
  - Although most respondents suggested reducing spending in most or all service areas, some suggested increasing certain budgets and offsetting this with larger reductions elsewhere. Where respondents suggested increases, the biggest increases were for roads and public transport; environment and public protection; and council support and public engagement (14%, 13% and 13% budget increase respectively).
  - Within each broader service area shown on the calculator are a number of more specific services that respondents could change the budget for independently. The largest proportional reductions of these were to: libraries; museums; and finance, human resources, communication and information technology within the council (27%, 27% and 23% reduction respectively).
-

- The largest absolute reductions (i.e. the largest by monetary amount) were services for older people; services for people with a learning disability; and placements for looked after children (£21m, £12m, and £7m reductions respectively).
- Respondents could also select a number of efficiency savings to help meet the new budget. In order of preference, respondents selected to: reduce the use of consultants (599); reduce use of agency staff (588); reduce travel and conference costs (580); reduce management costs (555); savings on accommodation (532); strategic partnership (513); and policy, performance management and administration costs (510).

## 1.2 Limitations

- The above results should be treated as indicative only, as they do not form a representative cross-sample of Lancashire residents.

**Chart 1 - Current budget (2010/11) and respondents' average proposed percentage reduction in each area**





## Cabinet - 3 February 2011

### Item 2 (a) Revenue Budget 2011/12 to 2013/14: Resolutions

That Cabinet:

1. Notes the change in council tax resources as set out within the report, which provides additional resources of £0.137m in 2011/12, a further £0.028m in 2012/13, and £0.054m in 2013/14 resulting from the increase in Council tax base.
2. Notes the small surplus on the 2010/11 council tax collection fund providing additional, one-off resources of £0.099m in 2011/12.
3. Notes the impact of the final settlement announcement on the level of formula grant funding to be received by the County Council of a reduction in formula grant of £0.139m in 2011/12 and £0.022m in 2012/13.
4. Notes the overall impact on the level of revenue funding available over the three year budget strategy of items 2, 3 and 4 above as set out in the table below.

	2011/12 £m	2012/13 £m	2013/14 £m
Increase in Council tax base	0.137	0.028	0.054
2010/11 collection fund surplus	0.099	-	-
Final grant funding settlement	-0.139	-0.022	-
<b>Additional Revenue funding</b>	<b>0.097</b>	<b>0.006</b>	<b>0.054</b>

5. Agrees that the additional revenue funding of £0.097m in 2011/12 and £0.006m in 2012/13 be used on a one-off basis to fund additional investment in highways maintenance and enable the level of savings required in 2013/14 to be reduced.
6. Notes the advice of the County Treasurer in relation to the robustness of the budget and the adequacy of reserves.
7. That, in relation to the level of savings required for Adult Social Care provision, the Cabinet Member for Adult and Community Services, following consultation with the Leader, the County Treasurer, and the Executive Director for Adult and Community Services, be authorised to:
  - a. consider the responses to the ongoing consultation, 'Making Difficult Decisions about Funding Adult Social Care Services in Lancashire', due to end on 28 February 2011;
  - b. determine the future provision of Adult Social Care Services for 2011/12 – 2013/14 in the light of the consultation responses at a) above and within the Revenue Budget limits agreed by Full Council on 17 February 2011.
8. Recommends a budget requirement of £769.117m, with a resulting nil increase in council tax as set out in the table below, to the County Council on 17 February 2011, subject to the agreement before that date by Cabinet Members of their respective DFM budget proposals within the overall cash limits set out in item 9.

Budget requirement	£769.117m
Less formula grant	<u>-£333.682m</u>
Equals council tax requirement	£435.435m
Less Council Tax Freeze grant	-£10.606m
Less prior year council tax net surplus	<u>-£0.099m</u>
Equals council tax cash	£424.730m
Divided by tax base	383,227
Gives Band D council tax	£1,108.30
2010/11 council tax	£1,108.30
Percentage increase	0%

9. Agrees the proposed cash limits set out in Annex 1 of the report, subject to the amendments set out above, resulting in the following cash limits to be recommended to the County Council on 17 February 2011:

<b>Budget</b>	<b>2011/12 Cash Limit £m</b>	<b>2012/13 Cash Limit £m</b>	<b>2013/14 Cash Limit £m</b>
Adult & Community Services	333.253	326.926	322.224
Children & Young People	164.321	157.865	155.013
Environment	191.971	182.965	187.462
Office of the Chief Executive	26.782	23.635	22.113
County Treasurer's Department	11.323	9.211	5.866
Corporate	6.856	8.604	8.642
Financing Charges	37.125	38.125	36.625
Balances and reserves	-1.500		
Impact of Equal Pay Review to be allocated to services		1.680	7.394
Use of Dedicated Schools Grant	-0.695	-0.695	-0.695
LCCG	-3.483	-2.445	-1.646
Additional Investment in Highways Maintenance	2.136	6.367	-
LSPs	1.028	1.028	1.028
Additional efficiency savings to be identified			-7.245
<b>Budget Requirement</b>	<b>769.117</b>	<b>753.266</b>	<b>736.781</b>

Note: the figures in the table above for individual directorates will be amended in the budget report to Full Council – on a net nil basis overall – for the effects of the allocation of central support costs, for pension costs on an FRS 17 basis, and for regional capital charges.



**Cabinet – 3 February 2011**

**Report of the Executive Director for Resources and Deputy Chief Executive**

**Part I - Item No. 2 (b)**

Electoral Division affected:  
All

## **Capital Investment Strategy 2011/12 to 2014/15**

(Appendix 'A' refers)

Contact for further information:

George Graham, (01772) 538102, Resources Directorate

[george.graham@lancashire.gov.uk](mailto:george.graham@lancashire.gov.uk)

### **Executive Summary**

In setting the 2010/11 Budget, the County Council approved a four year capital investment strategy which reflected the best information then available on likely levels of capital resources going forward. Following the local government finance settlement, further capital resources are available for investment in key priorities. This report sets out the proposals for this additional capital investment over the next three years 2011/12 to 2013/14, together with an indicative programme for 2014/15.

These proposals would result in a total level of capital investment of £442.2m over the next four years in Lancashire, focussing on delivering the Cabinet's key priorities.

### **Recommendation**

Cabinet is requested to:

- (i) Make recommendations to the Full Council on 17 February 2011 on priorities for capital investment in the years 2011/12 to 2014/15, with the 2014/15 programme remaining indicative;
- (ii) Note future years' commitments arising from earlier years' capital programmes into the years 2011/12 to 2014/15;
- (iii) Recommend to the Full Council the Minimum Revenue Provision Statement set out in Annex 4.

### **Background and Advice**

In setting the budget for 2010/11 the County Council adopted a four year capital investment strategy reflecting planning assumptions on the future level of capital resources. This programme now needs to be updated in light of the increased level

of capital resources as a result of the capital settlement and developing priorities as well as adding a fourth year for planning purposes.

The report at Appendix 'A' details the resources available for future investment and the proposed changes to the previously agreed four year programme in the light of the increased level of resources available.

Although the capital settlement reflects a reduction in the level of capital resources available to the County Council, overall, it is more favourable than previously anticipated. This, together with the availability of resources freed from the Waste Infrastructure scheme, presents the Cabinet with the opportunity to direct further investment towards priority areas.

The proposals for capital investment are set out in Appendix 'A' (with detail at Annex 3) and focus on an enhanced Transport Programme as this addresses key priorities. In particular, resources are identified to progress the Heysham M6 Link and the Broughton By-Pass as well as directing additional resource to Highways Maintenance. Additional resources are also identified to support the delivery of the County Council's economic development objectives.

The level of over programming in the committed part of the programme (the first three years) is £12.7m. The view of the County Treasurer (Designate) is that this is an acceptable level of over programming in the context of the total size of the programme, the prudent assumptions made about capital receipts and the importance of a level of over-programming to prevent excessive levels of slippage. In addition, steps will be taken to "manage down" this over programming through the recycling of scheme underspends.

Given the level of uncertainty around the resource forecast beyond three years, it is proposed that the new fourth programme year remains indicative only. Currently this element of the programme is showing a level of over programming of £16.6m. This will be addressed over the coming two years with the intention of eliminating this over time without an impact on the revenue budget.

In addition, Cabinet must also consider the Minimum Revenue Provision Statement which sets out how the County Council will make prudent provision to repay the liabilities arising from capital investment. This is set out at Annex 4 and is unchanged from previous years with the exception of additions to deal with the bringing of PFI schemes on to the County Council's balance sheet; this has no impact on the Council's underlying financial position.

The approval of a revised capital programme will necessitate revisions to the Council's prudential indicators which will be reported for approval to County Council as part of the Treasury Management Strategy in March.

## **Consultations**

Consultation has taken place with the corporate officer Capital Appraisal Group and the Executive Leadership Team.

## **Implications:**

This item has the following implications, as indicated:

### **Risk management**

While there is an element of over programming reflected in the proposals at Appendix 'A', it is considered that this is a manageable risk in the context of the overall programme and which will be managed over the programme period.

### **Financial**

Detailed financial implications are set out in Appendix 'A'. However, the revenue running costs, if any, associated with any new scheme will have to be met from existing service budgets.

### **Legal**

The Council is required to approve the Minimum Revenue Provision Policy Statement annually.

## **Local Government (Access to Information) Act 1985 List of Background Papers**

Paper	Date	Contact/Directorate/Tel
Capital Programme Working Papers	January 2011	Paul Dobson, Resources Directorate, (01772) 534725

Reason for inclusion in Part II, if appropriate

N/A



## Capital Investment Strategy 2011/12 to 2014/15

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### Introduction

The capital programme is a key part of the County Council's medium term financial strategy and new investment should be considered alongside the revenue budget.

The four year capital strategy enables consideration of investment priorities over the medium term thereby ensuring both revenue and capital spending plans are aligned, reflecting both the Administration's priorities and the need to invest in assets critical to the effective delivery of services.

An initial capital investment strategy for the period 2010/11 to 2013/14 was agreed as part of the 2010/11 budget. This strategy focussed on delivering key investments within a context of anticipated significant reductions in the level of government support for capital investment.

The announcement of the Comprehensive Spending Review in October 2010 confirmed this approach, setting out that:

- support for local authority capital investment across all services will reduce by 45% over the four year period 2011/12 to 2014/15.
- an increase in the interest rates charged by the Public Works Loans Board (PWLB, the body which supplies most local authority long term borrowing) will reduce local authority capital spending by a further 17%.

In total, it is expected that capital expenditure will reduce nationally in the order of two thirds over the next four years. In addition there is a significant switch away from support for local authority borrowing and in to capital grants as part of the government's overall deficit reduction package.

Subsequently the local government finance settlement was received on 13 December 2010, and the level of capital support was £101.5m better than previously anticipated.

Proposals for capital investment over the next four years have been prepared on the basis of a three year programme with an indicative fourth year. The proposals have been through an initial prioritisation process and are set out for Cabinet to consider. Over the next four years, the capital investment proposals put forward for consideration (excluding schools) total £218.5m.

In addition, this report sets out the statutory Minimum Revenue Provision Statement for approval.

## The Capital Settlement

The capital settlement was announced on 13 December 2010 alongside the revenue settlement and it is anticipated that over the next three years, over £42m of additional capital resources will be available to invest into Lancashire than previous forecast. Whilst not all capital resources have been confirmed, we have been able to revise our planning assumptions in relation to schools, as a result of the settlement.

In addition, some £58m is likely to be available in 2014/15, but given the uncertainty regarding this, it is recommended that the 2014/15 programme remain indicative at this stage.

The resources available are summarised in the table below (unconfirmed figures are shown in italics).

	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>Total</b>	<b>Indicative</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>2014/15</b>
					<b>£m</b>
<b>Schools Capital Funding</b>					
Schools	34.503	<i>23.117</i>	<i>23.117</i>	<i>80.737</i>	<i>23.117</i>
Schools Devolved Formula Capital	4.802	<i>4.802</i>	<i>4.802</i>	<i>14.406</i>	<i>4.802</i>
<b>Total Capital Funding for Schools</b>	<b>39.305</b>	<b><i>27.919</i></b>	<b><i>27.919</i></b>	<b><i>95.143</i></b>	<b><i>27.919</i></b>
<b>Non-Schools Capital Funding</b>					
Transport	28.197	28.649	28.646	85.492	30.845
Other	2.861	2.928	-	5.789	-
<b>Total</b>	<b>31.058</b>	<b>31.577</b>	<b>28.646</b>	<b>91.281</b>	<b>30.845</b>
<b>Previous Estimate</b>	20.827	13.858	13.858	48.543	-
<b>Increased Resources</b>	<b>10.231</b>	<b>17.719</b>	<b>14.788</b>	<b>42.738</b>	<b>58.764</b>

In relation to funding fully passported to schools, the overall total announced is better than previously forecast. However, this is largely because of the rolling up of a range of specific programmes, including the Primary Capital Programme, in to a single allocation. A like for like comparison shows an increase of £2.165m in 2011/12. However, this is more than offset by the reduction in devolved formula capital, which reduces by £19.49m per year compared to the 2010/11 allocation

It is important to note that for schools only a one year firm allocation has been announced pending the Government's review of the overall schools programme.

One further change is that all capital resources for schools need to be spent within the financial year. Steps will need to be taken to manage the totality of the programme (as opposed to any one year's starts) to achieve this.

In relation to the Transport programme, this is considerably more favourable than anticipated. This reflects the priority attached by the Government to investment which will support economic growth.

All allocations will be made by way of capital grant; there will be no supported borrowing, reflecting the Government's view on overall public sector borrowing.

In addition to this the Cabinet's revenue budget proposals make £2.275m in 2011/12 and £6.389m in 2012/13 available for additional investment in highways maintenance.

### **The Committed Programme**

The commitments arising from the current four year investment strategy (2010/11 to 2013/14), are set out in full in Annexes 1 and 2.

### **Available Resources 2011/12 to 2014/15**

In addition to the further capital resources available as a result of the settlement, there is a significant change within the current capital programme, relating to the Waste Infrastructure project which as a result, frees £30m of resources from the County Council funded elements of the waste PFI scheme. This is principally as a result of the changes in relation to the Huncoat site. The revenue consequences of this funding are incorporated within the revenue budget and it is proposed that this funding be used to support further capital investment in the County's infrastructure across Lancashire.

Over the remaining three years of the current strategy, it is anticipated that some £81.4m is available for capital investment. By adding a new indicative year 4 to the programme the overall level of resources will increase by a further £65m, as set out in the table below.

	<b>2011/12 – 2013/14</b>	<b>2014/15 Indicative</b>
	<b>£m</b>	<b>£m</b>
Resource freed from the Waste Infrastructure Scheme	30.000	
Resources for additional investment in Highways Maintenance included in Cabinet's Revenue Budget proposals	8.664	
Increase in capital resources available through the settlement	42.738	
New 2014/15 Single Capital Pot Allocation for Schools and Transport (estimate)		58.764
New Capital Receipts		2.100
New Internal Financing (e.g. internal loans for vehicles)		5.000
<b>Total</b>	<b>81.402</b>	<b>65.864</b>
Of which:		
Passported for Schools	2.804	27.919
Passported for Transport	45.613	30.845
<b>Available for other schemes</b>	<b>32.985</b>	<b>7.100</b>

This assumes that the Council maintains its policy of "passporting" resources to the schools and transport blocks. Given the overall level of capital resources available and the demands which have been identified going forward it is recommended that this policy be continued.

In light of the overall settlement the Cabinet and Executive Leadership Team (ELT) have reviewed the existing commitments within the Capital Programme and concluded that with the exception of clawing back any scheme underspends, the investment proposed appropriately addresses corporate priorities.

In addition Cabinet and ELT have informally considered how best to frame a future programme utilising the additional resources available and minimising the impact on the revenue budget. The conclusion is that the most prudent approach is to agree a firm three year programme with an indicative fourth year, which at this stage is not fully financed. This reflects the uncertainties which exist around longer term financing



and in particular the impact of the Local Government Resource Review, the impact of current property reviews and the wider economic situation on the level of capital receipts available and the ability of the Council to access lower cost sources of finance in the capital markets. These will gradually be resolved over the next 12-18 months allowing firmer decisions about the fourth year programme to be taken.

#### **Priorities for Future Capital Investment 2011/12 to 2013/14**

The key criteria for Cabinet and ELT in considering the various investment proposals is the opportunity for future capital investment to have a beneficial impact on the growth prospects of the County's economy, and which support the delivery of proposals in the revenue budget. To this end the proposals are focussed on an enhanced programme for the Transport Block together with a number of other schemes supporting corporate priorities. In total, the proposals would result in investment in key priorities of £218.5m over the next four years, bringing the overall total programme to around £442.2m, as shown in the table below.

	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>Total</b>	<b>Indicative</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>2014/15</b>
					<b>£m</b>
2010/11 and Earlier Years Starts (Annex 1)	134.228	29.663	0.239	164.130	
2011/12 and Future Years Starts (Annex 2)	21.038	16.036	22.496	59.570	
Proposed New Investment (Annex 3)	53.787	52.510	53.664	159.961	58.537
<b>Total</b>	<b>209.053</b>	<b>98.209</b>	<b>76.399</b>	<b>383.661</b>	<b>58.537</b>

Annex 3 sets out the proposed enhanced programme for the Transport Block together with the other proposed corporate priority schemes and the associated financing. These proposals will replace the programme which was previously approved which is set out at Annex 2.

The programme for the Schools Block will be set at the level of the allocation and will be approved by the Cabinet Member for Children and Schools in accordance with the County Council's scheme of delegation.

The Transport Programme is divided into five blocks:

- Highways Maintenance (total investment of £81m over the next three years)

The funding allocated in this block reflects the decisions of the County Council in relation to the 2010/11 Budget to allocate additional resources and the Cabinet's proposals for further additional resources in 2011/12 and 2012/13. In addition, a further investment is proposed in 2014/14 in line with key priorities.

- Improving Safety Block (total investment of £10.7m over the next three years)

This block includes a range of minor schemes including 20mph zones and street lighting crime reduction. The allocation reflects previously planned activity.

- Public Transport Infrastructure Block (total investment of £11.2m over the next three years)

This block includes commitments to a number of significant schemes to improve public transport infrastructure.

- Major Schemes (total investment of £29.8m over the next three years)

This block reflects the County Council's commitment to major transport schemes which will support Lancashire's economic position:

- **Blackpool to Fleetwood Tramway** – This scheme was approved in 2008/09 and is well advanced.
- **Heysham – M6 Link** – This scheme has been a long standing priority for the County Council. Negotiations have been conducted with the Department for Transport over a funding package for the scheme under their revised major schemes process. This requires a contribution to scheme costs of 10% together with a range of other commitments which would always have fallen to the Council's own resources to meet. Significant work has already been undertaken to reduce the cost of the scheme and further work to reduce costs further will remain a priority over the next 12 months.
- **Broughton By Pass** – The inclusion of the Broughton By-pass within the Capital Programme is subject to the developer contributions shown within the programme. The construction of the by-pass is the subject of a Unilateral Undertaking under Section 106 of the Town and Country Planning Act 1990. This Unilateral Undertaking is between The Urban Regeneration Agency (formerly English Partnerships), Taylor Wimpey Developments Ltd, Preston City Council and Lancashire County

Council. This Undertaking provides for the payment of a "By-pass Contribution" to the County Council equivalent to 70.5% of the total costs of construction; including design costs, construction costs, supervision costs, and market value of the land required to construct the road. The total costs of the scheme now shown in the Capital Programme include both the by-pass and improvements to Broughton roundabout. Recently these have been considered as two discrete elements, however, they are now proposed as a single project. The 70.5 % "By-pass contribution" does not apply to the Broughton roundabout element of the scheme. A sum of £0.2m has already been paid to the County Council towards the costs of preparing the Broughton By-pass scheme. It should be noted that the phasing of spending in relation to this scheme is indicative only at this stage, and is currently being refined.

- Priorities Arising from the LTP Implementation Programme (total investment of £5.8m over the next three years)

This block provides resources to address priorities which emerge through the LTP process.

Further work is required on the phasing of some of these schemes which will be reflected in the report to County Council, although it will not impact on the overall level of resources available.

Detailed allocations within the blocks will be approved by the relevant Cabinet Member in accordance with the County Council's scheme of delegation.

The other priority schemes proposed are:

- ***Economic Development Initiatives*** (total investment of £9m over the next three years)

This will provide resources which will allow the County Council to, for example, provide support to the bringing forward of strategic sites for development and other projects which support the Council's economic development framework.

- ***Strategic Partnership Service Improvement Plans*** (£7.7m)

These initial projects will facilitate the delivery of revenue savings through the Strategic Partnership and include the delivery at an early date of the new HR/Payroll System and improvements to the telephone infrastructure which supports Customer Access. Specific funding has been set aside through the Financial Strategy for Service Improvement Plans which comprise a combination of revenue and capital spending. Further schemes will be added

to this programme as the various Service Improvement Plans are developed and considered on the basis of an investment to deliver savings.

- ***Tower Wood Centre Improvements*** (£1.7m)

This scheme will improve facilities at the Centre, particularly the residential accommodation to allow for the development of new areas of business thus generating additional income for the County Council.

- ***Investment to Secure the Future of Household Waste Recycling Centres*** (£2.75m)

This scheme is in part an invest to save project associated with the revenue budget proposals for HWRCs allowing the creation of better located replacement facilities to replace more than one current site. In addition there is work financed by a capital receipt from a developer in order to facilitate a land sale for development.

In total this results in an increase in the level of over programming in the 2011/12 to 2013/14 capital programme from £6.8m to £12.7m. The view of the County Treasurer (Designate) is that this is an acceptable level of over programming in the context of the total size of the programme and the prudent assumptions made about capital receipts given the likely increase in the number of surplus assets for disposal. This level of over-programming is also critical to delivering the programme and preventing excessive levels of slippage. In addition steps will be taken to "manage down" this over programming through the recycling of scheme underspends.

### **2014/15 Indicative Programme**

As indicated above it is not proposed, at this stage, to set a firm programme for new starts within 2014/15. However, for planning purposes it is important to set out an indicative programme so that work can be carried out to prepare schemes to proceed once the firm programme is agreed. At this stage the indicative programme is not fully financed but this issue will be addressed in the financial planning process over the next two years.

In setting the indicative programme it is again assumed that the allocations for schools and transport are passported in full to those areas.

As set out in the table on page 4, it is estimated that there will be sufficient internally generated resources (for example capital receipts) to finance a core programme of repairs and renewals without new borrowing which would impact on the revenue budget.

In addition to this it is proposed that a further phase of the Libraries Regenerate programme is included in the programme given the service benefits that these schemes generate.

In combination this generates a 2014/15 indicative new starts programme as set out in the table below:

	<b>£m</b>
Schools Block	27.919
Transport Block (reflected in Annex 3)	47.437
Economic Development Initiatives	3.000
Libraries Regenerate Programme	1.000
Core Programme of Repairs and Renewals, including <ul style="list-style-type: none"> <li>• Adults and Children's Social Care General Improvements</li> <li>• Non Schools Structural Maintenance</li> <li>• Disabled Access</li> <li>• Energy and Water Conservations</li> <li>• Vehicle Replacement</li> </ul>	7.100
<b>Total</b>	<b>86.456</b>

As shown in Annex 3 this creates an indicative programme that is £16.6m underfunded at this stage. However, this will be addressed over the next two years as both future resource requirements and availability become clearer.

### **Minimum Revenue Provision**

The Council is required to set out a statement of its policy for the calculation of the Minimum Revenue Provision which is the amount set aside for the repayment of principal on borrowing to finance assets. This is attached at Annex 4. Fundamentally the statement has not changed from last year. However, the incorporation of PFI schemes on the balance sheet as a result of the implementation of the International Financial Reporting Standards requires the incorporation of changes in relation to these schemes although there is no impact on the County Council's underlying financial position.

## **Prudential Indicators**

The revised programme will result in changes being required in relation to the various prudential indicators in relation to capital financing which require approval by the full Council. These will be included in the Treasury Management Strategy when it is presented to the Council for approval in March 2011.

## **Conclusion**

The proposals set out in this report seek to maintain investment in the County's key infrastructure and supports the Council's key corporate priorities. However, there remains work to do in securing sufficient capital resources over the next few years to maintain investment at appropriate levels.

## Capital Programme - 2010/11 and Earlier Years Starts

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	TOTAL £m
<b>Children and Young People</b>						
School Access	0.605	4.970				5.575
Post 16 Bacup/Rossendale 2 Schools	1.194	0.002				1.196
Ashton on Ribble Speicalist School	0.013					0.013
Carnforth Multi Agency Project	0.017					0.017
Residential Redesign	0.023	0.530				0.553
FSS Provision of adapted /new base	0.004					0.004
Residential Redesign	0.916	0.229				1.145
Family Support Services	0.255	1.126				1.381
Tower Wood Disabled Access	0.001					0.001
Nelson Youth and Community New Centre	1.356					1.356
Woodlands Dining Centre	0.002					0.002
Residential Redesign	0.496	0.424	0.503			1.423
General Improvement Programme 08-09	0.047					0.047
Hutton Grammar contribution	0.049					0.049
Schools Single Capital Pot	24.544	14.078	8.702			47.324
Basic Need	0.200	6.765				6.965
School Modernisation	0.501	3.325				3.826
Building Schools for the Future	16.308	5.533				21.841
Neighbourhood Nursery Initiatives	0.001					0.001
PE and Sport in Schools	0.022					0.022
Youth Fund	0.103					0.103
Extended Schools	1.813					1.813
Harnessing Technology	5.463					5.463
Laneshawbridge Primary	1.199					1.199
Dining Rooms and Kitchens	1.266					1.266
Specialist Schools	0.075					0.075
Devolved Formula Capital Earlier Years	9.500					9.500
Brownedge St Mary's	0.350					0.350
Heysham High	0.300					0.300
Glenburn Sports College	0.400					0.400
Children's Centres	0.064					0.064
New Early Years and Extensed Schools Capital	0.087					0.087
Sure Start 2008-09 PH3	0.901					0.901
Sure Start private and voluntary provision	1.295					1.295
Aim Higher	0.598					0.598
Integrated Health Centre	2.048					2.048
Alder Grange 6th Form	6.292					6.292
Moorhead Academy	7.566					7.566
Kirkham Pear Tree	0.057					0.057
Schools Devolved Formula Capital	1.296					1.296

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	TOTAL £m
<b>Children and Young People Contnd</b>						
Extended Schools 2010/11	0.470					0.470
Harnessing Technology Grant	2.154					2.154
Primary Capital Programme	3.000					3.000
Exceptional Targeted Capital Fund	1.200					1.200
Structural Maintenance	2.602					2.602
Fulwood Academy	6.000					6.000
Chorley Alanny High Redesign	0.025					0.025
Oakham Court	0.090					0.090
Heys Playing Field	0.050					0.050
Sure Start 2010/11	1.949					1.949
Sure Start Private and Voluntary Provision	4.520					4.520
Youth Capital Fund	0.284					0.284
Aim Higher	1.395					1.395
Adaptations to Faith/Voluntary Sector		1.000				1.000
St John Baptist	0.400	0.100				0.500
Hope HS		1.400				1.400
Schools Devolved Formula Capital		11.000	9.679			20.679
Harnessing Technology grant		1.300				1.300
Primary Capital Programme		9.838				9.838
Exceptional Targeted Capital Fund		0.390				0.390
Fulwood Academy		10.600	7.595	0.239		18.434
Heys Playing Field		0.700	0.101			0.801
Residential Redesign- The Old Vicarage	0.298	0.707				1.005
General Improvement Programme 9-10	0.033	0.017				0.050
General Improvement Programme	0.010	0.307				0.317
<b>Total Children and Young People</b>	<b>111.707</b>	<b>74.341</b>	<b>26.580</b>	<b>0.239</b>	<b>0.000</b>	<b>212.867</b>



	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	TOTAL £m
<b>Environment</b>						
<b>Transport</b>						
Nelson Bus Station	0.028					0.028
Buckshaw Railway Station	3.500					3.500
Britannia Crossroads	0.009					0.009
Lancashire Locals Maintenance	1.211					1.211
Park and Ride Preston	0.099					0.099
Road Safety	1.622					1.622
Bus and Rail Infrastructure Schemes	1.275					1.275
Active Travel Schemes	1.695					1.695
Parking and Traffic Management	0.031					0.031
Highway Schemes	0.095					0.095
Heysham M6 Preparation Costs and Design	0.400					0.400
Broughton Roundabout	0.100					0.100
Blackpool to Fleetwood Tramway	4.759					4.759
Eaves Green Link Road	0.573					0.573
Street Lighting Crime Reduction/Energy Saving	0.100					0.100
Maintenance of Highways	10.310					10.310
Street Lighting	0.891					0.891
Maintenance ,Assessment and Strengthening of Bridges						0.000
Area Schemes	2.048					2.048
Design Costs	5.738					5.738
Maintenance of Bridges	6.449	0.259				6.708
Additional Highways Maintenance	3.000	2.000				5.000
M6 Junction 31	1.054					1.054
CIVITAS	0.028					0.028
Transport Specific Grants		1.227				1.227
<b>Total Transport</b>	<b>45.015</b>	<b>3.486</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>48.501</b>
<b>Environment Other Services</b>						
Purchase of sites for Recycling Centres	4.751	30.936				35.687
Leachate Treatment Rowley Landfill	0.008					0.008
Improvements to HWRC	0.679					0.679
Environmental, Recreational & Community Projects 9-10	0.080					0.080
REMADE	3.174	4.098	1.560			8.832
Waste Infrastructure Grant to be used on Waste Sites	2.064	2.064				4.128
Waste Recycling Plants	8.068	3.810				11.878
Environmental, Recreational & Community Projects 9-10	0.300	0.282				0.582
HWRC Jameson Road and Burnley	0.180	1.900				2.080
Wycoller Sewage System	0.200					0.200
Farrington HWRC	0.400	1.745	0.115			2.260
Guild Wheel	0.266	0.517	0.233			1.016
<b>Total Environment Other Services</b>	<b>20.170</b>	<b>45.352</b>	<b>1.908</b>	<b>0.000</b>	<b>0.000</b>	<b>67.430</b>

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	TOTAL £m
<b>Resources and Corporate</b>						
Preston Travellers site		0.002				0.002
Disabled Persons Needs	0.152					0.152
Upgrade Cooling/Electrics Room T101	0.008					0.008
Area Office South	0.007					0.007
Lancaster Travellers site(Mellishaw)	0.256					0.256
Preston Travellers Site	0.005					0.005
Preston Admin Offices Review	0.198					0.198
Energy/Water Conservation	0.665					0.665
Disabled Persons Needs Adaptations to County Building	0.070					0.070
Energy/Water Conservation	0.461					0.461
Marton Estate	0.082					0.082
Preston Travellers Site	0.060					0.060
Structural Maintenance	1.550					1.550
Fire alarm Detection System	0.080					0.080
Area Offices	6.936	1.099				8.035
Disabled Access		0.021				0.021
<b>Total Resources</b>	<b>10.530</b>	<b>1.122</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>11.652</b>
Environment and Climate Change	0.150					0.150
Care Homes Refurbishment	0.005					0.005
<b>Total Corporate</b>	<b>0.155</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.155</b>

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	TOTAL £m
<b>Adult and Community Services</b>						
<b>Adult Social Care</b>						
LD Respite Wyre & Fylde (Larkholme)	1.290	0.042				1.332
LD day Care modernisation excl Temple St	3.001	2.461				5.462
LD/PDSI Temple Street Adaptation/Refurbishment	1.448	0.568				2.016
LD respite Gloucester Ave	0.541	0.017				0.558
LD respite Croasdale Dr	0.030					0.030
Woodlands SCE	0.226					0.226
Ribblesbank Conservatory	-0.019					-0.019
Alterations to Mental Health buildings		0.414				0.414
Reprovision The Mount Burscough	0.148	1.446				1.594
Development of LD/PDSI centre Accrington	0.163	2.066	0.260			2.489
Improving Information Management	0.200	0.380	0.380			0.960
Social Care Reform grant	0.351	0.351				0.702
General Improvement Programme	0.330					0.330
IT Infrastructure Grant			0.398			0.398
<b>Total Adult Social Care</b>	<b>7.709</b>	<b>7.745</b>	<b>1.038</b>	<b>0.000</b>	<b>0.000</b>	<b>16.492</b>
<b>Community Services</b>						
Burnley Registration Office	0.052	0.040				0.092
Chorley Registrars office	0.032					0.032
Coroners Court	0.011					0.011
Heysham library	0.083					0.083
Helmshore textile mill	0.003					0.003
Record Office	0.113	1.095	0.137			1.345
Museum of Lancashire	0.460	0.652				1.112
School Library Service reprovision in Preston	0.214					0.214
Conservation Studio Heat Table	0.087					0.087
Youth Space	0.270	0.006				0.276
Your Space Big Lottery	0.086					0.086
Record Office Box Making Machine	0.029					0.029
Libraries Regenerate Phase 3	0.509	0.389				0.898
<b>Total Community Services</b>	<b>1.949</b>	<b>2.182</b>	<b>0.137</b>	<b>0.000</b>	<b>0.000</b>	<b>4.268</b>
Vehicle Replacement	4.103					4.103
<b>Total LCCG</b>	<b>4.103</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>4.103</b>
<b>Total Commitments</b>	<b>201.338</b>	<b>134.228</b>	<b>29.663</b>	<b>0.239</b>	<b>0.000</b>	<b>365.468</b>



## Previously Approved New Start Proposals 2011/12 to 2013/14

Children and Young People	Total £m	2011/12 £m	2012/13 £m	2013/14 and beyond £m
<b>2011/12 starts</b>				
School Modernisation	8.317	8.317		
Children's social care				
General Improvement Programme	0.317	0.317		
structural maintenance	2.836	2.836		
Family Centre at Skelmersdale College	1.200	1.200		
<b>2012/13 starts</b>				
School Modernisation	5.573		5.573	
Children's social care				
General Improvement Programme	0.317		0.317	
Structural Maintenance	2.836		2.836	
<b>2013/14 starts</b>				
School Modernisation	5.573			5.573
Children's social care				
General Improvement Programme	0.317			0.317
Structural Maintenance	2.836			2.836
<b>Total Children and Young People</b>	<b>30.122</b>	<b>12.670</b>	<b>8.726</b>	<b>8.726</b>

<b>Environment</b>	Total	2011/12	2012/13	2013/14 and beyond
	£m	£m	£m	£m
<b>Other Services</b>				
<b>2011/12 Starts</b>				
Environment, Recreational and Community	0.080	0.080		
<b>2012/13 Starts</b>				
Environment, Recreational and Community	0.080		0.080	
<b>2013/14 Starts</b>				
Environment, Recreational and Community	0.080			0.080
<b>Total Environment Other Services</b>	<b>0.240</b>	<b>0.080</b>	<b>0.080</b>	<b>0.080</b>

<b>Resources and Corporate</b>	Total	2011/12	2012/13	2013/14 and beyond
	£m	£m	£m	£m
<b>2011/12 Starts</b>				
Structural maintenance	1.350	1.350		
Disabled Access	0.063	0.063		
Water and Energy Conservation	0.500	0.500		
<b>2012/13 Starts</b>				
Structural maintenance	1.350		1.350	
Disabled Access	0.063		0.063	
Water and Energy Conservation	0.500		0.500	
<b>2013/14 Starts</b>				
Structural maintenance	1.350			1.350
Disabled Access	0.063			0.063
Water and Energy Conservation	0.500			0.500
<b>Total Resources</b>	<b>5.739</b>	<b>1.913</b>	<b>1.913</b>	<b>1.913</b>
<b>Corporate</b>				
Previously approved schemes	0.000			
<b>2011/12 Starts</b>				
Loan investment in Economic Development Companies	1.333	1.333		
<b>Total Corporate</b>	<b>1.333</b>	<b>1.333</b>	<b>0.000</b>	<b>0.000</b>

<b>Adult and Community Services</b>	Total	2011/12	2012/13	2013/14 and beyond
	£m	£m	£m	£m
<b>Adult Social Care</b>				
<b>2011/12 Starts</b>				
A&CS General Improvement Programme	0.317	0.317		
LD service Modernisation Crossways Day Centre	1.875	1.875		
Extra Care Housing Hill Top Baxendale	0.200	0.200		
<b>2012/13 Starts</b>				
A&CS General Improvement Programme	0.317		0.317	
<b>2013/14 Starts</b>				
A&CS General Improvement Programme	0.317			0.317
LD service Modernisation Whiteledge Day Centre	3.610			3.610
<b>Total Adult Social Care</b>	<b>6.636</b>	<b>2.392</b>	<b>0.317</b>	<b>3.927</b>

<b>Adult and Community Services</b>	Total	2011/12	2012/13	2013/14 and beyond
	£m	£m	£m	£m
<b>Community Services</b>				
<b>2011/12 Starts</b>				
Libraries Regenerate 4	1.000	0.150	0.850	
<b>2012/13 Starts</b>				
Libraries Regenerate 5	1.000		0.150	0.850
<b>2013/14 Starts</b>				
Libraries Regenerate 6	1.000			1.000
<b>Total Community Services</b>	<b>3.000</b>	<b>0.150</b>	<b>1.000</b>	<b>1.850</b>

<b>Lancashire County Commercial Group</b>	Total	2011/12	2012/13	2013/14 and beyond
	£m	£m	£m	£m
<b>2011/12 Starts</b>				
Vehicle replacement Programme	4.000	2.500	1.500	
<b>2012/13 Starts</b>				
Vehicle replacement Programme	4.000		2.500	1.500
<b>2013/14 Starts</b>				
Vehicle replacement Programme	4.500			4.500
<b>Total LCCG</b>	<b>12.500</b>	<b>2.500</b>	<b>4.000</b>	<b>6.000</b>
<b>Total Programme</b>	<b>59.570</b>	<b>21.038</b>	<b>16.036</b>	<b>22.496</b>



## Proposals for Investment in the 2011/12 - 2014/15 Capital Investment Strategy

	Committed				Indicative 2014/15 £m
	2011/12 £m	2012/13 £m	2013/14 £m	Total £m	
<b>Transport Block</b>					
Maintenance of Assets (Highways Maintenance)	25.887	29.816	25.650	<b>81.353</b>	25.650
Improving Safety on our Streets	2.500	4.100	4.100	<b>10.700</b>	0.500
Public Transport Infrastructure Schemes	2.900	5.400	2.900	<b>11.200</b>	6.000
Major Schemes					
Blackpool to Fleetwood Tramway	2.965	2.000	2.000	<b>6.965</b>	2.000
Heysham M6 Link	2.200	4.044	5.153	<b>11.397</b>	4.228
Broughton By-Pass	0.800	1.600	9.011	<b>11.411</b>	7.209
Priorities Arising from the LTP Implementation Programme	2.130	1.850	1.850	<b>5.830</b>	1.850
<b>Total Transport Programme</b>	<b>39.382</b>	<b>48.810</b>	<b>50.664</b>	<b>138.856</b>	<b>47.437</b>

## Proposals for Investment in the 2011/12 - 2014/15 Capital Investment Strategy

	Committed				Indicative 2014/15 £m
	2011/12 £m	2012/13 £m	2013/14 £m	Total £m	
Economic Development Initiatives	3.000	3.000	3.000	<b>9.000</b>	3.000
Strategic Partnership Service Improvement Plans	7.655			<b>7.655</b>	
Other Schemes					
Tower Wood Centre Improvements	1.000	0.700		<b>1.700</b>	
Investment to Secure the Future Of Household Waste Recycling Centres	2.750			<b>2.750</b>	
Libraries Regenerate - Further Phase					1.000
2014/15 Core Programme of Repairs and Renewals					7.100
<b>Total</b>	<b>53.787</b>	<b>52.510</b>	<b>53.664</b>	<b>159.961</b>	<b>58.537</b>
Funding					
LTP	28.197	28.649	28.846	<b>85.692</b>	30.845
Additional Maintenance Commitment 10/11 Budget	5.000	5.000		<b>10.000</b>	
Additional Maintenance Commitment 11/12 Budget	2.275	6.389		<b>8.664</b>	
Contributions - Buckshaw Railway Station	2.900			<b>2.900</b>	
Contributions - Broughton By Pass	0.200	0.300	5.000	<b>5.500</b>	4.000
Invest to Save resources	7.655			<b>7.655</b>	
Earmarked Capital Receipt	0.250			<b>0.250</b>	
Invest to Save Prudential Borrowing	2.500			<b>2.500</b>	
Resources Released from Waste Infrastructure	8.713	21.287		<b>30.000</b>	
Internal Loan Arrangements (Vehicles etc)				-	5.000
New Capital Receipts				-	2.100
<b>Total Funding Available</b>	<b>57.690</b>	<b>61.625</b>	<b>33.846</b>	<b>153.161</b>	<b>41.945</b>
<b>Gap</b>	<b>-3.903</b>	<b>-9.115</b>	<b>19.818</b>	<b>6.800</b>	<b>16.592</b>

## **Minimum Revenue Provision Statement 2011/12**

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### **1. Introduction**

This annual statement needs to be approved by the County Council. It arises from statutory guidance initially issued by the Department of Communities and Local Government (DCLG) in 2008 and updated in 2010. Local Authorities are required to make a prudent charge to the revenue account in respect of provision to repay debt and other credit liabilities (mainly finance leases or PFI contracts). This is referred to as the Minimum Revenue Provision (MRP).

Guidance issued by the DCLG provides four options which can be used for the purpose of calculating the MRP.

### **2. The Four Options explained**

The first two options, the Regulatory and Capital Financing Requirement methods, can be applied to borrowing supported by government via Revenue Grants.

For capital expenditure financed by unsupported borrowing, as allowed under the Prudential Code, the guidelines identify the Asset Life method or the Depreciation method as possible alternatives.

- **Regulatory Method**

Before the Prudential system of capital finance was introduced in 2004 the MRP was calculated at 4% of the credit ceiling. On the introduction of the Prudential Code this was changed to a charge of 4% of Capital Financing Requirement, which is derived from the Balance Sheet and broadly represents the outstanding debt used to finance fixed assets. However, to avoid changes in the charge to revenue in 2004/5 an adjustment figure was calculated which would then remain constant over time. For technical accounting reasons this methodology would have led to an increase in the MRP, and would therefore have had an impact upon the County Council's budget, so this method has not been used and is not recommended for future use.

- **Capital Financing Requirement (CFR) method**

This option allows for the MRP to be calculated as 4% of the Capital Financing Requirement. The CFR is derived from the Balance Sheet and represent the value of the fixed assets, for which financing provision has not already been made. This method of calculation has been used at the County Council since the introduction of the MRP in 2004

- Asset Life Method

Guidelines for this method allow for a MRP to be calculated based on the estimated life of the asset. The actual calculation can be made in two ways as shown below;

A straightforward calculation to set an equal charge to revenue over the estimated life of the asset. This charge will not be varied by the state of the asset or,

By the use of an annuity method. This provides for greater charges in the later years of the assets life and should only be used if it can be demonstrated that benefits are likely to increase in the later years.

- Depreciation method

This requires a charge to be made of depreciation in line with normal accounting conventions. This could include the impact of any revaluations, and would be calculated until the debt has been repaid.

### **3. Finance Leases and PFI**

With changes in accounting regulations to adopt International Financial Reporting Standards assets held under a PFI contract now form part of the Balance Sheet. This has increased the capital financing requirement and on a 4% basis the potential charge to revenue. To prevent such an increase impacting on the revenue budget the guidance permits a prudent MRP to equate to the amount charged to revenue under the contract to repay the liability. In terms of the PFI schemes this charge forms part of the payment due to the PFI contractor.

### **4. Application at Lancashire County Council**

It is proposed that the Capital Financing Requirement option is applied to all supported borrowing.

It is proposed that the Asset Life method (Equal Charge approach) is to be applied to capital expenditure financed by unsupported borrowing.

It is proposed that PFI payments will be made in line with the amounts due to repay the liability under the contract.

## **Cabinet - 3 February 2011**

### **Item 2 (b) Capital Investment Strategy 2011/12 to 2014/15: Resolutions**

That Cabinet:

1. Welcomes and endorses the Capital Investment Strategy set out in the report, and endorses the approach of setting a firm three year programme with an indicative fourth year given the financial uncertainties around longer term planning.
2. Welcomes the total capital investment in Lancashire of £442.2m which will be delivered through the capital investment strategy over the next four years. This will deliver key priorities which supports the growth of Lancashire's economy in particular through maintaining and improving transport infrastructure and the delivery of the County Council's economic framework.
3. Agrees to maintain the policy of passporting resources allocated for schools and transport to those services.
4. Authorises the County Treasurer to make any final adjustments to the programme in relation to the phasing of expenditure prior to the programme being submitted to County Council.
5. Recommends the strategy set out in the report which will bring additional capital investment of £218.498m over the next four years to Lancashire. The strategy and its annexes is recommended to the County Council on 17 February 2011, as adjusted in Annex 1 to these resolutions to reflect the final Local Government Finance Settlement.
6. Instructs the County Treasurer to identify means of ensuring that the forecast resource gap in relation to the indicative 2014/15 programme can be bridged.
7. Agrees to the level of over programming within the firm programme being set at a maximum of £12.7m, on the basis that this is kept under review with a view to being reduced over the life of the programme in order to maintain affordability.
8. Notes the commitments from earlier years schemes flowing in to the 2011/12 to 2014/15 programme which will invest a total of £223.7m.
9. Recommends to County Council the Minimum Revenue Provision Statement set out in the report.

**Proposals for Additional Investment in the 2011/12 - 2014/15 Capital Investment Strategy**

	Committed				Indicative 2014/15 £m
	2011/12 £m	2012/13 £m	2013/14 £m	Total £m	
<b>Transport Block</b>					
Maintenance of Assets (Highways Maintenance)	25.748	29.794	25.650	<b>81.192</b>	25.650
Improving Safety on our Streets	2.500	4.100	4.100	<b>10.700</b>	0.500
Public Transport Infrastructure Schemes	2.900	5.400	2.900	<b>11.200</b>	6.000
Major Schemes					
Blackpool to Fleetwood Tramway	2.965	2.000	2.000	<b>6.965</b>	2.000
Heysham M6 Link	2.200	4.044	5.153	<b>11.397</b>	4.228
Broughton By-Pass	0.800	1.600	9.011	<b>11.411</b>	7.209
Priorities Arising from the LTP Implementation Programme	2.130	1.850	1.850	<b>5.830</b>	1.850
<b>Total Transport Programme</b>	<b>39.243</b>	<b>48.788</b>	<b>50.664</b>	<b>138.695</b>	<b>47.437</b>

	Committed				Indicative 2014/15 £m
	2011/12 £m	2012/13 £m	2013/14 £m	Total £m	
Economic Development Initiatives	3.000	3.000	3.000	<b>9.000</b>	3.000
Strategic Partnership Service Improvement Plans	7.655			<b>7.655</b>	
Other Schemes					
Tower Wood Centre Improvements	1.000	0.700		<b>1.700</b>	
Investment to Secure the Future Of Household Waste Recycling Centres	2.750			<b>2.750</b>	
Libraries Regenerate - Further Phase					1.000
2014/15 Core Programme of Repairs and Renewals					7.100
<b>Total</b>	<b>53.648</b>	<b>52.488</b>	<b>53.664</b>	<b>159.800</b>	<b>58.537</b>
<b>Funding</b>					
LTP	28.197	28.649	28.846	<b>85.692</b>	30.845
Additional Maintenance Commitment 10/11 Budget	5.000	5.000		<b>10.000</b>	
Additional Maintenance Commitment 11/12 Budget	2.136	6.367		<b>8.503</b>	
Contributions - Buckshaw Railway Station	2.900			<b>2.900</b>	
Contributions - Broughton By Pass	0.200	0.300	5.000	<b>5.500</b>	4.000
Invest to Save resources	7.655			<b>7.655</b>	
Earmarked Capital Receipt	0.250			<b>0.250</b>	
Invest to Save Prudential Borrowing	2.500			<b>2.500</b>	
Resources Released from Waste Infrastructure	8.713	21.287		<b>30.000</b>	
Internal Loan Arrangements (Vehicles etc)				-	5.000
New Capital Receipts				-	2.100
<b>Total Funding Available</b>	<b>57.551</b>	<b>61.603</b>	<b>33.846</b>	<b>153.000</b>	<b>41.945</b>
<b>Over Programming</b>	<b>-3.903</b>	<b>-9.115</b>	<b>19.818</b>	<b>6.800</b>	<b>16.592</b>





Cabinet – 3 February 2011

Report of the Chief Executive

**Part I - Item No. 3**

Electoral Division affected:  
All

## Report of a Decision taken by the Leader of the Council – Superfast Broadband in Lancashire

(Appendix 'A' refers)

Contact for further information:

Dave Gorman, (01772) 534261, Office of the Chief Executive

[dave.gorman@lancashire.gov.uk](mailto:dave.gorman@lancashire.gov.uk)

### Executive Summary

Reporting of a decision taken by the Leader of the Council.

### Recommendation

The Cabinet is asked to note the decision detailed below.

The Leader of the Council took the following decision on 26 January 2010:

The Leader approved the commencement of a process to select a strategic partner to work with the County Council, its partners and stakeholders in order to maximise the benefits from the deployment of superfast broadband across Lancashire.

A copy of the report is attached at Appendix 'A'.

### Local Government (Access to Information) Act 1985

#### List of Background Papers

Paper	Date	Contact/Directorate/Tel
Report to Leader of the Council	26 January 2011	Jacky Lawson, Office of the Chief Executive, (01772) 534594

Reason for inclusion in Part II, if appropriate

N/A



**Report to the Leader**  
**Report submitted by the Chief Executive**  
**26 January 2011**

**Part I - Item No. 1**

Electoral Division affected:  
All

## **Superfast Broadband in Lancashire**

Contact for further information:  
Eddie Sutton, (01772) 535171, Office of the Chief Executive  
[eddie.sutton@lancashire.gov.uk](mailto:eddie.sutton@lancashire.gov.uk)

### **Executive Summary**

To consider how the benefits from the early deployment of superfast broadband can be secured throughout Lancashire.

### **Recommendation**

The Leader is recommended to approve the commencement of a process to select a strategic partner to work with the County Council, its partners and stakeholders in order to maximise the benefits from the deployment of superfast broadband across Lancashire.

## **Background and Advice**

### **Introduction**

The expressions "superfast broadband" and "Next Generation Access (NGA)" are interchangeable but essentially mean one and the same thing.

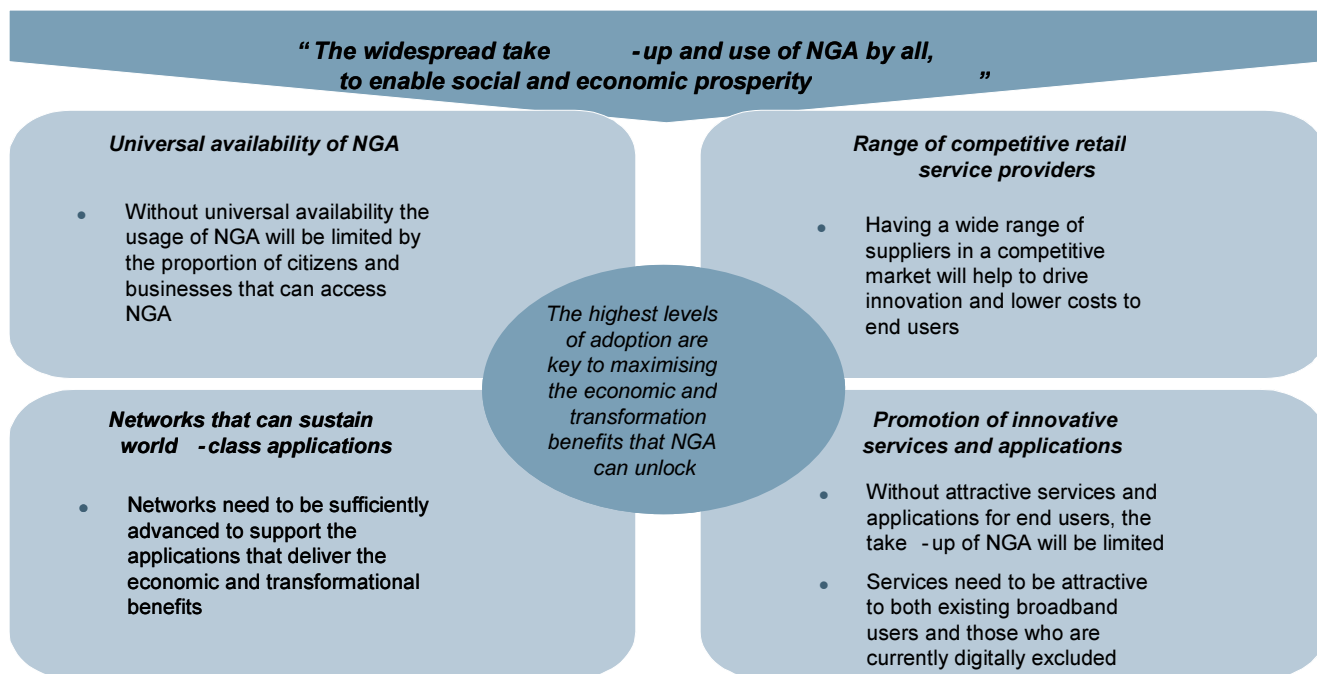
Superfast broadband describes a combination of infrastructure and technology that delivers very high speed broadband access which allows business users and domestic customers to benefit from a range of information, education, entertainment and business services.

Superfast broadband is one of the coalition government's top priorities. In December 2010, the coalition government published its strategy for Britain's Superfast Broadband future setting out a clear vision that the UK should have the best broadband network in Europe by 2015.

Sitting within the national policy context for superfast broadband is the Northwest NGA Strategic Framework which has the overriding vision of "the widespread take up and use of NGA by all, to enable social and economic prosperity".

Achievement of the vision will lead to numerous economic and transformation benefits that are associated with superfast broadband. This will put Lancashire in the strongest possible position to exploit the full benefits that superfast broadband brings. The vision is supported by four strategic priorities, as shown in figure 1.

**Figure 1 (Vision and strategic priorities for NGA (Source: Analysis Mason)**



Achieving these four strategic priorities is fundamental to the widespread take up and use of superfast broadband across Lancashire.

### **The Lancashire Context**

The County Council's Economic Strategy is structured around five strategic priorities which are critical to Lancashire's economic success:-

- Economic Growth, Knowledge and Innovation
- Spatial
- Skill and Employment
- Infrastructure, and
- Partnership Development

The ambition is to deliver the following key outcomes over the next 10 years:

- New economic activity (GVA) valued at £3 billion, underpinned by private investment plan worth around £4 billion;
- The creation of nearly 40,000 new jobs, with more than 15,000 new jobs in higher-value sectors;
- A rate of GVA per head that matches or out-performs the national average;
- Employment gaps in our communities in greatest need reduces to the national average; and

- Improvements in the quality of our collective strategic leadership that enable Lancashire, as a whole, to become recognised as a destination of choice for businesses, investors, visitors, students and residents alike.

Underpinning and enabling Lancashire's long term strategic direction is superfast broadband. Without the accelerated deployment of superfast broadband, Lancashire will be unable to meet these outcomes; the Lancashire economy will be far less competitive than the economies of our regional neighbours.

Improved connectivity would benefit a number of industries – especially those that are information intensive – by improving links between businesses in Lancashire, and links from Lancashire to companies around the world. These links would serve to increase productivity, stimulate activity in rural areas, and attract inward investment from UK-based and international companies.

Beyond the business benefits, improved Internet access would provide Lancashire's citizens with a host of new services and applications that would assist in raising overall quality of life.

Lancashire businesses will benefit from improved supply chain linkages, improved R&D collaboration with other firms and institutions and reduced costs of using productivity boosting ICT applications such as video conferencing and cloud computing. Superfast broadband will enable public and private sector organisations to explore new business models and adopt new ways of working by enabling flexibility in aspects such as home working. The benefits of this initiative will be felt particularly strongly across information-intensive sectors prioritised in *Future North West: Our Shared Priorities*, such as Digital and Creative Industries, Advanced Engineering and Manufacturing, Biochemicals and Business and Professional Services, which regularly transfer large media files and require high levels of network resilience and security. This will be of particular significance to Lancashire's desire to attract increased levels of overseas investment.

## **The Challenges**

Without any involvement by the County Council in the manner proposed:

- Broadband availability in Lancashire is expected to increase incrementally due to market forces, with fibre to the cabinet coverage increasing at national level to around 66% by 2015 from private investment by companies such as Virgin Media and BT;
- About 34% of premises across Lancashire will not have superfast broadband by 2015. The impact of this will be most acute in our rural and harder to reach communities. This means that a significant proportion of Lancashire businesses and citizens would otherwise be unable to exploit the transformational benefits of superfast broadband;
- The majority of private sector funded superfast broadband deployment is expected to be fibre to cabinet, because deploying fibre to premises is generally recognised as being more expensive. This will lead to the requirements of information intensive sectors such as advanced manufacturing, digital, creative, business and professional services and inward investors not being met in the short term or medium term;

- Currently, roll out of superfast broadband across the UK is largely determined by the telecommunications companies. Within their proposed national allocations, all UK regions are competing for investment in geographically specific areas and also to exploit the economic benefits of earlier investment. Due to the rural, coastal and sparsely populated aspects of Lancashire, these areas run the real risk of not receiving investment until 2015, if at all;
- Not having world class infrastructure will affect the level of inward investment; and;
- If superfast broadband is not adopted widely, the overall benefits will be diluted. Lancashire currently has pronounced aspects of below average broadband adoption and it is important to reverse this for superfast broadband to deliver its full potential.

## **Objectives**

To enable economic growth and social benefits from new technology through the development of a future proof, fully sustainable superfast broadband network with access to end user applications and services to all Lancashire's communities.

The key objectives of the project are:

1. Through a competitive process to select a private sector partner(s) who will, in partnership with the County Council develop and deliver superfast broadband, and in doing so attract private sector investment to build a superfast broadband network;
2. To secure public sector funding in order to provide gap funding required to attract and supplement private sector investment in areas that are currently perceived as economically challenging for the roll out of superfast broadband;
3. A superfast broadband network which provides the optimum achievable end to end service levels that support current and future applications and services, resilience, quality of customer experience and affordability at the end user level;
4. Deployment of a superfast broadband network that delivers optimum coverage for the available investment funding, aiming for close to 100% coverage in Lancashire, including rural, remote and sparsely populated areas;
5. A superfast broadband network which is demonstrably sustainable and future proof in the long term without recourse to further public funding;
6. A superfast broadband network open to all service and communications providers;
7. The completion of the superfast broadband network within 2.5 years from the commencement of deployment;

8. A private sector partner who will invest in and support a Lancashire programme of demand stimulation and business support, to include:
  - developing broadband and ICT skills and capabilities of the workforce in Lancashire;
  - addressing digital exclusion and promoting use of broadband and ICT in communities;
9. A superfast broadband network that will support the delivery of innovative, future public sector services; and
10. The superfast broadband deployment must take steps to reduce any impact on the environment and in doing so maximise the positive impact of ICT on the environment and use of sustainable energy.

### **Selecting a Private Sector Partner**

This project will be delivered through public gap funding made available to a private sector partner selected using a competitive process under the EU procurement rules. What is not clear is the level of public sector intervention required. This will be determined through the competitive process. The approach to public sector funding is outlined in the next section of this report.

The private sector partner will own the superfast broadband network and in doing so will have responsibility for maintaining and upgrading the network, ensuring a sustainable solution. The private sector partner will be required to ensure open, equitable and transparent access to the network. The private sector partner will be expected to own and manage the risks associated with delivering and operating the network including any risks from take up and demand forecasts. As part of the competitive process, we will be asking potential partners to identify the extent to which existing technology in Lancashire, e.g. the Cumbria and Lancashire Education Online (CLEO) network, can be utilised and the benefits, without impacting on the services it already provides.

Marketing, promotion and end user support activities will be fundamental in order to achieving the overall objectives and outcomes. This will be needed on two levels; firstly, attracting service providers by communicating the benefits of the superfast broadband network to the industry; and secondly, marketing and demand stimulation to the end users in particular the business community. High levels of take up will accelerate benefits to Lancashire in achieving its objectives. A joint programme of demand stimulation and business support will be a key feature of the project.

In order for the project to be a success, over the forthcoming months we will need to engage with a range of partners and stakeholders across all of Lancashire's communities to ensure that we secure the best possible outcomes. The County Council will not prescribe the technology. In this sense we are technology neutral. Potential private sector partners will be required to propose technologies that are most suitable to achieving the overall project objectives, including cost effective solutions to isolated rural and hard to reach areas with limited infrastructure capacity.

It is the intention to allow neighbouring authorities and other public sector organisations to benefit from this project.

## **Funding**

Whilst it is crucial that we maximise the level of private sector funding, as outlined above public sector funding will be required in order to achieve the overall objectives. We have submitted an outline proposal for ERDF funding of £20m. We would expect as a minimum that a private sector partner will match this investment.

The outline proposal has been reviewed by the Northwest Development Agency and we expect a decision in the next few weeks. If the outline proposal is approved, the next step will involve the development of a full ERDF bid. The Government, through Broadband Delivery UK, will be investing £530m over the lifetime of this Parliament. Lancashire will bid for investment from this funding. We will also seek to identify other funding sources which could include a contribution from the County Council's capital programme.

## **Next Steps**

The initial next steps will be to develop the overall scope and vision together with supporting documentation to a standard which will support the procurement of a private sector partner in accordance with EU procurement rules. In order to assist this and to put in place an officer structure that will support all stages of the procurement and subsequent delivery stages, it is proposed that the following actions will be implemented:

- the Chief Executive will act as the Project Sponsor;
- the Director of Special Projects will act as the Project Director;
- a Project Steering Group will be established comprising the Chief Executive and several other Executive Directors;
- a Project Board will be established which will comprise senior officers across directorates and will be lead by the Project Director.

Terms of reference for the above roles will be prepared together with an overall procurement strategy and timetable. Additionally, the County Council has secured a further resource from the NWDA who has significant experience in the area and will provide a valuable asset to the project moving forward.

## **Consultations**

The Northwest Development Agency has consulted on the Northwest NGA Strategic Framework. On 11 January 2011, the County Council held a stakeholder event which was attended by a number of public sector, private sector and community organisations. Whilst there were differing opinions on the types of technologies available and how they could be deployed, there was nevertheless general support for progressing superfast broadband in Lancashire.

## **Implications:**

This item has the following implications, as indicated:



## **Risk management**

As set out in the report.

## **Financial**

At this stage it is difficult to be precise about the financial implications arising from this proposal. Private sector investment and public sector investment is required to deliver the project, the amounts will be explored through the completion phase.

### **Any representations made to the Cabinet Member prior to the issue being considered in accordance with the Public Notice of Forward Plans**

Name: Organisation: Comments:

N/A

### **Local Government (Access to Information) Act 1985 List of Background Papers**

Paper	Date	Contact/Directorate/Tel
Britain's Superfast Broadband Future	December 2010	Eddie Sutton, Office of the Chief Executive, (01772) 535171
Making NGA a reality in the Northwest	20 August 2010	Eddie Sutton, Office of the Chief Executive, (01772) 535171

