

Public Document Pack

Lancashire County Council

Scrutiny Committee

Friday, 7th January, 2011 at 10.00 am in Cabinet Room 'B' - County Hall, Preston

Agenda

No. Item

Part 1 (Open to Press and Public)

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.

2. Minutes of the Meeting held on 10 December 2010

To follow

3. Scrutiny of the Proposals for Lancashire County Council's Revenue Budget 2011/12 - 2013/14

(Pages 1 - 46)

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. Dates of Future Meetings - January 2011

The following dates have been scheduled for the Scrutiny Committee throughout January 2011:

- 12th January – 2pm (extraordinary meeting);
- 14th January – 2pm (extraordinary meeting); and
- 21st January – 10am

All meetings will be held in Cabinet Room 'B', County Hall, Preston.

County Hall
Preston

I M Fisher
County Secretary and Solicitor

Agenda Item 3

Scrutiny Committee

Meeting to be held on 7 January 2011

Part I - Item No. 3

Electoral Division affected:
All

Scrutiny of the Proposals for Lancashire County Council's Revenue Budget 2011/12 – 2013/14

(Annex 'A' and 'B' refer)

Contact for further information:

Claire Evans, 07917 836 698, Office of the Chief Executive,

claire.evans@lancashire.gov.uk

Executive Summary

The Cabinet at its meeting on 6 January 2011 will have considered reports on the Financial Position of the County Council as at 30 November 2010 and the Revenue Budget for 2011/12 – 2013/14.

Please note: the proposals put to Cabinet will not be published until 6th January. Paper copies of these will be available to committee members at the meeting on 7th January. In addition, a direct email link will be sent to all committee members as soon as the proposals are published.

Recommendation

That the committee:

- i. scrutinises the budget proposals and identifies those elements that it wishes to challenge further and directly with relevant Executive portfolio holders
- ii. agrees what additional information is required in preparation for the budget scrutiny meetings on 12 and 14 January

Background and Advice

Attached to this report as Annex 'A' and 'B' are the agenda documents that were sent to Cabinet for its meeting on 6th January on the County Council's Financial Position and the Revenue Budget 2011/12 - 2013/14.

Members are advised to use these papers to inform the background to the budget proposals that will be published on 6th January. They may also wish to consider this in the context of the County Council's Financial Strategy 2011/12-2013/14 that was presented to Cabinet at its meeting in November 2010:

Covering report is available from here:

<http://www3.lancashire.gov.uk/council/meetings/displayFile.asp?FTYPE=A&FILEID=47187>

Appendix 'A' to the report is available from here:

<http://www3.lancashire.gov.uk/council/meetings/displayFile.asp?FTYPE=A&FILEID=47189>

Consultations

George Graham, Assistant Director Finance

Implications:

This item has the following implications, as indicated:

Risk management

Details of the risk management implications can be found on the original reports as attached at Annex 'A' and 'B'.

Local Government (Access to Information) Act 1985

List of Background Papers

| Paper | Date | Contact/Directorate/Tel |
|----------------|----------------|--|
| Cabinet Agenda | 6 January 2011 | Dave Gorman, Office of the Chief Executive, (01772) 534261 |

Reason for inclusion in Part II, if appropriate

N/A

Annex 'A'

Cabinet – 6 January 2011

Report of the Executive Director for Resources and Deputy Chief Executive and County Treasurer (Designate)

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|-------------------------------|
| Part I - Item No 3 (a) |
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| Electoral Division affected: All |
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The County Council's Financial Position as at 30 November 2010 (Appendix 'A' refers)

Contact for further information: George Graham, (01772) 538102, Resources Directorate, george.graham@lancashire.gov.uk

Executive Summary

In order to maintain overall strategic control of the County Council's finances, the Cabinet receives regular Budget Monitoring reports. These highlight financial risks and the likely position at the end of the financial year. The report attached at describes the position as at the end of November 2010.

Although the revenue budget is forecast to underspend by £6.7m, (c1%); this includes a forecast overspending of £3.5m across directorate revenue budgets. Executive Directors are committed to maintaining the urgent corrective action implemented to ensure any overspend is minimised by the year end.

The overall financial situation is mitigated by the successful delivery of the new treasury management strategy and the review of insurance contributions. These provide significant savings in 2010/11 and beyond.

This net underspend of £6.7m, in conjunction with £10.2m of approved commitments from the County Fund, gives a forecast County Fund balance at 31 March 2011 of £50.9m. The approved commitments from the County Fund include £9.8m of redundancy costs. Further severance costs will arise as the County Council manages the significant budget reductions being faced over the next three years.

In setting the revenue budget for 2010/11, Executive Directors committed to achieving £22.4m of efficiencies savings; it is forecast that additional savings above the target will be delivered, increasing the level of savings made to £24.8m by the year end. In addition the Council has identified a further £22m of savings required in 2010/11 as a result of the government's Emergency Budget.

The County Council's original Capital Programme for 2010/11 was set at £197.9m, reflecting a substantial investment in the County's infrastructure and assets. After taking into consideration slippage from last year's programme,

planned expenditure and additional approvals, the programmed figure has increased by £12.9m to £210.8m, which is now the basis for monitoring.

At the end of November the end of year position is anticipated to be c£195.9m, £14.9m lower than anticipated.

The attached provides Cabinet with a detailed view of this position: highlighting where key priorities will be delivered and providing explanations for variations against the programme. At this stage it is important to stress that although spending on capital projects is, by its very nature, difficult to determine due to the number of external factors governing spending, e.g. planning requirements, adverse weather conditions, etc, every effort has been made to reflect a realistic spend profile and forecast out-turn.

The position will be continuously monitored throughout the year and regular updates will be provided.

Recommendation

The Cabinet is asked to note the November budget monitoring report for 2010/11.

Background

Appendix 'A' refers.

Consultations

Executive Directors have considered the respective sections of this report relating to their Directorates.

Implications: E.g. Financial, Legal, Personnel, Human Rights, Crime and Disorder or Other

This item has the following implications, as indicated:

Risk management

The report sets out the Council's projected financial position for 2010/11 and the main implications for future years.

Local Government (Access to Information) Act 1985

List of Background Papers

| Paper | Date | Contact/Directorate/Ext |
|-------------------------------------|------|--|
| Financial Plan 2010/11 | 2010 | George Graham, Resources Directorate, (01772) 538102 |
| Budget Monitoring Working Papers | 2010 | |

MONEY MATTERS

THE COUNTY COUNCIL'S

FORECAST FINANCIAL POSITION

AT 30 November 2010

Phil Halsall
Deputy Chief Executive
and Executive Director
for Resources

Gill Kilpatrick
County Treasurer Designate

January 2011

SECTION 1: INTRODUCTION

"Money Matters" presents the County Council's current financial position in a single document, covering both the revenue budget and capital programme. This report gives an update on the County Council's forecast outturn position, as at the end of November 2010 based on changes in financial and service trends in the first eight months of the financial year, compared with the assumptions and underlying data used to compile the 2010/11 budget.

SECTION 2: EXECUTIVE SUMMARY

The headlines relating to the forecast of the year end position for 2010/11 are:

A forecast overspend against Directorate revenue budgets of £3.9m, the breakdown of which is set out in the table below. Whilst significant this reflects an improved position since that reported in July (£8.1m overspend) and is mitigated by the impact of the new treasury management strategy; despite the progress this position remains unsustainable given the challenging financial context in the years ahead.

| <u>Portfolio</u> | <u>Forecast outturn Variance (£m)</u> |
|---|---|
| Adult and Community Services | +2.5 |
| Children and Young People | +2.2 |
| Office of the Chief Executive | -0.7 |
| Resources | -0.5 |
| Total for Directorates - overspend | 3.5 |
| Corporate Expenditure | -2.0 |
| Financing costs | -8.3 |
| LCCG surplus | -0.6 |
| Non Service underspend | -10.9 |
| Net Underspend | -7.4 |
| Contribution to the 2010/11 in year savings | 0.7 |
| Contribution to County Fund | -6.7 |

£24.8m of efficiencies will be achieved this year (compared to a target of £22.4m built into the budget). However, the challenge remains to deliver the 2010/11 budget, including the in year savings with a backdrop of significant overspends that must be brought under control.

There is significant ongoing pressure within social care budgets in this and future financial years. It is critical that the underlying pressures are addressed. Failure to bring these budgets under control will result in an increased pressure on the Council's budget in 2011/12 and beyond, significantly increasing the level of savings required and impacting on the ability of the County Council to deliver its priorities.

Executive Directors must continue to identify all possible opportunities for reducing spend and increasing the opportunity for the delivery of savings so that the Council can be in the best possible position to face the challenges ahead.

The requirement from County Council balances as a result of voluntary redundancies in 2010/11 stands at £9.8m and therefore at the end of the financial year County Fund Balance is forecast to stand at £50.9 million (excluding provision for any further severance costs in 2010/11 and future years). This level of balances will be key in enabling the County Council to secure the necessary savings over the next three years.

In relation to the capital programme, the revised capital programme for 2010/11 is £210.8m and it is expected that £195.9m will be spent in 2010/11. The £14.9m shortfall on spend is due to £12m of slippage, £0.8m underspending and £2.1m resulting from a claw back of non-contractually committed early years and childcare capital grant as part of the central government savings drive in 2010/11.

It is also vital that in the current economic climate the County Council pays suppliers promptly, and collects the income due. In the first three months of the financial year, the Council paid 99% of invoices within 30 days and 63% within 10 days. With regard to income, the average number of debtor days (a measure of the speed of income collection) is currently 54.5 days compared to this stage last year at 61.0 days. Further improved performance remains a priority.

SECTION 3: THE REVENUE BUDGET

The County Council set its revenue budget of £726.7m in February 2010. The forecast outturn for the year is £720.0m, reflecting a net under spend of £6.7m, the breakdown of which is summarised in the table below:

| Directorate | Cash Limit £m | Forecast £m | Variances £m | Variances % |
|-------------------|------------------|----------------|-----------------|----------------|
| ACS | 366.053 | 368.566 | 2.513 | 0.69% |
| CYP | 180.369 | 182.552 | 2.183 | 1.21% |
| Environment | 133.477 | 133.437 | -0.040 | -0.03% |
| OCE | 15.029 | 14.308 | -0.721 | -4.80% |
| Resources | 26.396 | 25.869 | -0.527 | -2.00% |
| R&M | 4.832 | 4.832 | - | - |
| Corporate | 10.258 | 8.979 | -1.279 | -12.47% |
| LCCG | -0.814 | -1.350 | -0.536 | -65.85% |
| Capital Financing | 46.753 | 38.442 | -8.311 | -17.78% |
| Other | -55.649 | -55.649 | - | 0.00% |
| Total | 726.704 | 719.986 | -6.718 | -0.92% |

The reasons for variations against the budget for each Directorate are explained in more detail below:

Adult and Community Services Directorate - £2.5m overspend (£3.6m overspend previously)

| Service Grouping | Cash Limit £m | Forecast £m | Variances £m | Variances % |
|----------------------------|--------------------------|------------------------|-------------------------|------------------------|
| Adult Social Care | 339.738 | 342.730 | 2.992 | 0.88% |
| Community Services | 22.256 | 21.787 | -0.469 | -2.11% |
| Public Protection Services | 4.059 | 4.049 | -0.010 | -0.25% |
| Total | 366.053 | 368.566 | 2.513 | 0.69% |

Whilst a number of initiatives are already in place or are being developed to reduce demand within adult social care, they will not be sufficient in themselves to manage the level of growth currently being experienced. Therefore, the Directorate is taking a number of actions aimed at both addressing the increased demand and eliminating the forecast overspend by the year end. The impact of these recovery plans is being closely monitored by the Directorate's Senior Management Team.

Adult Social Care - £3.0m overspend (£3.9m previously)

The current forecast includes a net overspend on Older People services of £2.9m arising mainly from £2m on domiciliary care and direct payments through increased demand due to improved access to services, the policy of supporting individuals living independently in their own home and new and more person centred care. The development of self-directed support, a national and local priority, which is proving to be a flexible and attractive service offer, has also caused an increase in demand. The number of service users with Direct Payments/Personal Budgets has shown an increase of 32% in the year to date. Also included is a forecast overspend of £0.8m on nursing care due to increased long term placement numbers as a result of rising discharges from hospitals into nursing homes.

Physical Disability services are forecast to overspend by £1.7m. This is primarily due to additional demand for direct payments/personal budgets. Direct payments service user numbers have risen by 23% in the 8 months to November 2010. This reflects a continuing significant increase in service user numbers through both improved access to services and the attractiveness of direct payments and personal budgets.

Mental Health services are forecast to overspend by £1.2m arising from both increases in residential care user numbers presenting with complex needs (resulting in increases in the care package size) and a reduced number of packages being funded by the PCTs, with the termination of funding for existing packages and the reduction in new approvals.

The increase in residential care numbers is particularly evident in the east of the county. Review activity is being taken so that, where appropriate, cases can be progressed into rehabilitation and supported living arrangements.

Other Areas

Strict management control of costs and focus on efficient working is resulting in underspends of £3.5m over a range of areas including support services.

Children & Young People Directorate - £2.2m overspend (£5.3m previously)

| Service Grouping | Cash Limit £m | Actual £m | Variance £m | Variance % |
|---|--------------------------|----------------------|------------------------|-----------------------|
| Targeted & Early Intervention Services | 107.637 | 115.240 | 7.603 | 7.1% |
| Specialist & Direct Delivery Services | 22.603 | 22.700 | 0.097 | 0.4% |
| Universal & Prevention Services | 30.011 | 28.337 | -1.674 | -5.6% |
| Commissioning, Performance & Business Support | 12.469 | 12.031 | -0.438 | -3.5% |
| Capital Investment & Resources | 6.445 | 6.107 | -0.338 | -5.2% |
| DLT / Admin Recharges | 1.204 | -1.863 | -3.067 | 0.0% |
| Total | 180.369 | 182.552 | 2.183 | 1.2% |

The Directorate is currently forecasting an overspend of £2.2m (1.2%) compared to a previously reported overspend of £5.3m at the end of July. The overspend is largely due to demand for agency placements and social worker assessments. Whilst demand exceeded initial budget forecasts there has been a recent 'levelling off' in meaning agency costs have stabilised over the last 5 months.

The Directorate's recovery strategy focuses around: vacancy management; limiting the use of agency; restricting supplies and service expenditure and a general spend less approach. As part of this approach all services have been allocated an additional efficiency target which if achieved will act as a hedge against the overspend. Careful monitoring of the Directorate's efficiency plan is also in place to ensure efficiencies are delivered in year.

Outlined below is an explanation of the significant variances for each individual service area:

Targeted & Early Intervention Services - £7.6m overspend (£8.9m previously)

The service continues to experience increased demand for Children's Social Care services. Overall it is forecast to overspend by £7.6m of which £5.7m relates to the additional cost of external agency placements. Some of this is attributable to the Southwark judgement in relation to young people becoming homeless. This is partially offset by a continuing underspend on in-house fostering allowances.

The additional demand for agency placement is further exacerbated by the fact that children are staying in care for longer. There are difficulties in increasing the number of in house foster carers, and the very significant delays in the adoption process caused by the failure of CAFCASS to appoint guardians for children and young

people. The Local Government Association (LGA) and Association of Directors of Children's Services (ADCS) have also highlighted the delays caused by court requests for independent assessments of social worker evidence following a highly critical Barnardo's report that says that they add little but costs and delays.

Other key variances include:

- Increased take up of direct payments (£0.1m) with a further £0.9m on Assistance to Families and Residence and Special Guardianship Orders.
- An increase in the number of referrals is impacting on legal services (£0.6m).

Universal & Prevention Services - £1.7m underspend

The majority of this underspend relates to a lower than anticipated level of demand and take-up of mainstream home to school transport and discretionary transport (£1.1m) and an underspend on the early Years Service (£0.6m).

DLT /Contingency / Admin Recharges to Schools Budget - £3.1m underspend

This is largely due to management action to create an additional contingency by placing increased efficiency targets placed on all teams. The creation of the contingency is part of the recovery strategy acting as a hedge against increases in demand for services over and above the available budget.

Environment Directorate – Break-even on budget (£0.1m underspend previously)

The Environment directorate is forecast to broadly spend at budgeted levels. Whilst there is a level of risk (of £1m) within the 2010/11 budget, the strong management action taken by the directorate in delivering the restructure ahead of schedule has mitigated this risk.

Office of the Chief Executive - £0.7m underspend (£0.6m underspend previously)

The major factors contributing to the underspend are savings relating to vacant posts in the HR Group and Policy Unit. These savings are being partly offset by additional costs associated with the development of the new HR payroll system.

Resources Directorate - £0.5m underspend

The main factors contributing to the forecast underspend are vacancy savings, reduced expenditure on multifunctional devices and increased revenue combined with reduced expenditure on car parking.

Corporate Expenditure - £1.3m underspend

In 2010/11 a review has been undertaken into the level of insurance contributions. Due to effective risk management, the level of annual contributions will reduce from 2010/11 onwards by £2m. This will also reduce the budget gap in 2011/12.

It is proposed that £0.75m of this saving be used to support the achievement of the 2010/11 in year savings as a one off contribution only.

Capital Financing - £8.3m underspend

This improved position is due to the successful implementation of the new treasury management strategy. The strategy has delivered additional investment income of £5m and over £3m in reduced borrowing.

It is anticipated that further savings will be achieved in future years and these have been factored into the financial strategy.

Lancashire County Commercial Group - £0.6m underspend

The projected underspend reflects improved operational efficiency and efficiencies in overheads.

SECTION 4: THE CAPITAL PROGRAMME

The revised capital programme for 2010/11 is £210.8m and it is expected that, of this, £195.9m (93%) will be spent.

The forecast spend as at November 2010 for the year is £195.9m:

| | Capital Budget £m | Forecast July £m | Forecast November £m | Variance In year £m | Variance % |
|--------------|------------------------------|-----------------------------|---------------------------------|--------------------------------|-------------------|
| ACS | 15.224 | 11.126 | 9.278 | -5.946 | -39.1 |
| CYP | 115.468 | 106.315 | 106.508 | -8.960 | -7.8 |
| Environment | 65.749 | 63.944 | 65.185 | -0.564 | -0.9 |
| Resources | 11.094 | 9.769 | 10.693 | -0.401 | -3.6 |
| Corporate | 0.169 | 0.155 | 0.155 | -0.014 | -8.3 |
| LCCG | 3.103 | 4.071 | 4.103 | 1.000 | 32.2 |
| Total | 210.807 | 195.380 | 195.922 | -14.885 | -7.1 |

There has been only a limited change in the forecast since last reported to Cabinet.

As previously reported, the main elements of the £14.9m variance include £12m slippage into 2011/12 due to specific project delays, £0.8m underspending and £2.1m resulting from a claw back of non-contractually committed Early Years and childcare capital grant.

The claw back of grant has resulted from the government's drive to cut spending. As a result, any Early years and childcare capital grant funding that did not have a contractual commitment has been withdrawn.

The following sections identify the major elements of each Directorate's programme and the key issues causing scheme slippage.

Adult and Community Services - £0.8m underspend, £5.1m slippage

| Service Grouping | Capital Budget £m | Forecast July £m | Forecast November £m | Variance In year £m | Variance % |
|--------------------|----------------------|---------------------|-------------------------|------------------------|--------------|
| Adult Social Care | 10.865 | 8.792 | 7.358 | -3.507 | 32.3 |
| Community Services | 4.359 | 2.334 | 1.920 | -2.439 | 56.0 |
| Total | 15.224 | 11.126 | 9.278 | -5.946 | -39.1 |

The main reasons for slippage in the year are:

- Delays in the development of the Learning Disability day care facilities which has resulted in expenditure being less than anticipated by some £2m. This is the result of:
 - Delays due to problems treating Japanese Knotweed at the proposed site for the Moss Lea day centre;
 - Difficulties finding a suitable building for the provision of a satellite facility in East Lancashire
 - Delays due to a longer than anticipated pre – contract commencement period on the Bankside replacement day centre project
- Difficulties in finding a suitable site for the re-provision of the respite centre at the Mount Burscough - £0.7m.
- The refurbishment of the Museum of Lancashire has been delayed due to the need for listed building planning consent. Also, as the neighbouring property is a prison, there have had to be detailed negotiations regarding security during the works - £0.5m.
- Delay in the start of the work to update facilities at the Record Office due to a need to review the project - £0.8m.

Children and Young People - £2.1m underspend, £6.8m slippage

| Service Grouping | Capital Budget £m | Forecast July £m | Forecast November £m | Variance In year £m | Variance % |
|------------------------|-------------------|------------------|----------------------|---------------------|-------------|
| Schools | 54.818 | 48.510 | 48.995 | -5.823 | -10.6 |
| Schools DFC | 9.752 | 10.000 | 10.796 | 1.044 | 10.7 |
| Academies | 12.566 | 13.566 | 13.566 | 1.000 | 8.0 |
| BSF | 16.674 | 17.137 | 16.308 | -0.366 | -2.2 |
| Sure Start | 11.023 | 8.823 | 8.907 | -2.116 | -19.2 |
| Children's Social Care | 3.990 | 3.236 | 2.082 | -1.908 | -47.8 |
| Faith Sector | 1.000 | - | - | -1.000 | - |
| Other Non Schools | 5.645 | 5.043 | 5.854 | 0.209 | 3.7 |
| Total | 115.468 | 106.315 | 106.508 | -8.960 | -7.8 |

The slippage of £6.9m is made up of:

- Schools single capital pot £4.2 million, and
- Schools Access Initiatives £1.8 million as some of the funds are being held for the special education review.
- £1m payments to the voluntary and faith sector now anticipated to be made in 2011/12

The underspend of £2.1m is in respect of the claw back of non-contractually committed Early Years and childcare capital grant.

Environment - £0.6m slippage

The transport Programme is higher than previously forecast with expenditure on the Blackpool tramway initially anticipated to be incurred in 2011/12 now forecast to be spent in 2010/11

Resources - £0.4m slippage

The variance of £0.4m has arisen mainly due to

- Only a small number of Energy and Water Conservation projects meeting the payback period.
- Additional expenditure required at Lancaster Travellers site

Corporate and LCCG - £1m rephasing of programme

The vehicle replacement programme for 2010/11 has £1 million of expenditure re-phased into 2011/12.

SECTION 5: THE ACHIEVEMENT OF EFFICIENCY SAVINGS

The Council has agreed efficiency savings in 2010/11 of £22.4 million, which are anticipated to be overachieved.

SECTION 6: COUNTY FUND BALANCE

County Fund Balance at 31st March 2011 is forecast to be £50.9m made up as follows:

| | £m |
|---|--------|
| Balance at 31.03.10 | 54.274 |
| Contribution to capital – ACS | -0.091 |
| Contribution for abortive capital fees | -0.035 |
| Commitments previously agreed through former DFM balances process | -0.250 |
| Severance Costs to be met from Balances | -9.789 |
| Movement from other reserves | 0.035 |
| Net revenue underspend | 6.718 |
| Forecast balance at 31.03.11 | 50.863 |

The County Fund balance provides a key resource in the delivery of the Council's financial strategy. The level of saving needed in this, and future, years has required the development of a number of on-going savings proposals. Such proposals are likely to require one-off investment and it is vital that resource is available.

It is also reasonable to expect that severance costs will continue to have a considerable impact as savings are implemented. In addition, the Government has committed itself to a review of the Local Government Funding process over the next two years. Consequently, the current level of the County Fund is considered prudent in the face of such potential cost and risk.

Annex 'B'

Cabinet – 6 January 2011

Report of the Executive Director for Resources and Deputy Chief Executive and County Treasurer (Designate)

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| Part I - Item No. 3 (b) |
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| Electoral Division affected: All |
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Revenue Budget 2011/12 – 2013/14 (Appendix 'A' refers)

Contacts for further information:

Phil Halsall, (01772) 534701, Resources Directorate,

phil.halsall@lancashire.gov.uk

Gill Kilpatrick, (01772) 534715, Resources Directorate,

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Executive Summary

The Cabinet agreed the financial strategy for 2011/12 – 2013/14 at its meeting on 4 November 2010, following the announcement of the Comprehensive Spending Review. At that time, the forecast of the level of savings that may be required over the next three financial years was £187m, as a result both of anticipated reductions in government funding, and increases in costs (largely from demographic pressures and the waste PFI scheme).

The government published the Local Government Finance Settlement on 10 December 2010, which provided a 2 year settlement, giving certainty over the next 2 years. For the County Council the settlement is slightly more favourable than previously anticipated; although the Council will see its "spending power" reduce by £32m in 2011/12, and a further £26m in 2012/13.

At the same time, the forecast of costs has been updated, to reflect the latest information on future commitments, in particular regarding inflation on major contracts.

The impact of the settlement, together with the review of costs, has been to reduce the level of savings needed over the next 3 years from £187m to £179.1m. Although this is a slightly improved position it remains a significant challenge; representing a reduction in the Council's 2010/11 "non-schools" budget of a quarter.

Over the Autumn, the Cabinet and the Executive Leadership Team have been working to develop a set of budget proposals for 2011/12 to 2013/14.

The first stage of the budget consultation process has now been concluded, and the responses are summarised in the report.

Recommendations

Cabinet is asked:

- a) to note the level of savings required over the next three financial years, after the impact of the settlement, together with the review of costs, has been taken into account:

| | |
|--------------|----------------|
| 2011/12 | £71.6m |
| 2012/13 | £50.1m |
| 2013/14 | £57.4m |
| Total | £179.1m |

- b) to consider any proposals for the revenue budget and council tax for 2011/12 to 2013/14 to go out for the second stage of consultation following this meeting, until 3 February 2011 when the Cabinet will consider its final budget recommendations to make to the Full Council on 17 February 2011;
- c) to consider what recommendation it wishes to make on the determination of the 2010/11 Schools Budget;
- d) to recommend to the Budget meeting of the Full Council on 17 February 2011 a Council Tax freeze in 2011/12 in order to access the Council Tax Freeze funding made available by the government within the settlement..

Background and Advice

See attached report set out at Appendix 'A'.

Consultations

See attached report set out 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:

N/A

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

| Paper | Date | Contact/Directorate/Tel |
|---|----------------------------|--|
| The Financial Strategy 2011/12 – 2013/14 | November 2010 | Gill Kilpatrick, Resources Directorate, (01772) 534715 |
| Budget working papers | October - November 2010 | Steve Freeman, Resources Directorate, (01772) 533134 |

Reason for inclusion in Part II, if appropriate

N/A

The Revenue Budget 2011/12 – 2013/14

Introduction

This report provides an update on the County Council's financial position for the next three years, i.e. 2011/12 – 2013/14, following the announcement of the Local Government Finance Settlement on December 13th 2010.

Local Government Funding Settlement

The settlement provides certainty for the next two financial years and results in revenue funding for local authorities in England reducing by an average of 4.7% in 2011/12, and 3.3% in 2012/13.

The government has introduced a new term of “Spending Power” which describes the level of overall resources available to a local authority and includes:-

- *General Formula Grant*
includes resources for the transfer of responsibility for concessionary travel to upper tier authorities, and the transfer of certain specific grants into formula grant.
- *Early Years Intervention Grant*
consists of a number of early years grants, including children’s centres, nursery education for 2 year olds, sure start, connexions, positive action for young people and children’s fund.
- *Learning Disability Grant*
reflects the transfer of PCTs’ share of responsibility for learning disability services to upper tier authorities
- *NHS funding to support social care and benefit health*
part of the additional funding provided to support social care, received via the PCTs.
- *Council tax revenue*
- *Council tax freeze grant*
equivalent to the revenue otherwise raised through a 2½% council tax increase, BUT only available to those authorities who freeze council tax in 2011/12.

In addition, there are a number of specific grants (for example, PFI grant) that the County Council will continue to receive, but are not included in the calculation of “spending power”.

The government has capped the loss in “spending power” of an authority to 8.9% in each year. Any authority with grant losses in excess of 8.9% will

receive a transitional grant to limit the loss, thereby enabling authorities to adjust to the reduced level of funding over a longer time period.

The County Council's Settlement

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%), as set out below:

Table 1 – The County Council's "Spending Power"

| "Spending Power" | 2011/12 £m | 2012/13 £m |
|--|-----------------------|-----------------------|
| Council Tax | 423.593 | 423.593 |
| Formula Grant including <ul style="list-style-type: none"> • specific grants now added to formula grant • concessionary travel funding | 333.821 | 306.334 |
| Early Intervention Grant | 47.241 | 48.107 |
| NHS funding to support social care and benefit health | 14.977 | 14.386 |
| Learning Disability Grant | 33.654 | 34.452 |
| Council Tax Freeze Grant | 10.606 | 10.606 |
| Total Spending Power | 863.892 | 837.477 |
| Reduction from previous year - £m | -32.514 | -26.415* |
| Reduction from previous year - % | -3.63% | -3.06%* |

The comparison to 2010/11 is on a "like for like" basis, taking into account that in 2011/12 the County Council will take on additional responsibilities for concessionary travel, and full responsibility for learning disabilities.

The 2012/13 figures in the table above are different from the government's published figures of a reduction of £24m (2.8%). This is due to the government comparison being based on a re-calculated 2011/12 figure.

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 scheduled during January 2011. Further information is provided in the report, which sets out the level of risk within the 2011/12 and 2012/13 financial position.

Overall, the settlement was slightly more favourable than estimated at the time of the Comprehensive Spending Review (CSR). The table below sets out the impact on the level of savings needed over the next three years. As no indication of the settlement for 2013/14 has been published, the savings in

2013/14 remains an estimate, but the assumptions are consistent upon the experience of the settlement.

At the time of the CSR, it was estimated that the County Council would need to save £186.4m over the next three years. This was based on two factors - the expected reductions in the level of government funding, and increases in the Council's costs. It is worth reflecting that in 2011/12 alone, the County Council's costs will increase by over £71m as a result of inflation, demographic pressures (particularly in both adult and children's social care) and the impact of the waste PFI, which adds £42m to the cost base.

Over the past three months, the County Council's cost base has been under continual review to ensure the budget contains the latest position and all commitments are captured.

In particular, it is now possible to factor the expected financial impact of the Equal Pay Review (EPR) into the budget for 2011/12, together with the latest rate of inflation on key contracts. Although the updated forecast of the cost of the EPR in 2011/12 is less than previously forecast, over the following two years the EPR will add over £12m to the County Council's costs.

As set out in the table below, as a result of the settlement, and the latest forecast of costs, this has reduced to £179.1m, an improvement of £7.3m over the three year period. Although an improved position, this remains a significant challenge over the next three years – it is a reduction of a quarter of the County Council's net budget in 2010/11.

Table 2: Updated Savings Requirements

| | 2011/12 £m | 2012/13 £m | 2013/14 £m (Estimated) |
|---|----------------|----------------|------------------------------|
| Spending Power (as per Settlement): | 863.891 | 837.477 | 820.581 |
| Specific Grants | 19.848 | 19.848 | 19.848 |
| Council Tax increase of 2.5% | | 10.590 | 10.856 |
| The County Council's Resources | 883.739 | 867.915 | 851.285 |
| Previous year base budget (including spend funded previously by specific grant) | 867.391 | 883.739 | 867.916 |
| Less : Full year effect of savings from 2010/11 budget process | -17.199 | | |
| Less : Spending commitments which will fall out with the loss of specific grant | -5.239 | | |
| Additional cost pressures: | | | |
| - Pay, pension and Price inflation | 14.051 | 19.093 | 23.532 |
| - Growth : Waste PFI | 41.780 | | |
| - Growth : Demographic increases including Adult Social Care and Fostering Agency costs | 14.974 | 8.382 | 8.279 |
| - Latest forecast of impact of equal pay | -16.000 | 5.000 | 7.000 |

| | 2011/12 £m | 2012/13 £m | 2013/14 £m |
|--------------------------------------|----------------|----------------|----------------|
| New Responsibilities | | | |
| - Learning Disability | 33.654 | 0.798 | - |
| - Concessionary Fares | 21.993 | 0.950 | 0.991 |
| Total Spending requirement | 955.405 | 917.962 | 907.315 |
| Savings Gap | 71.666 | 50.047 | 57.363 |
| Previous Forecast at CSR | 75.433 | 54.200 | 56.800 |
| Change | -3.767 | -4.153 | 0.563 |
| Total Change Over the 3 Years | | | -7.357 |

Comparison with Other Local Authorities

The results for the County Council compared to other similar councils and the other councils in Lancashire (before the effect of transition grant) are set out in the table below.

Table 3: Lancashire's Settlement Compared to Other Local Authorities

| | 2011/12 Change % | 2012/13 Change % |
|-------------------------------|------------------------|------------------------|
| Lancashire County Council | -3.6 | -2.8 |
| England | -4.7 | -3.3 |
| Shire County Councils | -1.8 | -2.1 |
| Lancs Unitaries and Districts | -9.8 | -6.2 |

The Strategy for Delivering Budget Savings

At its meeting in November 2010, Cabinet agreed the following “below the line” savings, which will reduce the management and administration costs of the organisation without impacting on services.

Table 3 – "Below the Line" Budget Savings

| "Below the Line" Reductions Identified | 2011/12 £m | 2012/13 £m | 2013/14 £m | Total £m |
|---|-----------------------|-----------------------|-----------------------|---------------------|
| <i>Corporate Savings Already Secured</i> | | | | |
| Savings from the Strategic Partnership | 7.0 | 2.5 | 4.5 | 14.0 |
| Treasury Management Strategy | 9.0 | 0.5 | 0.5 | 10.0 |
| Review of Insurance | 2.0 | - | - | 2.0 |
| Impact of pension valuation | 0.6 | 0.7 | 0.6 | 1.9 |
| Improvement in the tax base from previously forecast | 1.0 | 1.0 | 1.0 | 3.0 |
| <i>Proposed Corporate Initiatives</i> | | | | |
| Reduction in policy, performance management, administration and related costs | 3.5 | 3.5 | - | 7.0 |
| Consolidation of Property Functions and Accommodation savings | 1.0 | 1.0 | 1.0 | 3.0 |
| Reduction in management costs by reducing number of earners >£50k | 2.5 | 2.5 | - | 5.0 |
| Reduce Travel and conference costs by 25% | 1.0 | 1.0 | - | 2.0 |
| Reduction in use of agency staff | 1.0 | 1.0 | - | 2.0 |
| Reduction in use of consultants | 1.0 | - | - | 1.0 |
| Review of Financial Transactions | 0.5 | 0.5 | - | 1.0 |
| Transport Review | 1.1 | 0.8 | 1.5 | 3.4 |
| Total | 31.2 | 15.0 | 9.1 | 55.3 |

While at £55m these savings are substantial, the County Council will still be required to find up to a further £124m from services over the next 3 years.

Table 4 – Analysis of Service and Below the Line Budget Savings

| Area | 2011/12 £m | 2012/13 £m | 2013/14 £m | Total £m |
|----------------------|-----------------------|-----------------------|--------------------------|-------------------------|
| Below line Reduction | 31.2 (43%) | 15.0 (30%) | 9.1 (1617%) | 55.3 (31%) |
| Service Reductions | 40.5 (57%) | 35.0 (70%) | 48.3 (84%) 47.7 (83%) | 123.8119.5 (69%) |
| Total | 71.7 | 50.0 | 57.43 | 179.1 |

Uncertainties Remaining within the Settlement

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 local government 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 exceptionally difficult to estimate what level of resource that might flow to the Council from this source. Updates will be provided as further information becomes available.

Local Government Resource Review

The Government is committed to undertaking from January 2011 a Local Government Resource Review to address perceived inadequacies in the current local government finance system and also to improve the system in line with their "localism" agenda.

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 2 year settlement already announced. Whilst the forecast 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

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 ringfenced 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.

Schools Budget

In line with the school funding arrangements introduced in November 2007, Cabinet agreed in respect of the 2008/09 Schools Budget that:

- a) The County Council's allocation of Dedicated Schools Grant (DSG) is applied in its entirety to the Authority's Schools Budget and not to supplement the Schools Budget from other resources available to the Authority; and
- b) The detailed allocation of resources within the Schools Budget is determined at a later date by the Cabinet Member for Schools in consultation with the Executive Director for Children and Young People and the Executive Director for Resources (or County Treasurer Designate) and in conjunction with the Lancashire Schools Forum.

The Cabinet is asked to consider what recommendation it wishes to make on these matters for the determination of the 2010/11 and future years' Schools Budget.

Budget Consultation 2011/12

First stage of consultation

The budget consultation process has been split into two stages for 2011/12.

At the first stage, the Cabinet has consulted on service priorities with:

- the Life in Lancashire Panel, and has conducted a survey of the Life in Lancashire panel with regard to spending priorities, the results of which are summarised below, with the detail attached at Annex 1;
- staff, in terms of ideas for budget savings; and
- the Public, through an online budget calculator.

In relation to the Life in Lancashire Panel, this wave dealt with priorities for the county council's budget and acceptable levels of Council Tax increase. The survey was sent to all 4,026 members of the panel. In total 1,972 questionnaires were returned, giving an overall response rate of 49%.

Highest priority services for spending in the coming years

- **Services for older people** (58%), **primary and secondary education** (51%) and **crime prevention** (46%) are seen as the highest priorities for spending in the next year. These were also the top priorities in 2009 and 2008.

Lowest spending priorities in the coming years

- **Museums** are the lowest spending priority (54%), which were also the lowest priority for spending in 2009 and 2008.

- **Country parks, open spaces and picnic sites and trading standards** are seen as the next lowest priorities (33% and 29% respectively).

Level of council tax increase

- Four fifths of respondents think that the council should make no increase in council tax (79%).
- Only one in ten of respondents feel they could support an increase in council tax of 3% or more (10%).

The full report from the Life in Lancashire panel is included at Annex 1.

The County Council's staff has have also been engaged in identifying savings through an intranet based suggestion scheme. This has generated a large number of ideas. Many of these are in to the category of "good housekeeping" and the messages flowing from these, such as instituting a ban on the purchase of paper diaries given the availability of electronic diaries, are being circulated within the Council. Others offer more potential for significant savings either in their own right or as part of the various savings exercises already commenced. These ideas have been referred to the relevant managers for action, with oversight of the whole process from the Director of Finance. Feedback is being provided to the staff making individual suggestions.

In addition, the public have been invited to participate in the budget process through an "on line calculator" available via the County Council's website. This process closed on 31 December 2010 and the results will be available to the Cabinet at its meeting in early February when it considers its final recommendations to the Council.

Second stage of consultation

After the publication of the Cabinet's budget proposals for 2011/12 and future years, the second stage of the consultation process comprises of consultation with:

- District and Unitary Councils
- Trade Unions
- The Youth Council and
- Business representatives.

The consultation will cover the proposals that Cabinet wish to make in respect of 2011/12 and future years.

Reserves Strategy

The current forecast for County Fund Balance at the end of the current year is around £50m after allowing for £10m of severance costs. It is proposed to

separate from the County Fund Balance which is the Council's back stop fund to deal with unforeseen circumstances, specific reserves to address the following issues:

- Invest to Save Projects – This includes a range of projects to be delivered through the Strategic Partnership as well as future invest to save projects meeting the agreed criteria.
- Severance Costs – To provide funding to assist in managing the reduction in the County Council's workforce.

These reserves will be funded from transfers from County Fund Balance and from earmarked reserves which, following review, are no longer required. The level at which these reserves and County Fund Balance are maintained will be managed over the financial strategy period in the context both of the demands of the overall change programme and the financial risk profile facing the Council, which is considered significant. The outcome of this work will be incorporated into the next budget report to Cabinet.

Robustness of the Estimates and Adequacy of Reserves

The Executive Director for Resources and the County Treasurer (Designate) have both reviewed the work carried out to produce the estimates contained in the budget and have assessed the level of reserves in the light of the financial risks facing the Council. Following this they have concluded that the estimates are as robust as can be reasonably expected and that the broad scale of the risks reflected in these estimates are largely known (the major "unknown" would be any major change in the Government Funding Model which is to be reviewed). Therefore, it is recommended that the level of specific reserves held by the County Council be maintained.

Living in Lancashire: Budget Consultation 2010

Fieldwork 19 November – 10 December 2010

Prepared by Rebecca Robinson
Principal research and intelligence officer
Lancashire County Council
December 2010

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1 Executive summary

This wave of the Life in Lancashire panel dealt with priorities for the county council budget and acceptable levels of Council Tax increase. The survey was sent to all 4,026 members of the panel. In total 1,972 questionnaires were returned, giving an overall response rate of 49%.

1.1 Highest priority services for spending in the coming years

- **Services for older people** (58%), **primary and secondary education** (51%) and **crime prevention** (46%) are seen as the highest priorities for spending in the next year. These were also the top priorities in 2009 and 2008.

1.2 Lowest spending priorities in the coming years

- **Museums** are seen as the service that should be the lowest spending priority (54%), which was also the lowest priority for spending in 2009 and 2008.
- **Country parks, open spaces and picnic sites** and **trading standards** are seen as the next lowest priorities (33% and 29% respectively).

1.3 Level of council tax increase

- Four fifths of respondents think that the council should make no increase in council tax (79%).
- Only one in ten of respondents feel they could support an increase in council tax of 3% or more (10%).

2 Introduction

Lancashire County Council has used Living in Lancashire regularly since August 2001. A panel of willing participants is recruited and is approached on a regular basis to seek their views on a range of topics and themes. Panel members are voluntary participants in the research they complete and no incentives are given for completion.

The panel has been designed to be a representative cross-section of the county's population. The results for each survey are weighted in order to reflect the demographic profile of the county's population.

The panel provides access to a sufficiently large sample of the population so that reliable results can be reported at a county wide level. It also provides data at a number of sub-area and sub-group levels.

Each Living in Lancashire wave is themed. Firstly, it enables sufficient coverage on a particular topic to be able to provide insight into that topic. And secondly, it comes across better to the residents completing the questionnaires if there is a clear theme (or 2-3 clear themes) within each survey.

The panel is refreshed periodically. New members are recruited to the panel and some current members are retired on a random basis. This means that the panel remains fresh and is not subject to conditioning i.e. the views of panel members become too informed with county council services to be unrepresentative of the population as a whole.

3 Research objectives

The objectives of this consultation are:

- to obtain an indication of the service areas that residents believe should be budget priorities for the coming years; and
- to obtain an understanding of what residents perceive to be an acceptable level of increase in Council Tax for 2011/2012.

This work follows on from previous yearly budget consultations that have taken place since 2003.

4 Methodology

This wave of Living in Lancashire research was sent to 4,026 members of the panel on 19 November. No reminders were sent, and the fieldwork ended on 10 December 2010.

In total 1,972 questionnaires were returned, giving an overall response rate of 49%. The response rate is lower than in previous years as the panel has recently been refreshed. However, the number of responses is similar to that received in previous years.

All data are weighted by age, ethnicity and district to reflect the Lancashire overall population, and figures are based on all respondents unless otherwise stated. The weighted responses have been scaled to match the effective response of 1,332, which is the equivalent size of the data if it had not been weighted and was a perfect random sample.

4.1 Limitations

The table below shows the sample tolerances that apply to the results in this survey. Sampling tolerances vary with the size of the sample as well as the percentage results.

| Number of respondents | 50/50 + / - | 30/70 + / - | 10/90 + / - |
|-----------------------|----------------|----------------|----------------|
| 50 | 14% | 13% | 8% |
| 100 | 10% | 9% | 6% |
| 200 | 7% | 6% | 4% |
| 500 | 4% | 4% | 3% |
| 1000 | 3% | 3% | 2% |
| 2000 | 2% | 2% | 1% |

On a question where 50% of the people in a sample of 1000 respond with a particular answer, the chance are 95 out of 100 that the answer would be between 47% and 53% (ie +/- 3%), versus a complete coverage of the entire Lancashire population using the same procedure.

The following table shows what the percentage differences between two samples on a statistic must be greater than, to be statistically significant.

| Size of Sample A | Size of Sample B | 50/50 | 70/30 | 90/10 |
|------------------|------------------|-------|-------|-------|
| 100 | 100 | 14% | 13% | 8% |
| 100 | 200 | 12% | 11% | 7% |
| 500 | 1000 | 5% | 5% | 3% |
| 2000 | 2000 | 3% | 3% | 2% |

(Confidence interval at 95% certainty for a comparison of two samples)

For example, where the size of sample A and sample B is 2000 responses in each and the percentage result in each group you are comparing is around 50% in each category, the difference in the results needs to be more than 3% to be statistically significant. This is to say that the difference in the results of the two groups of people is not due to chance alone and is a statistically valid difference (e.g. of opinion, service usage).

For each question in the survey, comparisons have been made between different sub-groups of respondents (e.g. age, gender, disability, ethnicity, geographic area) to look for statistically significant differences in opinion. Statistically valid differences between sub-groups are described in the main body of the report.

In charts or tables where responses do not add up to 100%, this is due to multiple responses or computer rounding.

5 Main research findings

5.1 Priorities for service development

The first section of the budget consultation questionnaire gave the proportion of spending and the actual expenditure on a wide range of services Lancashire County Council provides. It gave details on council expenditure in 2010/11 and the sources of council finances. It also informed panel members of the county council plans for the following years.

Panel members were then given a list of county council services and asked which three or four should be the highest spending priorities for the coming years. These priorities are shown on chart one.

Services for older people (including care in their own homes and in residential homes), **primary and secondary education** and **crime prevention** (working with partner organisations to help prevent crime and disorder and reduce fear of crime) are the highest priorities (58%, 51% and 46% respectively).

Repairing roads and bridges (including emergencies and fixing potholes) and **children's social care** (protecting vulnerable children) are the next highest priorities (38% and 32% respectively).

The same options were given on the budget questionnaires in 2009 and 2008, enabling the priorities to be compared over time. The current results are broadly similar to those in the last three years, with the top three priorities remaining the same. This shows the public's spending priorities are generally staying the same. The proportion of respondents mentioning the top three priorities has increased compared to the 2009 results. Two services that have increased in importance over the past three years are repairing roads and bridges and support for businesses/attracting investment.

5.1.1 Individual services - high priority for spending

Services for older people

Perhaps as might be expected, the priority of services for older people is once again closely related to the age of the panel member. Older people's services are a higher priority for those 60 years and over (66%), and are also more important among those aged 45 to 59 (59%) compared to younger respondents.

Primary and secondary education

This is the highest priority for those aged 25 to 44 years (61%), as it was in 2009. While still a priority, it is less important for those aged 45-59 years (48%) or 60 years or over (43%). Also, where respondents have children in

the household it is a higher priority (73%) compared to households without children (42%).

Crime prevention

Crime prevention is an important priority for all respondents. However, it is significantly more important for BME respondents (64%) compared to white respondents (44%). This is a reversal of the result from last year when BME respondents were significantly less likely to say crime prevention is a high priority.

Children's social care

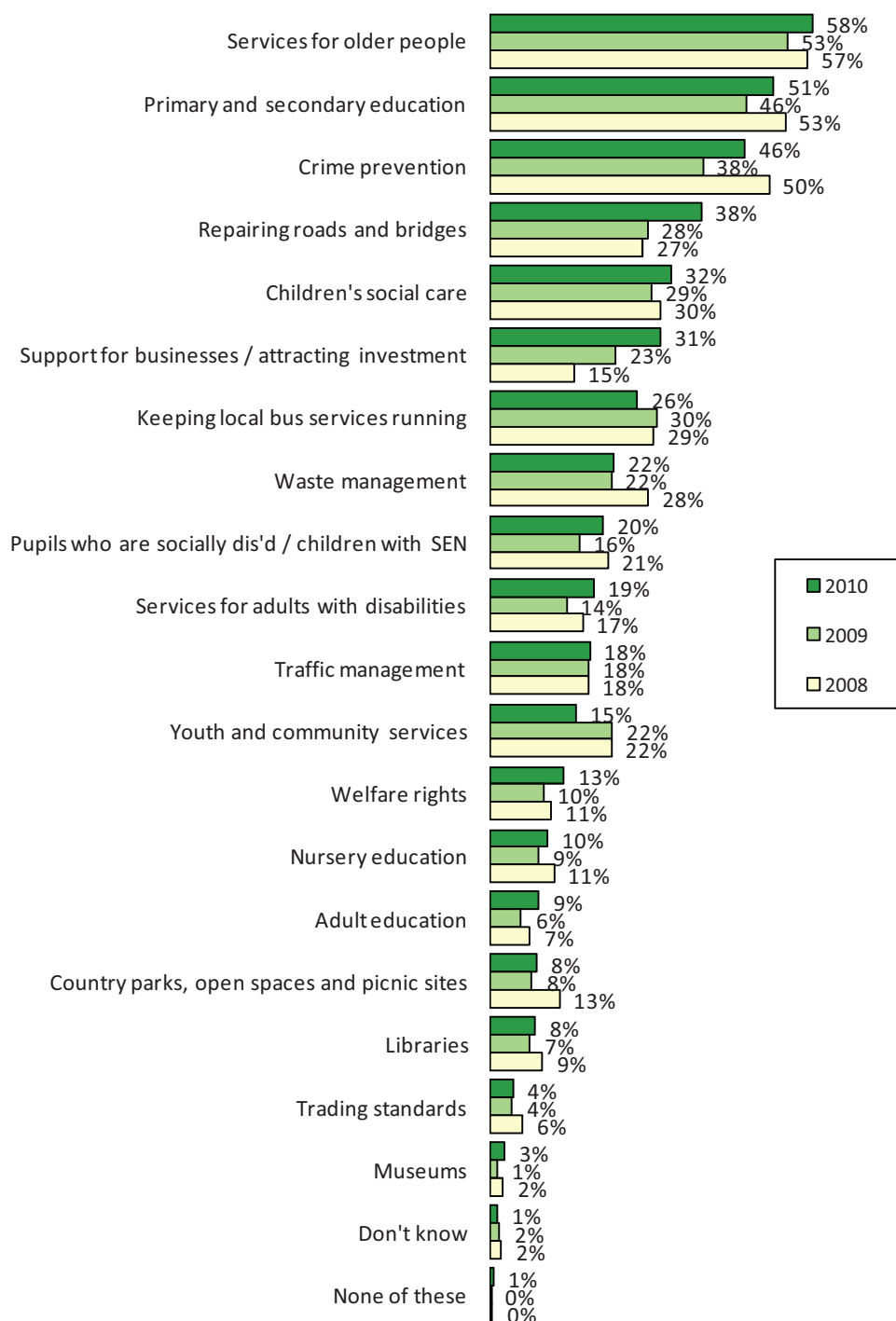
The importance of children's social care is, unsurprisingly, more important to respondents with children in their household (49%) than those without (27%). It is also a higher priority among women (38%). Light service users are less likely to place children's social care as a high priority (29%).

Other services

Keeping local bus services running is more of a priority to respondents aged 60 and over (37%) and disabled respondents (36%). BME respondents and those with a disability are more likely to think services for adults with disabilities are a priority (33% and 27% respectively).

Welfare rights are more likely to be a high priority for BME respondents (38%) and respondents from the lowest socio-economic group (DE, 24%). Homeowners are less likely to rate welfare rights as a high priority (12%).

Chart 1 - Which three or four of the following should be the highest priorities for spending in the coming years?



Base: All respondents (unweighted 1,926, weighted 1,377)

From the same list of county council services, respondents were next asked to name the services that should be the lowest priorities for funding. The lowest priorities are shown on chart two.

As in the 2009 and 2008 surveys, **museums** are seen as the service that should be the lowest priority for spending next year (54%). **Country parks, open spaces and picnic sites** (33%) is the next lowest priority. **Trading standards** (29%), **welfare rights** (27%), **libraries** (27%) and **adult education** (26%) are also seen as relatively low priorities.

5.1.2 Individual services - low priority for spending

Museums and country parks

Museums and country parks are consistently mentioned by all the different demographic groups as a low priority for spending. However, respondents from a BME background (67%) and respondents in socio-economic group DE (66%) place museums as a lower priority. Country parks are a lower priority for respondents without children (38%).

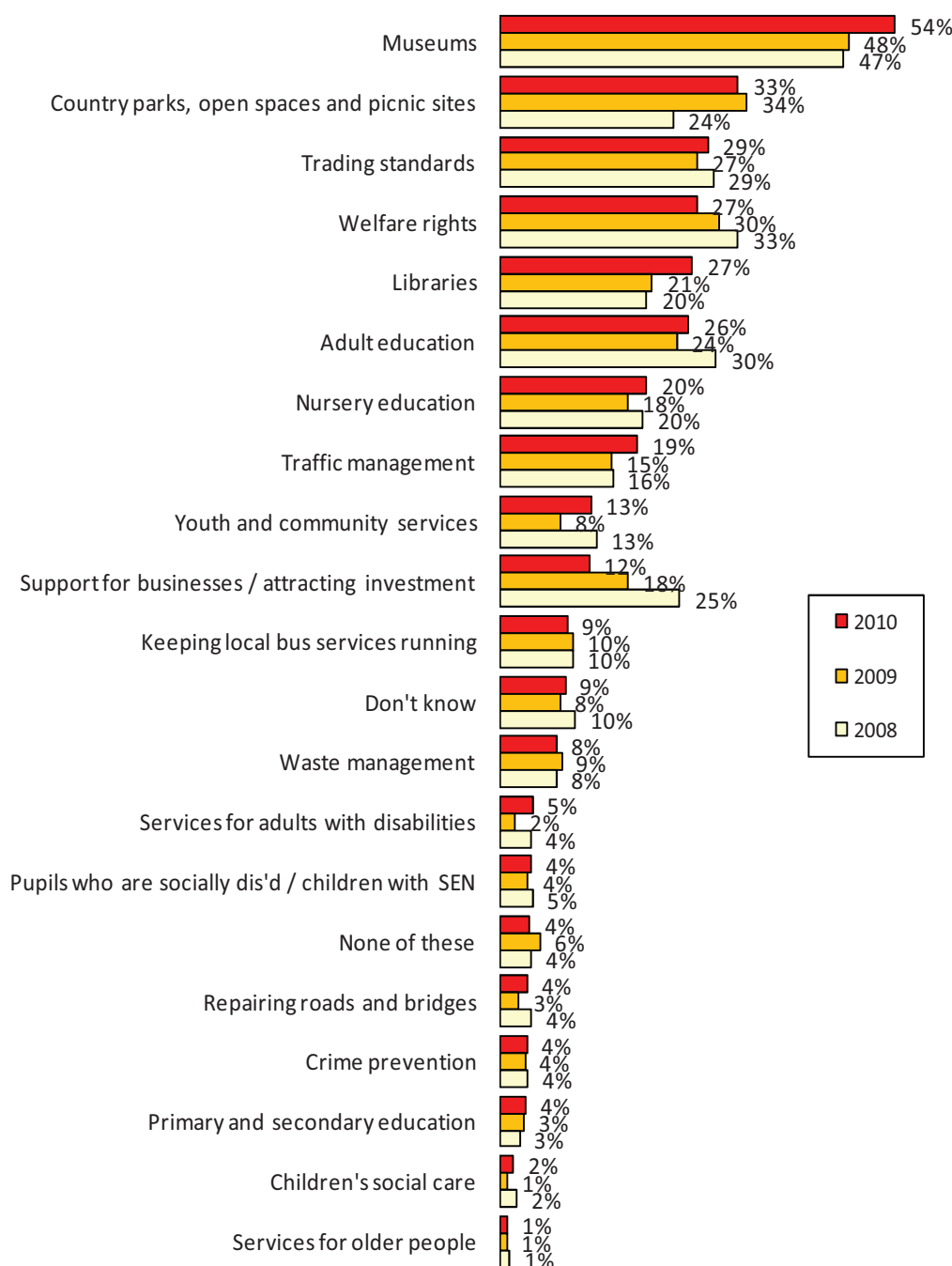
Welfare rights

The respondents who put welfare rights as a low priority are in the highest socio-economic group AB (38%), whereas respondents from an ethnic minority, disabled respondents and respondents not in employment are less likely to rate them as a low priority (12%, 17% and 20% respectively).

Libraries

This is more likely to be mentioned as a low priority by respondents in socio-economic group DE (37%) and by BME respondents (39%).

Chart 2 - And which three or four of the following services should be the lowest priorities for spending in coming years?

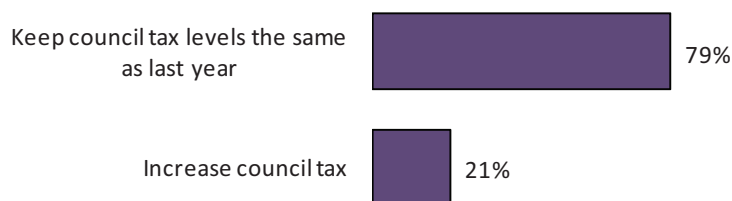


Base: All respondents (unweighted 1,778, weighted 1,276)

5.2 Opinion on acceptable levels of council tax increase

Panel members were then asked whether the council should increase council tax next year or keep it at the current level. Four fifths of respondents think the council should **keep council tax levels the same as last year** (79%).

Chart 3 - Which of the following most closely matches your opinion on what the council should do about increasing council tax next year?

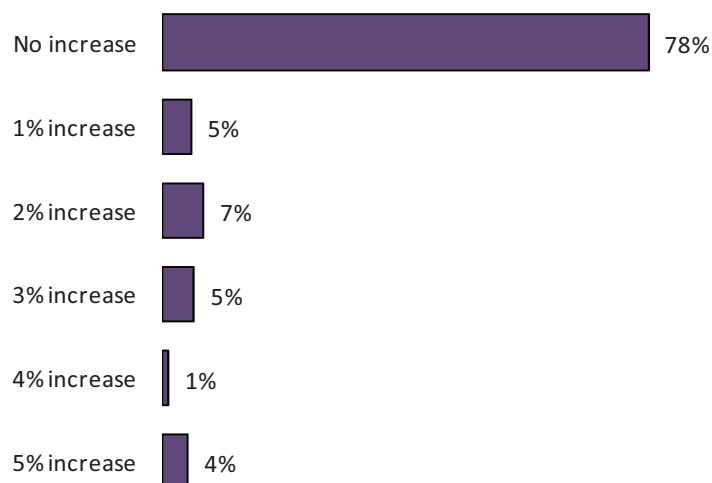


Base: All respondents (unweighted 1,850, weighted 1,339)

BME respondents are more likely to think that council tax levels should be kept at the same level as last year (87%). Medium and heavy service users and respondents from socio-economic group AB are more likely to think there should be an increase in council tax (27%, 31% and 31% respectively).

Respondents who think there should be an increase in council tax were asked what level of increase they feel they could support. Chart 4 shows the response to this, with the proportion answering that they would only accept no increase from the previous question to give a clearer picture.

Chart 4 - What level of council tax increase do you feel you could support?



Base: All respondents (unweighted 1,905, weighted 1,364)

By subgroup for the above measure, those panel members in the lowest socio-economic group (DE) and respondents in eastern districts of Lancashire are less likely to suggest a higher increase.

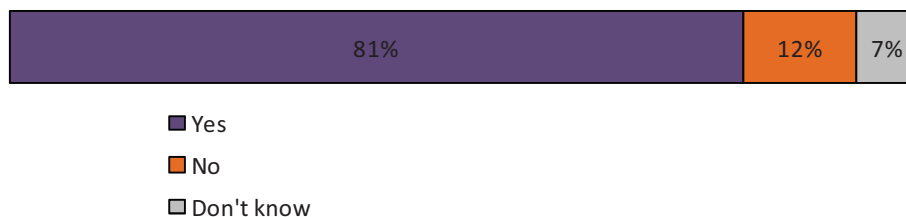
Table 1 shows the proportions of the panel that are prepared to pay each increase option, and the total proportion of the panel who would be prepared to pay each option or more. Only a fifth of the panel feel they could support an increase in council tax (22%).

Table 1 - Proportions of respondents prepared to pay increase

| Increase in Council Tax 2010/11 | Proportion of all respondents prepared to pay increase | Cumulative % of all respondents prepared to pay increase |
|--|--|--|
| No increase | 78% | 100% |
| 1% | 5% | 22% |
| 2% | 7% | 17% |
| 3% | 5% | 10% |
| 4% | 1% | 5% |
| 5% | 4% | 4% |
| Base: All respondents (unweighted 1,905, weighted 1,364) | | |

Every year the council sends a leaflet out with council tax bills explaining how council tax is spent. Panel members were asked whether they remember receiving this leaflet. The majority of respondents do remember receiving the leaflet (81%).

Chart 5 - Do you remember receiving the council tax leaflet at the beginning of this year?

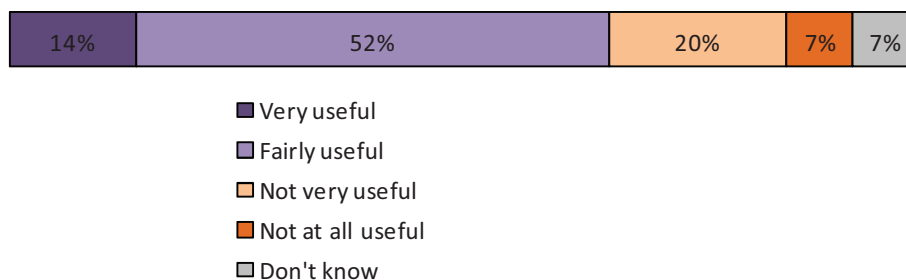


Base: All respondents (unweighted 1,929, weighted 1,387)

BME respondents were less likely to remember receiving the council tax leaflet (60% answered 'yes').

Panel members were then asked how useful they find that type of leaflet at explaining how council tax is spent. Around half of respondents find the leaflet fairly useful (52%) but only one in seven finds it very useful (14%). Around a third of respondents don't find the leaflet useful (27%).

Chart 6 - And generally, how useful do you find this type of leaflet at explaining how your council tax is spent?



Base: All respondents (unweighted 1,930, weighted 1,389)

6 Appendix

6.1 Appendix 1: Socio-Economic-Group Definitions

These groups are based on Market Research Society definitions and on the respondent. They are graded as A, B, C1, C2, D and E.

Group A

- Professional people, very senior managers in business or commerce or top-level civil servants.
- Retired people, previously grade A, and their widows

Group B

- Middle management executives in large organisations, with appropriate qualifications
- Principle officers in local government and civil service
- Top management or owners of small business concerns, educational and service establishments
- Retired people previously grade B, and their widows

Group C1

- Junior management, owners of small establishments, and all others in non-manual positions
- Jobs in this group have very varied responsibilities and educational requirements
- Retired people, previously grade C1, and their widows

Group C2

- All skilled manual workers, and those manual workers with responsibility for other people
- Retired people, previously grade C2, with pensions from their job
- Widows, if receiving pensions from their late partner's job

Group D

- All semi skilled and unskilled manual workers, and apprentices and trainees to skilled workers
- Retired people, previously grade D, with pensions from their late job
- Widows, if receiving pensions from their late partner's job

Group E

- All those entirely dependant on the state long term, through sickness, unemployment, old age or other reasons
- Those unemployed for a period exceeding six months (otherwise classified on previous occupation)
- Casual workers and those without a regular income

6.2 Appendix 2: marked up questionnaire

| Which three or four of the following should be the highest/lowest spending priorities for spending in the coming years? | | |
|--|---------------------------|--------------------------|
| | Highest priorities | Lowest priorities |
| Services for older people (including care in their own homes and in residential homes) | 58% | 1% |
| Primary and secondary education | 51% | 4% |
| Crime prevention (working with partner organisations to help prevent crime and disorder and reduce the fear of crime) | 46% | 4% |
| Repairing roads and bridges (including emergencies and fixing potholes) | 38% | 4% |
| Children's social care (protecting vulnerable children) | 32% | 2% |
| Support for businesses and attracting investment to Lancashire | 31% | 12% |
| Keeping local bus services running | 26% | 9% |
| Waste management (household waste disposal and recycling) | 22% | 8% |
| Pupils who are socially disadvantaged and children with special educational needs | 20% | 4% |
| Services for adults with disabilities | 19% | 5% |
| Traffic management (making road travel safer and reducing congestion) | 18% | 19% |
| Youth and community services (activities and support for young people) | 15% | 13% |
| Welfare rights (helping people get the financial support they are entitled to) | 13% | 27% |
| Nursery education | 10% | 20% |
| Adult education | 9% | 26% |
| Country parks, open spaces and picnic sites | 8% | 33% |
| Libraries | 8% | 27% |
| Trading standards (consumer protection) | 4% | 29% |
| Museums | 3% | 54% |
| Don't know | 1% | 9% |
| None of these | 1% | 4% |
| Unweighted base | 1,926 | 1,778 |
| Weighted base | 1,377 | 1,276 |

| Which of the following most closely matches your opinion on what the council should do about increasing council tax next year? | |
|---|--------------|
| Keep council tax levels the same as last year | 79% |
| Increase council tax | 21% |
| Unweighted base | 1,850 |
| Weighted base | 1,339 |

| What level of council tax increase do you feel you could support? | |
|--|------------|
| 1% increase | 39% |
| 2% increase | 27% |
| 3% increase | 18% |
| 4% increase | 3% |
| 5% increase | 13% |
| Unweighted base | 627 |
| Weighted base | 446 |

| Every year you receive a leaflet from Lancashire County Council with your council tax bill, explaining how your council tax is spent. Do you remember receiving this leaflet at the beginning of this year? | |
|--|--------------|
| Yes | 81% |
| No | 12% |
| Don't know | 7% |
| Unweighted base | 1,929 |
| Weighted base | 1,387 |

| And generally, how useful do you find this type of leaflet at explaining how your council tax is spent? | |
|--|--------------|
| Very useful | 14% |
| Fairly useful | 52% |
| Not very useful | 20% |
| Not at all useful | 7% |
| Don't know | 7% |
| Unweighted base | 1,930 |
| Weighted base | 1,389 |

