

Meeting of the Full Council
Meeting to be held on Thursday, 23 February 2017

Report submitted by: Corporate Director for Commissioning and Deputy Chief Executive.

Part A

Electoral Division affected:
(All Divisions);

Review of the Council's Business and Operating Model
(Appendices 'A' and 'B' refer)

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Executive Summary

In April 2016 the Cabinet agreed the brief for the review of the Council's business and operating model as set out at Appendix 'A'. The work was to be undertaken by the Council's single provider under the framework for consultancy services (PwC), and subsequently a works order was issued for delivery of the review by the end of 2016.

The first part of the PwC brief, the Statutory Service Budget Review, was the subject of the all-party resolution of Full Council in October 2016.

The second part of the PwC brief has been the production of the report entitled "Lancashire Public Service Delivery Model, Interim Draft Report" which is attached at Appendix 'B'. This report has been considered by the Political Governance Working Group which has recommended that the report be received by Full Council.

Recommendation

That Full Council receives the PwC report: "Lancashire Public Service Delivery Model, Interim Draft Report" as set out at Appendix 'B' and notes that the Political Governance Working Group will undertake a detailed review of the report.

Background and Advice

In April 2016 the Cabinet agreed the brief for the review of the Council's business and operating model set out at Appendix A. The work was to be undertaken by the Council's single provider under the framework for consultancy services, PwC, and subsequently a works order was issued for delivery of the review by the end of 2016.

The terms of reference of the Political Governance Working Group were also amended to provide oversight of this work.

The first part of the PwC brief, the Statutory Service Budget Review (SSBR) was completed in September 2016 and confirmed that the Council was facing a cumulative deficit in its budget of £398m by the end of 2020/21 and an in year deficit that year of £148m. That report was the subject of the all-party resolution of Full Council in October 2016. Subsequently a meeting was held between Lancashire's MPs and the leaders of the County Council's political groups to seek the MPs support for lobbying ministers. There was agreement that they would focus their lobbying on addressing the £95m shortfall in resources for Adult Social Care, which is forecast for 2020/21.

The second part of the PwC brief has been the production of the report set out at Appendix 'B' entitled "Lancashire Public Service Delivery Model, Interim Draft Report".

The outcome of the review set out in the report involves a focus on Place and Identifiable Communities. It contains radical proposals for the integration of public services in Lancashire; with five interrelated elements:

- Continuing direct service provision by LCC;
- The potential for the transfer of services to a future Combined Authority, should it be constituted on a basis that would enable delivery of services;
- Health and Wellbeing Integration;
- Demand management through the Front Office;
- Professional and Support Services.

The original intention was for the final report to be considered by the Political Governance Working Group on 9 January 2017, followed by the Executive Scrutiny Committee and Cabinet. However, the Health and Wellbeing component of the work undertaken by PwC proposes major integration of NHS and local government services. The detailed nature of the PwC proposals in respect of NHS services meant that further refinement of the report was necessary, and this led to a delay in its consideration by the Working Group.

The work was commissioned by LCC and as such, NHS partners were not privy to the detailed development work undertaken by PwC and the Council. Whilst the principles underpinning the work undertaken by PwC were shared informally with NHS partners as they were developed, the level of detail within the PwC work was only shared with lead NHS representatives, on an informal courtesy basis, once the final report was received prior to Christmas.

Whilst supporting the underlying principles of the PwC work, significant concerns were raised by senior NHS representatives that it would be inappropriate for the County Council to publish a detailed report, commissioned by the Council, which implies major NHS reorganisation without such a report having buy-in from NHS partners.

With the agreement of Cabinet, PwC were requested to consider whether they would be prepared to reconsider the wording of parts of their report to address the concerns expressed by NHS partners. They agreed to make changes to the document that did not alter the substance of their proposals.

Status of the report

Whilst the Council has been involved in the co-production of the report, this is an independent PwC report that is available for all public sector organisations in Lancashire to consider.

The leadership and Cabinet have not at this stage established a policy position with respect to the proposals set out in the report.

PwC has provided independent briefings to the political parties and group leaders on the outcomes of the review.

Next steps

The report needs careful consideration by all members of the County Council and all political groups. The report makes some very radical proposals with respect to the future of the County Council that would need a political consensus for them to be implemented. They would also require other public sector partners, notably NHS stakeholders, to support the approaches set out for them to become practicable options.

At this stage, it is proposed that Full Council receives the report, to allow time for reflection on what is proposed. Given the proximity of the County Council's elections, it is unrealistic to expect detailed discussions on such fundamental issues before the Council's elections in May 2017. The next stage will be for the Political Governance Working Group to undertake a detailed review of the report. It is anticipated that this work would not be undertaken until June 2017.

Consultations

Whilst there have been no formal consultations, the political groups have been briefed on the outcome of the PwC work. Informal discussions have taken place between the Council's officers and NHS representatives. The Shadow Combined Authority have been briefed on the key themes emerging from PwC's work in advance of the publication of the report.

Risk management

There are no risk management issues with respect to Full Council receiving the report.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
Report to Cabinet – 'Statutory Services Budget Review - PwC report'	6 October 2016	Josh Mynott/(01772) 534580

Reason for inclusion in Part II, if appropriate

N/A

Appendix 'A'

Consultant's Brief:

Context

The Council has identified within its Medium Term Financial Strategy that it is unlikely to be able to set a budget to meet its statutory obligations beyond April 2018, and possibly before that date.

The Council's current budget is set upon the basis of delivering £129m of planned savings during 2016/17 and 2017/18.

Assuming the delivery of these savings the Council has forecast a funding gap of £46.5m in 2017/18 and £51.7m in 2018/19 rising to £196.6m by 2020/21.

Requirements

The consultants appointed by the Council under the Single Provider Framework for Consultancy Services are requested to submit detailed proposals for undertaking the following work package:

- Review the Council's Medium Term Financial Strategy and its Base Budget Review and advise upon the sustainability of the Council's current business and operating model.
- Review the Council's current business and operating model in the wider public service context across Lancashire and the financial sustainability of public services in the county.
- To advise on options and actions needed to create a sustainable public service operating model for the Council to enable it to be sustainable, within its forecast financial resource envelope, by 2020/21.
- To make recommendations as to options available to the Council with respect to future business and operating models, with particular reference to the integration of health and social care.
- To prepare a report for submission to the Secretary of State for Communities and Local Government and the Treasury on the funding base of the Council in relation to its statutory obligations and the resources needed to sustain a minimum level of statutory public services in Lancashire. The report will advise the Council and inform the Secretary of State of the emergency actions that would need to be taken in the event of the Council not being able to set a legal budget.

To prepare a scope of work and project plan to deliver a future sustainable operating model for the Council.