

# Briefing Paper for Three Tier Forums

## The County Council's Financial Strategy 2014/15 – 2017/18

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### 1. Introduction

This briefing paper sets out for the Three Tier forums the nature of the financial challenge facing the County Council over the coming four years and provides information on the first set of proposals for addressing this challenge which the County Council's Cabinet are consulting on.

The purpose of the discussion at the Three Tier forum meetings is to raise awareness amongst partners of both the scale of the financial challenge and the nature of the savings that will have to be identified in order to meet that challenge, while also gathering partners' views on areas of spending priority as part of a broad consultation process.

### 2. The Financial Context

Over the next four years, the County Council is faced with making savings of £300m, equivalent to 38% of its current budget. This reduction needs to be set within the context that between the years 2010 to 2017, the County Council will have had to make savings of over £0.5bn. This in itself sits within a national context whereby authorities are publically speaking about financial projections which may leave them no longer financially viable, or where the provision of statutory services may be significantly compromised.

At a reduction of almost 40%, the challenge facing the County Council is unprecedented.

Over the past three years the reductions in public spending following the 2010 Comprehensive Spending Review have had a significant impact on the level of resources for local government. Over that period, the County Council saw a 28% reduction in the level of resources received from the government and by the end of 2013/14, will have delivered savings of £217m over its current three year budget. The government has also stated that local government could expect to see the same level of reduction in resources over the next spending review period.

The 2013 spending review was published in June 2013 and covered the two financial years 2014/15 and 2015/16. As previously trailed by the government, local government saw further major reductions to resources. Overall, local government will face further reductions in resources of 8% in 2014/15, and 13.1% in 2015/16. With reductions expected to continue beyond this, it is clear that reductions in resources of this scale will have a significant impact on the future of the County Council.

### 3. The Scale of the Financial Challenge

The level of the financial challenge facing the County Council over the next four years is driven by two key issues – increased costs as well as the significant reduction in the County Council's resources as described above.

The table below summarises the position facing the County Council, and shows that over the next four years the County Council is facing:

- an increase in costs over this four year period of 21%, or £165m
- a reduction in resources of 17%, or £134m.

## 2.1 Forecast Increases in the County Council's Costs

	£m
<b>The starting point – the 2013/14 Revenue Budget</b>	<b>776.34</b>
<i>Add : Forecast Changes to Costs</i>	
Potential impact of pay awards	18.5
Potential impact of increased employers contribution as a result of the triennial valuation of the Pension Fund	8.4
Impact of the introduction of the single tier pension	6.0
Forecast impact of conversion to academies	2.3
Impact of inflation on the prices paid to third parties	79.2
Impact on costs of Forecast Changes to Demand for Services	50.9
<i>Total of Forecast Increases in Costs</i>	<i>165.3</i>
<b>Budget Requirement by 2017/18</b>	<b>941.64</b>

Of course, in addition to facing increases in costs, the County Council must also consider changes to its resources.

## 2.2 Forecast Reductions in the County Council's Resources

	£m
<b>The starting point – the level of resources within the 2013/14 Revenue Budget</b>	<b>776.34</b>
Made up of:	
• Council tax	360.21
• Revenue Support Grant	248.81
• Local share of the business rates	165.53
• New Homes Bonus	1.79
<i>Forecast Changes to Resources:</i>	
Council Tax	+4.0
Revenue Support Grant and Local share of the business rates	-133.7
Additional New Homes Bonus	+1.4
Reduction in Education Support Grant in 2015/16	-5.0
Proposed topslice to New Homes bonus	-1.0
<i>Overall Impact on resources</i>	<i>-134.3</i>
<b>Forecast of resources in 2017/18</b>	<b>642.01</b>

## 2.3 The Overall Impact on the County Council

The combined impact of increases in costs and reductions in resources is a gap of £300m which will have to be met by either reducing costs or increasing resources. The summary of the Financial Outlook for the County Council over the four year period is set out below.

<b>The Overall Position</b>	<b>£m</b>
<i>Budget Requirement by 2017/18</i>	<i>941.64</i>
<i>Forecast of resources in 2017/18</i>	<i>642.01</i>
<b>Gap</b>	<b>299.63</b>

This gap is profiled over the next four financial years as follows:

<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>Total</b>
<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
76	94	67	63	300

## 4. The Approach to Meeting the Financial Challenge

Over the summer and early autumn period the Management Team has been working to identify either reductions in costs, or increases in resources which have no impact on the level of services provided. The outcome of the work to date is set out within this report and includes:

- Review of cost pressures within the financial forecast
- The outcome of the 10% Challenges, and
- Reducing the cost of being in business.

Given the scale of the overall challenge facing the County Council it is clear, however, that the savings cannot be achieved without impacting on services.

### 4.1 Ongoing Review of Costs

The table below summarises the changes to the overall forecast set out above as a result of the continuing review of planning assumptions and forecasts as new information becomes available.

Currently taking into account the impact of new pressures identified this review results in a reduction in the savings requirement over the four years of £17.4m. Work will continue to keep costs under review to ensure they are neither under forecast (and placing the County Council at risk of overspending) or over forecast (and at risk of reducing spend in services unnecessarily).

Area of Cost	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Impact of the proposal to implement the Living Wage	-3.000	-0.090	-0.093	-0.095	-3.278
Impact of the revised forecast of procurement savings	-5.000	-	-	-	-5.000
The full year effect of savings agreed as part of the current financial strategy but not included within the financial forecast	3.600	1.900	1.300	0.800	7.600
Review of inflation for social care providers; providing 1.75% within the 2014/15 forecast	3.245	-	-	-	3.245
Review of the level of demand incorporated within the forecast for concessionary travel	0.645	0.180	0.197	0.190	1.212
Revised forecast of the employers contribution to the local government pension fund as a result of the triennial valuation	1.500	1.553	1.541	1.538	6.132
Reflection of the government commitment to a 1% pay cap for local government in 2014/15	2.600	-	-	-	2.600
Revised forecast of council tax income arising from the previously approved review of the single persons discount and the impact of the City Deal	2.000	0.250	0.730	1.180	4.160
<b>Impact of the review of costs</b>	<b>5.590</b>	<b>3.793</b>	<b>3.675</b>	<b>3.613</b>	<b>16.671</b>

#### 4.2 The 10% Challenge

A crucial element of the overall process is the 10% challenge. This is the challenge set by the Management Team to all employees across the County Council – to save the County Council 10% of its costs giving a continued focus on driving out waste and increasing efficiency. It is standard practice in many organisations to expect 10% savings every year from such a focus - hence the 10% challenge within the County Council. All teams across the County Council were engaged in this, and by drawing on the knowledge and experience of staff throughout the organisation further efficiency savings of £19.1m have been identified over the next two financial years.

These savings are mostly small savings identified by staff where they believe there is the opportunity to reduce costs without any impact on services. The proposals have

all been agreed by Directorate Management Teams as efficiency measures and include:

- Reductions in supplies and services budgets and squeezing of costs
- Removal of vacancies and reductions in hours
- Changes in planning and processes to enable reductions in staffing levels (eg improved route planning in the delivery of routine maintenance).

The overall level of 10% challenge by Directorate is as follows:

<b>Directorate</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>Total £m</b>
Adult Services, Health and Well-being Directorate	6.266	2.005	8.271
Children and Young Peoples Directorate	2.931	-	2.931
Environment Directorate	5.156	0.779	5.935
County Treasurer's Directorate	0.307	0.025	0.332
Lancashire County Commercial Group	0.573	-	0.573
The Office of the Chief Executive	1.039	-	1.039
<b>Total</b>	<b>16.272</b>	<b>2.809</b>	<b>19.081</b>

#### *4.3 Reducing the Costs of Being in Business*

It is vital that the costs of the County Council being in business are constantly challenged; by continually seeking to reduce these costs the impact of the level of savings required on the provision of services can be reduced. A number of areas totalling £17.4m have been identified where the cost of being in business can be reduced, with no impact on the level, or quality of services provided by the County Council to communities. These are set out in the table below:

<b>Area of Cost to be Reduced</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>Total £m</b>
Contribution of Public Health to the County Council's overheads – calculation of the appropriate share in accordance with proper accounting practice	1.050	-	-	-	1.050
Reduced process costs within the Environment Direction as a result of the implementation of fit for purpose	-	-	-	0.900	0.900

<b>Area of Cost to be Reduced</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>Total £m</b>
asset management systems for highways and property					
Reduction in printing and postage costs	1.000	-	-	-	1.000
Management of business mileage through greater use of tele-conferencing and reducing the requirement to travel to meetings	1.000	-	-	-	1.000
Reduction in accommodation costs as a result of the downsizing of the County Council	-	-	-	5.000	5.000
Review of business intelligence support services to join up resources across the County Council	0.400	0.400	0.100	0.100	1.000
Reducing the cost of the County Treasurer's Directorate to reflect the downsizing of the County Council	0.303	0.180	0.707	0.229	1.419
Reflecting actual spending levels within the Corporate Expenditure budget	0.210	-	-	-	0.210
Reviewing the Treasury Management Strategy to reflect normal practice in stock lending, reduction in prices and realignment of loan charges	1.675	0.600	-	-	2.275
Reduction in the cost of waste	-	0.500	0.500	0.500	1.500
Impact of the previously approved revised approach to energy management	0.885	0.121	1.006	-	2.012
<b>Impact of reducing the cost of being in business</b>	<b>6.523</b>	<b>1.801</b>	<b>2.313</b>	<b>6.729</b>	<b>17.366</b>

#### *4.4 Policy Options*

As set out above, the County Council must deliver savings equivalent to almost 40% of its current budget. This, in addition to the £220m already delivered, cannot be achieved without impacting on services.

Policy options are those budget proposals which have an impact on the services received by Lancashire's communities.

The County Council's Cabinet at its meeting on 7<sup>th</sup> November approved the beginning of consultation on a number of policy options and proposals for reshaping the way in which services are delivered.

Proposals for reshaping services are concentrated within the Adult Services, Health and Well Being Directorate, reflecting the various drivers in this area towards greater service integration. The other major area of focus is the Council's work on the skills agenda which is to be looked at from the perspective of getting the most out of the

myriad of funding streams supporting this service. A summary is provided below and further information is attached.

<b>Area of Service to be Reshaped</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>Total £m</b>
Reshaping and Recommissioning of Domiciliary Care		2.000			2.000
Recommissioning Telecare		0.500	1.000	2.500	4.000
Learning Disability Remodelling Supported Living	4.000	4.000	4.000		12.000
Recommissioning of Mental Health Services	0.060	0.970	0.160	0.160	1.350
Integration of health and care services in Lancashire	1.000	1.900	3.800	4.300	11.000
Review of skills provision - using it differently and contributing to overheads	0.500	0.500	1.000		2.000
<b>Total Reshaping of Service Delivery</b>	<b>5.560</b>	<b>9.870</b>	<b>9.960</b>	<b>6.960</b>	<b>32.350</b>

A summary of the proposals which impact on services by Directorate is given below:

<b>Policy Option</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>Total £m</b>
<b>Adults Services, Health and Well-Being Directorate</b>					
Supporting People	1.000	3.000	---	---	<b>4.000</b>
Fairer Charging	1.250	1.500	---	---	<b>2.750</b>
Review and re-design of residential substance misuse services	0.250	0.250	---	---	<b>0.500</b>
Arts Development service	0.020	---	---	---	<b>0.020</b>
Leisure Link (providing additional respite to Unpaid Carers)	0.275	---	---	---	<b>0.275</b>
Remodelling workforce in former NHS operated learning disability (LD) supported living schemes	3.430	0.500	0.400	---	<b>4.330</b>
Older people day time support	0.300	0.300	0.400	---	<b>1.000</b>
Self Directed Supports	0.100	0.150	0.150	0.150	<b>0.550</b>
<b>Total</b>	<b>6.625</b>	<b>5.700</b>	<b>0.950</b>	<b>0.150</b>	<b>13.425</b>

<b>Children and Young Peoples Directorate</b>					
Youth Services	0.600	1.000	1.400	---	<b>3.000</b>
Discretionary Mainstream Home to School Transport (including unsuitable routes)	0.616	0.482	0.041	0.020	<b>1.159</b>
Parent participation and engagement for children and young people with Special Educational Needs and	0.078	---	---	---	<b>0.078</b>

Disability (SEND) and their families					
Charging for post 16 Special Educational Needs and Disabilities (SEND) transport	0.088	0.096	0.096	---	<b>0.280</b>
Review of CYP traded services	0.063	---	---	---	<b>0.063</b>
Review of Lancashire Outdoor Education Provision	0.039	0.068	0.050	---	<b>0.157</b>
Review of Quality & Continuous Improvement - Lancashire Schools Effectiveness Service (QCI-LSES) services provided to schools	0.025	0.119	0.088	---	<b>0.232</b>
Review of school attendance responsibilities.	0.065	0.099	0.031	---	<b>0.195</b>
Virtual School Review	0.250	---	---	---	<b>0.250</b>
Review of Early Years services and responsibilities	1.507	1.451	---	---	<b>2.958</b>
Improve efficiency of Adoption Service	0.117	---	---	---	<b>0.117</b>
Increase efficiency in Fostering Service	0.150	---	---	---	<b>0.150</b>
To develop and reshape services to children, young people and families to ensure the services are aligned efficiently and effectively	2.800	0.861	---	---	<b>3.661</b>
Right-size Children's Trust Budget	0.100	---	---	---	<b>0.100</b>
<b>Total</b>	<b>6.499</b>	<b>4.176</b>	<b>1.706</b>	<b>0.020</b>	<b>12.401</b>

<b>Environment Directorate</b>					
Street Lighting Energy	0.170	0.100	0.230	---	<b>0.500</b>
Highway infrastructure sponsorship	0.050	0.050	---	---	<b>0.100</b>
Members priority contingency	0.042	0.100	0.078	---	<b>0.220</b>
Targeted Parking Enforcement	0.050	---	---	---	<b>0.050</b>
Environment & Community Projects and Forest of Bowland Area of Outstanding Natural Beauty	0.118	---	0.612	---	<b>0.730</b>
Public Rights of Way & Countryside Service Reductions	0.094	---	0.454	---	<b>0.548</b>
Winter Service	0.447	---	---	---	<b>0.447</b>
Close waste transfer stations and landfill sites on bank holidays	---	0.030	---	---	<b>0.030</b>
Sustainable Drainage Consenting & Enforcement	0.150	---	---	---	<b>0.150</b>
Joint Production of Local Transport Plan	---	0.030	---	---	<b>0.030</b>
Withdrawal of Adult Cycle Training	0.014	0.015	0.006	---	<b>0.035</b>

Safer Travel Unit training	0.018	0.024	0.020	---	<b>0.062</b>
Business Travel Planning	0.003	---	0.017	---	<b>0.020</b>
Speed management provision	0.040	---	---	---	<b>0.040</b>
Operational Learning and Development within Highways Services	0.025	0.040	---	---	<b>0.065</b>
New Traffic Systems Maintenance Contract	0.100	---	---	---	<b>0.100</b>
Transfer of Parking Services front line call handling into Parking Services	0.075	---	---	---	<b>0.075</b>
District/Parish Public Realm Agreements - Highway - Green Space maintenance	0.144	0.137	0.123	---	<b>0.404</b>
Bus Shelter Maintenance	0.015	0.010	---	---	<b>0.025</b>
Vehicle and associated checks carried out on subsidised services	0.025	---	---	---	<b>0.025</b>
<b>Total</b>	<b>1.580</b>	<b>0.536</b>	<b>1.540</b>	<b>---</b>	<b>3.656</b>

<b>Services within the Office of the Chief Executive</b>					
Review of Voluntary, Community and Faith Sector (VCFS) Grants	0.500	---	---	---	<b>0.500</b>
<b>Total</b>	<b>0.500</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>0.500</b>

<b>Total All Policy Options</b>	<b>15.204</b>	<b>10.412</b>	<b>4.196</b>	<b>0.170</b>	<b>29.982</b>
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#### 4.5 The Impact of the Proposals Currently Being Consulted On

When taken together the impact of the proposals identified to date on the forecast budget gap is as follows:

	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>Total £m</b>
<b>Savings Requirement Identified</b>	<b>76.000</b>	<b>94.000</b>	<b>67.000</b>	<b>63.000</b>	<b>300.000</b>
<i>Savings Identified:</i>					
Review of Costs	5.590	3.793	3.675	3.613	16.671
10% Challenge	16.272	2.809			19.081
Reducing the Cost of Being in Business	6.523	1.801	2.313	6.729	17.366
Reshaping Service Delivery	5.560	9.870	9.960	6.960	32.350
Policy Options	15.204	10.412	4.196	0.170	29.982
Total Savings Identified	49.149	28.685	20.144	17.472	115.450
<b>Remaining Savings Requirement</b>	<b>26.851</b>	<b>65.315</b>	<b>46.856</b>	<b>45.528</b>	<b>184.550</b>

Thus, while the proposals identified to date represent significant progress and equate to saving the entire waste budget the remaining savings which need to be found equates to saving the County Council's entire spending on Older People.

## **5. Moving Forward From Here**

The County Council's Cabinet have asked the Management Team to develop further proposals to meet the remainder of the savings requirement in 2014/15 and these will come forward to the meetings of the Cabinet in December and January and be consulted on. By focussing on balancing the 2014/15 budget, this will enable time to be devoted to the huge challenge of downsizing the County Council to a new budget level of £640m by 2017/18.

This reduction needs to be set within the context that between the years 2010 to 2017, the County Council will have had to make savings of over £0.5bn. This in itself sits within a national context whereby authorities are publically speaking about financial projections which may leave them no longer financially viable, or where the provision of statutory services may be significantly compromised.

At a reduction of almost 40%, the challenge facing the County Council is unprecedented. Delivering this level of saving whilst seeking to deliver effective services for our communities cannot be achieved without a radically different approach which focuses on service delivery within a budget envelope of £642m by 2017/18. Reshaping public services across Lancashire will require innovative thinking and leadership to secure effective services for our communities and ensure a sustainable future.

The Cabinet has requested the Interim Chief Executive to bring a report back to a future meeting of Cabinet, setting out the approach to reshaping the County Council's organisation and services to secure effective services for our communities and ensure a sustainable future.

## **6. Conclusion**

As is the case with all local authorities the County Council faces significant financial challenges going forward and it is important that in meeting those challenges the views of key local partners on budget proposals are heard. The Three Tier Forums are a key part of this and views both on the specific proposals being consulted on and the wider issues raised in balancing the budget are welcomed.

Gill Kilpatrick  
County Treasurer

November 2013

Further information regarding the County Councils 2014/15 budget proposals, as presented to the Cabinet on the 7<sup>th</sup> November, 2013, can be viewed at <http://council.lancashire.gov.uk/ieListDocuments.aspx?CId=122&MId=1900&Ver=4>