
Statutory Services Budget Review (SSBR)

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Lancashire County
Council

23 September 2016



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1 *Executive summary*

1.1 *Purpose of the document*

The purpose of this document is to provide an independent review of the resources Lancashire County Council needs to deliver its statutory services. The report has been produced for the Council to enable them to clearly define their position with relevant regional and national stakeholders and bodies, for example the Secretary of State (SoS) and Department for Communities and Local Government (DCLG). The report:

- Defines the level of statutory expenditure within Lancashire County Council (LCC) based upon the base budget review exercise undertaken by LCC
- Analyses the Council's available sources of income.
- Verifies the resulting gap from applying the latest Medium Term Financial Strategy (MTFS) to their current income and expenditure position.
- Identifies required reduction in expenditure for LCC to achieve lower quartile costs across all service areas and the financial impact of delivering this scenario within the timescale of the MTFS.
- Sets out conclusions with respect to the financial sustainability of the Council and its ability to fund statutory services within its current and forecast resource base.

1.2 *Key findings*

The review has highlighted:

- **Statutory Spend:** In November 2015, the Council undertook a comprehensive exercise to map its base budget and define its statutory spend as part of a base budget review. This exercise is referred to as the base budget review (BBR) throughout the document. The review of statutory expenditure undertaken in this exercise has highlighted no material changes to the position set out by the Council in their base budget review.
- **Latest financial forecast:** The Council is forecast to have a cumulative deficit of **£398m** by the end of 2020/21 and an in year deficit that year of £148m. This is predicated on all savings plans being achieved with no slippage. We have reviewed the Council's savings portfolio and have identified that a significant proportion of planned savings are at risk of slippage. We have reviewed the underlying assumptions behind the Council's MTFS and found them to be in line with those being made by other similar authorities, however, its forecast budget gap may be understated as a result of risks relating to the delivery of savings within the forecast timescale.
- **Comparator analysis:** We have established a benchmark of lowest cost comparator for each of the service areas defined in the Revenue Account (RA) data set. Appendix D confirms the service by service comparators used – these have either been selected based on service specific factors, e.g. indices of multiple deprivation for social care, or lower quartile costs for a service area. To achieve this lower cost comparator position would require a reduction in gross expenditure of £184m (17%) from the 2016/17 gross budget of £1,059m. This would be a significant transformation for the Council and would move them to a position no other local authority has achieved to date i.e. lower quartile costs across all service areas (based on 2016/17 RA data). This gap takes no account of any savings plans that other Councils may have and reflects a point in time.
- **Council saving plans:** The Council currently has plans to reduce expenditure from the gross budget of £1,059m by a further £89.2m through saving plans over the next three years (a further £46.4m to be achieved in 2016/17 and planned savings of £42.8 in 2017/18). When planned savings are taken into account this reduces the gap to lower quartile costs to £95.2m (9%). Therefore the Council would require a further 9% of savings before making the benchmark.
- **The level of income generated across all services** in total is the highest (as a proportion of gross expenditure) of any County Council based on 2015/16 RA data. No account has been taken of the potential reduction in service income if expenditure is reduced.
- **Bridging the gap:** Even if the Council were to reduce its expenditure to the median of lowest quartile within the timescale of this MTFS, it would still be facing an in year deficit of **£79m** and a cumulative deficit of **£227m** by 2020/21. This does not take account of any risks associated with the Council's

planned savings programme or if these additional savings can be made without impacting on current service quality or safety.

- **Adult Social Care summary financial position:** A separate analysis of the resources available and expenditure in respect of Adults Social Care shows that there will be an in year gap of £92m for this service alone by 2020/21.
- **Reserves:** The Council has budgeted to make significant use of reserves within the next three years. In 2016/17 budgeted use of reserves stands at £139m, a reduction of 44% of available reserves, at current planned rates the Council will have exhausted its reserves by the end of 2018/19.(see Section 5.3)

Based upon these findings:

- *A reduction in costs (over four years) to achieve lower quartile expenditure will still not result in the Council being in a sustainable position.*
- *The Councils change portfolio does not deliver sufficient financial savings to move the Council to a position of financial sustainability by 2020/21. In this scenario there is a risk that the Council fails to carry out its statutory duties and this could result in intervention by the Secretary of State (in accordance with section 15 of the 1999 Local Government Act) directing that specific functions be exercised by the Secretary of State 'so long as the Secretary of State considers appropriate'.*
- *Lower cost comparator benchmarking has identified the Council's 16/17 budget position is 9% higher than the lower cost comparator (after the Councils savings portfolio has been delivered). In this scenario this is still a significant in year and cumulative funding gap by 2020/21*
- *The Council now has two key considerations:*
 1. *Is the current funding model of the Council disadvantaging the place of Lancashire and disproportionately contributing to the Lancashire funding gap.*
 2. *Will more radical options for transformation across the Lancashire public sector sufficiently close the funding gap by 2021 to minimise the risk of intervention.*

1.3 Approach to the review

The approach is summarised in Table 1:

Table 1: Outline of Statutory Services Budget Review approach

Step	Approach
1 Review of LCC expenditure	<ul style="list-style-type: none"> • Identify Statutory Services based upon an assessment of the base budget review document. • Review the assessment of statutory spend made by LCC and update if applicable. • Define comparator groups for prioritised Statutory Services using service specific factors to identify 'nearest neighbours' for example using indices of multiple deprivation when considering social care. • Use comparator groups to identify the potential lower cost of service delivery for all Services.
2 Review of LCC income	<ul style="list-style-type: none"> • Define income streams – both those at a Council wide, macro level e.g. Council tax and those at service specific level, e.g. fees and charges. • Use comparator groups to identify the potential highest income for all Services.
3 Consider Medium Term Financial Strategy (MTFS)	<ul style="list-style-type: none"> • Review and challenge MTFS key assumptions, revising where appropriate to uplift expenditure and income. • Define the revised Council Expenditure Position. • Define revised income position.
4 Create the Summary Position	<ul style="list-style-type: none"> • The difference between the required expenditure and projected income is presented in the summary position.

1.4 Review of expenditure

The base budget review document from LCC (November 2015) was used as a starting point to assess statutory services. The breakdown between statutory and non-statutory services is set out below. Of a 2016/17 total service expenditure of just over £1bn, statutory services equate to £873m or 85% of the total. Although our review challenged the level of spend that was statutory in some services, it did not materially change the overall figures so our assessment is based upon LCCs position for statutory spend:

Table 2 – LCC and PwC position on statutory spend

(£m)	LCC position	LCC %	PwC assesment of statutory expenditure	PwC %
Statutory	872	85	862	84
Non-statutory	157	15	167	16
Total	1,029	-	1,029	-

A summary of key areas of difference is set out in Appendix I. The £1029m gross expenditure position reported in the November 2015 base budget review document (set out above) was subsequently increased to £1059m in the 2016/17 Council budget. This later figure of £1059m has been used for cost comparison purposes.

The following steps were undertaken in the cost comparison:

- Devise a comparator group for services using publically available information (see Appendix C). This was either across all Counties or a nearest neighbour grouping.
- Identify the lowest quartile within that group and then the median Council within that.
- Use the budgeted income and expenditure figures for 2016/17 as a baseline.
- Allocated budget headings to 'Service Areas'
- Revise expenditure and income figures for 2016/17 using the comparator groups for each service to achieve the Lower Cost Comparator position.

The summary financial position based upon the latest budget for 2016/17 is set out below :

Table 3 – LCC 2016/17 budgeted gross expenditure v lowest quartile comparator

(£m)	2016/17 (base position)	2016/17 (based on comparators)	Difference	% Difference
Gross Expenditure	1,059	875	184	17

To achieve the Lower Cost Comparator position across all service areas LCC would need to reduce their current planned gross expenditure for 2016/17 by 17% (£184m).

1.5 Review of income

LCC has two sources of income – income received in relation to specific Council services and macro level Council-wide income e.g. Council Tax.

A summary of LCC 2016-17 income is set out in Table 4:

Table 4 – LCC 2016/17 income

Income Category	£m
Service Specific	346
Macro	705

Comparator analysis was completed to understand the position of LCC's income compared to other local authorities. Table 5 sets out Lancashire's population adjusted income compared to the other 26 County Councils:

Table 5 – LCC funding streams against all other County Councils

Income category	Lancashire's relative position (of 27)
Retained Income from Rate Retention Scheme	3 rd highest
RSG	3 rd highest
Council Tax	3 rd lowest
Combined Income position	13 th highest

An analysis of income generated within service areas (based upon 2014/15 RO analysis) showed:

- LCC are currently recovering, on average over **10%** of expenditure across service areas.
- The average for their neighbouring group of councils is 8% with LCC having the **highest** recovery within that group.
- There are still opportunities within some service areas to increase income levels to achieve a higher recovery rate.

1.6 Medium Term Financial Strategy (MTFS)

The latest MTFS documentation, which projects Council-wide income and expenditure over a four year period, was reviewed to ascertain the projected financial position over the period 2017/18 – 2020/21. The summary of this is set out in Table 6. Following review, the income and expenditure assumptions in the MTFS were found to be reasonable and have not changed.

Table 6 – LCC Medium Term Financial Strategy forecast

£m	2017/18	2018/19	2019/20	2020/21
Net expenditure	763	763	763	763
Uplift (in-year)		47	51	53
Uplift cumulative			98	151
Total expenditure	763	810	861	914
Council Tax	431	453	476	499
Revenue Support Grant	81	57	33	27
Business Rates	181	185	191	196
Other	22	31	43	44
Total income	715	726	743	766
In-year surplus/(deficit)	(48)	(84)	(118)	(148)
Cumulative surplus/(deficit)	(48)	(132)	(250)	(398)

Taking into account demand, price and increased services pressures of £151m by 2020/21 against increased Council income of £51m by 2020/21, the Council's MTFS projects an in year deficit of £148m and a cumulative deficit of £398m.

Earmarked reserves in the 2015/16 statement of accounts were approximately £300m (excluding schools). £139m of these reserves are allocated against the 2016/17 budgeted expenditure with a further £110m planned for 2017/18. Based on the predicted deficit of £84 in 2018/19, reserves will be exhausted within that financial year.

1.7 Summary position

The analysis of comparator spend looked at cost on a service by service basis. Table 7 compares the reductions required to achieve the lower cost comparator position.

Table 7 – Impact on service area gross expenditure of aligning to the lowest quartile comparator including further planned Council savings

Service area	Reduction in expenditure to comparator group spend £m	Planned council savings for this service in 2016/17 £m	Planned council savings for this service in 2017/18	'Gap' to lowest quartile comparator for the service area after savings	% difference from comparator after savings (based on 2016/17 budget)
Adults Social Care	65.8	10.5	18.6	36.7	7.8%
Children's Social Care	2.7	0.3	0.2	2.2	1.5%
Corporate Services*	32.5	6.4	3.0	23.1	15.1%
Cultural Services	5.5	2.6	2.5	0.4	3.0%
Education	16.0	0	1.0	15	28.2%
Estates	1.0	0.2	5.1	(4.3)	n/a
Highways	15.0	1.4	1.0	12.6	34.3%
Misc.	0	0	0.7	(0.7)	n/a
Planning & Economic Development	0	1.1	0.0	(1.1)	n/a
Public Health	18.4	4.8	8.7	4.9	6.0%
Street Lighting	0	0	0.5	(0.5)	n/a
Trading Standards	1.4	0	0	1.4	31.8%
Transport	7.7	1.1	0	6.6	19.2%
Waste	18.4	18.0	1.5	(1.1)	n/a
Total	184.4	46.4	42.8	95.2	9%

Based on our experience of transformation programmes we have set out a scenario where the reduction in expenditure is achieved over a four year period assuming a 'straight line' implementation i.e. a 2.25% reduction of the base budget each year for four years. When the 9% reduction in expenditure (the % required to achieve lower quartile costs) is applied to the latest financial forecast, which includes all current planned savings, then the summary position is summarised in Table 8.

* Corporate Services includes a range of different service areas including finance, HR and Exchequer services. More details of these services are provided in Section 3.4. The gap between the median and current planned expenditure has been reduced by 50% in this exercise to reflect a) the difficulty in getting a like for like comparison in this area and b) the context for LCC where our activity analysis undertaken indicated that the level of resource (in some areas) is lower than other local authorities.

Table 8 – Projected financial position if expenditure is reduced to lowest quartile

£m	2017/18 LCC forecast	2017/18 2.25% reduction	2018/19 2.25% reduction	2019/20 2.25% reduction	2020/21 2.25% reduction
Net expenditure	763	746	729	712	694
Uplift (in-year)	-	-	47	51	53
Uplift cumulative	-	-	-	98	151
Total expenditure	763	746	776	810	845
Council Tax		431	453	476	499
Revenue Support Grant		81	57	33	27
Business Rates		181	185	191	196
Other		22	31	43	44
Total income	-	715	726	743	766
In-year surplus/(deficit)	-	(31)	(50)	(67)	(79)
Cumulative surplus/(deficit)	-	-	(81)	(148)	(227)

This shows a cumulative deficit of £227m by 2020/21 with a deficit of £79m within the 2020/21 financial year.

A recent review of the Council's Change Portfolio demonstrated that the Council may currently have a delivery risk factor of up to 41% on their planned savings – i.e. that only 51% of benefits will be delivered to planned timescales. Table 9 applies this risk factor to the 9% reduction which takes the Council's spend to lowest quartile.

Table 9 – Projected financial position if expenditure is reduced to lowest quartile (risk adjusted)

£m	2017/18 LCC forecast	2017/18	2018/19	2019/20	2020/21
Total expenditure	763	746	776	810	845
Risk adjustment	-	7	7	7	7
Adjusted total expenditure	-	753	783	817	852
Total income	-	715	726	743	766
In-year surplus/(deficit)	-	(38)	(57)	(74)	(86)
Cumulative surplus/(deficit)	-	-	(95)	(169)	(255)

This shows an overall cumulative deficit of £255) in 2020/21.

2 Background and approach

2.1 Background and context

Whilst facing significant financial challenges, the Council has identified that the way to move towards financial sustainability is to create a new Public Sector Operating Model, which will enable it to make proactive decisions about how to make best use of its budget. The wider Lancashire public sector context can be summarised as:

- The whole of the public sector in Lancashire is facing severe financial conditions that give rise to fundamental questions as to the nature, scale and sustainability of public services across the county.
- Health and social care services in Lancashire are forecast to have a budget shortfall by 2020/21 of at least £805m.
- The efficiency agenda has now been pursued for many years and the scope to find further efficiencies within individual organisations diminishes year by year.
- The Combined Authority for Lancashire also provides an embryonic governance context for consideration of pan-Lancashire public service issues.

An integral part of this transformation agenda is for the Council to build a detailed understanding of the budget required to deliver its statutory services and identify any financial gap based on anticipated demand. The Council has commissioned PwC to undertake an independent review of its statutory services and the associated budget and, using relevant comparators, determine where there are opportunities for services to be delivered at lower cost.

2.2 Review objectives

The review has two objectives:

1. To define the resource gap between the demand for statutory services and currently available Council resources.
2. Consider the opportunity for LCC to move to Lower Cost Comparator expenditure for statutory services.

2.3 Approach

Table 10 – Outline of Statutory Services Budget Review Approach

Step	Approach
1 Review of LCC expenditure	<ul style="list-style-type: none"> • Identify Statutory Services based upon an assessment of the base budget review document. • Review the assessment of statutory spend made by LCC and update if applicable. • Define comparator groups for prioritised Statutory Services using service specific factors to identify 'nearest neighbours' for example using indices of multiple deprivation when considering social care. • Use comparator groups to identify the potential lower cost of service delivery for all Services.
2 Review of LCC income	<ul style="list-style-type: none"> • Define income streams – both those at a Council wide, macro level e.g. Council tax and those at service specific level, e.g. fees and charges. • Use comparator groups to identify the potential highest income for all Services.
3 Consider Medium Term Financial Strategy (MTFS)*	<ul style="list-style-type: none"> • Review and challenge MTFS key assumptions, revising where appropriate to uplift expenditure and income. • Define the revised Council Expenditure Position. • Define revised income position.
4 Create the Summary Position	<ul style="list-style-type: none"> • The difference between the required expenditure and projected income is presented in the summary position.

2.4 Data sources and rationale

Table 11 – Outline of data sources used in Statutory Services Budget Review and rationale

Task	Data source	Rationale
Base data for analysis of statutory expenditure	Base Budget Review. This document was created following a comprehensive exercise by the Council to understand their base budget position in November 2015.	<ul style="list-style-type: none"> • Breakdown of statutory and non-statutory spend. • Consistent picture of financial environment at a single point in time.
Comparator expenditure analysis	RA data 2015/16 and 2016/17 Data reported to central government on projected budgets.	<ul style="list-style-type: none"> • Breakdown of cost by services. • Enables comparison of unit costs.
Comparator income analysis	RO data 2014/15. Data reported to central government on service income.	<ul style="list-style-type: none"> • Enables comparison of recovery rates (income as a % of expenditure) between authorities.
Comparator analysis	Office of National Statistics.	<ul style="list-style-type: none"> • Enables isolation of socio-demographic factors impacting demand for and cost of service delivery. <p>For a list of variables used in comparator analysis please see Appendices D to H.</p>
Base data for income and expenditure for LCC 2016-17	Latest budget papers from LCC for 2016/17 by subjective headings.	<ul style="list-style-type: none"> • Breakdown of budgeted income and expenditure by service area. • Used as the baseline to apply the median comparator analysis to determine the 'gap' from the current budget.
Uplift for expenditure and income 2018-19 to 2020-21	Medium Term Financial Strategy (MTFS) document. This document sets out assumptions about Council-wide funding and expenditure over a four year period.	<ul style="list-style-type: none"> • To understand the Council's rationale for the application of Council -wide and service specific uplift assumptions. <p>See Appendix B for a list of MTFS key assumptions.</p>

3 Review of LCC's expenditure position

3.1 LCC Base Budget Review (BBR) expenditure position 2016-17

The estimated gross expenditure for LCC in 2016/17 is just over £1bn based upon the figures in the November 2015 base budget review. This figure excludes Direct Schools Grant (DSG). When service income is taken into account net expenditure equates to £771m.

Table 12 – Projected expenditure from BBR for 2016/17

Gross expenditure	1029
Income – service specific	258
Net expenditure	771

It is acknowledged that there have been significant changes since this data was produced in November 2015. The Base Budget Review position has been used as the starting point for analysis of statutory services as it provides a breakdown of statutory versus non statutory spend. The latest budgeted position for 2016/17 has subsequently been used as the basis for the comparator analysis (See Section 3.4)

3.2 Assessment of statutory spend

A statutory service refers to a service which the Council has a legal obligation to provide to the public. In many cases there is a statutory duty to provide a service, but interpretation as to the level of provision of that service. PwC has used its experience in local government to challenge and where appropriate provide alternate figures for the composition of statutory expenditure within LCC.

The starting point is the definition of statutory spend as provided in the Base Budget Review document in November 2015. This provides a split of the expenditure of statutory and non-statutory services.

A summary of LCC's position and PwC's revisions is set out in Table 13

Table 13 – Summary of LCC's position and PwC's revisions regarding statutory spend

(£m)	LCC position	LCC %	PwC position	PwC %
Statutory	872	85	862	84
Non-statutory	157	15	167	16
Total	1,029	-	1,029	-

In percentage terms, the difference between the above two positions is immaterial – around 1%.

The key areas where PwC has reduced the level of statutory spend, compared to LCC's position are:

- Corporate Services
- Transport
- Waste

The key areas where PwC has increased the level of statutory spend, compared to LCC's position are:

- Cultural Services
- Highways

Table 14 shows each of the high level service areas and the level of expenditure that was classified as ‘statutory’ in the base budget review exercise of November 2015. The next column sets out the level of spend that PwC believes to be statutory. The differences in statutory spend and rationale behind it (by service category) are set out below.

Table 14– LCC statutory spend and PwC revised statutory spend by service category.

Service category	LCC statutory spend £m	PwC revised statutory spend £m	Rationale
Adult Social Care	435	435	N/A
Children’s Social care	107	107	N/A
Corporate Services	91	89	Human Resources budget reduced to 50% statutory Policy, Information and Commissioning (Including Business Intelligence and Equality Cohesion Team) – services are non-statutory but support statutory services within the organisation, and so have reduced proportion of statutory services to 40% Statutory spend for Asset management reduced to 85%. No statutory requirement, but statutory work completed by team required to approve design proposals, strategy and record asset details, ensuring legislative compliance e.g. carbon reduction /energy certificates.
Cultural Services	5	8	The increase in statutory expenditure relates to Library Services. We have assessed the libraries budget and have increased the proportion that is statutory based on legislative requirements
Education	11	11	N/A
Estates	8	8	N/A
Highways	23	28	Amended to 80% statutory. Statutory assumption linked to street lighting energy contract increases, as there is a statutory requirement for street lighting service. Further information on contract terms and minimum requirements linked to health and safety required.
Miscellaneous	8	8	N/A
Planning & Economic Development	3	3	N/A
Public Health	59	59	N/A
Street Lighting	5	5	N/A
Trading Standards	4	4	N/A
Transport	50	43	Public transport – agree on the statutory element for concessionary travel and school transport, but could be lower than the Council’s current assumption. Further in-depth review of budget would be required. Reduced statutory element to 50% based on discussion with Head of Service to reflect revisions in contracts, and eligibility needs review.
Waste	64	54	Waste Management General – predominantly statutory but adjusted for non-statutory services element of management team. Assumed 90% statutory. Waste PFI – adjusted to 60% following meeting with Head of Service to reflect savings from reducing staffing and contract revisions.
Total	872	862	

The top three areas of non-statutory spend are:

- Public Health (36m)
- Transport (24m)
- Waste (22m)

A summary of the key areas of non-statutory spend, as per the LCC Base Budget position is set out in Appendix H.

3.3 LCC projected expenditure figures 17/18

Expenditure figures taken from the Council's most recent financial forecasts begin in 2017/18, and are forecast until 2020/21. Net expenditure for LCC in 2017-18 is budgeted as **£763m**. This is taken as the base year for projecting forward the Council's position as part of the Medium Term Financial Strategy (See Section 5).

The summary financial position is set out in Table 15. Assumptions around changes to the cost and income base are covered in Section 5.

Table 15 – LCC Medium Term Financial Strategy forecast

£m	2017/18	2018/19	2019/20	2020/21
Net expenditure	763	763	763	763
Uplift (in-year)		47	51	53
Uplift cumulative			98	151
Total expenditure	763	810	861	914
Council Tax	431	453	476	499
Revenue Support Grant	81	57	33	27
Business Rates	181	185	191	196
Other	22	31	43	44
Total income	715	726	743	766
In-year surplus/(deficit)	(48)	(84)	(118)	(148)
Cumulative surplus/(deficit)	(48)	(132)	(250)	(398)

3.4 Comparator expenditure analysis

After confirming the statutory spend position analysis was undertaken to review current expenditure against lower quartile Council comparators. The approach taken is summarised below :

The MTFS base budget for 2016/17 was used as a starting point to assess the gross expenditure of services in 2016/17 against comparator Councils. The following steps were undertaken:

- Devise a comparator group for services using publically available information (see Appendix C). This was either across all Counties or a nearest neighbour grouping.
- Identify the lowest quartile within that group and then the median Council within that.
- Use the budgeted income and expenditure figures for 2016/17 as a baseline.
- Allocated budget headings to 'Service Areas'.
- Revise expenditure and income figures for 2016/17 using the comparator groups for each service to achieve the Lower Cost Comparator position.

Table 16– LCC 2016/17 projected gross expenditure against lower cost comparator by service area

Service category	LCC expenditure 2016-17 £m	Expenditure applying median £m	Difference £m	% difference
Adults Social Care	469.8	404.0	65.8	14
Children's Social Care	146.0	143.3	2.7	2
Corporate Services*	152.7	120.2	32.5	21
Cultural Services	13.4	7.9	5.5	41
Education	53.2	37.2	16.0	21
Estates	2.3	1.4	0.9	41
Highways	36.7	21.7	15.0	52
Planning & Economic Development	1.9	1.9	0	n/a
Public Health	76.6	58.2	18.4	24
Trading Standards	4.4	3.1	1.3	18
Transport	34.4	26.7	7.7	16
Waste	67.5	49.1	18.4	22
Total	1,059	875	184	17

Table 16 highlights that across the majority of service areas there would be a reduction in gross expenditure to reach the lower cost comparator. This reduction is most pronounced in percentage terms in Highways but in numeric terms it is Adult Social Care with a reduction of c£66m.

For a breakdown of the comparator expenditure groups used and rationale, please see Appendix D.

* Corporate Services includes a range of different service areas a summary of which is provided below:

- Communications
- Core Business Systems/Transformation (BTLS) – ICT , Payroll and Rev & Benefits
- Core Business Systems/Transformation (non BTLS)
- Corporate Finance
- Customer Access
- Democratic services (excluding grants)
- Directors and Executive Support
- Estates Land Not in Operational Use
- Exchequer Services
- Financial management (operational)
- Human Resources
- Internal Audit
- Legal services
- Operational Support
- Policy, Information and Commissioning (Including Business Intelligence and Equality and Cohesion Team)

The gap between the median and current planned expenditure has been reduced by 50% in this exercise to reflect a) the difficulty in getting a like for like comparison in this area and b) the context for LCC where recent activity analysis undertaken indicated that the level of resource (in some areas) is lower than other local authorities.

Additional benchmarking has been undertaken to consider what the gap would be if LCC were to move to a) the top of the lower quartile comparator group (as opposed to the median) and also if the Council were to move to a mean average when compared to all County Councils. Both scenarios show that if planned Council savings were achieved the gap would be 1% (based upon 2016/17 data). Appendices M and N provide detail.

3.5 Council savings plans

The Councils overall savings plans by Service Area are set out in Table 16. This shows the planned level of savings over the period of 2016/17 – 2018/19. Some of these savings have been reflected in the latest budget for 2016/17.

Table 17– Total planned savings by service area

Service area	Planned council savings for this service £m
Adults Social Care	42
Children's Social Care	1
Corporate Services	20
Cultural Services	8
Education	1
Estates	8
Highways	6
Miscellaneous	2
Planning & Economic Development	3
Public Health	19
Street Lighting	1
Trading Standards	0
Transport	11
Waste	35
Total	157

Table 18 (overleaf) highlights the required reduction in expenditure to reach lower quartile and the remaining planned savings by the Council by Service Area.

Table 18 – Impact on service area gross expenditure of aligning to the lowest quartile comparator including further planned Council savings

Service area	Reduction in expenditure to comparator group spend £m	Planned council savings for this service in 2016/17 £m	Planned council savings for this service in 2017/18	'Gap' to lowest quartile comparator for the service area after savings	% difference from comparator after savings (based on 2016/17 budget)
Adults Social Care	65.8	10.5	18.6	36.7	7.8%
Children's Social Care	2.7	0.3	0.2	2.2	1.5%
Corporate Services	32.5	6.4	3.0	23.1	15.1%
Cultural Services	5.5	2.6	2.5	0.4	3.0%
Education	16.0	0	1.0	15	28.2%
Estates	1.0	0.2	5.1	(4.3)	n/a
Highways	15.0	1.4	1.0	12.6	34.3%
Misc.	0	0	0.7	(0.7)	n/a
Planning & Economic Development	0	1.1	0.0	(1.1)	n/a
Public Health	18.4	4.8	8.7	4.9	6.0%
Street Lighting	0	0	0.5	(0.5)	n/a
Trading Standards	1.4	0	0	1.4	31.8%
Transport	7.7	1.1	0	6.6	19.2%
Waste	18.4	18.0	1.5	(1.1)	n/a
Total	184.4	46.4	42.8	95.2	9%

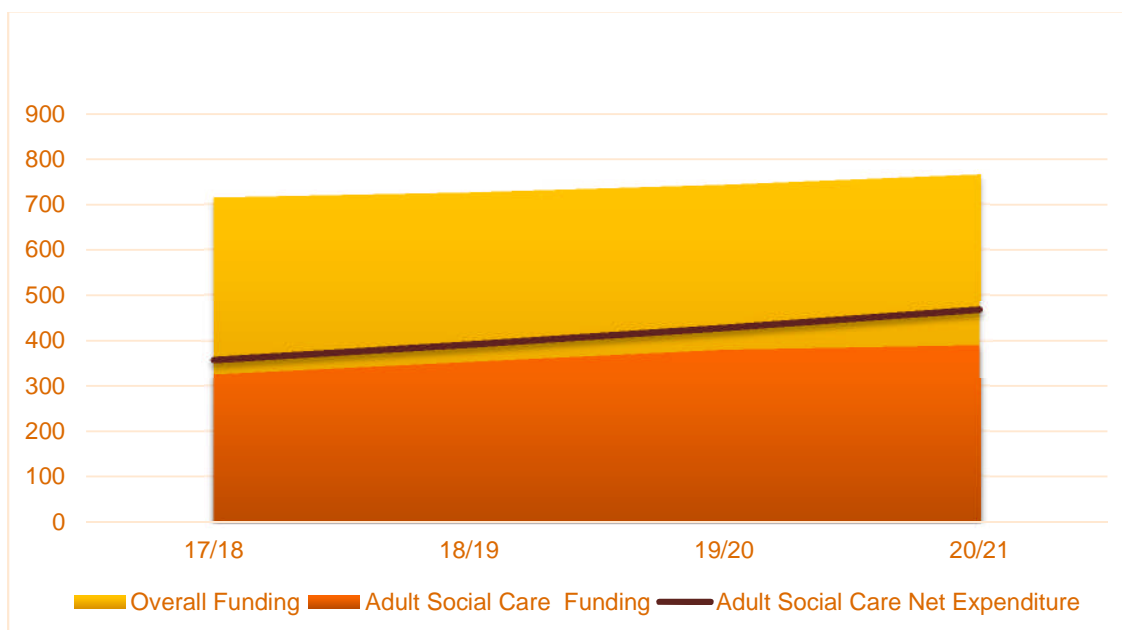
3.6 Adult Social Care

Lancashire County Council has undertaken an analysis of the projected increases in both funding and expenditure over the period of the MTFs. Increases in funding are driven by the 2% precept for Adult Social Care that forms part of the 3.99% Council Tax increase and increased income through the Better Care Fund (BCF). Increased expenditure is the result of demand pressures i.e more people receiving a service from ASC, and increases in costs. The table below summarises the position and it is forecasted that the in-year gap that relates to ASC on 20/21 will be £92m.

	16/17 £	17/18 £	18/19 £	19/20 £	20/21 £	Cumulative £
Increase in Expenditure						
Demand	12,233	12,315	14,322	16,465	18,790	74,125
Cost Pressure	15,522	25,389	20,093	20,117	20,938	102,059
Total	27,755	37,704	34,415	36,582	39,728	176,184
Increase in Resource Base						
ASC Precept	(7,887)	(8,283)	(8,782)	(9,306)	(9,860)	(44,118)
Additional Better Care Fund	-	(3,210)	(19,446)	(17,358)	-	(40,014)
Total	(7,887)	(11,493)	(28,228)	(26,664)	(9,860)	(84,132)
Increase/ (Decrease) in ASC net cost	19,868	26,211	6,187	6,708	29,868	92,052

The Council had previously submitted estimates for the potential deficit within Adult Social Care as part of the Sustainable Transformation Plan (STP) process. This had estimated a deficit of £95m by 2020/21 based on also apportioning an element of the overall County Council funding gap.

The graph below summarises the forecast changes in funding and costs for ASC against overall increases in funding for the Council as a whole. This highlights that the gap between ASC funding and expenditure continues to increase despite funding for ASC increases as a proportion of overall Council funding.



	16/17	17/18	18/19	19/20	20/21	Total
	£m	£m	£m	£m	£m	
Overall Funding	705	715	726	743	766	
Adult Social Care Net Expenditure	320	357	391	428	468	
Adult Social Care Funding	300	311	339	366	376	
Adult Social Care cumulative in year pressure	20	46	52	62	92	272
Adult Social Care in year pressure	20	26	6	10	30	

4 Review of LCC's income position

4.1 LCC income position 2016-17

LCC has two sources of income – income received in relation to specific Council services e.g. Lancashire Parking Services, and Council-wide income not linked to individual service areas e.g. Council Tax.

Table 19– LCC summary of funding streams for 2016/17.

Income category	£m
Service Specific	346
Macro	705

The key driver of LCC's income is Council wide 'macro' funding that accounts for 74% of LCC's total income in 2016/17.

The key components of 'macro' income are:

- Business Rates
- Council Tax
- Revenue Support Grant
- New Homes Bonus
- Transitional Grant
- Capital Receipts

For a breakdown of income per service area, please see Appendix F.

4.2 Macro income comparator analysis

Comparator analysis was completed to understand the position of LCC's income compared to all 27 County Councils. Lancashire's population adjusted income was compared for the following areas of macro income:

- Business Rates
- Revenue Support Grant (RSG)
- Council Tax
- 'Combined Income' (including Revenue Support Grant, Council Tax and Business Rates)

Lancashire's relative position is summarised in Table 20 below:

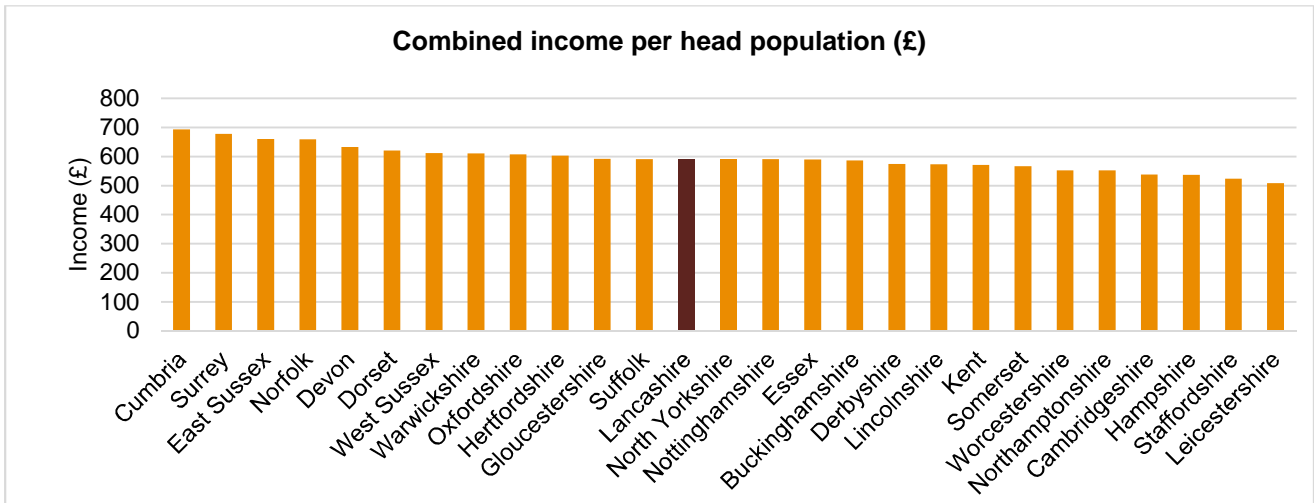
Table 20 –LCC's relative position for macro comparator analysis

Income category	Lancashire's relative position (of 27)
Retained income from Rate Retention Scheme	3 rd highest
RSG	3 rd highest
Council Tax	3 rd lowest
Combined income position	13 th highest

Comparator analysis suggests Lancashire has relatively low income from Council Tax, and relatively high Business Rates and RSG income when compared to other local authorities. This is explained in more detail below.

4.2.1 Combined income

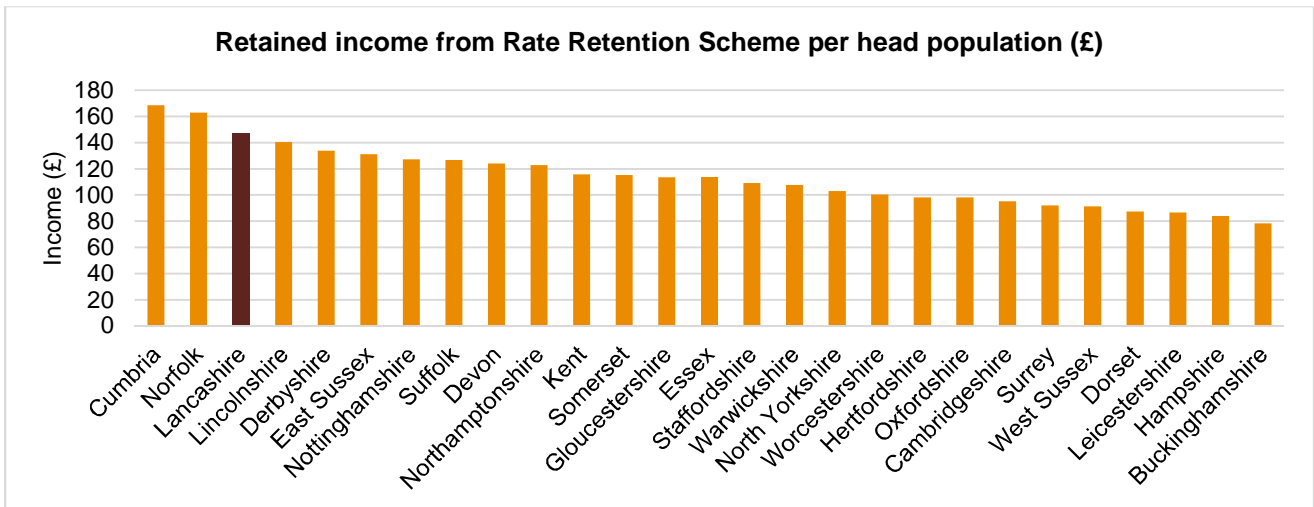
Lancashire receives the 13th highest Combined Income per head of population.



This suggests considering three key sources of income (RSG, Council Tax and Business Rates), Lancashire sits in the middle of other shire counties for its population adjusted income.

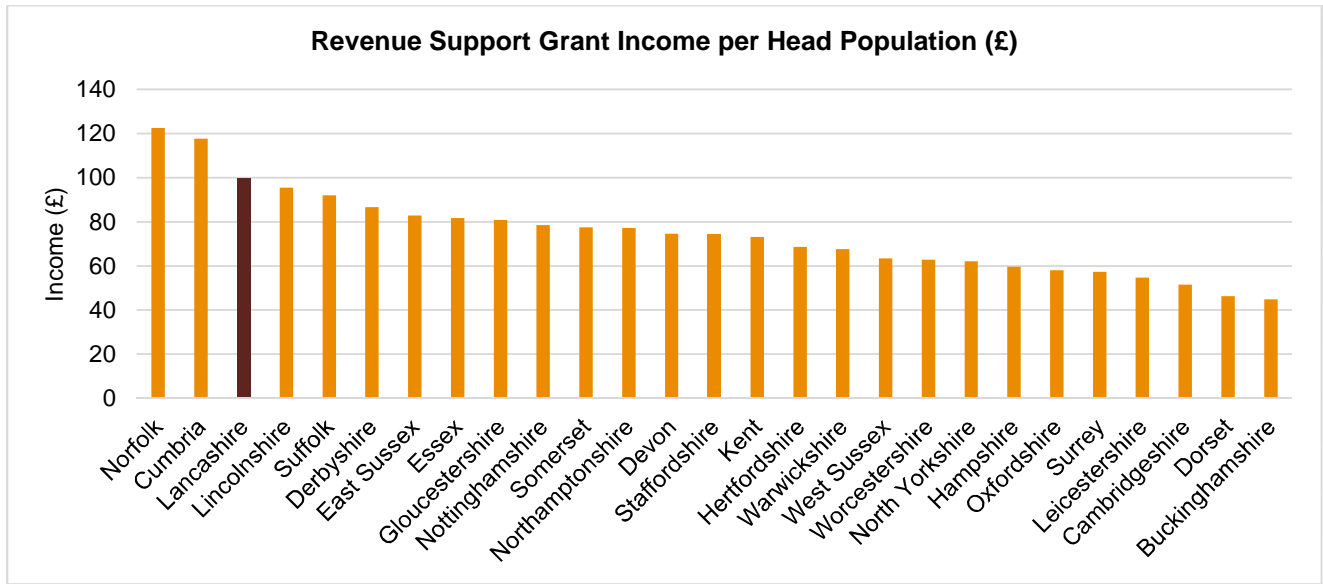
4.2.2 Retained income from Rate Retention Scheme

Lancashire receives the third highest Retained Income from the Rate Retention Scheme.



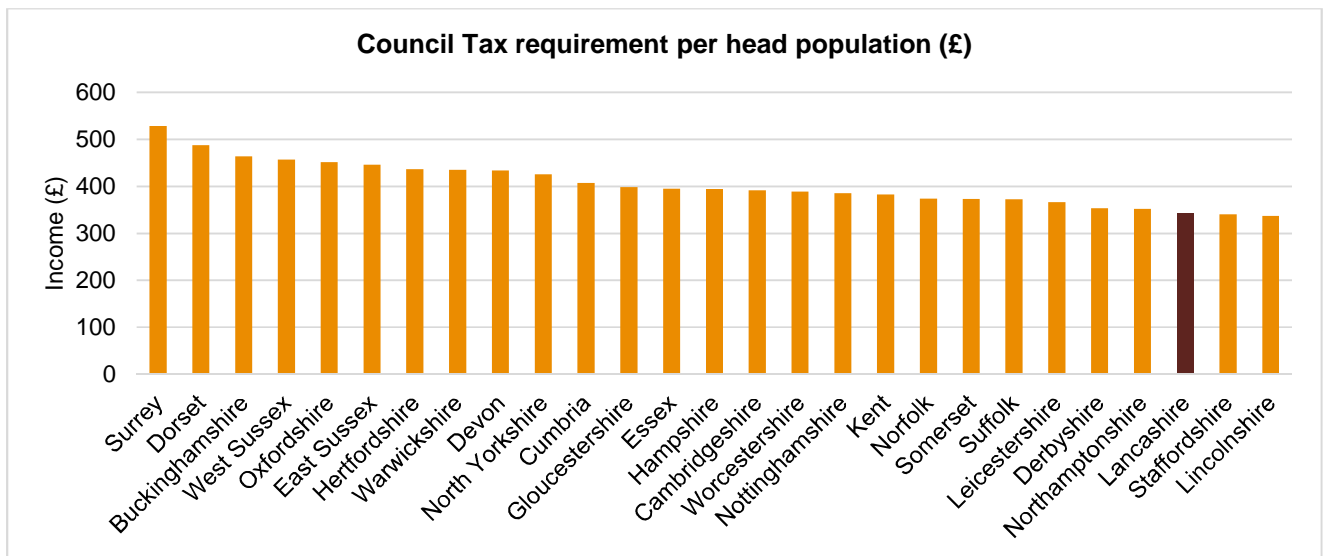
4.2.3 Revenue Support Grant

Lancashire receives the third highest Revenue Support Grant (RSG) income per head of population.



4.2.4 Council Tax

Lancashire receives the 3rd lowest Council Tax per head of population.



The composition of the Council Tax base in Lancashire plays a key role in the relatively low level of Council tax income. The band D council tax rate for Lancashire is the 13th highest out of the 27 Counties but the number of band D equivalent properties per head of population is relatively low as set out in the table below.

Table 21 –LCC's Band D equivalent tax base for Council Tax

Current position	Total band D equivalent	Population	Total band D equivalent / population
Nottinghamshire	291,046	805,848	0.3612
Lincolnshire	266,166	736,665	0.3613
Northamptonshire	263,538	723,026	0.3645
Leicestershire	250,567	675,309	0.3710
Derbyshire	290,598	782,365	0.3714
Staffordshire	322,112	862,562	0.3734
Lancashire	445,081	1,191,691	0.3735
Cambridgeshire	247,019	647,238	0.3817
Norfolk	342,394	884,978	0.3869
Suffolk	291,088	741,895	0.3924
Kent	616,759	1,524,719	0.4045
Worcestershire	234,422	578,593	0.4052
Somerset	221,260	545,390	0.4057
Warwickshire	225,531	554,002	0.4071
Cumbria	203,296	497,996	0.4082
Gloucestershire	252,170	617,162	0.4086
Oxfordshire	278,066	677,810	0.4102
Essex	594,387	1,443,151	0.4119
Hampshire	564,910	1,353,043	0.4175
Devon	328,209	773,077	0.4245
Hertfordshire	500,852	1,166,339	0.4294
East Sussex	235,949	544,064	0.4337
North Yorkshire	262,692	602,277	0.4362
West Sussex	365,560	836,256	0.4371
Buckinghamshire	236,343	528,400	0.4473
Dorset	194,021	420,585	0.4613
Surrey	554,462	1,168,809	0.4744

The lower the Band D equivalent tax base, the lower council tax yield will be for a Council.

4.3 Service specific comparator income analysis

PwC has also completed comparator income analysis on a service level basis. This has been based upon Revenue Outturn published figures for 2014/15 which identifies the recovery rate of income as a percentage of expenditure. This took the following process:

1. Create comparator groups (typically 27 shire counties).
2. Identify authority with highest recovery rate (defined as income as a percentage of expenditure).

3. Provide sense check drawing on experience as to whether the comparator is applicable to LCC.
4. Apply comparator recovery rate to LCC's revised comparator expenditure.
5. Document the difference in expenditure for each service area.

The analysis provides a high level overview of the LCC position on service-specific income compared to other local authorities. The analysis suggests the current average LCC recovery rate is 10% of around £2bn spend. (The figure of £2bn includes schools funding) The average for other local authorities is 8%, meaning that Lancashire has a higher than average recovery rate.

Table 22– LCC service income recovery rates compared to similar County Councils (2014/15 RO forms)

Recoveries		Lancashire CC	Lancashire CC	Nottinghamshire CC	Staffordshire CC	Derbyshire CC	Cumbria CC	Northamptonshire CC	Kent CC	Warwickshire CC	Worcestershire CC	Gloucestershire CC	Essex CC	Suffolk CC	Lincolnshire CC	Norfolk CC	Leicestershire CC	North Yorkshire CC
Revenue Outturn Category 2014-15	Expenditure £'000	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Total Education Services	953,175	3	4	2	4	5	6	3	3	5	3	2	4	2	5	4	2	
Total Highways and Transport Services	122,385	30	12	12	8	9	13	15	16	12	22	12	12	5	13	13	13	
Total Children Social Care	153,616	0	0	1	0	1	0	1	1	1	2	0	1	1	0	0	0	
Total Adult Social Care	444,184	17	13	13	15	22	14	14	15	11	14	13	13	32	16	17	17	
Total Public Health	57,064	0	0	2	0	2	0	0	0	2	0	0	0	0	0	0	0	
Total Housing Services (GFRA only)	131	0	0	0	0	0	0	2	2	96	66	12	1	0	2	2	0	
Total Cultural, Environmental, Regulatory and Planning Services	131,181	12	14	17	8	4	10	5	15	11	6	4	18	5	9	10	7	
Total Central Services	182,239	27	11	7	30	10	13	10	6	20	11	5	7	4	12	16	21	
Total	2,043,975	10.	7.6	6.3	8.6	9.2	7.9	6.5	7.4	8.1	8.1	5.9	7	9.9	7.8	9.1	6.6	

Following the process noted above, this income analysis was applied to LCC. Results are shown overleaf.

The biggest variances in income are observed in the following areas:

- Cultural Services
- Street Lighting
- Planning & Economic Development
- Waste

It should be noted that service income is calculated as a percentage of gross expenditure. As gross expenditure will fall to align to the comparator levels the expected levels of income will fall. Therefore it is estimated that the overall level of service income will remain relatively static as recovery levels could increase but the base expenditure will fall.

Table 23 – LCC service specific comparator income analysis

Service category	LCC income 2016-17 (£m)	Income applying comparator analysis (£m)	Variance %
Adults Social Care	140	140	0
Children's Social Care	4	4	0
Corporate Services	38	38	0
Cultural Services	4	4.4	11
Education	9	9	0
Estates	4	4	0
Highways	5	4	(17)
Miscellaneous	10	10	0
Planning & Economic Development	0.3	0.6	59
Public Health	12	12	0
Street Lighting	0.4	0.3	24
Trading Standards	1	0.7	33
Transport	20	20	0
Waste	10	15	49
Total	258	262	2

For a breakdown of the comparator income groups used and rationale, please see Appendix F.

5 Medium Term Financial Strategy (MTFS)

The Medium Term Financial Strategy (MTFS) sets out the latest financial forecast for LCC covering the period 2017/18 – 2020/21. The MTFS ‘uplifts’ both expenditure and income over the next four years to reflect changes such as changes in funding streams or increases to prices etc. A review has been undertaken and the MTFS key assumptions have been found to be reasonable and therefore have been used as the basis of expenditure and income uplift over the MTFS period. A summary of the key MTFS assumptions used with PwC commentary, where appropriate, is set out below.

5.1 Expenditure uplift – LCC position

The key elements of expenditure contained within the MTFS are detailed below. These have been reviewed, and there has been no material change in their position. A commentary is provided for individual sections. A breakdown of MTFS assumptions and PwC commentary can be found in Appendix C (for items over £100k)

	2017/18 £m	Key components	PwC commentary
Pay and Pensions	9.89	<ul style="list-style-type: none"> Employee costs Pension costs 	Workings were provided to support these calculations – A detailed review of these figures was not undertaken.
Price Inflation	20.04	<ul style="list-style-type: none"> Adults' Social Care – Nursing Residential & Domiciliary Equipment Waste 	This is based on assumptions from the Office of Budget Responsibility (OBR) around predicted rates of price increases. These forecasts were from November 2015 and should be re-visited when updated information is available. The increase in waste is based upon a price increase of 3% – comments above apply. In addition contract renewal is due and an estimate of price increases is included in this figure.
Demand Pressures	30.0	<ul style="list-style-type: none"> Children Looked After Waste Adult Social Care Third Party 	The Children Looked After pressures were found to be in line with assumptions made by other local authorities. There is a forecast that volumes of waste processed will increase by 4% per annum plus adjustments around green waste from the 2016/17 budget. The increase in Adult social care are based upon projected population growth and appear reasonable. The previous point around refreshing projections is applicable to these figures.
Loss of grant	3.67	<ul style="list-style-type: none"> Loss of Public Health Grant 	The budgeted level of expenditure is above the existing grant levels and a reduction in grant is resulting in an additional cost pressure – This reduction should be offset by the Better Care Fund.
Undeliverable savings	12.7	<ul style="list-style-type: none"> Adult Services 	This area was not reviewed. A separate Portfolio Review was completed analysing the Council's existing savings portfolio.
Other	3.38	<ul style="list-style-type: none"> Impact of National Living Wage 	This assumes all providers pay below the minimum wage, which would need to be confirmed with all providers.
Total	79.68		

The figures in Table 24 reflect the in-year increases in costs.

Table 24– LCC summary of MTFS expenditure assumptions

	LCC position (£m)		
	2018/19	2019/20	2020/21
Pay & Pensions	5	5	6
Price Inflation	14	16	18
Demand Pressures	16	20	22
Loss of grant	2	2	0
Undeliverable savings	0	0	0
Other	10	8	7
Total	47	51	53

5.2 Income uplift – LCC position

The assumptions provided in the MTFS for funding are as follows:

Table 25– LCC summary of in year MTFS macro income assumptions

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Business rates	181	185	191	197
Council Tax	414	431	453	476
Council Tax increase	17	22	23	23
Revenue Support Grant (RSG)	81	57	33	27
New Homes Bonus	5	3	3	3
Transitional Grant	1	0	0	0
Better Care Fund	3	23	40	40
Capital Receipts	13	5	0	0
Total	715	726	743	766

The income figures were reviewed and there were no comments or revisions following our review.

Application of the above expenditure and income assumptions produce the following summary position:

Table 26 – LCC Medium Term Financial Strategy forecast

£m	2017/18	2018/19	2019/20	2020/21
Net expenditure	763	763	763	763
Uplift (in-year)		47	51	53
Uplift cumulative			98	151
Total expenditure	763	810	861	914
Council Tax	431	453	476	499
Revenue Support Grant	81	57	33	27
Business Rates	181	185	191	196
Other	22	30	43	44
Total income	715	726	743	766
In-year surplus/(deficit)	(48)	(84)	(118)	(148)
Cumulative surplus/(deficit)	(48)	(132)	(250)	(398)

5.3 Council reserves position

The Council reserves position for 2015/16 is taken from the September 2016 Cabinet Paper.

	1 April 2016 reserves excluding schools £m	1 April 2017 reserves excluding schools £m
Opening balance	314	180
Transfers in / (out)	5	-
Planned draw-down	139	110
Closing balance	180	70

Based upon the forecast set out in Table 6 and the predicted deficit of £84m in 2017/18, The Council would have exhausted its reserves based on their planned use over the next two years.

The key components of the Council's reserves are the following:

- Reserves held to meet spending pressures.
- Reserves held to deliver corporate priorities.
- Reserves held to deliver organisational change.
- Reserves held to pay for expenditure commitments.
- Reserves held to meet service priorities.
- Schools reserves (these are ring fenced and therefore not considered in the analysis above).

6 Summary position

6.1 Moving to lower cost comparator over a four year period

The analysis of comparator spend looked at cost on a service by service basis. Table 7 compares the reductions required to achieve the lower cost comparator position.

Table 27 – Impact on service area gross expenditure of aligning to the lowest quartile comparator including further planned Council savings

Service area	Reduction in expenditure to comparator group spend £m	Planned council savings for this service in 2016/17 £m	Planned council savings for this service in 2017/18	'Gap' to lowest quartile comparator for the service area after savings	% difference from comparator after savings (based on 2016/17 budget)
Adults Social Care	65.8	10.5	18.6	36.7	7.8%
Children's Social Care	2.7	0.3	0.2	2.2	1.5%
Corporate Services	32.5	6.4	3.0	23.1	15.1%
Cultural Services	5.5	2.6	2.5	0.4	3.0%
Education	16.0	0	1.0	15	28.2%
Estates	1.0	0.2	5.1	(4.3)	n/a
Highways	15.0	1.4	1.0	12.6	34.3%
Misc.	0	0	0.7	(0.7)	n/a
Planning & Economic Development	0	1.1	0.0	(1.1)	n/a
Public Health	18.4	4.8	8.7	4.9	6.0%
Street Lighting	0	0	0.5	(0.5)	n/a
Trading Standards	1.4	0	0	1.4	31.8%
Transport	7.7	1.1	0	6.6	19.2%
Waste	18.4	18.0	1.5	(1.1)	n/a
Total	184.4	46.4	42.8	95.2	9%

Based on our experience of Local Authorities delivering transformation programmes, we have set out in the table below a scenario where the reduction in expenditure is achieved over a four year period assuming a 'straight line' implementation:

- 2017/18 25% of expenditure reduction achieved
- 2018/19 50% of expenditure reduction achieved
- 2019/20 75% of expenditure reduction achieved
- 2020/21 100% of expenditure reduction achieved

When the 9% reduction in expenditure to take the Council to lowest quartile cost is applied to the latest financial forecast then the summary position is set out in Table 27.

Table 28 – Projected financial position if expenditure is reduced to lowest quartile

£m	2017/18 LCC forecast	2017/18 2.25% reduction	2018/19 2.25% reduction	2019/20 2.25% reduction	2020/21 2.25% reduction
Net expenditure	763	746	729	712	694
Uplift (in-year)	-	-	47	51	53
Uplift cumulative	-	-	-	98	151
Total expenditure	763	746	776	810	845
Council Tax		431	453	476	499
Revenue Support Grant		81	57	33	27
Business Rates		181	185	191	196
Other		22	31	43	44
Total income	-	715	726	743	766
In-year surplus/(deficit)	-	(31)	(50)	(67)	(79)
Cumulative surplus/(deficit)	-	-	(81)	(148)	(227)

This shows a cumulative deficit of £227m by 2020/21 with a deficit of £79m within the 2020/21 financial year.

6.2 Considering additional delivery risk

To consider the full delivery risk for LCC, the findings of the Council's recent Change Portfolio Review have then been overlaid in the table below. The review identified a delivery risk factor of up to 41% on their planned savings – i.e. that benefits will not be delivered to planned timescales. The table below applies this additional risk factor to the 9% reduction.

Table 29 – Projected financial position if expenditure is reduced to lowest quartile (risk adjusted)

£m	2017/18 LCC forecast	2017/18	2018/19	2019/20	2020/21
Total expenditure	763	746	776	810	845
Risk adjustment	-	7	7	7	7
Adjusted total expenditure	-	753	783	817	852
Total income	-	715	726	743	766
In-year surplus/(deficit)	-	(38)	(57)	(74)	(86)
Cumulative surplus/(deficit)	-	-	(95)	(169)	(255)

This shows an overall cumulative deficit of £255m in 2020/21.

7 Closing comments

As demonstrated in section 6 above, the Council is not currently in a sustainable financial position. Even moving the Council to lower cost comparators across all services areas does not sufficiently close their financial gap over the four year period. The Council is currently supplementing this work with a Public Services Operating Model Design exercise – the financial case for this programme will be completed in December and will confirm the extent to which the lower cost comparator position can be achieved and the gap can be narrowed.

7.1 Key findings

The review has highlighted:

- **Statutory Spend:** In November 2015, the Council undertook a comprehensive exercise to map its base budget and define its statutory spend as part of a base budget review. This exercise is referred to as the base budget review (BBR) throughout the document. The review of statutory expenditure undertaken in this exercise has highlighted no material changes to the position set out by the Council in their base budget review.
- **Latest financial forecast:** The Council is forecast to have a cumulative deficit of **£398m** by the end of 2020/21 and an in year deficit that year of £148m. This is predicated on all savings plans being achieved with no slippage. We have reviewed the Council's savings portfolio and have identified that a significant proportion of planned savings are at risk of slippage. We have reviewed the underlying assumptions behind the Council's MTFS and found them to be in line with those being made by other similar authorities, however, its forecast budget gap may be understated as a result of risks relating to the delivery of savings within the forecast timescale.
- **Comparator analysis:** We have established a benchmark of lowest cost comparator for each of the service areas defined in the Revenue Account (RA) data set. Appendix D confirms the service by service comparators used – these have either been selected based on service specific factors, e.g. indices of multiple deprivation for social care, or lower quartile costs for a service area. To achieve this lower cost comparator position would require a reduction in gross expenditure of £184m (17%) from the 2016/17 gross budget of £1,059m. This would be a significant transformation for the Council and would move them to a position no other local authority has achieved to date i.e. lower quartile costs across all service areas (based on 2016/17 RA data). This gap takes no account of any savings plans that other Councils may have and reflects a point in time.
- **Council saving plans:** The Council currently has plans to reduce expenditure from the gross budget of £1,059m by a further £89.2m through saving plans over the next three years (a further £46.4m to be achieved in 2016/17 and planned savings of £42.8 in 2017/18). When planned savings are taken into account this reduces the gap to lower quartile costs to £95.2m (9%). Therefore the Council would require a further 9% of savings before making the benchmark.
- **The level of income generated across all services** in total is the highest (as a proportion of gross expenditure) of any County Council based on 2015/16 RA data. No account has been taken of the potential reduction in service income if expenditure is reduced.
- **Bridging the gap:** Even if the Council were to reduce its expenditure to the median of lowest quartile within the timescale of this MTFS, it would still be facing an in year deficit of **£79m** and a cumulative deficit of **£227m** by 2020/21. This does not take account of any risks associated with the Council's planned savings programme or if these additional savings can be made without impacting on current service quality or safety.
- **Adult Social Care summary financial position:** A separate analysis of the resources available and expenditure in respect of Adults Social Care shows that there will be an in year gap of £92m for this service alone by 2020/21.
- **Reserves:** The Council has budgeted to make significant use of reserves within the next three years. In 2016/17 budgeted use of reserves stands at £139m, a reduction of 44% of available reserves, at current planned rates the Council will have exhausted its reserves by the end of 2018/19.(see Section 5.3).

Based upon these findings:

- *A reduction in costs (over four years) to achieve lower quartile expenditure will still not result in the Council being in a sustainable position.*
- *The Councils change portfolio does not deliver sufficient financial savings to move the Council to a position of financial sustainability by 2020/21. In this scenario there is a risk that the Council fails to carry out its statutory duties and this could result in intervention by the Secretary of State (in accordance with section 15 of the 1999 Local Government Act) directing that specific functions be exercised by the Secretary of State 'so long as the Secretary of State considers appropriate'.*
- *Lower cost comparator benchmarking has identified the Council's 16/17 budget position is 9% higher than the lower cost comparator (after the Councils savings portfolio has been delivered). In this scenario this is still a significant in year and cumulative funding gap by 2020/21*
- *The Council now has two key considerations:*
 1. *Is the current funding model of the Council disadvantaging the place of Lancashire and disproportionately contributing to the Lancashire funding gap.*
 2. *Will more radical options for transformation across the Lancashire public sector sufficiently close the funding gap by 2021 to minimise the risk of intervention.*

7.2 *Issues to be considered*

If the Council continues on its current financial trajectory then there is a significant risk that the cost of statutory services will exceed the financial resources of the Council. There are few precedents of Councils unable to meet their statutory obligations but if the Council is unable to provide a level of service that meets the minimum statutory requirements then a number of potential interventions could occur:

- The Council is put into special measures by central government.
- The Secretary of State orders an inspection of the Council if it is believed that an authority has not acted in accordance with its best value duty.
- The Secretary of State intervenes (in accordance with section 15 of the 1999 Local Government Act) by directing that specific functions be exercised by the Secretary of State 'so long as the Secretary of State considers appropriate'.

In order to reach a financially sustainable position significant savings will have to be achieved, many of these will require not only a transformation of the current LCC operating model but also pan-Public sector engagement and transformation.

Appendices

Appendix A – Service categories mapped to service areas

Service category	Service area	Base Budget Review reference
Transport	Local Transport Plan	58
	Public Transport	76
	Integrated Transport	77
	Fleet Services	75
Waste	Waste Management – Waste PFI	83
	Landfill – Disposal	81
	Recycling & Costing Sharing	84
	Waste Management- Household Waste Recycling Centres	80
	Waste Transfer Stations	85
	Green Waste (non PFI)	79
	Waste Management General	82
Cultural Services (including libraries)	Cultural Services – Libraries	73
Cultural Services (excluding libraries)	Cultural Services – excluding Libraries	74
Estates	FM – Building Accommodation / Building Accommodation – Youth	51
	Design and Construction Buildings	47
	Facilities Management – Staff and Civic Catering	113
Planning & Economic Development	Emergency Planning (part of Emergency Planning & Resilience)	86
	Provision Planning	33
	Health, Safety and Quality	87
	Employee Support	115
	Health Protection	88
Street Lighting	Street Lighting	71
Highways	Highways Management	66
	Asset Management Highways	32
	Highways Development Control	64
	Design and Construction Buildings Highways	48
	Highway Regulation & Inspection	68
	Highways Management – Operations Delivery	67
Traffic Signals	Traffic Signals	72
Trading Standards	Trading Standards – Closed Landfill	94
	Trading Standards – Scientific Services	95
	Trading Standards – Fair Trading	96a
	Trading Standards – Animal Health and Agriculture	96b
	Trading Standards – Food Standards	96c
	Trading Standards – NW Training	96d

Service category	Service area	Base Budget Review reference
	Trading Standards – Product Safety, Petroleum and Explosives	96e
	Trading Standards – Weights and Measures (Metrology)	96f
Corporate Services	Core Business Systems/Transformation (BTLS) – ICT , Payroll and Rev & Benefits	45
	Legal services	41
	Exchequer Services	35
	Customer Access	63
	Operational Support	5
	Policy, Information and Commissioning (Including Business Intelligence and Equality and Cohesion Team)	43
	Directors and Executive Support	107
	Core Business Systems/Transformation (non BTLS)	46
	Financial management (operational)	37
	Democratic services (excluding grants)	40
	Procurement	44
	Estates Land Not in Operational Use	49
	Communications	117
	Human Resources	55
	Corporate Finance	34
	Internal Audit	38
	Asset management buildings, property review and development	31
	Building Cleaning	50
Adults' Social Care	Disability	1
	Older People's Services	2
	Carers Services	3
	Commissioned Adult Social Care – Learning Disability Services	4
	Physical Support	6
	Social Care Staff	8
	Mental Health	9
	Safeguarding (Adults)	10
	Health & Care Systems Development (H&SCD)	52
	Supporting People	111
Children's Social Care	Adoption Service	11
	In-house Fostering Service	12
	Overnight Short Breaks Unit	13
	In House Residential	14
	SCAYT + (Supporting Carers & Young People Together)	15
	YOT (Adoption, Fostering, Residential and YOT)	16
	Children's Social Care Family Support	17
	Children's Social Care Financial Assistance to Care Leavers	18
	Children's Social Care Placements	20

Statutory Services Budget Review (SSBR)

Service category	Service area	Base Budget Review reference
	Children's Social Care – Social Work Teams	21
	Safeguarding, Inspection and Audit	22
	SEND Service	29
Education	School Improvement – Alternative and Complementary Education	23
	Schools Improvement – Early Years Teachers	25
	Financial management (Development and Schools)	36
	Skills, Learning & Development	53
	Lancashire Adult Learning	54
	Children's Social Care (other)	19
	School improvement – Children missing education and attendance	24
	School improvement – pupil access	27
	School Crossing Patrol service	92
	School improvement – schools advisory service	28a
	School improvement – learning improvement	28b
	Schools improvement – early years teacher team	25
	Lancashire Teaching Agency	125
	Skills, Learning & Development	53
	Lancashire Adult Learning	54
	Outdoor Education	130
	Public Health	Prevention
Health Equity, Welfare & Partnerships – Health Equity (Public Health) Element		89
Health Equity, Welfare & Partnerships – Partnerships element (except Road Safety)		90
Health Equity Welfare & Partnerships – Road Safety element		91
Patient Safety & Quality Improvement		93
Wellbeing Prevention and Early Help Service – Public Health Children and Young People		97
WPEH Public Health- Health Checks and Wellness Commissioning		98
Public Health General (including PH Staffing and Consultants)		99
Well Being Prevention and Early Help – Public Health – Sexual Health Commissioning		100
Well Being Prevention and Early Help – Public Health Tobacco Control and Stop Smoking Services		101
WPEH – Public Health Substance Misuse		102
Wellbeing, Prevention and Early Help Service (WPEHS) Combined Offer		103
Welfare Rights Health Equity, Welfare & Partnerships		116
Miscellaneous	Business Support & Admin	122
	Governor Services	124
	Recruitment, Retention & NQTs	131
	LEP Co-ordination	106

Service category	Service area	Base Budget Review reference
	Office of the Police and Crime Commissioner Treasurer	42
	Business Growth	104
	School Catering	126
	Flood Risk Management	65
	Rural	61
	Public Service Area Integration	30
	PROW – Public Rights of Way	60
	Countryside Services (part of Planning & Environment)	56
	Strategic Economic Development	105
	Lancashire Parking Services	114
	Programme Office	62
	Lancashire Music Service	128
	Coroners Service	39
	Member Grants	112
	Severe Weather	69
	SEND Traded Team	132
	Educational Visits	123
	Learning Excellence	129

Appendix B – MTFs assumptions – Income

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Business rates	181	185	191	196
Council Tax	414	416	417	418
Council Tax increase	17	18	19	20
Revenue Support Grant (RSG)	81	57	33	27
New Homes Bonus	5	3	3	3
Transitional Grant	1	0	0	0
Better Care Fund	3	23	40	40
Capital Receipts	13	5	0	0
Total	715	707	703	704

Appendix C – MTFS Key assumptions – Expenditure

£m	MTFS key assumption 2017/18	Comment
Price inflation		
Adults' Social Care	10.5	The population projections seem reasonable, although this assumes increasing numbers of individuals in residential, rather than a reduction. This projects an increase in direct payments of adults and there should be a commensurate reduction in traditional care packages.
Transport	0.6	2.1% increase in operator payments has been assumed. This does not seem unreasonable in line with current RPI.
Children's Social Care	1.4	This is based on 1% inflationary uplift on provider costs which were found to be in line with other local authority assumptions.
Demand Pressures		
Children Looked After	12.324	The assumptions were found to be in line with other local authority assumptions around demand pressures.
Mainstream Home to School Transport	0.512	This assumes denominational transport will be phased out from September 2018. Does not seem unreasonable.
Staying Put	0.303	This is based a 70% take-up rate, and 2.08% inflation assumption which does not seem unreasonable.
Waste	5.24	This is driven by understated tonnage in 2016/17 and increase of 4% based on increases of last few years. This does not seem unreasonable
Adults' Social Care	12.773	The underlying assumptions were found to be in line with assumptions made within the sector.
City Deal Capital Financing Costs	0.487	These assumptions do not seem unreasonable based upon a review of working papers
Loss of grant		
Loss of Public Health Grant	3.67	This project has an overspend of £7m. The budgeted level of expenditure is above the existing grant levels and a reduction in grant is resulting in an additional cost pressure – This reduction should be offset by the Better Care Fund.
Undeliverable savings		
Undeliverable savings	12.7	The Council's existing savings proposals have been reviewed as part of a separate Portfolio Review exercise.

Detailed analysis of pensions, pay and living wage increases, including analysis of the increments and the employee-supplier relationship has not been completed as part of this exercise.

Appendix D – Service specific expenditure – comparator groups

Expenditure

The table below displays LCC's comparative expenditure position.

Service area	LCC spend (forecast 2016/17) £m	Comparator group	Median comparator	Metric	Rationale
Adults' Social Care	472.8	Cumbria, Lincolnshire, Norfolk, Somerset	Cumbria, with a population adjusted spend of £305m compared to Lancashire's £354m.	Indices of multiple deprivation identified 5 closest authorities to Lancashire. The median was identified from this group.	Cumbria delivers a low cost Adults' service accounting for similar socioeconomic circumstances.
Children's Social Care	124.7	Cumbria, Lincolnshire, Norfolk, Somerset	Norfolk, with a population adjusted spend of £150m compared to Lancashire's £153m.	Indices of multiple deprivation identified 5 closest authorities to Lancashire. The median was identified from this group.	Norfolk delivers a low cost Children's service accounting for similar socioeconomic circumstances.
Corporate Services	124.4	Buckinghamshire, Cambridgeshire, Surrey, Cumbria, Hertfordshire and Norfolk	Surrey, with a unit cost of £200 per FTE, compared to Lancashire's £337.	Identified lowest quartile of Unit cost of 'corporate and democratic core' per FTE, and applied the median value of Surrey.	Surrey delivers low cost Corporate Services, accounting for differences in demand for services (FTE).
Cultural Services	14.7	Group 1: Hertfordshire, West Sussex, Buckinghamshire, Gloucestershire, East Sussex, Nottinghamshire, Cambridgeshire Group 2: Buckinghamshire, Gloucestershire, Warwickshire, West Sussex, East Sussex, Leicestershire, Derbyshire	Group 1: Gloucestershire, with a unit cost of £3,247 compared to Lancashire's £6,382 Group 2: West Sussex, with a unit cost £17, compared to Lancashire's £27.	Group 1: Total cultural services spend accounting for Population Density. Group 2: Total cost of Library Services/Population Density.	Group 1: Gloucester delivers low cost Cultural Services, accounting for different challenges in delivery and access to services (population density). Group 2: West Sussex delivers a low cost Libraries service, accounting for different challenges in delivery (population density).
Education	8.0	Cumbria, Lincolnshire, Norfolk, Somerset	Norfolk, with a population adjusted spend of £604m compared to Lancashire's £862m.	Indices of multiple deprivation identified 5 closest authorities to Lancashire. The median was identified from this group.	Norfolk delivers a low cost Education services accounting for similar socioeconomic circumstances.
Estates	39.6	Buckinghamshire, Dorset, Hertfordshire, Surrey, Cambridgeshire, Derbyshire, North Yorkshire	Surrey	Identified the lowest quartile of cost from 'Corporate and Democratic Core' spend category. The median was identified from this group.	Surrey delivers the lowest cost Estates services within the comparator group'

Service area	LCC spend (forecast 2016/17) £m	Comparator group	Median comparator	Metric	Rationale
Highways	30.3	Group 1: Somerset, Norfolk, Derbyshire, Suffolk, Cumbria, Devon, Northamptonshire Group 2: Cumbria, Gloucestershire, Devon, Oxfordshire, Norfolk, Worcestershire, Dorset	Group 1: Suffolk Group 2: Oxfordshire	Group 1: Total Highways Costs as a unit cost based on total miles per authority. Group 2: Total Traffic Management costs as a unit cost based on total miles per authority.	Group 1: Suffolk delivers low cost Highways services, accounting for differences in road length. Group 2: Oxfordshire delivers low cost Highways services, accounting for differences in road length.
Miscellaneous	6.9	N/A		N/A	N/A
Planning & Economic Development	1.0	Group 1: Hertfordshire, Oxfordshire, Staffordshire, East Sussex, Derbyshire, Essex, Cambridgeshire	N/A	Group 1: Health Protection spend based on population.	East Sussex delivers low cost Health Protection services, accounting for demand for service (population).
Public Health	109.4	Cumbria, Lincolnshire, Norfolk, Somerset	Lincolnshire, with a population adjusted spend of £55.6m compared to Lancashire's £72.8m.	Indices of multiple deprivation identified 5 closest authorities to Lancashire. The median was identified from this group.	Lincolnshire delivers a low cost Public Health service accounting for similar socioeconomic circumstances.
Street Lighting		Cumbria, North Yorkshire, Devon, Lincolnshire, Derbyshire, Somerset, Suffolk	Lincolnshire	Street Lighting shown as a unit cost based on total miles per authority.	Lincolnshire delivers low cost Street Lighting, accounting for differences in demand (total miles).
Trading Standards	4.0	Worcestershire, Somerset, East Sussex, West Sussex, Gloucestershire, Lincolnshire, Essex	West Sussex	Trading standards as a unit cost based on population.	West Sussex delivers low cost Trading Standards service, accounting for differences in demand (population).
Transport	55.4	Group 1: Northamptonshire, West Sussex, Surrey, Cambridgeshire, Derbyshire, East Sussex, Buckinghamshire Group 2: Worcestershire, Surrey, Hertfordshire, Leicestershire, Northamptonshire, East Sussex, Buckinghamshire	Group 1: Cambridgeshire, with a unit cost of £4 compared to Lancashire's £10. Group 2: Leicestershire, with a unit cost of £31 compared to Lancashire's £63.	Group 1: Total Transport Planning costs divided by population density. Group 2: Total Public Transport divided by population density.	Group 1: Cambridgeshire delivers low cost Transport services, accounting for differences in challenges of delivery (population density). Group 2: Leicestershire delivers low cost Public Transport services, accounting for differences in challenges of delivery (population density).
Waste	67.5	Group 1: Surrey, Northamptonshire, Buckinghamshire, Hertfordshire, Warwickshire and Nottinghamshire	Group 1: Warwickshire, with a unit cost of £0.04 compared to Lancashire's £0.05. Group 2: Please note the original	Group 1: Total Waste costs accounting for population. Group 2: Total Recycling costs accounting for population.	Group 1: Warwickshire delivers low cost Waste services, accounting for differences in demand (population).

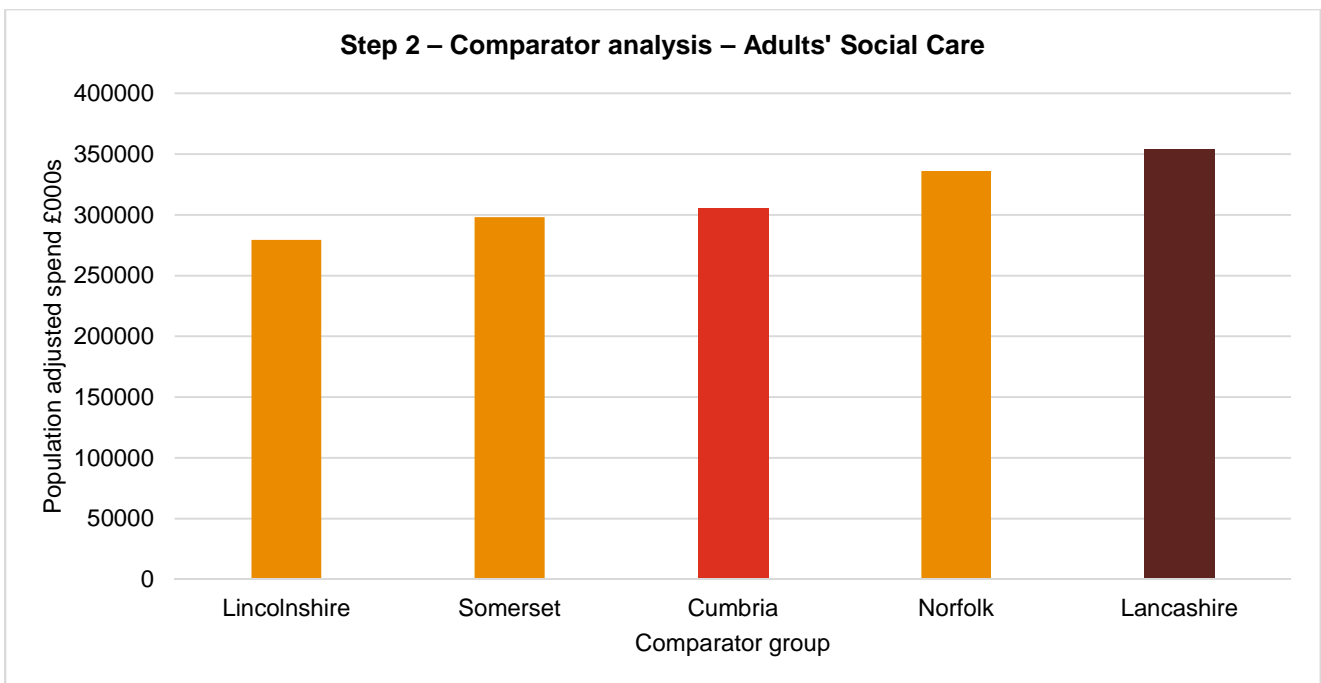
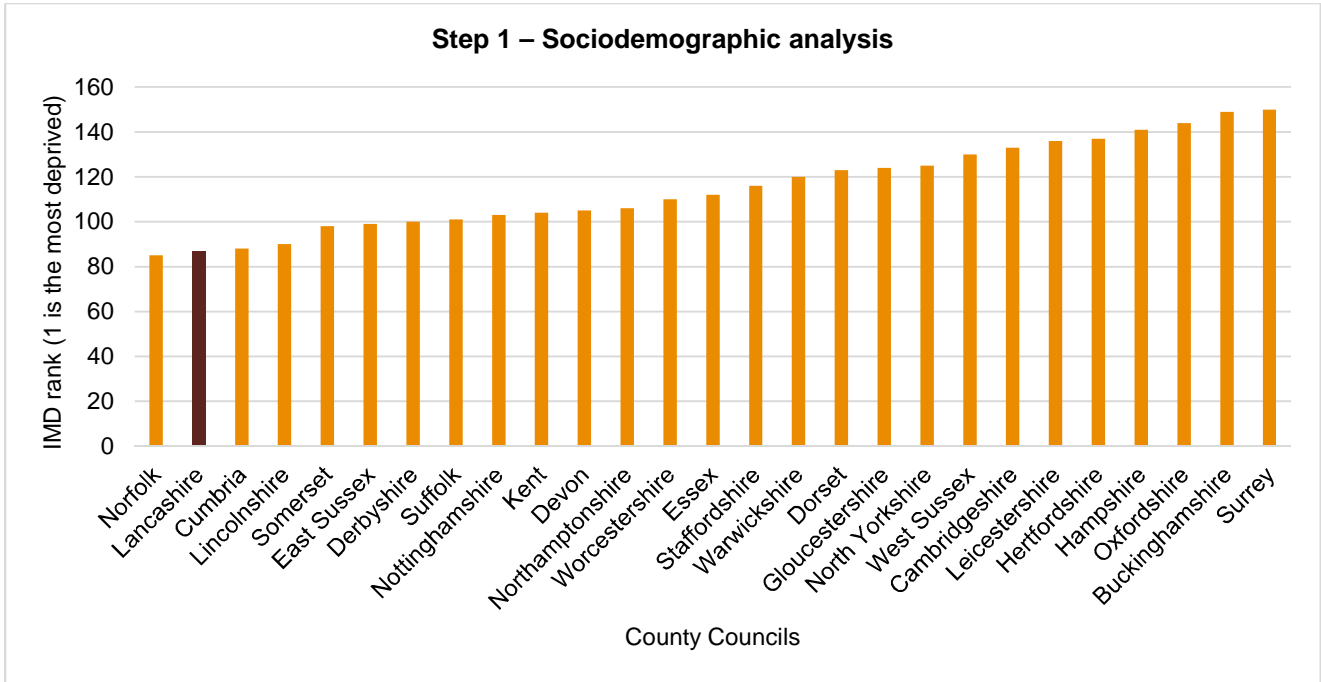
Statutory Services Budget Review (SSBR)

Service area	LCC spend (forecast 2016/17) £m	Comparator group	Median comparator	Metric	Rationale
		Group 2: West Sussex, Staffordshire, Kent, Gloucestershire, Lincolnshire, Nottinghamshire, Hertfordshire	expenditure figure was taken for this, as the median from the lower quartile (Gloucestershire) was more expensive than Lancashire.		Group 2: Lancashire delivers low cost Recycling services, accounting for differences in demand (population).
Total	£1,059m				

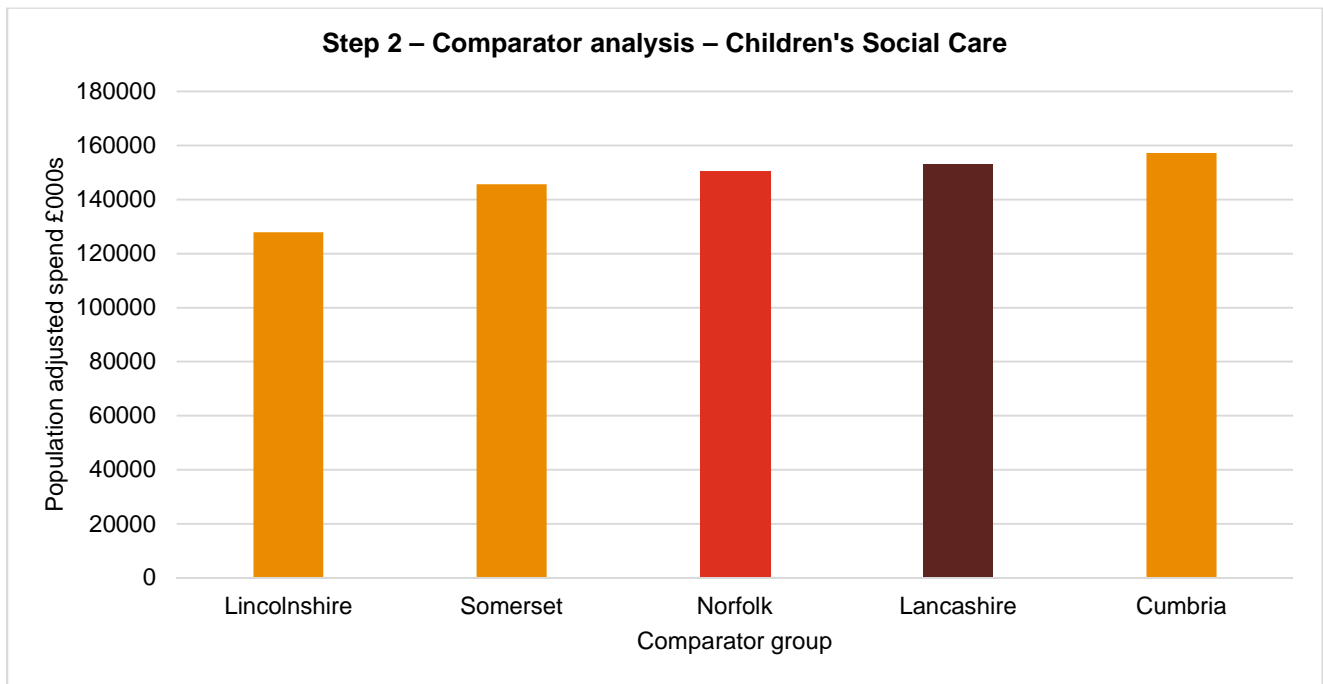
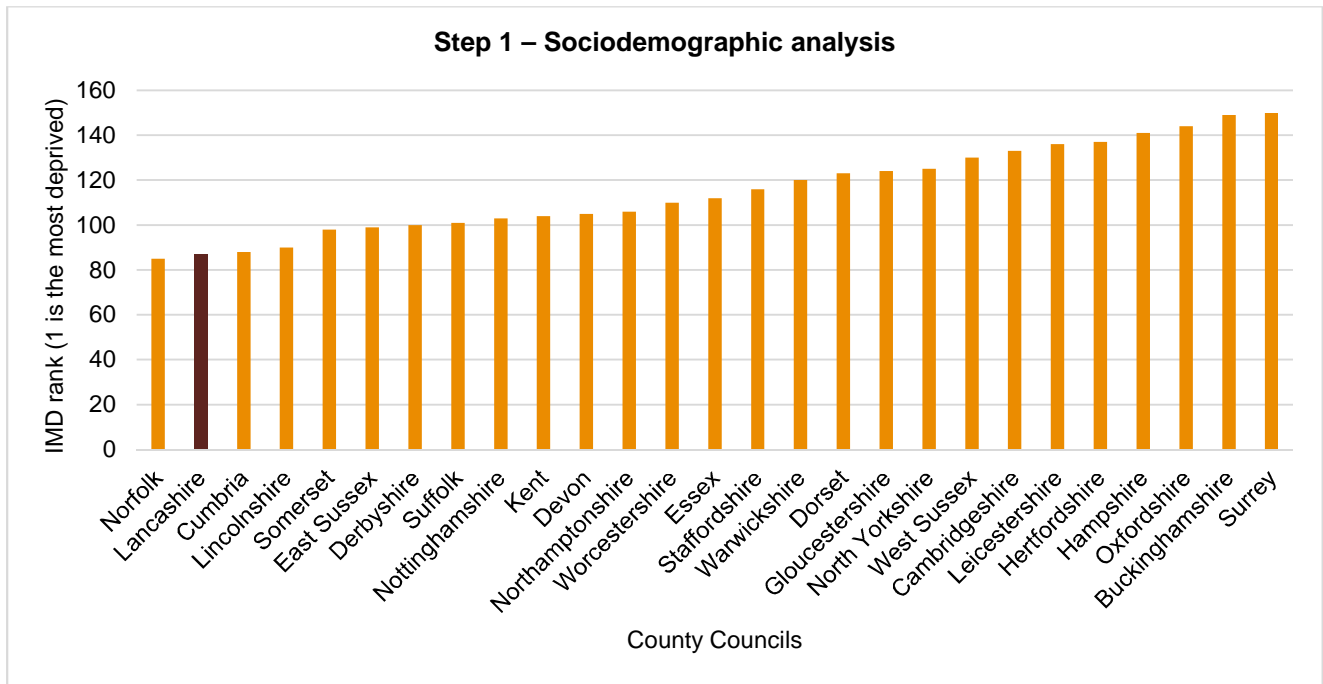
For graphs detailing the comparator analysis, please see Appendix E.

Appendix E – Service specific expenditure – comparator graphs

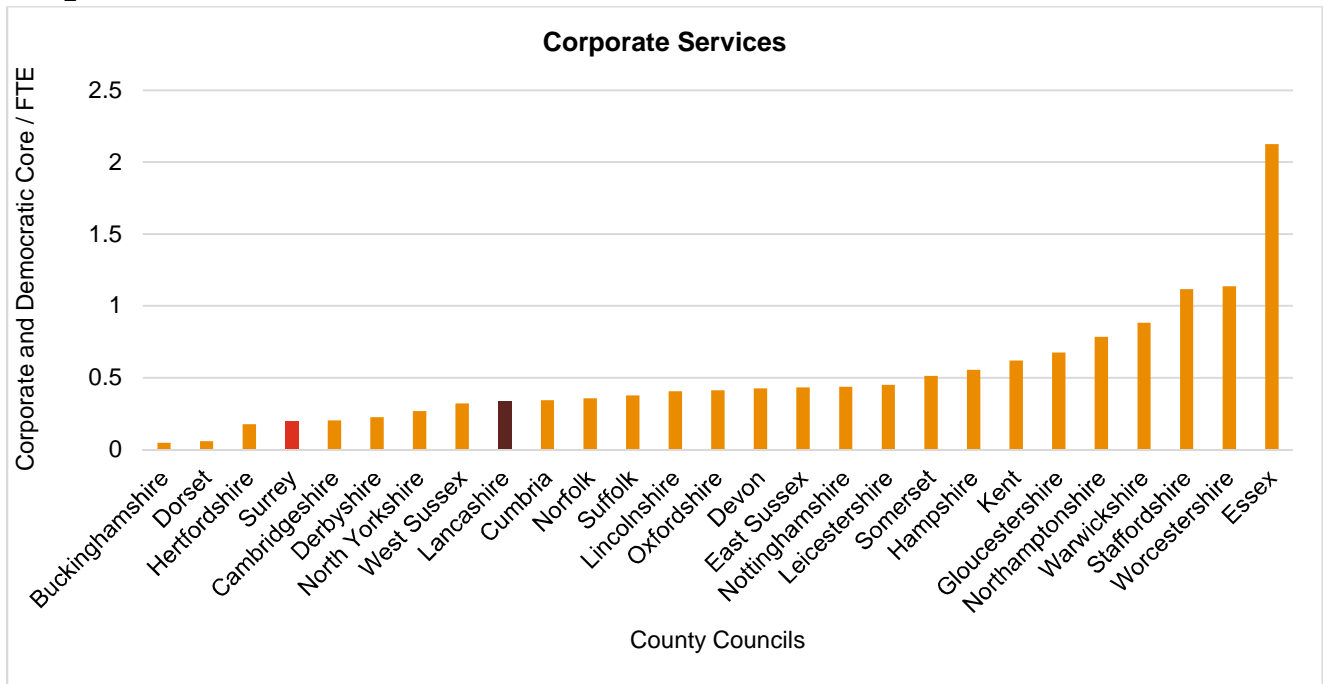
Adults' Social Care



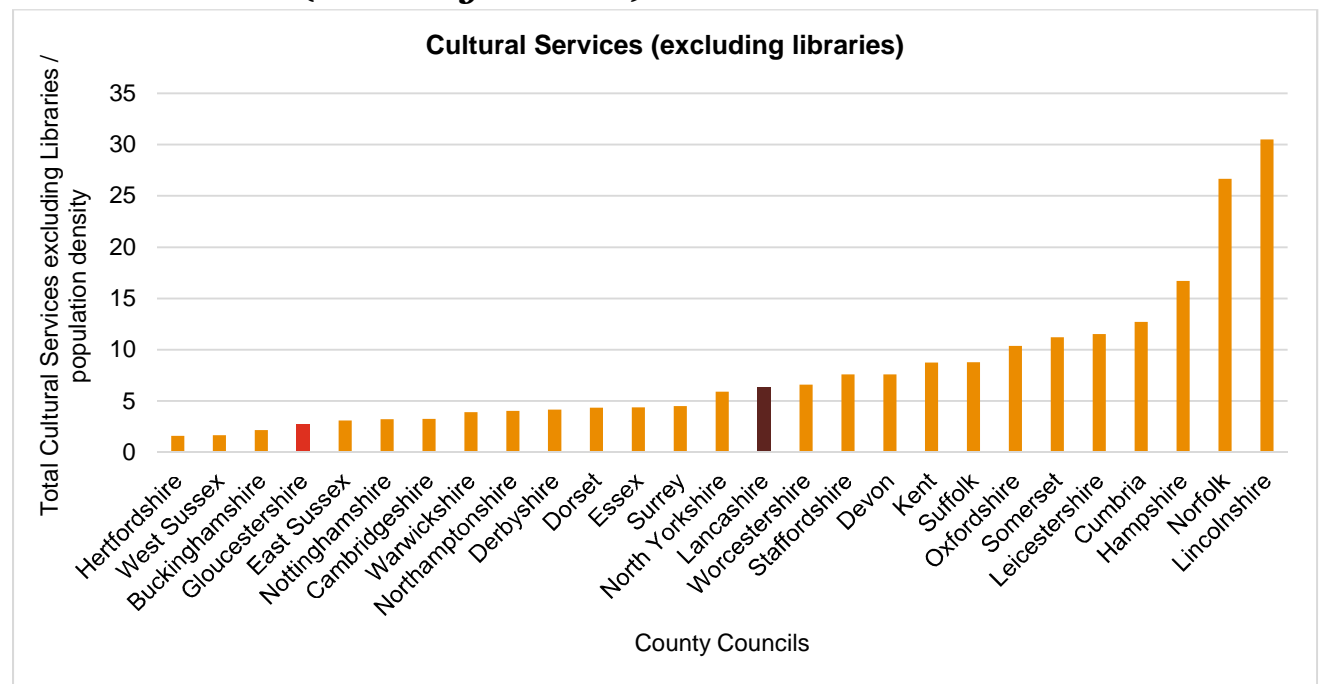
Children's



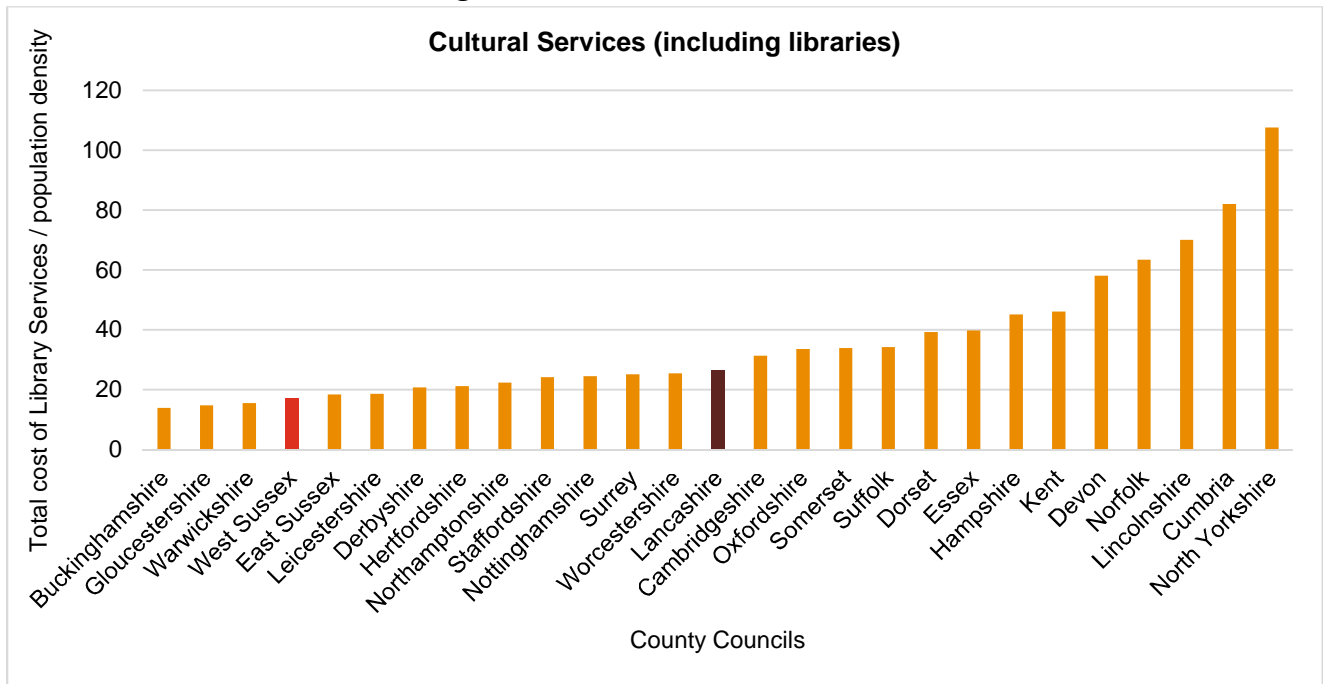
Corporate Services



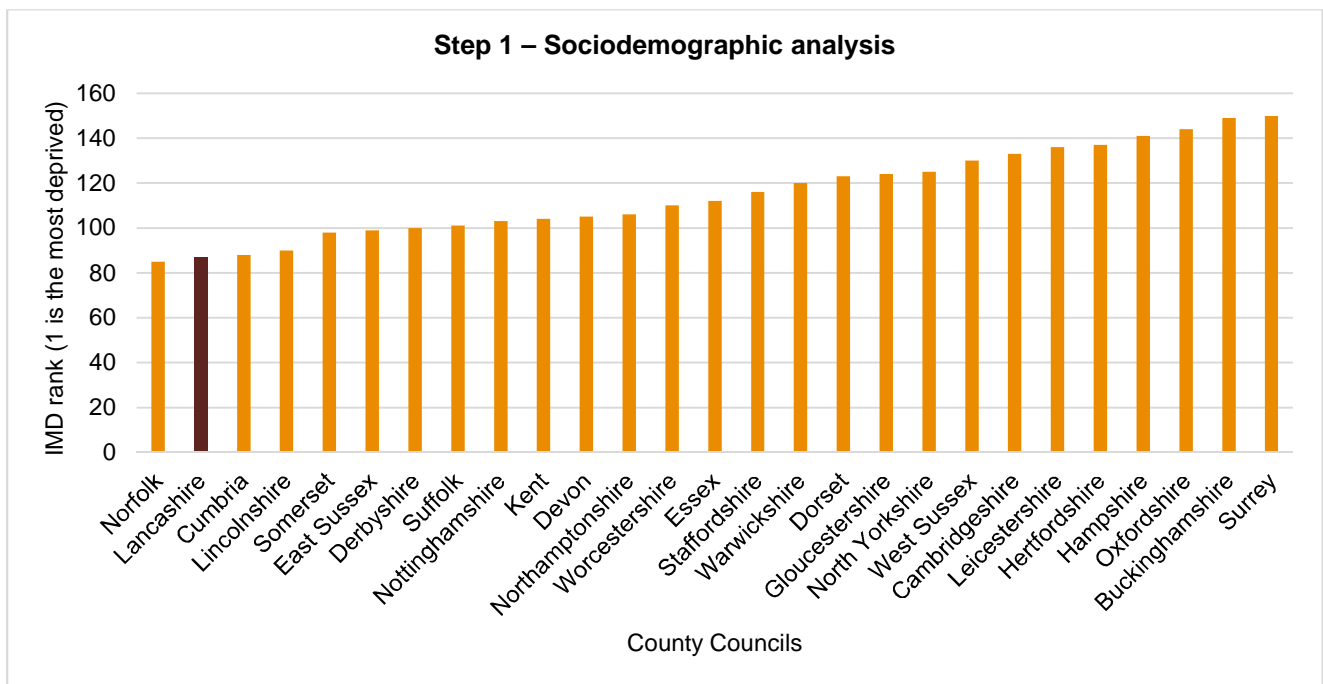
Cultural Services (excluding libraries)



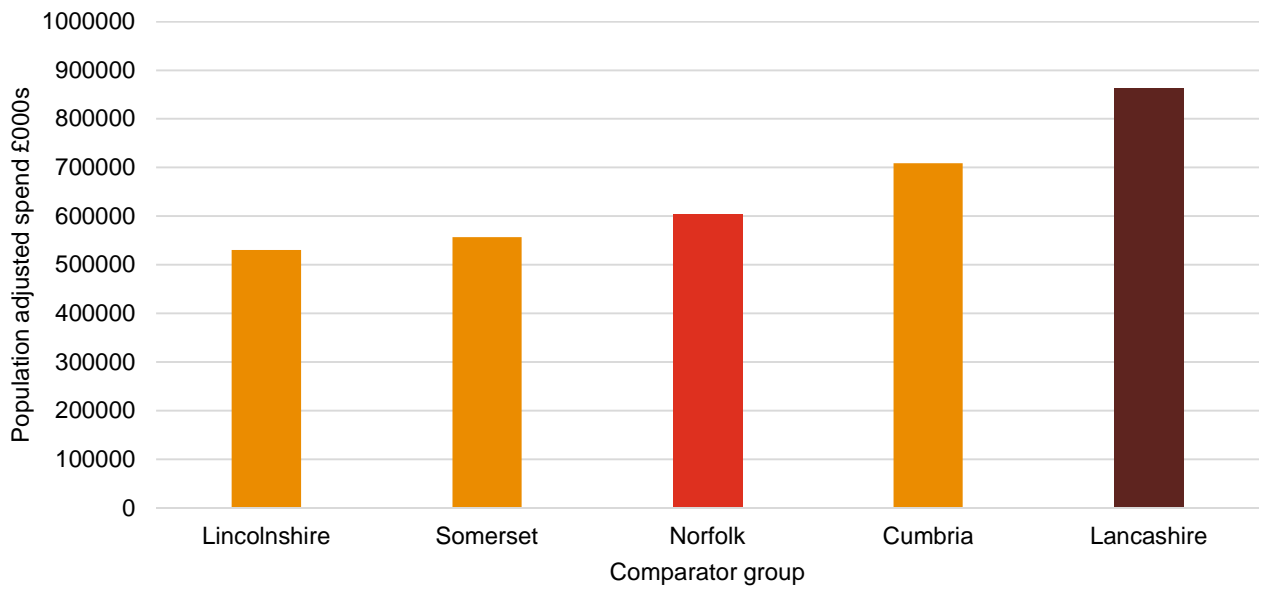
Cultural Services (including libraries)



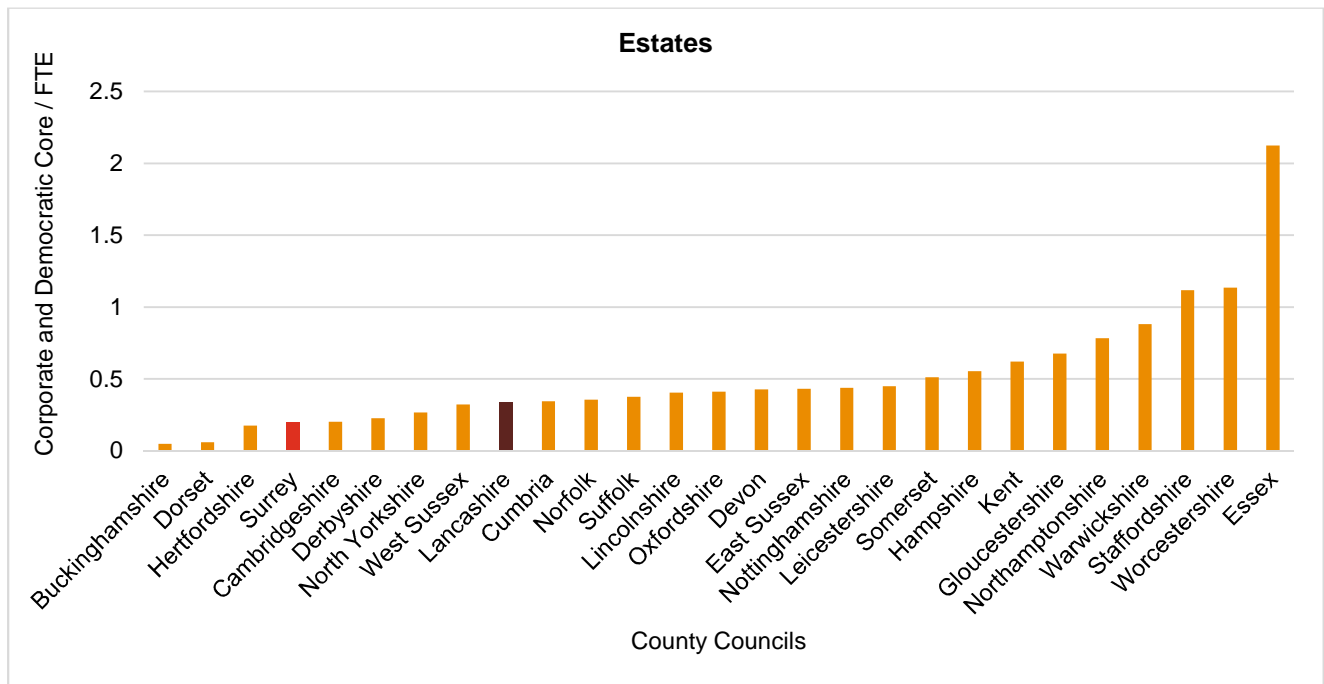
Education



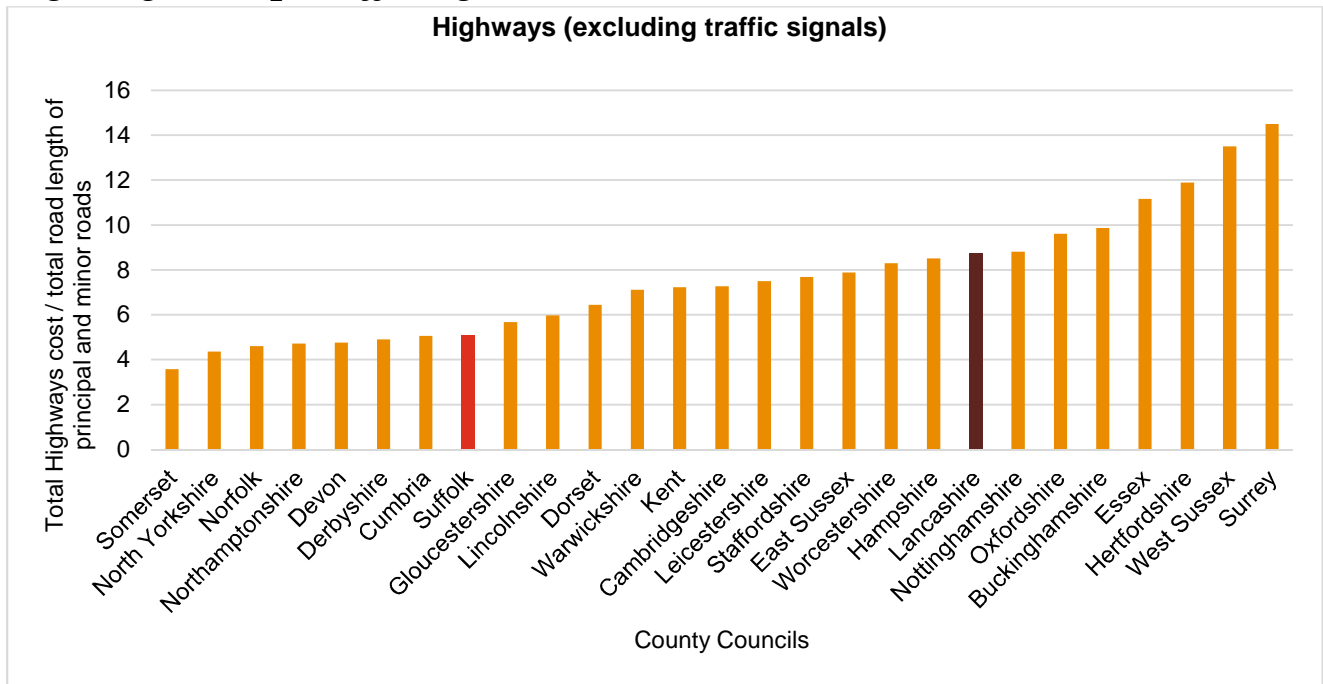
Step 2 – Comparator analysis – Education



Estates



Highways (except traffic signals)



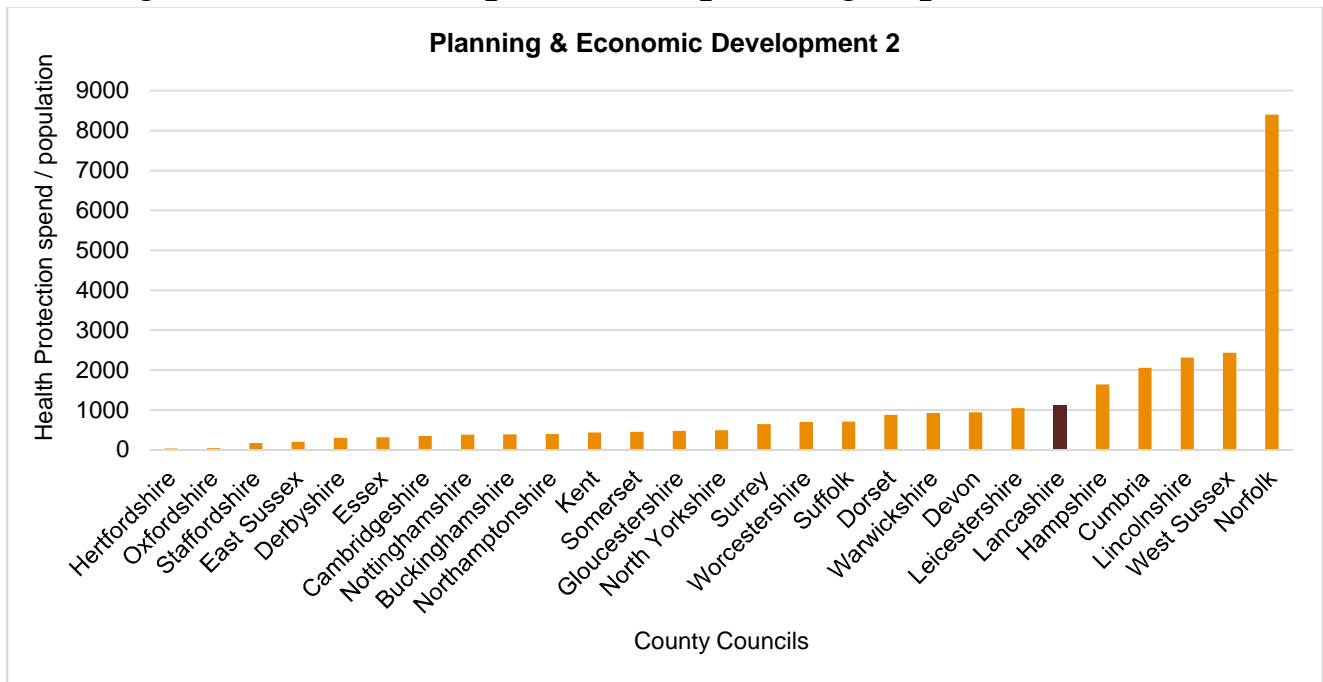
Miscellaneous

No comparator analysis completed due to definition of service areas on RA form.

Planning & Economic Development – comparator group 1

Lancashire RA form submitted as a nil so no comparator analysis completed.

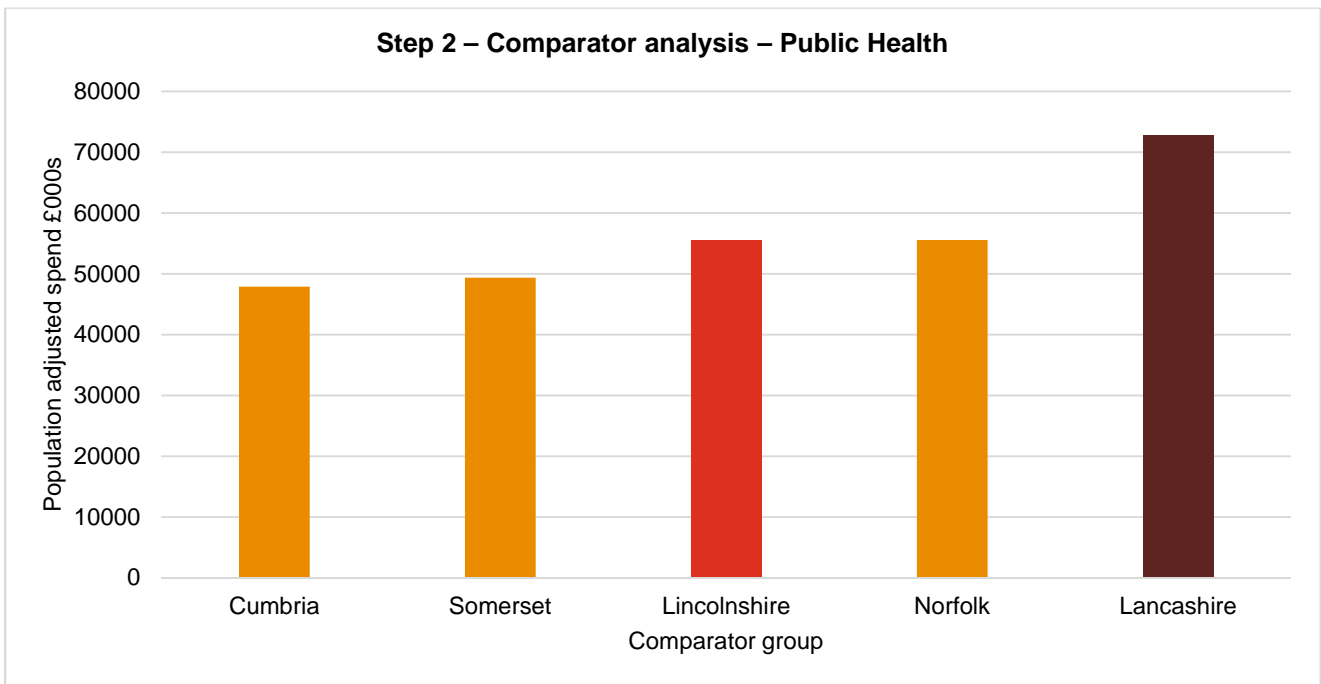
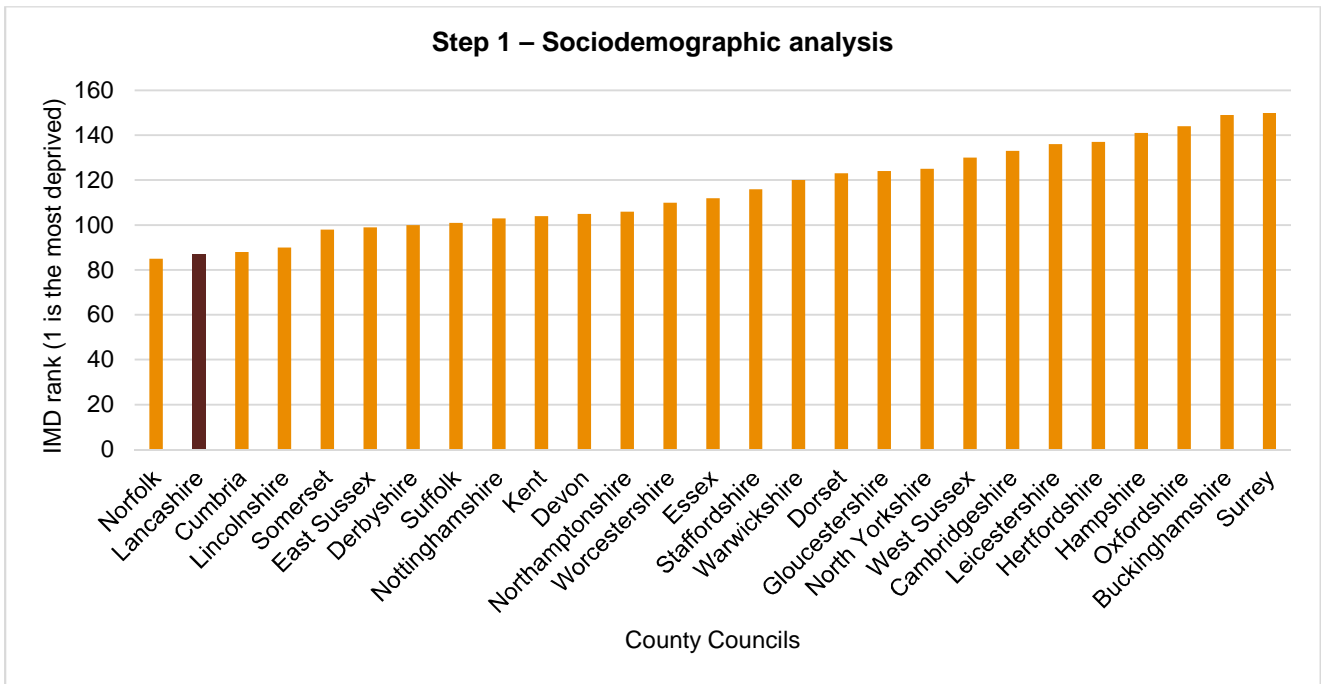
Planning & Economic Development – comparator group 2



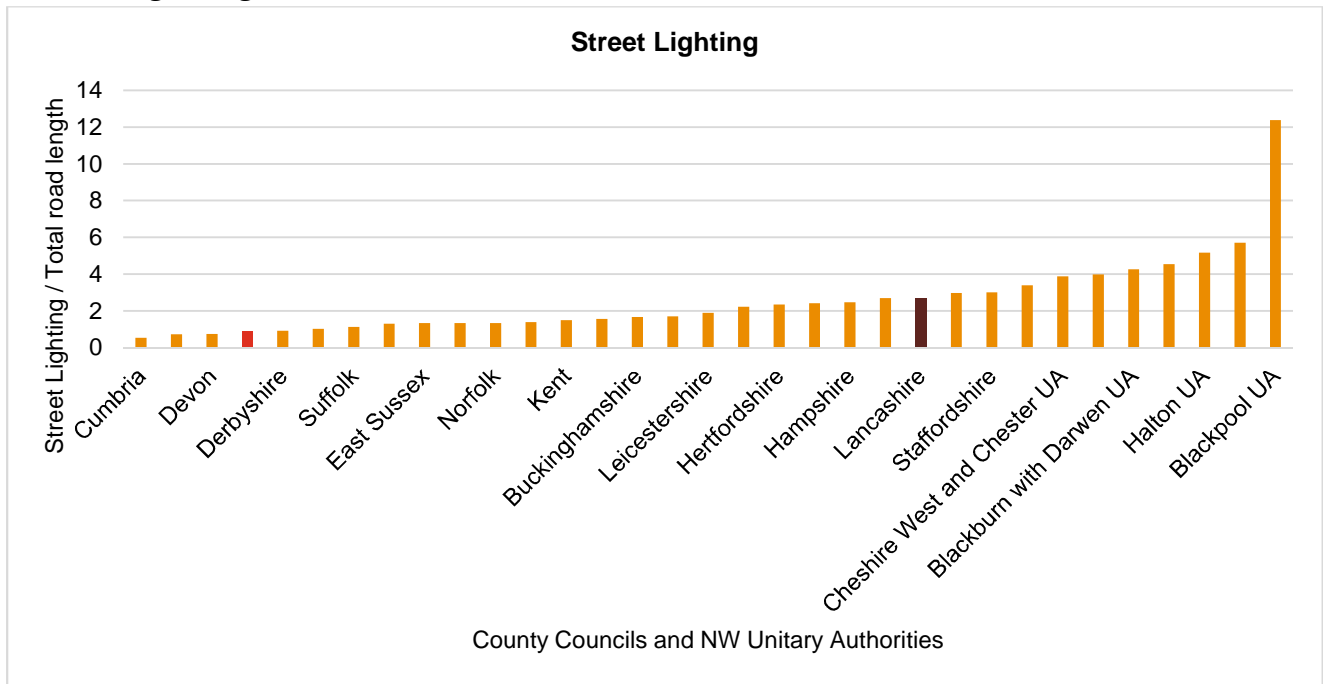
Planning & Economic Development – comparator group 3

Lancashire has lowest unit cost so no comparator analysis completed.

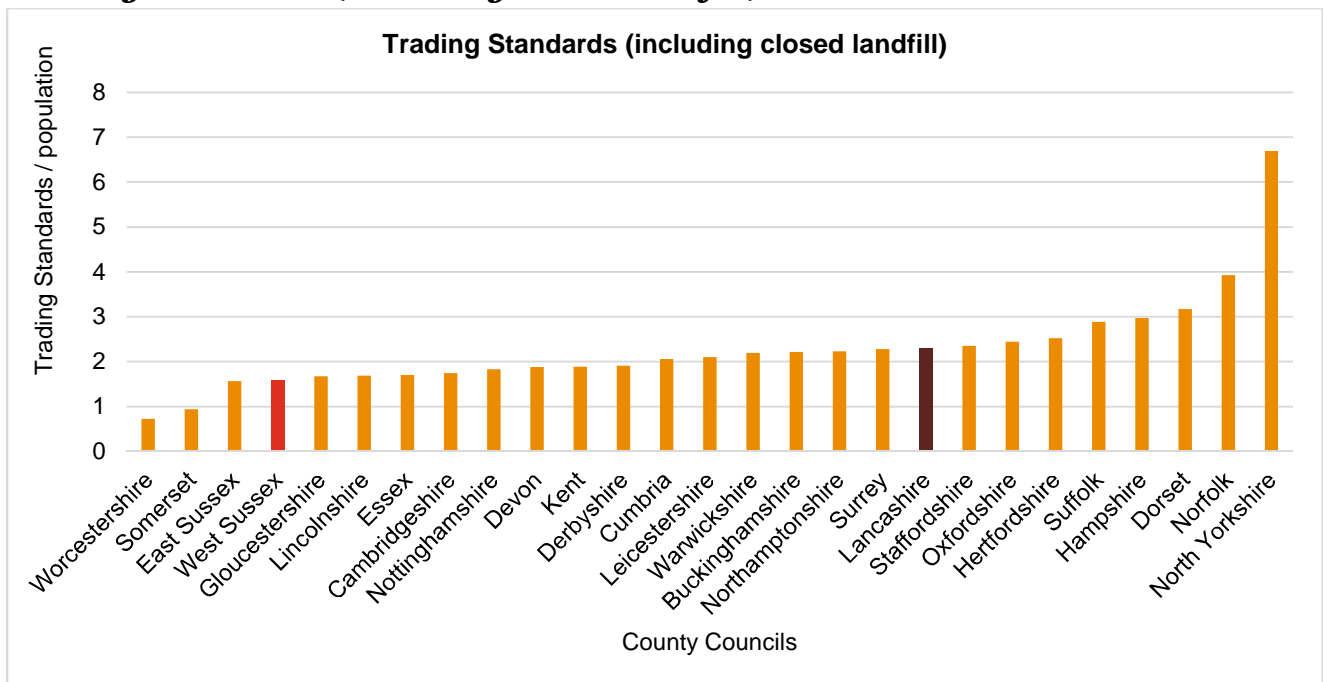
Public Health



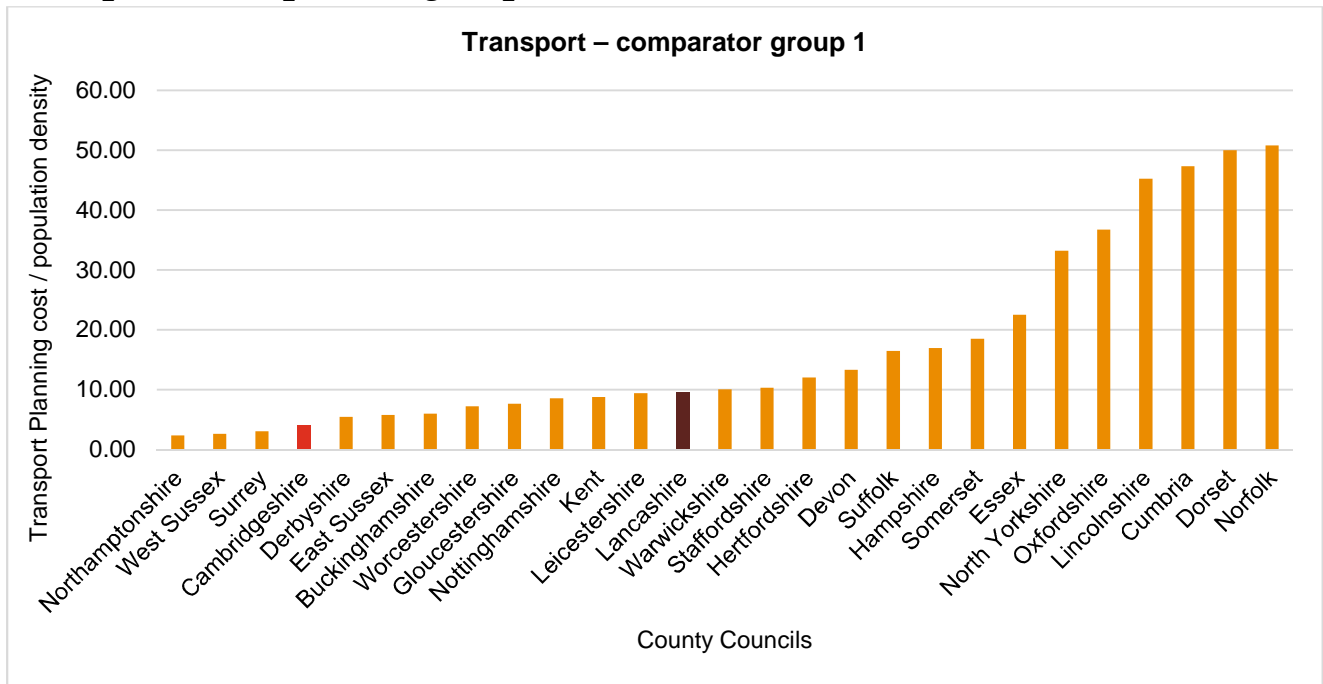
Street Lighting



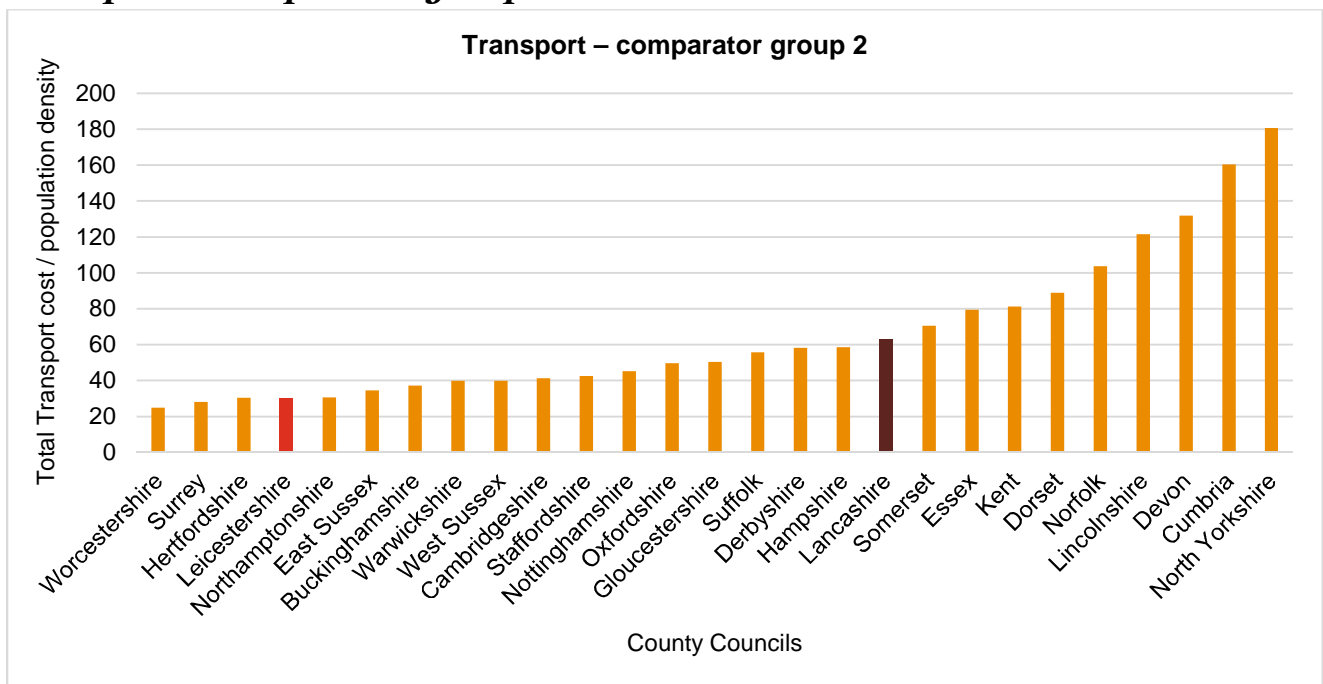
Trading Standards (including closed landfill)



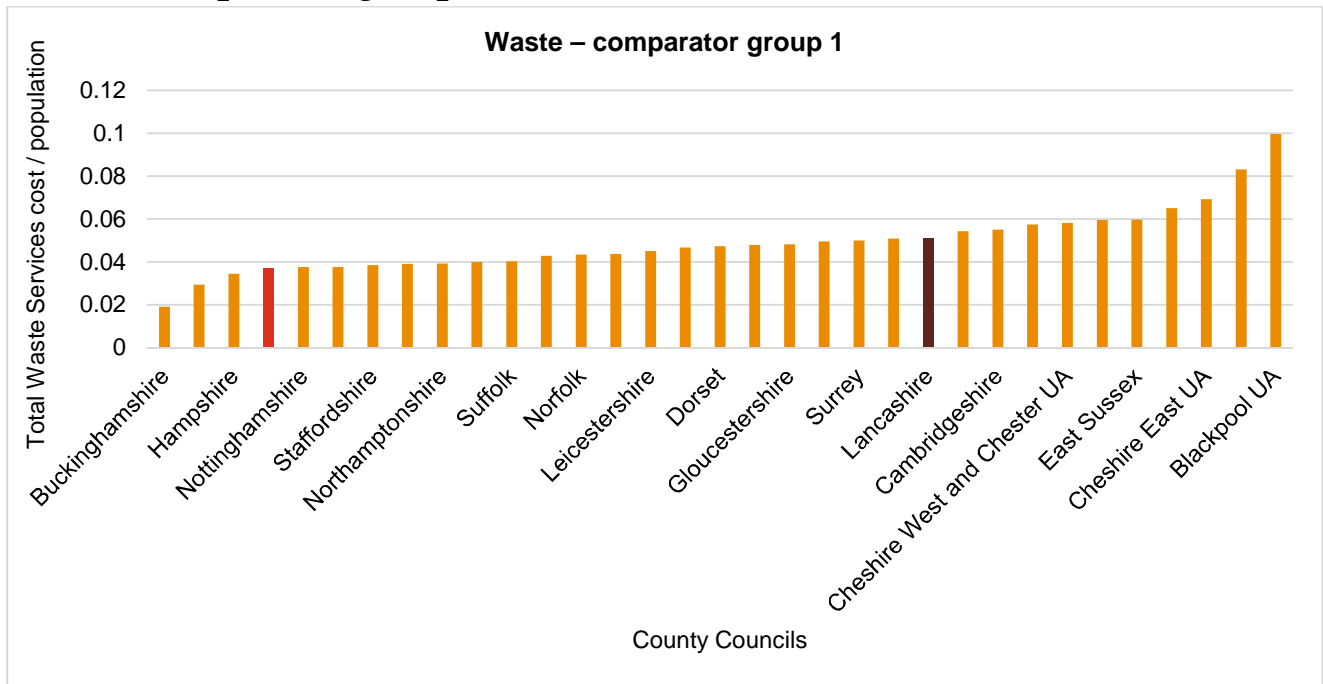
Transport – comparator group 1



Transport – comparator group 2



Waste – comparator group 1



Appendix F – Service specific income – comparator groups

The table below displays LCC's comparative service specific income position. Please note that income is calculated as a % of expenditure.

Service area	LCC income (2016/17) (£m)	Highest comparator	Comment
Adults' Social Care	140	N/A	Income comparator analysis showed Lancashire as having the highest income recovery rate (excluding comparators that were felt to be not applicable)
Children's Social Care	3.78	N/A	Income comparator analysis showed Lancashire as having similar income recovery rate (excluding comparators that were felt to be not applicable). Within the context of Children's Social Care in LCC the income level has been maintained.
Corporate Services	37.5	N/A	Income comparator analysis not completed, as comparator income levels not available within RO returns.
Cultural Services (excluding Libraries)	1.22	Highest income for Museums is Worcestershire at a 55% recovery rate of gross expenditure compared to 20% for Lancashire. For Heritage the highest income is Leicestershire at 38%, Lincolnshire 28% and then the other comparators sit in the range 1-8% compared with Lancashire's 1%. The highest comparator income for Archives is Worcestershire at 54%, and then Derbyshire 20% and Lancashire 4%.	Income remains same as LCC provided figure due to wide variation in comparator recovery rates making benchmarking unreliable.
Cultural Services (including Libraries)	3.09	Worcestershire has the highest comparator income at a recovery rate of 12% of gross expenditure, compared to 4% for Lancashire.	
Education	8.54	N/A	Income comparator analysis showed Lancashire not significantly out of line with other authorities. Income levels maintained at the same level to reflect the potential reduction in expenditure in Education (see Table 16).
Estates	4.03	N/A	Income comparator analysis not completed, as comparator income levels not available within the RO submissions.
Highways	4.96	N/A	Income comparator analysis showed Lancashire as having

Service area	LCC income (2016/17) (£m)	Highest comparator	Comment
			the highest income recovery rate.
Miscellaneous	10.0	N/A	Income comparator analysis not completed due to definition of service areas on RO form.
Public Health	12.4	N/A	Income comparator analysis showed Lancashire as having a less than 1% recovery rate (in line with most comparators) – Any increase in recovery rate would be more than likely offset by planned Council savings in this area.
Planning & Economic Development	0.269	Highest comparator for Emergency Planning had a 39% recovery compared with 2% for Lancashire. Highest comparator for Planning – Warwickshire. Warwickshire had a recovery rate of 34% of gross expenditure compared to 19% for Lancashire.	
Street Lighting	0.4	Lincolnshire at a recovery rate of 10% of gross expenditure compared to 7% for Lancashire.	
Trading Standards	0.7	Suffolk at a recovery rate of 32% of gross expenditure compared to 26% for Lancashire.	
Transport	19.6	N/A	Income comparator analysis showed Lancashire as having the highest income recovery rate (excluding comparators that were felt to be not applicable).
Waste – comparator group 1	10.0	Staffordshire at a recovery rate of 29% of gross expenditure compared to 13% for Lancashire.	

Appendix G – Service specific income – comparator analysis

Recoveries																	
	Lancashire CC	Lancashire CC	Nottinghamshire CC	Staffordshire CC	Derbyshire CC	Cumbria CC	Northamptonshire CC	Kent CC	Warwickshire CC	Worcestershire CC	Gloucestershire CC	Essex CC	Suffolk CC	Lincolnshire CC	Norfolk CC	Leicestershire CC	North Yorkshire CC
Revenue Outturn Category 2014-15	Expenditure £'000	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Total Education Services	953,175	3	4	2	4	5	6	3	3	5	3	2	4	2	5	4	2
Total Highways and Transport Services	122,385	30	12	12	8	9	13	15	16	12	22	12	12	5	13	13	13
Total Children Social Care	153,616	0	0	1	0	1	0	1	1	1	2	0	1	1	0	0	0
Total Adult Social Care	444,184	17	13	13	15	22	14	14	15	11	14	13	13	32	16	17	17
Total Public Health	57,064	0	0	2	0	2	0	0	0	2	0	0	0	0	0	0	0
Total Housing Services (GFRA only)	131	0	0	0	0	0	0	2	2	96	66	12	1	0	2	2	0
Total Cultural, Environmental, Regulatory and Planning Services	131,181	12	14	17	8	4	10	5	15	11	6	4	18	5	9	10	7
Total Central Services	182,239	27	11	7	30	10	13	10	6	20	11	5	7	4	12	16	21
Total	2,043,975	10.	7.6	6.3	8.6	9.2	7.9	6.5	7.4	8.1	8.1	5.9	7	9.9	7.8	9.1	6.6

Appendix H – Macro income comparator analysis

The section below displays the comparator analysis undertaken for a number of LCC income sources.

Combined income

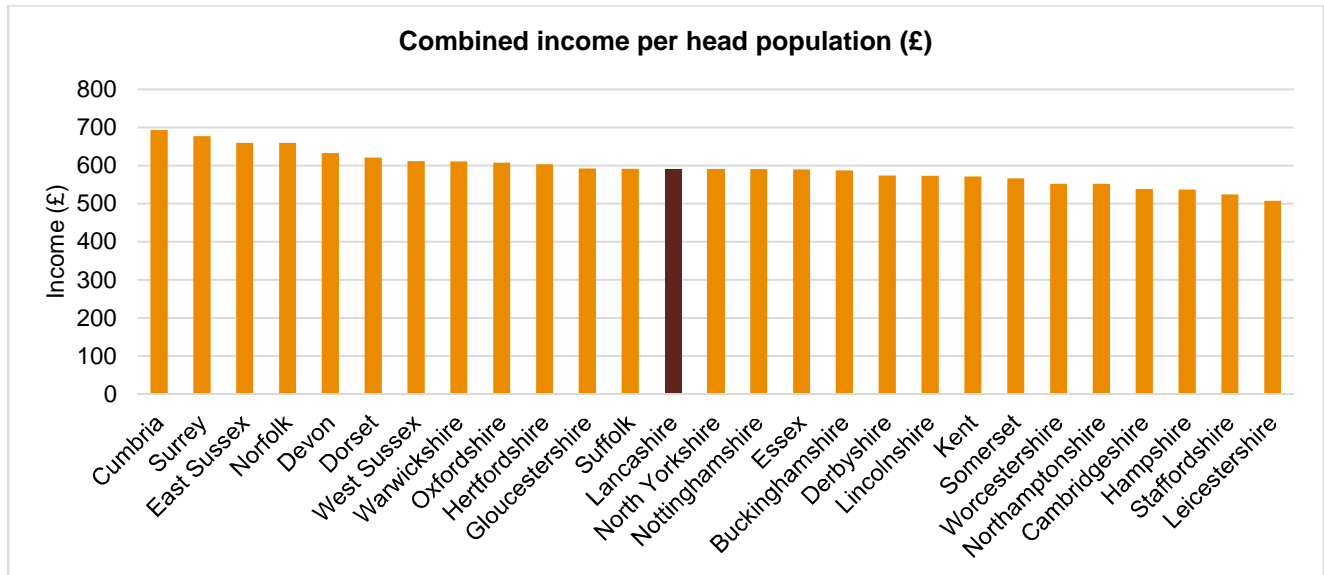
The analysis below compares Lancashire's income from three different sources (NNDR, Council Tax and Revenue Support Grant) with 26 other Shire Counties.

Local authority	Total population (thousands)	Combined income (Council Tax, Rate Retention Scheme and Revenue Support Grant)	Combined income (Council Tax, Rate Retention Scheme and Revenue Support Grant) per head population
Cumbria	498	0.345	694
Surrey	1,169	0.792	678
East Sussex	544	0.359	660
Norfolk	885	0.584	660
Devon	773	0.489	633
Dorset	421	0.261	621
West Sussex	836	0.512	612
Warwickshire	554	0.338	611
Oxfordshire	678	0.412	607
Hertfordshire	1,166	0.703	603
Gloucestershire	617	0.366	593
Suffolk	742	0.439	591
Lancashire	1,192	0.704	591
North Yorkshire	602	0.356	591
Nottinghamshire	806	0.476	591
Essex	1,443	0.852	590
Buckinghamshire	528	0.310	587
Derbyshire	782	0.449	574
Lincolnshire	737	0.422	573
Kent	1,525	0.871	571
Somerset	545	0.309	566
Worcestershire	579	0.319	552
Northamptonshire	723	0.399	552
Cambridgeshire	647	0.348	538
Hampshire	1,353	0.727	537
Staffordshire	863	0.452	524
Leicestershire	675	0.343	508

The diagram on the following page compares Lancashire’s income from three different sources (NNDR, Council Tax and Revenue Support Grant) with 26 other Shire Counties.

Rate Retention Scheme

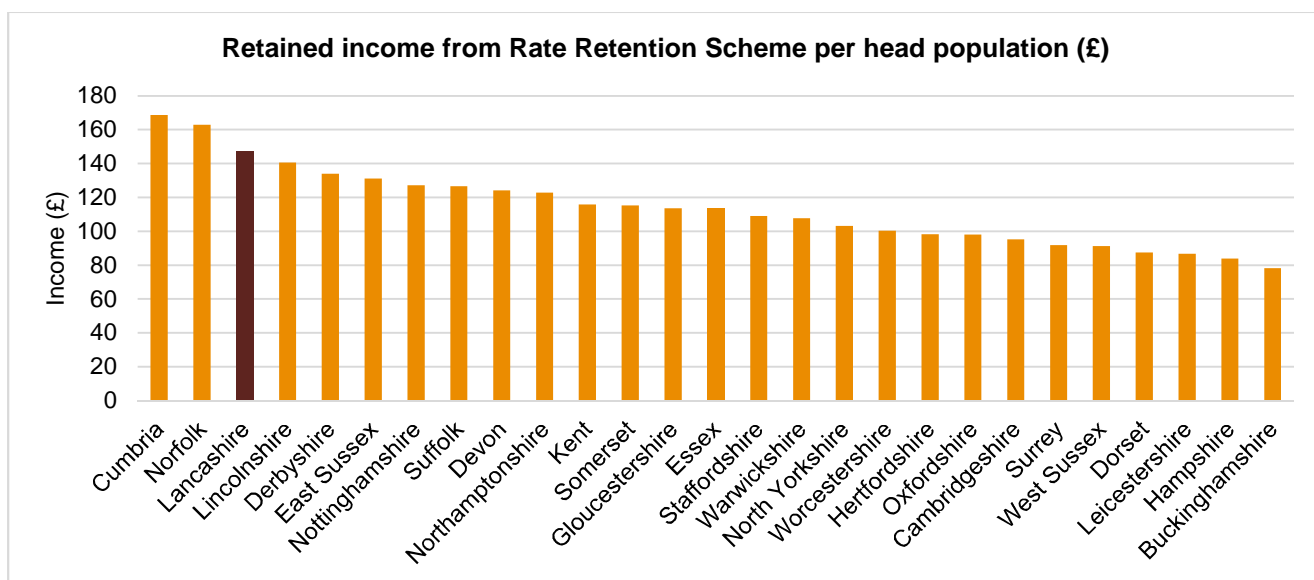
The analysis below compares Lancashire’s NNDR income with 26 other Shire Counties.



Local authority	Total population (thousands)	Retained income from Rate Retention Scheme	Retained income from Rate Retention Scheme per head population
Cumbria	498	0.084	169
Norfolk	885	0.144	163
Lancashire	1,192	0.176	147
Lincolnshire	737	0.104	141
Derbyshire	782	0.105	134
East Sussex	544	0.071	131
Nottinghamshire	806	0.102	127
Suffolk	742	0.094	127
Devon	773	0.096	124
Northamptonshire	723	0.089	123
Kent	1,525	0.177	116
Somerset	545	0.063	115
Gloucestershire	617	0.070	114
Essex	1,443	0.164	113
Staffordshire	863	0.094	109
Warwickshire	554	0.060	108
North Yorkshire	602	0.062	103
Worcestershire	579	0.058	100
Hertfordshire	1,166	0.115	98
Oxfordshire	678	0.066	98

Local authority	Total population (thousands)	Retained income from Rate Retention Scheme	Retained income from Rate Retention Scheme per head population
Cambridgeshire	647	0.062	95
Surrey	1,169	0.107	92
West Sussex	836	0.076	91
Dorset	421	0.037	88
Leicestershire	675	0.059	87
Hampshire	1,353	0.113	84
Buckinghamshire	528	0.041	78

The diagram below compares Lancashire’s NNDR income comparative position.



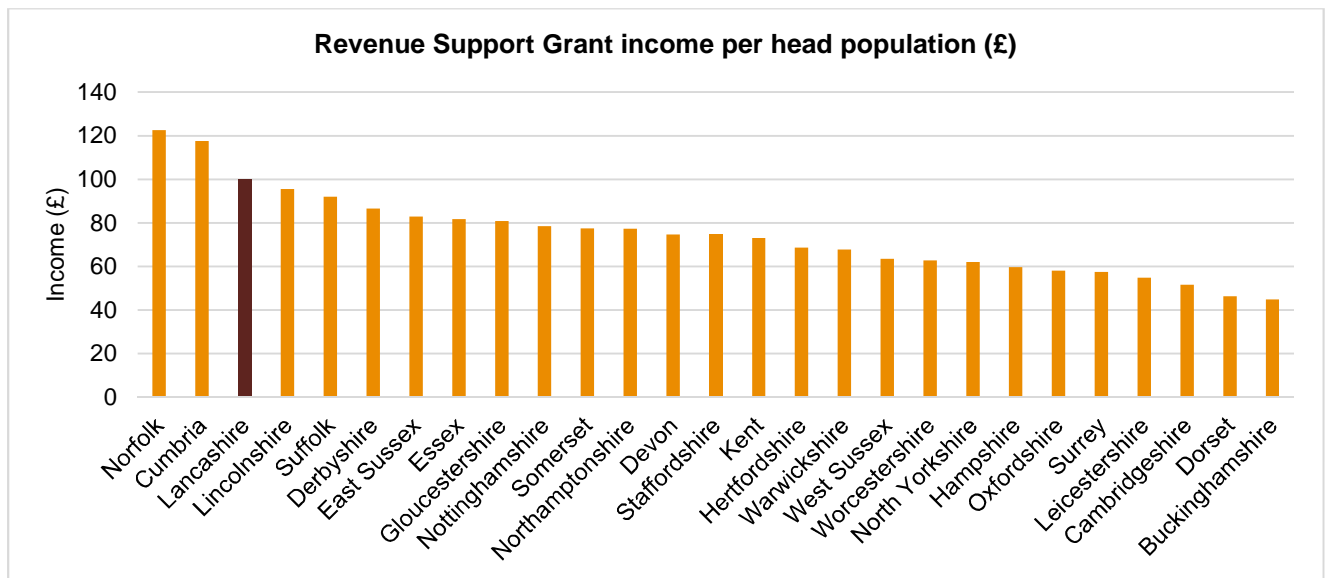
Revenue Support Grant

The analysis below compares Lancashire’s Revenue Support Grant income with 26 other Shire Counties.

Local authority	Total population (thousands)	Revenue Support Grant	Revenue Support Grant per head population
Norfolk	885	0.109	123
Cumbria	498	0.059	118
Lancashire	1,192	0.119	100
Lincolnshire	737	0.070	95
Suffolk	742	0.068	92
Derbyshire	782	0.068	87
East Sussex	544	0.045	83
Essex	1,443	0.118	82
Gloucestershire	617	0.050	81
Nottinghamshire	806	0.0634	78
Somerset	545	0.042	77

Local authority	Total population (thousands)	Revenue Support Grant	Revenue Support Grant per head population
Northamptonshire	723	0.056	77
Devon	773	0.058	75
Staffordshire	863	0.064	75
Kent	1,525	0.111	73
Hertfordshire	1,166	0.080	69
Warwickshire	554	0.038	68
West Sussex	836	0.053	63
Worcestershire	579	0.036	63
North Yorkshire	602	0.037	62
Hampshire	1,353	0.081	60
Oxfordshire	678	0.039	58
Surrey	1,169	0.067	57
Leicestershire	675	0.037	55
Cambridgeshire	647	0.033	52
Dorset	421	0.019	46
Buckinghamshire	528	0.024	45

The diagram below compares Lancashire's Revenue Support Grant income with 26 other Shire Counties.

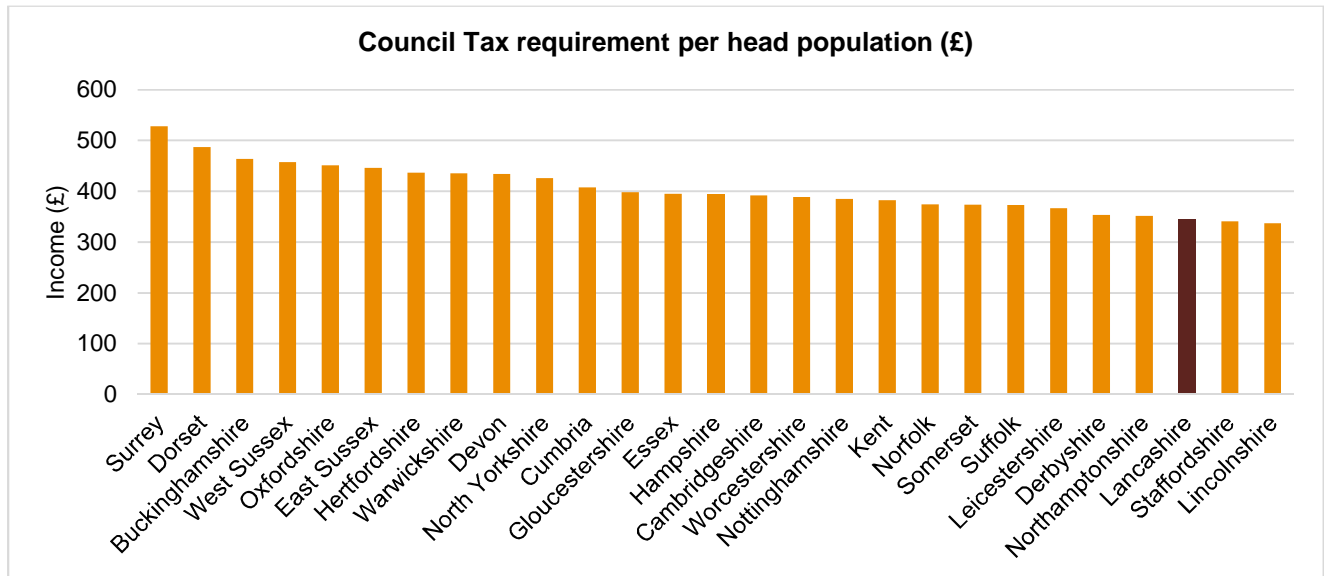


Council Tax

The table below compares Council Tax income with 26 other Shire Counties.

Local authority	Total population (thousands)	Council Tax requirement	Council Tax requirement per head population
Surrey	1,169	0.617	528
Dorset	421	0.205	487
Buckinghamshire	528	0.245	464
West Sussex	836	0.382	457
Oxfordshire	678	0.306	451
East Sussex	544	0.243	446
Hertfordshire	1,166	0.509	436
Warwickshire	554	0.241	435
Devon	773	0.336	434
North Yorkshire	602	0.257	426
Cumbria	498	0.203	407
Gloucestershire	617	0.246	398
Essex	1,443	0.570	395
Hampshire	1,353	0.533	394
Cambridgeshire	647	0.253	392
Worcestershire	579	0.225	389
Nottinghamshire	806	0.310	385
Kent	1,525	0.583	382
Norfolk	885	0.331	374
Somerset	545	0.204	374
Suffolk	742	0.277	373
Leicestershire	675	0.248	367
Derbyshire	782	0.277	354
Northamptonshire	723	0.254	352
Lancashire	1,192	0.410	344
Staffordshire	863	0.294	341
Lincolnshire	737	0.248	337

The diagram below compares Council Tax income with 26 other Shire Counties.



Band D equivalent properties per head of population

Current position	Total band D equivalent	Population	Total band D equivalent / population
Nottinghamshire	291,046	805,848	0.3612
Lincolnshire	266,166	736,665	0.3613
Northamptonshire	263,538	723,026	0.3645
Leicestershire	250,567	675,309	0.3710
Derbyshire	290,598	782,365	0.3714
Staffordshire	322,112	862,562	0.3734
Lancashire	445,081	1,191,691	0.3735
Cambridgeshire	247,019	647,238	0.3817
Norfolk	342,394	884,978	0.3869
Suffolk	291,088	741,895	0.3924
Kent	616,759	1,524,719	0.4045
Worcestershire	234,422	578,593	0.4052
Somerset	221,260	545,390	0.4057
Warwickshire	225,531	554,002	0.4071
Cumbria	203,296	497,996	0.4082
Gloucestershire	252,170	617,162	0.4086
Oxfordshire	278,066	677,810	0.4102
Essex	594,387	1,443,151	0.4119
Hampshire	564,910	1,353,043	0.4175

Current position	Total band D equivalent	Population	Total band D equivalent / population
Devon	328,209	773,077	0.4245
Hertfordshire	500,852	1,166,339	0.4294
East Sussex	235,949	544,064	0.4337
North Yorkshire	262,692	602,277	0.4362
West Sussex	365,560	836,256	0.4371
Buckinghamshire	236,343	528,400	0.4473
Dorset	194,021	420,585	0.4613
Surrey	554,462	1,168,809	0.4744

Appendix I – Breakdown of expenditure – LCC Base Budget Review

Base Budget Review reference figure	Service area	Gross expenditure 16/17 (£m)	Statutory gross expenditure 16/17 (£m)	Non-statutory gross expenditure 16-17 (£m)
1	Disability (Adults')	-8.33	-8.33	0
2	Older people's services	3.70	3.70	0
3	Carers Services	2.00	2.00	0
4	Commissioned Adult Social Care – Learning Disability Services	126	126.00	0
5	Operational Support	14.4	14.42	0
6	Physical Support	241	241.47	0
7	Prevention	7.76	7.76	0
8	Social Care Staff	19.4	19.4	0
9	Mental Health	42.9	42.9	0
10	Safeguarding (adults)	7.74	7.74	0
11	Adoption service	2.64	2.64	0
12	In-house fostering service	12.3	8.29	3.98
13	Overnight Short Breaks Unit	3.83	2.83	0
14	In House Residential	5.47	5.48	0.32
15	SCAYT+ (Supporting Carers & Young People Together)	0.692	0.52	0.17
16	YOT (Adoption, Fostering, Residential and YOT)	4.64	4.56	0.08
17	Children's Social Care Family Support	2.56	2.56	0
18	Children's Social Care Financial Assistance to Care Leavers	0.832	0.83	0
19	Children's Social Care (other)	0.289	0.29	0.24
20	Children's Social Care Placements	39.5	39.49	0
21	Children's Social Care – Social Work Teams	21.6	21.59	0
22	Safeguarding, inspection and audit	5.82	4.78	1.04
23	School improvement – Alternative and Complementary Education	0.063	0.06	0
24	School improvement – Children missing education and attendance	1.88	1.88	0

Statutory Services Budget Review (SSBR)

Base Budget Review reference figure	Service area	Gross expenditure 16/17 (£m)	Statutory gross expenditure 16/17 (£m)	Non-statutory gross expenditure 16-17 (£m)
25	Schools improvement – early years teacher team	0.445	0.07	0.37
27	School improvement – pupil access	1.11	1.11	0
28a	School improvement – schools advisory service	3.94	3.59	0.35
28b	School improvement – learning improvement		Consolidated into budget info for 28a	
29	SEND Service	14.6	13.39	1.18
30	Public Service Area Integration	0.5852	0	0.58
31	Asset management buildings, property review and development	19.2	18.95	0.24
32	Asset Management Highway	8.98	2.55	6.42
33	Provision planning	0.394	0.39	0
34	Corporate Finance	7.09	7.09	0
35	Exchequer Services	5.05	3.50	1.55
36	Financial management (development and schools)	0.418	0.62	-0.21
37	Financial management (operational)	2.00	2.00	0
38	Internal Audit	0.735	0.56	0.18
39	Coroners Service	2.30	2.30	0
40	Democratic services (excluding grants)	1.60	1.36	0.24
41	Legal services	8.67	8.67	0
42	Office of the Police and Crime Commissioner Treasurer	0.081	0.08	0
43	Policy, Information and Commissioning (Including Business Intelligence and Equality and Cohesion Team)	3.78	2.10	1.68
44	Procurement	1.99	1.59	0.40
45	Core Business Systems/Transformation (BTLS) – ICT , Payroll and Rev & Benefits	19.8	19.83	0
46	Core Business Systems/Transformation (non BTLS)	3.21	2.51	0.70
47	Design and Construction Buildings	6.81	3.85	2.96
48	Design and Construction Buildings Highways	-0.728	-0.75	0.02
49	Estates Land Not in Operational Use	2.27	1.65	0.62
50	Building Cleaning	0.772	1.05	-0.28

Base Budget Review reference figure	Service area	Gross expenditure 16/17 (£m)	Statutory gross expenditure 16/17 (£m)	Non-statutory gross expenditure 16-17 (£m)
51	FM – Buildings Accommodation/Buildings Accommodation – Youth	5.90	4.13	1.77
52	Health & Care Systems Development (H&CSD)	0.755	0	0.76
53	Skills, Learning & Development	5.12	3.87	1.25
54	Lancashire Adult Learning	5.94	0.00	5.94
55	Human Resources	1.43	1.35	0.08
56	Countryside Services	0.615	0	0.62
57	Environmental & Community Projects (part of Planning & Environment)	0.580	0	0.58
58	Local Transport Plan & Master planning	-0.299	-0.30	0
59	Planning	1.10	0.96	0.15
60	PROW – Public Rights of Way (part of Planning & Environment)	0.600	0.60	0
61	Rural (part of Planning & Environment)	0.400	0.40	0
62	Programme Office	2.11	0.00	2.11
63	Customer Access	4.05	N/A	N/A
64	Highway Development Control	0.845	0.84	0
65	Flood Risk Management	0.994	0.41	0.58
66	Highways Management	22.3	22.33	0
67	Highways Management – Operations Delivery	-4.80	-4.70	-0.10
68	Highway Regulation & Inspection	1.30	1.30	0
69	Severe Weather	4.11	4.11	0
71	Street Lighting	4.77	4.77	0
72	Traffic Signals	1.74	1.67	0.07
73	Cultural Services – Libraries	11.9	1.79	10.09
74	Cultural Services (excluding Libraries)	7.12	2.85	4.27
75	Fleet Services	-1.26	-0.63	-0.63
76	Public Transport	53.8	33.11	20.71
77	Integrated transport	21.3	17.45	3.88
79	Green Waste (non PFI)	0.407	0.41	0
80	Waste Management- Household Waste Recycling Centres	6.16	5.54	0.62

Statutory Services Budget Review (SSBR)

Base Budget Review reference figure	Service area	Gross expenditure 16/17 (£m)	Statutory gross expenditure 16/17 (£m)	Non-statutory gross expenditure 16-17 (£m)
81	Landfill – Disposal	29.6	29.57	0
82	Waste Management General	0.924	0.92	0
83	Waste Management – Waste PFI	36.9	25.81	11.06
84	Recycling & Cost Sharing	10.3	0.00	10.26
85	Waste Transfer Stations	1.83	1.51	0.32
86	Emergency Planning (part of Emergency Planning & Resilience)	0.626	0.63	0
87	Health, Safety and Quality (part of Emergency Planning & Resilience)	0.681	0.68	0
88	Health Protection (part of Emergency Planning & Resilience)	0.169	0.17	0
89	Health Equity, Welfare & Partnerships – Health Equity (Public Health) Element	1.38	0.43	0.95
90	Health Equity, Welfare & Partnerships – Partnerships element (except Road Safety)	1.14	0.12	1.02
91	Health Equity Welfare & Partnerships – Road Safety element	3.61	0.85	2.75
92	School Crossing Patrol service	-1.37	0	-1.37
93	Patient Safety & Quality Improvement	3.20	3.20	0
94	Closed Landfill	0.768	0.77	0
95	Scientific Services Environmental Testing (except Closed Landfill)	1.029	1.03	0
96a	Trading Standards – Fair Trading	2.57	0	0
96b	Trading Standards – Animal Health and Agriculture		Consolidated into budget info for 96a	
96c	Trading Standards – Food Standards			
96d	Trading Standards – NW Training			
96e	Trading Standards – Product Safety, Petroleum and Explosives			
96f	Trading Standards – Weights and Measures (Metrology)			
97	Wellbeing Prevention and Early Help Service – Public Health Children and Young People	7.01	4.61	4.38
98	WPEH Public Health- Health Checks and Wellness Commissioning	5.00	4.61	11.14
99	Public Health General (including PH Staffing and Consultants)	3.50	2.05	0.26

Base Budget Review reference figure	Service area	Gross expenditure 16/17 (£m)	Statutory gross expenditure 16/17 (£m)	Non-statutory gross expenditure 16-17 (£m)
100	Well Being Prevention and Early Help – Public Health – Sexual Health Commissioning	9.70	-0.54	0.85
101	Well Being Prevention and Early Help – Public Health Tobacco Control and Stop Smoking Services	2.77	6.66	0.08
102	WPEH – Public Health Substance Misuse	20.8	0.00	1.39
103	Wellbeing, Prevention and Early Help Service (WPEHS) Combined Offer	27.3	16.42	10.71
104	Business Growth	0.261	16.16	2.71
105	Strategic Economic Development	0,848	0	0.26
106	LEP Co-ordination	0.079	0	1.76
107	Directors and Executive Support	4.71	0	0.20
111	Supporting People	12.1	3.32	0.88
112	Member Grants	2.7	1.35	0.71
113	Facilities Management – Staff and Civic Catering in Colleges, Conferencing and Further Education	0.260	0	2.75
114	Lancashire Parking Services	1.76	0	-1.37
115	Employee Support (part of Emergency Planning & Resilience)	0.197	0	0
116	Welfare Rights Health Equity, Welfare & Partnerships	0.882	0	0
117	Communications	1.43	0	0
122	Business Support & Admin	-0.981	0.71	2.39
123	Educational Visits	0.093	-0.28	-0.70
124	Governor Services	-0.133	0.09	0
125	Lancashire Teaching Agency	-0.133	-0.02	-0.11
126	School Catering	0.382	0	-0.13
127	Graduate Teacher	0.265	0.74	-0.35
128	Lancashire Music Service	2.20	0	0.26
129	Learning Excellence	0.096	0	2.20
130	Outdoor Education	0.614	0	0.10
131	Recruitment, Retention & NQTs	0.052	0	0.61
132	SEND Traded Team	-0.607	0	0.05
Total		1,029	875	142

Appendix J – Differences in statutory definition

Service category	LCC statutory spend (£m)	PwC revised statutory spend (£m)	Rationale
Adults'	436	436	N/A
Children's	107	107	N/A
Corporate Services	91	89	Human Resources budget reduced to 50% statutory Policy, Information and Commissioning (Including Business Intelligence and Equality Cohesion Team) – services are non-statutory but support statutory services within the organisation, and so have reduced proportion of statutory services to 40% Statutory spend for Asset management reduced to 85%. No statutory requirement, but statutory work completed by team required to approve design proposals, strategy and record asset details, ensuring legislative compliance e.g. carbon reduction/energy certificates.
Cultural Services	5	8	The level of spend deemed as statutory in relation to the library service was felt to be too low and therefore the proportion of statutory spend has been increased.
Education	11	11	N/A
Estates	8	8	N/A
Highways	23	28	Amended to 80% statutory. Statutory assumption linked to street lighting energy contract increases, as there is a statutory requirement for street lighting service. Further information on contract terms and minimum requirements linked to health and safety required.
Miscellaneous	8	8	N/A
Planning & Economic Development	3	3	N/A
Public Health	58	59	N/A
Street Lighting	5	5	N/A
Trading Standards	4	4	N/A
Transport	50	43	Public transport – agree on the statutory element for concessionary travel and school transport, but could be lower than Council assessment. Further in-depth review of budget would be required. Reduced statutory element to 50% based on discussion with Head of Service to reflect revisions in contracts, and eligibility needs review.
Waste	64	53	Waste Management General – predominantly statutory but adjusted for non-statutory services element of management team. Assumed 90% statutory Waste PFI – adjusted to 60% following meeting with Head of Service to reflect savings from reducing staffing and contract revisions
Total	873	862	

Appendix K – Breakdown of non-statutory spend

Service category	LCC non-statutory spend (£m)	Comment
Adults'	11	There is a statutory duty to provide a number of services i.e. to assess and meet the assessed care and support needs of an individual. The level of provision of this duty depends on eligibility criteria which individual Councils can set. Initial observations suggest the relatively high cost of adult social care is due to the high numbers of people in residential homes.
Corporate Services	12	Councils do not have a direct statutory obligation to provide Corporate Services, but these services support the delivery of a number of Statutory functions. The interpretation of the level of provision required to fulfil statutory functions is contested.
Cultural Services	14	Councils have a statutory duty to provide a 'comprehensive and efficient library service' for all persons desiring to make use thereof', but the interpretation of this duty is contested. Cultural Services also includes Registrars, Museums and Archives which are predominantly considered to be non-statutory.
Public Health	36	Public health contains a number of statutory functions, but the interpretation of these duties are contested. Public Health is also linked to reducing demand for other social care services. LCC is the highest spender in its comparator group. It is possible that one reason is that LCC delivers children's prevention and early help services under public health. In our experience this is unusual and it appears that no other county in the comparator group operates this way. However, we do not have access to other counties' budgets to confirm where the money sits, so further enquiry is needed.
Transport	24	This service contains a mixture of statutory and non-statutory elements. The level of provision is up for debate, based on interpretation of the statutory duties. It should be noted that in many instances these services are critically providing support to a statutory duty.
Waste	22	This service contains a mixture of statutory and non-statutory elements. The level of provision is up for debate, based on interpretation of the statutory duties. It should be noted that in many instances these services are critically providing support to a statutory duty.
Total	119	

Appendix L – Reserves breakdown

Reserve name	Opening balance as at 1 April 2015	In year changes	Closing balance as at 31 March 2016
	£m	£m	£m
Reserves held to meet spending pressures			
County Fund	(36.000)	0.000	(36.000)
Business Rates Volatility Reserve	(5.000)	5.000	0.000
	(41.000)	5.000	(36.000)
Reserves held to deliver corporate priorities			
Strategic Investment Reserve	(21.391)	10.420	(10.971)
	(21.391)	10.420	(10.971)
Reserves held to deliver organisational change			
Downsizing Reserve	(80.606)	15.765	(64.841)
Risk Management	(82.020)	66.236	(15.784)
Transitional Reserve	0.000	(141.836)	(141.836)
	(162.626)	(59.835)	(222.461)
Reserves held to pay for expenditure commitments			
Election Reserve	(0.851)	(0.400)	(1.251)
Funding of Capital Projects	(12.503)	12.355	(0.148)
	(13.354)	11.955	(1.399)
Reserves held to meet service priorities			
YOT – General Youth Offending	(0.867)	(0.157)	(1.024)
Children's DFM* General	(3.698)	(2.205)	(5.903)
Former CYP Directorate Grant Funded	(5.327)	3.475	(1.852)
Contingency For Children's Social Care	(0.014)	0.014	0.000
Crime & Disorder	(1.636)	0.922	(0.714)
Fulwood High School PFI reserve	(1.084)	0.070	(1.014)
Building Schools for the Future Wave 1 PFI reserve	(5.750)	(0.561)	(6.311)
LSCB Reserve	0.000	(0.449)	(0.449)
Exhibitions Reserve	(0.052)	0.052	0.000
Museum Acquisition Fund	(0.072)	0.070	(0.002)
Archives Development Fund	(0.003)	0.003	0.000
Queen Street Steam Engine Repair Fund	(0.236)	0.032	(0.204)
Lancaster City General Acquisitions Fund	(0.011)	0.003	(0.008)

Reserve name	Opening balance as at 1 April 2015	In year changes	Closing balance as at 31 March 2016
	£m	£m	£m
Lancashire Adult Learning HQ General	(0.365)	(0.064)	(0.429)
Arts Development Fund	(0.024)	0.024	0.000
Adults – Early Intervention	(4.757)	4.757	0.000
Adults Grant Funded	(2.837)	2.300	(0.537)
Adult Social Care – Transition	(1.365)	(2.639)	(4.004)
Health Services	(7.924)	3.824	(4.100)
Extra Care Fund Reserve	(3.000)	3.000	0.000
Better Care Fund Reserve	(4.368)	3.000	(1.368)
Lancashire Road Safety Partnership	(0.767)	0.767	0.000
Roundabout Sponsorship Income	(0.231)	0.183	(0.048)
Improved Outcomes Partnership	(0.137)	0.080	(0.057)
UK & Ireland Civinet Network	(0.055)	0.025	(0.030)
Waste PFI Compensation Payments Reserve	(0.387)	(0.095)	(0.482)
Equipment Renewal Reserve	(0.801)	0.470	(0.331)
Joint Service Needs Assessment Reserve	(0.104)	0.000	(0.104)
Multi Agency Data Exchange Reserve	(0.045)	(0.006)	(0.051)
Parking Reserve Fund	(0.690)	0.546	(0.144)
Building Design & Consultancy Reserve	(0.097)	0.077	(0.020)
NoW Card Renewal	(0.380)	(0.020)	(0.400)
Energy Surveys	(0.109)	0.043	(0.066)
Priorities Contingencies Reserve	(0.235)	0.225	(0.010)
Waste Plant Rectification	(20.000)	12.500	(7.500)
Finance & Information DFM General	(0.335)	0.275	(0.060)
Former OCE General Reserve	(0.727)	0.000	(0.727)
Former OCE DFM General	(0.378)	0.378	0.000
Economic Development Reserve	(0.493)	0.466	(0.027)
Lancashire Enterprise Partnership (LEP) Reserve	(1.179)	(0.374)	(1.553)
City Deal	(6.951)	6.951	0.000
Development Services Reserve	(2.964)	2.964	0.000
Champions Funds	(0.004)	0.001	(0.003)
Vehicle Excess Reserve – LCC	(0.259)	0.259	0.000
Buildings Repair & Renewals Reserve	(1.103)	1.103	0.000
Corporate DFM Schemes	(0.315)	(1.515)	(1.830)

Reserve name	Opening balance as at 1 April 2015	In year changes	Closing balance as at 31 March 2016
	£m	£m	£m
Local Member & Gateway Grant	(0.059)	(0.024)	(0.083)
Public Health Grant Reserve	(6.215)	5.587	(0.628)
School Catering Repair And Maintenance	(1.878)	0.135	(1.743)
Civic Catering Repair And Maintenance	(0.039)	0.039	0.000
	(90.327)	46.511	(43.816)
Schools Reserves			
Individual Schools Reserves	(56.374)	2.661	(53.713)
Other Schools Reserves	(33.517)	7.419	(26.098)
Centrally managed PROP Schools Maintenance Reserve	(6.061)	(0.149)	(6.210)
	(95.952)	9.931	(86.021)

Appendix M – Service specific expenditure – average county comparator

Expenditure

In addition to the comparator analysis undertaken in the main report, further benchmarking was undertaken. The second comparator group compares LCC (based upon gross expenditure for 2016/17) against the average across all county councils comparator groups and compares the highest spend comparator or the highest spend authority within the lower quartile.

LCC 2016/17 budgeted gross expenditure v highest of the average county comparator

(£m)	2016/17 (base position)	2016/17 (based on comparators)	Difference	% Difference
Gross Expenditure	1,059	958	101	10

Impact on service area gross expenditure of aligning to the average county comparator

Service area	Reduction in expenditure to comparator group spend £m	Planned council savings for this service in 2016/17 £m	Planned council savings for this service in 2017/18	'Gap' to lowest quartile comparator for the service area after savings	% difference from comparator after savings (based on 2016/17 budget)
Adults Social Care	54.6	10.5	18.6	25.7	12
Children's Social Care	0	0.3	0.2	-0.5	n/a
Corporate Services*	0	6.4	3.0	-9.4	n/a
Cultural Services	0.4	2.6	2.5	-4.7	n/a
Education	14.1	0	1.0	13.1	25
Estates	0	0.2	5.1	-5.3	n/a
Highways	5.5	1.4	1.0	3.1	15
Misc.	0	0	0.7	-0.7	n/a
Planning & Economic Development	0	1.1	0.0	-1.1	n/a
Public Health	18.1	4.8	8.7	4.6	24
Street Lighting	0	0	0.5	-0.5	n/a
Trading Standards	0.4	0	0	0.4	9
Transport	0	1.1	0	-1.1	n/a
Waste	8.0	18.0	1.5	-11.5	n/a
Total	101.1	46.4	42.8	11.9	1%



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