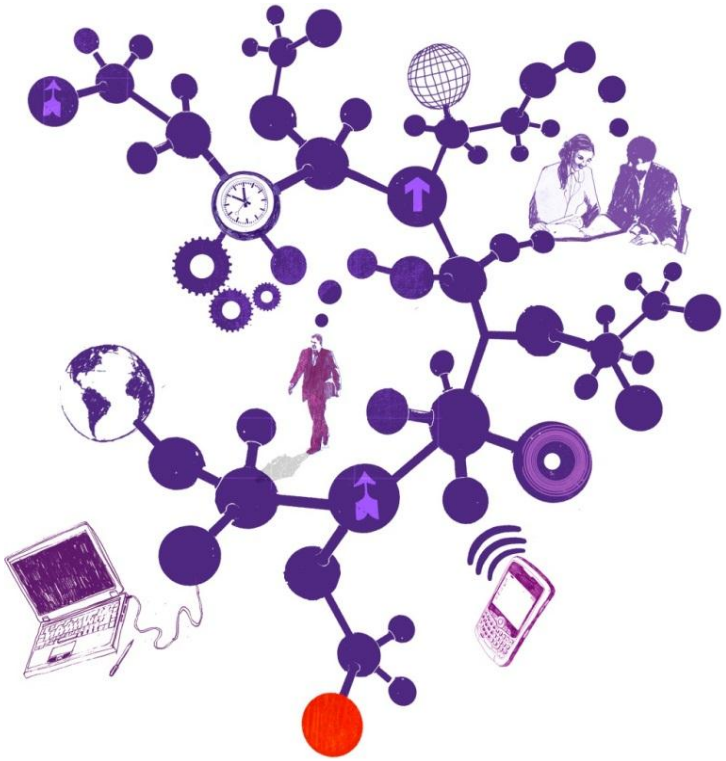
APPENDIX A

Lancashire County Council
Review of the Council's Arrangements for Securing Financial Resilience

Year ended 31 March 2013

September 2013



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Our approach

Value for Money Conclusion

Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if the Council has proper arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. We have carried out our work in discussion and agreement with officers.

The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow. Our overall conclusion is that the Council has adequate arrangements in place for securing financial resilience.

We have used a red/amber/green (RAG) rating with the following definitions.

Green	**Arrangements meet or exceed adequate standards**. Adequate arrangements identified and key characteristics of good practice appear to be in place.
Amber	**Potential risks and/or weaknesses**. Adequate arrangements and characteristics are in place in some respects, but not all. Evidence that the Council is taking forward areas where arrangements need to be strengthened.
Red	**High risk**: The Council's arrangements are generally inadequate or may have a high risk of not succeeding

Executive Summary

National and Local Context

National Context

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920s. Revenue funding to local government was to reduce by 19% by 2014/15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions were frontloaded, with 8% cash reductions in 2011/12. This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015/16 and 2016/17. In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013/14 and 2014/15. Whilst health and schools will be continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions. The Department for Communities and Local Government will contribute £470m of these additional savings, £445m of which will come from local authority funding during 2014/15, with local authorities being exempt from additional savings in 2013-14. In his March 2013 Budget the Chancellor announced further departmental 1% savings during each of 2013/14 and 2014/15. The NHS and schools remain protected, but police and local government will need to find an additional 0.5% over both years.

The next spending round period, 2015/16, was announced by the Chancellor on 26 June 2013. Local government will face a further 10% funding reduction for this period.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015/16 and 2016/17. Financial austerity will therefore continue until at least 2017.

Local Context

The Lancashire County Council area of 3,070 square kilometres has a population of some 1.46 million people.

It's county wide economy of £23.5 billion per annum represents 19% of the North West Regional economy. Across the 14 Lancashire districts economic well being as measured by Gross Value Added (GVA) is only 77% of the UK national average. In addition, the County has pockets of severe social and economic deprivation with six of the Lancashire authorities being in the top 50 most deprived in England.

The County Council's spend in 2011/12 was £1,385 per head of population. Compared with the County Council average of £1,223 per head, this was amongst the highest 5% in its benchmark group. This is a reflection of the levels of deprivation in some parts of the county and also the Council's engagement with a range of partner bodies to promote economic regeneration across Lancashire.

The Council recognises that it faces significant financial challenges going forward. The latest estimate shows it needs to reduce its annual budget by some £300m over the next 4 years to March 2017. This equates to 38% of current spending levels.

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Executive Summary

Risk area	Summary observations	High level risk assessment
Key Indicators of Performance	• Overall, the Council has performed well. • The Council has a healthy balance sheet and the County Fund balance of £36m is in line with the county Treasurer's advice. • The Council's working capital ratio has decreased over time. However, this reflects the Council's use of short term borrowing to manage liquidity and fund capital expenditure. In addition, the Council has had a strategy of moving its investments into gilts which tend to have long term maturity dates but are, nonetheless, relatively liquid assets. • The level of long term debtors in the balance sheet is high. This is because the Council has undertaken significant schemes under Private Finance Initiatives, for example in waste management. • Sickness absence levels are in line with the Council's comparator authorities. The Council has reduced sickness absence by 22% over the last 5 years. Regular sickness absence reports are prepared and overall sickness absence management arrangements appear to be working effectively	Green
Strategic Financial Planning	• The Council has a strong track record in delivering against its budget. • It has successfully taken some £217m out of the Council's cost base over the course of the current three year budget through a mix of efficiency and policy measures. In doing so, the Council has looked to protect the level and quality of services provided to residents. • Looking ahead, the Council estimates the need to take a further £300m out of its annual budget over the 3 years to March 2017. • In doing so, it starts from a comparatively healthy position. Useable reserves have been set aside to meet the costs of downsizing and fund a range of 'invest to save' schemes to help achieve more economic, efficient and effective service delivery. • However, members will need to make tough choices on the nature and level of service provision in line with corporate priorities if the Council is to maintain it's sound financial position through to March 2017.	Green
Financial Governance	• The Council has a robust approach to financial and performance management. • It has established a good record in delivering against savings plans despite pressures on spend in demand led services. As a result, it achieved a £12.9m revenue budget under-spend in 2012/13 and has delivered the savings plans agreed in the three year budget to March 2014. • Proactive management of delegated schools balances means only 27 schools have a deficit at the end of 2012/13 and some £0.28m has been clawed back from schools with 'excessive' balances in agreement with the schools forum. • Financial reports to members are provided on a regular basis. They are timely, clear and concise.	Green

Executive Summary

Risk area	Summary observations	High level risk assessment
Financial Control	• The Council had generally sound arrangements in place to ensure financial control during 2012/13. • However, weaknesses in the overall framework have recently been identified in relation to procurement and some aspects of good governance. Work is underway by the Council to investigate these issues. • The Council's has been working over recent years to improve the control environment and has made good progress. • In 2012/13, the Head of Internal Audit concluded the Council has a generally sound system of internal control. However, she provided no or limited assurance about operation of controls in 48% of the review she undertook. Whilst we acknowledge that the audit plan, and therefore the focus of internal audit work, is on those areas management consider to be high risk, we are pleased to see that management team has recognised the need for further and faster improvement in the application of controls. • There is scope to strengthen the controls framework around the Council's treasury management function, including developing and maintaining Treasury Management Practice documents which clearly define processes and responsibilities. • The Council should consider the risk management arrangements it needs to have in place to: -obtain positive assurances that all significant service and corporate risks are being properly identified, evaluated and managed; - provide a basis for more effective challenge on the adequacy of arrangements for managing specific service based and corporate risks.	Amber

Next steps

The key points for consideration are:

1. Consistent with the corporate priorities, members and officers need to work together to develop the three year budget to 31 March 2017 in:

- considering budget options and trade offs that need to be made in finalising the 'service offer' to the public;
- implementing the step changes that will inevitably be required in the way the Council delivers services.

2. Strengthen the controls framework around the Council's treasury management function, including developing and maintaining Treasury Management Practice documents which clearly define processes and responsibilities and strengthen compliance arrangements.

3. Determine the risk management arrangements needed to provide members with positive assurances all significant service and corporate risks are being properly identified, evaluated and managed. This should then provide a basis for more effective challenge on the adequacy of arrangements for managing specific service based and corporate risks.

4. Investigate the weaknesses in procurement and good governance that have recently been identified and consider the further action needed.

5. Ensure appropriate arrangements are in place to strengthen the internal control framework .

Key Indicators

Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:

- Working capital ratio
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Sickness absence levels
- Out-turn against budget
- Useable Reserves: Gross Revenue Expenditure
- Schools Reserves - Balances to DSG allocations

We have used the Audit Commission's nearest neighbours benchmarking group comprising the following authorities:

Derbyshire County Council
Warwickshire County Council
Lincolnshire County Council
Somerset County Council
Cumbria County Council
Norfolk County Council
Leicestershire County Council
Hampshire County Council
Kent County Council
Staffordshire County Council
Gloucestershire County Council
Warwickshire County Council
Essex County Council
LANCASHIRE COUNTY COUNCIL
Nottinghamshire County Council
Northamptonshire County Council

Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Reserve Balances	• The Council has a healthy balance sheet. The County Fund balance stood at £36m at 31 March 2013 which is in line with the County Treasurer's advice to members. This balance provides contingency for the Council. • The Council also has an adequate level of earmarked reserves, broadly in line with the current three year budget. • The need for specific earmarked reserves is subject to a risk management and member approval process. As a result, reserves have been established to support strategic investment, service transformation and downsizing going forward. • These reserves will assist the Council in delivering the £300m of savings likely to be needed in the next three year budget.	Green
Performance Against Budgets: revenue & capital	• The Council has been successful in delivering in line with its current three year budget. • This plan required the Council to make significant savings over the life of the plan. A signficiant proportion of the savings have been made on a recurrent basis earlier than expected. • In 2012/13 the Council achieved a £12.9m underspend on its 2012/13 revenue budget. This has been achieved because of the early realisation of planned savings together with the planned use of some reserves and provisions. The underspend has been delivered despite the pressures on spend in respect of some demand led services. • Capital spend in 2012/13 was £139.4m compared with a budget of £143.8. The Council is continuing its actions to manage down the level of slippage but this continues to be a challenge.	Green
Schools Balances	• The Council has sound arrangements in place to monitor schools financial performance and to provide assistance and advice as necessary to schools which are at risk of running into financial difficulty. • Only 27 schools were in deficit at year end. • The Council, working with the schools forum, has also identified £0.28m of balances to be clawed back from schools with balances assessed as excessive. The Council follows Department for Education guidance in making these assessments. • School balances of £51.5m as a ratio of DSG allocation in year is in line with the average for its comparator group.	Green

Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Workforce	• The Council has reduced its sickness absence levels significantly over the last few years. It has fallen from an average of 9.23 days per WTE in 2007/08 to 7.15 days by 2011/12. This equates to a 22% reduction over 5 years. • The level of sickness absence is now below the average for local government of 8 days and for the public sector more broadly of 7.9 days. • Regular sickness absence monitoring reports are produced and considered.	Green

Strategic Financial Planning

Key characteristics of good strategic financial planning

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc.
- Annual financial plans follow the longer term financial strategy.
- There is regular review of the MTFP and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed stress testing on its model using a range of economic assumptions including CSR.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.

Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
Focus of the financial strategy	• The current three year budget covers the period to 31 March 2014 and provides the overall financial framework. • The budget is based on a sound financial model. • It was built up from the Council's corporate priorities and took account of the impact of internal and external factors including the reduction in central government funding, legislative changes and the economic climate. • The three year budget also covers the capital programme. • A new three year budget is under development. Work is on going to ensure the Council's financial strategy, expressed through this budget, reflects the need to save an estimated £300m over the it's life.	Green
Adequacy of planning assumptions	• The planning assumptions applied in the current three year budget are reasonable. • Going forward, the Council has made overall assumptions about the key financial drivers like central government funding, the impact of pay and price inflation, the impact of the revaluation of the pension fund, and the impact of costs of borrowing and the minimum levels of reserves required. • Work is also underway to develop reliable assumptions that can be applied to the budget for demand led service areas. • The Council has therefore identified a need to make savings of some £300m by 2017. • The savings assessment has been subject to risk assessment and sensitivity analysis based on the assumptions applied. • Work is now underway to identify how savings will be made at a corporate and service level.	Green
Scope of the MTFS and links to annual planning	• The current three year budget has been developed in line with the Council's objectives and priorities. It provides a clear steer on how the Council will manage its finances over the life of the plan. • The Council is using its existing and well developed financial and service planning processes to support the development of the next three year financial budget. This will ensure the plan reflects the objectives and priorities of the Council's new leadership. • Detailed work is now underway to identify how the overall savings target will be achieved. The Council has: - asked all service areas to identify how they can deliver a 10% saving on a recurrent basis through efficiencies; and - identified a series of "cross cutting" or corporate areas for additional savings. • Effective working relationships and communications between officers and members will be crucial to the development of a deliverable three year financial plan.	Green

Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
Review processes	• The Council demonstrates a strong track record and effective arrangements for keeping the three year budget under review. • Both annual budgets and the overall three plan are reviewed on a regular basis in light of changing events. Planning assumptions are updated and the impact considered as the plan moves forward. • There is a good understanding across the Council of the overall financial pressures it faces. • Reports are provided to members on a regular basis to ensure they are aware of performance against both the annual budget and also the three year budget. This has been particularly important given the pressure on demand led services.	Green
Responsiveness of the financial plan	• To date, the Council has been able to demonstrate the responsiveness of its budget setting framework. • Arrangements in place to ensure savings plans are on track are considered robust as they allow appropriate corrective action to be taken where necessary. • The three year budget allows the Council to consider changes to service delivery models as and when appropriate. • The arrangements in place will stand the Council in good stead as it addresses the financial challenges ahead. However, in common with many local authorities, the Council acknowledges that the indicative savings target, which equates to 38% of current spending, presents a significant financial challenge.	Amber

Financial Governance

Key characteristics of effective financial governance

In conducting our review of financial governance we have assessed the Council's performance against the following indicators:

Understanding

- There is a clear understanding of the financial environment the Council is operating within:
  - Regular reporting to Members. Reports include detail of action planning and variance analysis etc.
  - Actions have been taken to address key risk areas.
  - Officers and managers understand the financial implications of current and alternative policies, programmes and activities.

Engagement

- There is engagement with stakeholders including budget consultations.

Monitoring and review

- There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.
- Number of internal and external recommendations overdue for implementation.
- Committees and Cabinet regularly review performance and it is subject to appropriate levels of scrutiny.
- There are effective plans in place to update the MTFP in light of changing planning assumptions and events

Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
Understanding the Financial Environment	• The next three year budget covering 2014 – 2017 is now being developed. In July 2013 the County Treasurer presented a report to Cabinet setting out the framework to manage this process. • The framework in place will ensure members are properly appraised of policy alternatives in the context of projected future resources. • Officers are also well aware of the financial challenge and some 200 budgetholders recently attended workshops to set out the savings required at service level. • Corporate or cross cutting savings plans are also being developed, overseen by a programme board and project directors.	Green
Executive and Member Engagement	• The Council has a good track record ensuring Members and the Senior Management Team are aware of and understand the financial position. • There is a good level of engagement with other stakeholders, including its own employees. • There are arrangements in place for consultation with the public and these have included budget presentations across the Districts. • Cabinet receives regular, timely and concise reports which provide sufficient detail to facilitate effective member review and challenge. • the Chief Officer Management Team meets fortnightly to discuss key issues facing the council as well as the objectives and direction of the authority as a whole.	Green
Overview for controls over key cost categories	• The Council has a good understanding of the main drivers of cost. • Spend per head of population in 2011/12 was £1,385 compared with the County Council average of £1,223 per head. Although this is relatively high, it reflects the levels of deprivation in some parts of the county and also the Council's commitment to promoting economic regeneration through working with partners. • The Council monitors is financial position closely and has identified pressures requiring corrective action.	Green

Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
Budget reporting: revenue and capital	• Reports are prepared by the County Treasurer on a regular basis for the Council's Cabinet to consider. • The reports are clear, succinct and informative. They provide members with an appropriate level of detail about the Council's revenue position and capital programme, including any pressures that are emerging. • Variances from the projected year end position are clearly identified as is the change in position from the previous reported forecast. This level of detail provides members with assurance about the impact of corrective actions being taken. • The County Treasurer also explains the impact of financial performance to date on balances and reserves.	Green

Financial Control

Key characteristics of effective financial control

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

Budget setting and budget monitoring

- Budgets are robust and prepared in a timely fashion.
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance.
- Financial forecasting is well-developed and forecasts are subject to regular review.

Savings Plans

- Processes for identifying, delivering and monitoring savings plan schemes are robust, well thought through and effective.

Financial Systems

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

Finance Department

- The capacity and capability of the Finance Department is fit for purpose.

Internal Control

- There is an effective internal audit which has the proper profile within the organisation. Agreed Internal Audit recommendations are routinely implemented in a timely manner.
- There is a an assurance framework in place which is used effectively by the Council and business risks are managed and controlled.

Financial Control

Internal arrangements

Area of focus	Summary observations	Assessment
Budget setting and monitoring - revenue and capital	• The three year budget provides the overall framework for the Council within which annual budgets are set. • As part of the annual process, the Council has appropriate arrangements in place for reviewing, challenging and revisiting budget assumptions to ensure they remain appropriate and in line with corporate priorities. • Budgets are closely monitored by both budget holders and finance staff. • Reports to Cabinet are provided on a regular basis and are clear. • The County Treasurer has recently restructured her team to ensure that the available resource is appropriately focussed.	Green
Performance against Savings Plans	• In the three year financial plan in place from 2013/14, the Council was able to deliver most of the planned savings within the first two years. • This achievement meant the Council could be confident it would deliver the MTFP overall despite increasing demand pressures that have begun to emerge. • Where savings plans looked to be at risk, this was identified and corrective action taken.	Green
Key Financial Accounting Systems	• The Council has financial systems in place that are appropriate for the business need. • Over the last few years, considerable investment has been made in replacing or upgrading systems, such as payroll and the ledger to ensure that they are fit for purpose. • Internal Audit undertake work on seven of the main financial systems in 2012/13 and provided a substantial assurance rating in respect of six of them. However, Internal Audit provided only limited assurance in respect of the expenses system. An action plan is in place to address the issues identified.	Green

Financial Control

Internal and external assurances

Area of focus	Summary observations	Assessment
Finance Department Resourcing	• During 2013/13 the corporate finance department has undergone a restructure to ensure that available capacity is properly focussed across the areas of responsibility. • This has ensured there is an appropriate focus on strategic financial planning, financial monitoring and financial reporting (including technical accounting). • Overall the team has a good mix of skills and experience. • Although the new structure has only been in place for a short time, the indications are that it is working well.	Green
Internal audit arrangements	• The Council has an effective Internal Audit function in place. • An external assessment of the service was undertaken in 2012 which concluded that it met appropriate standards. • Internal Audit presents a risk based annual plan to the Council's Audit and Governance Committee each year. This is followed up throughout the year by progress reports to each subsequent meeting setting out progress against the plan and identifying the main findings of the reviews undertaken. • There is a good working relationship between internal and external audit.	Green
External audit arrangements	• The Council's external auditor for 2011/12 gave an unqualified opinion on the 2011/12 statement of accounts and Value for Money Conclusion. • In 2012/13 the Council prepared it accounts in line with the statutory timetable and supported by good working papers. The 2012/13 financial statements audit has therefore progressed well.	Green

Financial Control

Internal and external assurances

Area of focus	Summary observations	Assessment
Assurance framework/risk management	• There are some weaknesses in the Council's overall assurance framework. • Although the Head of Internal Audit concluded that the Council had a generally sound system of internal control in place, she provided no or only limited assurance in respect of some 48% of the reviews undertaken in the year. This position reflects only a marginal improvement on the 2011/12 position despite the Council's management team taking action to drive improvements in common controls. • More recently, the Council has identified some weaknesses in its arrangements for procurement and for ensuring good governance more widely. These issues are currently under investigation by the Council and we will continue to monitor the progress made in this regard. • The Council does not have a formal risk management framework in place. The Audit and Governance Committee receives a report twice a year which summarises the significant corporate risks being considered by the management team. This report also cross refers members of the Committee to the work completed by Internal Audit to provide assurance over mitigating controls where appropriate. There is no direct evidence of any significant operational or corporate risks not being properly identified or addressed. However, members should consider whether the arrangements provide sufficient assurance and are a basis for effective challenge by them of the management of key risks.	Amber

Appendix - Key indicators of financial performance

Key Indicators of Financial Performance

Working Capital Ratio - trend

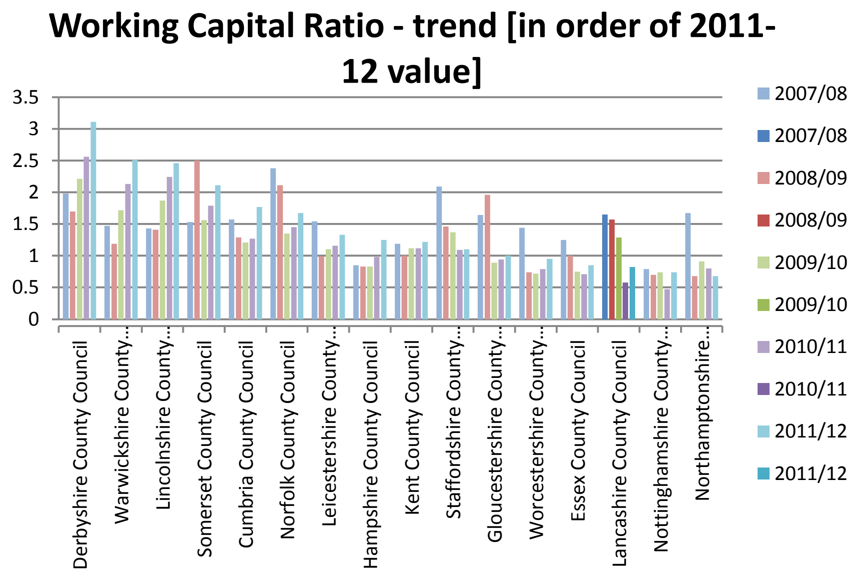
Definition

The working capital ratio (WCR) indicates if an authority has enough current assets, or resources, to cover its immediate liabilities - i.e. those liabilities to be met over the next twelve month period. A ratio of less than one - i.e. current liabilities exceed current assets - indicates potential liquidity problems. It should be noted that a high working capital ratio isn't always a good thing; it could indicate that an authority is not effectively investing its excess cash.

Findings

There is a mixed picture in terms of the movement in working capital ratios across comparator County Councils. 7 out of the 16 boroughs have increased their working capital ratio from 2007-08 to 2010-11, whilst 9 out of the 16 County Councils have seen a decrease over the same period. Of those boroughs with a decreasing working capital ratio the average decrease is around 37%.

Lancashire's WCR is low. However, this reflects the Council's treasury management strategy and the movement of its investments portfolio into bonds. These have a long term maturity date. However, they are highly liquid as tradeable financial instruments. Therefore the Council is more than capable of meeting its current liabilities.



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Key Indicators of Financial Performance

Long Term Debt to Tax Ratio - trend

Definition

Shows long term borrowing as a share of tax revenue. A ratio of more than one means that long term borrowing exceeds council tax revenue.

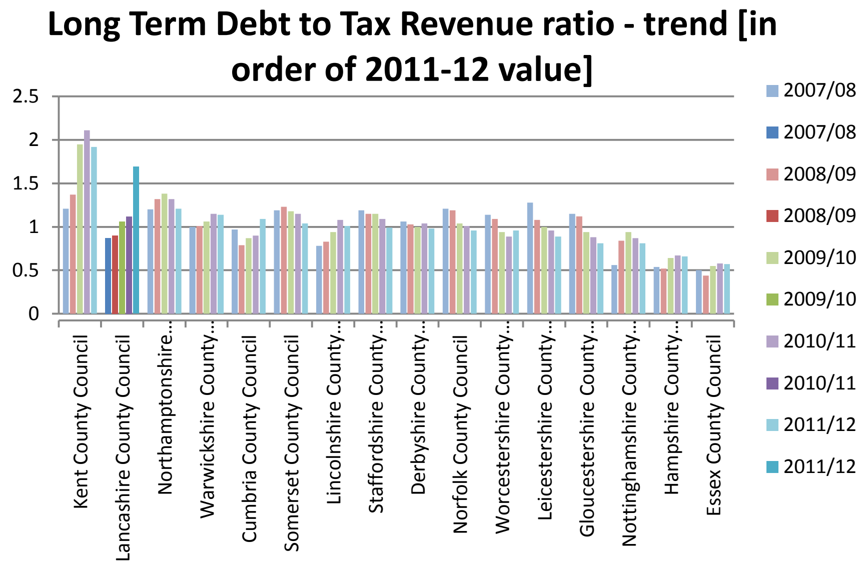
Findings

The Council's long term borrowing ratio (as a percentage of tax revenue) has increased by 94% (from 0.87 (2007-08) to 1.69% (2011-12) , and in 2011-12 had the second highest debt to tax revenue of its County Council comparator group.

Tis is largely a result of the Council's liabilities under PFI. Following the implementation of PFI schemes for school buildings and waste management, these have increased from £107.7m at 31 March 2010 to £410.6m at 31 March 2012.

The affordability and sustainability of the Council's long term debt has been risk assessed and is consistent with the treasury management strategy and prudential indicators approved by members.

During 2012/13 the Council has been working to reduce both its long term and short term debts and has achieved a reduction of £76.4m (6%0 as at 31 March 2013.



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Key Indicators of Financial Performance

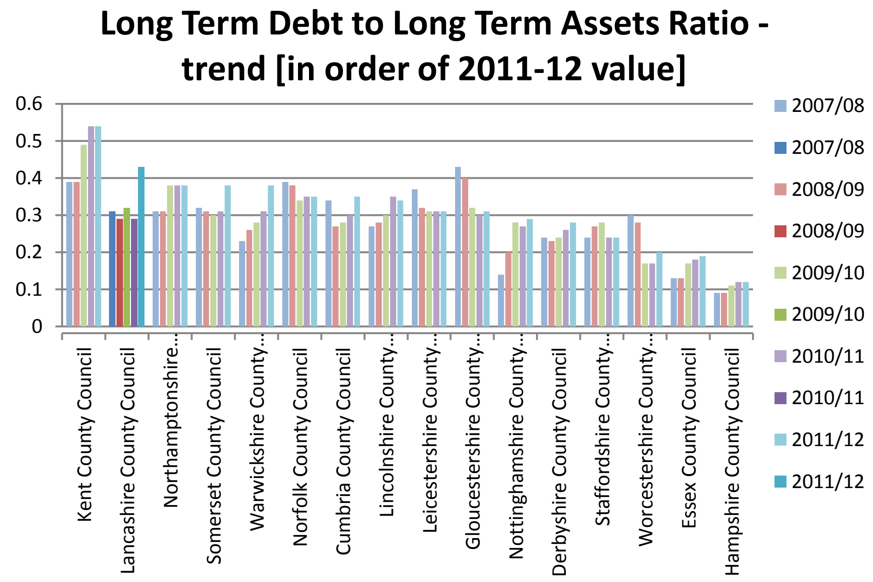
Long Term Debt to Long Term Assets - trend

Definition

This ratio shows long term borrowing as a share of long term assets. A ratio of more than one means that long term borrowing exceeds the value of long term assets.

Findings

The Council's long term borrowing to assets ratio has increased by 39% from 2007-08 (31%) to 2011-12 (47%). However as stated in the previous page the affordability and sustainability of the Council's long term debt has been risk assessed and is consistent with the Treasury Management Strategy and prudential indicators approved by members



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Key Indicators of Financial Performance

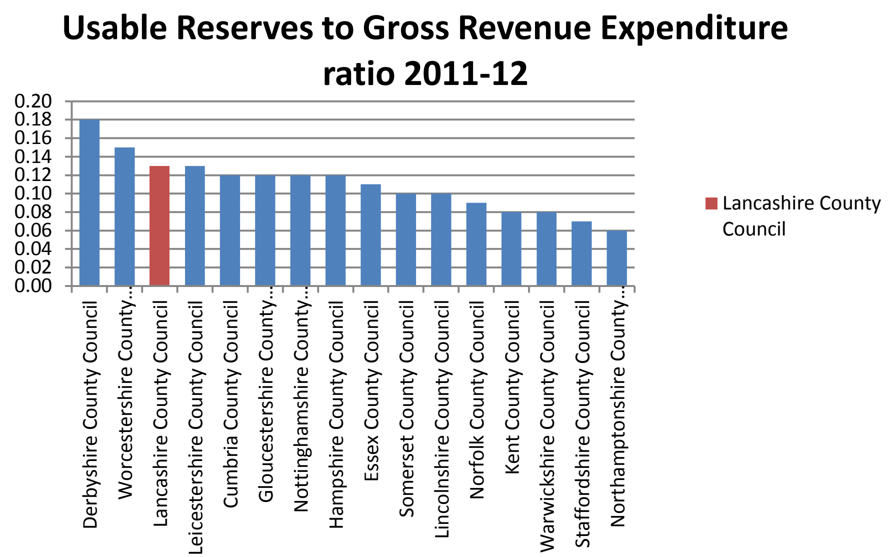
Usable Reserves to Gross Revenue Expenditure – 2011/12

Definition

This shows useable capital and revenue reserves as a share of expenditure. A ratio of one means the total reserves matches the level of expenditure.

Findings

Between 2009-09 and 2011-12 the Council increased the value of its useable reserves (as a percentage of expenditure) from 0.07 to 0.11 which is in line with the average movement in the Council's benchmark group over the same period – see 2011/12 comparatives opposite



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Key Indicators of Financial Performance

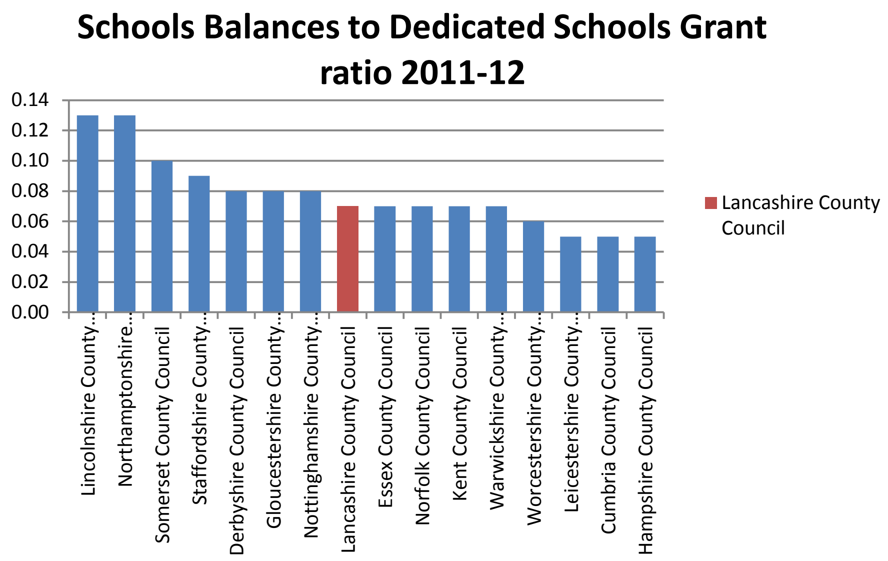
School Balances to Dedicated Schools Grant (DSG) – 2011/12

Definition

This shows the share of schools balances in relation to the total DSG allocation received for the year. For example a ratio of 0.02 means that 2 per cent of the total DSG allocation remained unspent at the end of the year.

Findings

Between 2007/08 and 2011/12 the Council's ratio has remained in a band of between 6 and 9%, the 2011-12 comparator of 7% being in line with average for the Council's benchmark group – see 2011/12 comparatives opposite.



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Key Indicators of Financial Performance

Sickness absence – trend

Background

The average sickness absence level for the public sector was 7.9 days per FTE in 2011/12, whilst the private sector average was 5.7. Many councils have taken a proactive approach to reducing the number of days lost to sickness each year. For example:
Costs that accrue from sickness absence relate to the hiring of agency staff to cover staff gaps, or from holding a larger workforce complement than is desirable. Absence also damages service levels either through staff shortage or lack of continuity. Reducing absenteeism saves money, improves productivity and can have a positive customer benefit.

Findings

The Council has significantly reduced its sickness absence levels in recent years and compares favourably against the local government and public sector average.

Sickness absence rates [days per FTE]

Year	Local Government	Public sector	Private sector	**Lancashire County Council**
2007-08	10.1	9.8	7.2	**9.23**
2008-09	10.7	9.7	6.4	**8.89**
2009-10	10.3	9.6	6.6	**8.50**
2010-11	9.6	9.1	7.1	**7.86**
2011-12	8.0	7.9	5.7	**7.15**

Source: XXX

GrantThornton

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