LGFUTURES FINANCE WITH VISION

Lancashire LGR Report (Final)

Amended 30th October

Introduction

To support the Lancashire authorities with Local Government Re-organisation (LGR), LGFutures were commissioned to support the financial business case. The objective of this work was to construct a financial baseline for 2028/29 that each of the potential unitary options would use for there own business case.

The approach taken to construct the financial baseline was as follows:

Expenditure

Review the county disaggregation of its budgets

Use existing MTFPs from the billing authorities (and the forecast expenditure shown)

Produce a forecast expenditure position for each of the potential new unitaries up to 2028/29

Resources

Project forward resources for each of the existing authorities (Using LGFutures Fair Funding Model)

Produce a forecast resources position for each of the potential new unitaries for 2028/29

Output

Produce a forecast 2028/29 budget position for each of the potential new unitaries

LCC – Disaggregation of Budgets and projection to 2028/29

LCC have provided detailed analysis of the starting position (2025/26) and increases in net expenditure to 2028/29 all by district.

The methodology is comprehensive and the chosen methods of apportionment for each of the cost areas are reasonable (client counts, population etc.).

The figures include future savings to be identified in 2026/27 and 2027/28 that will balance the budget. These savings have been apportioned across the districts. However, these amounts should be treated with caution, as they are yet to be approved.

LCC – Disaggregation of Budgets and projection to 2028/29

LG Futures reviewed the methodology used by Lancashire County Council to disaggregate its 2025/26 budgeted costs between district councils for unitarisation assessment purposes. LG Futures did not review the underlying calculations (eg auditing the allocation of spending by line, or checking underlying denominator data used. The review was limited to looking at principles and final outputs.

Overall, the methodology is very detailed – LCC took a line-by-line approach, establishing spending at a detailed level and applying specific methods of apportionment to each line. The appears to lead to a nuanced and meticulous methodology.

However, there are implications of ostensibly significant levels of cost being attributed to districts on the basis of site address (eg adult social care residential homes or in-house children's homes) which leads to a 'lumpy' distribution when expressed on a per-person basis.

This is reasonable as the previous 'home' address of a care home resident is less relevant than which new unitary will have the site within its boundary. It does however lead to a practical issue any chosen option will need to overcome: will new unitaries incur costs this way in practice, or would there need to be a recharging mechanism where eg an adult in a care home originates from what is then a separate council (retroactive 'out of area placement')?

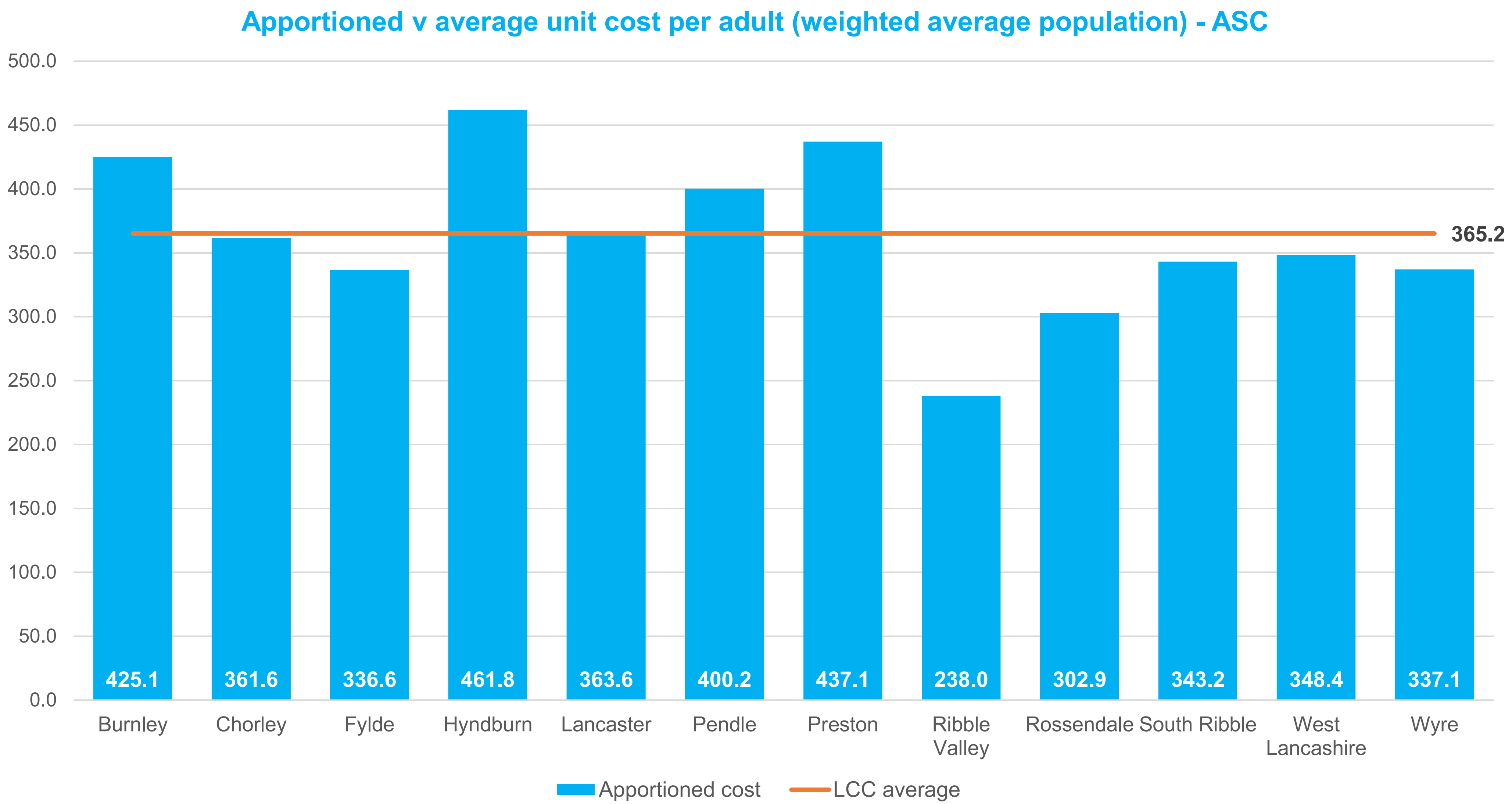
LG Futures' analysis of the distributional impact of LCC's methodology at a high level is shown on the following slides – the uneven distribution when compared to a simple per-person approach shows the nuance in LCC's methodology, although dealing with 'lumpy costs' via authority recharges would make the profile ultimately smoother.

County costs

Baselines

Unitary Projections

2025/26 Lancashire county council cost disaggregation



County costs
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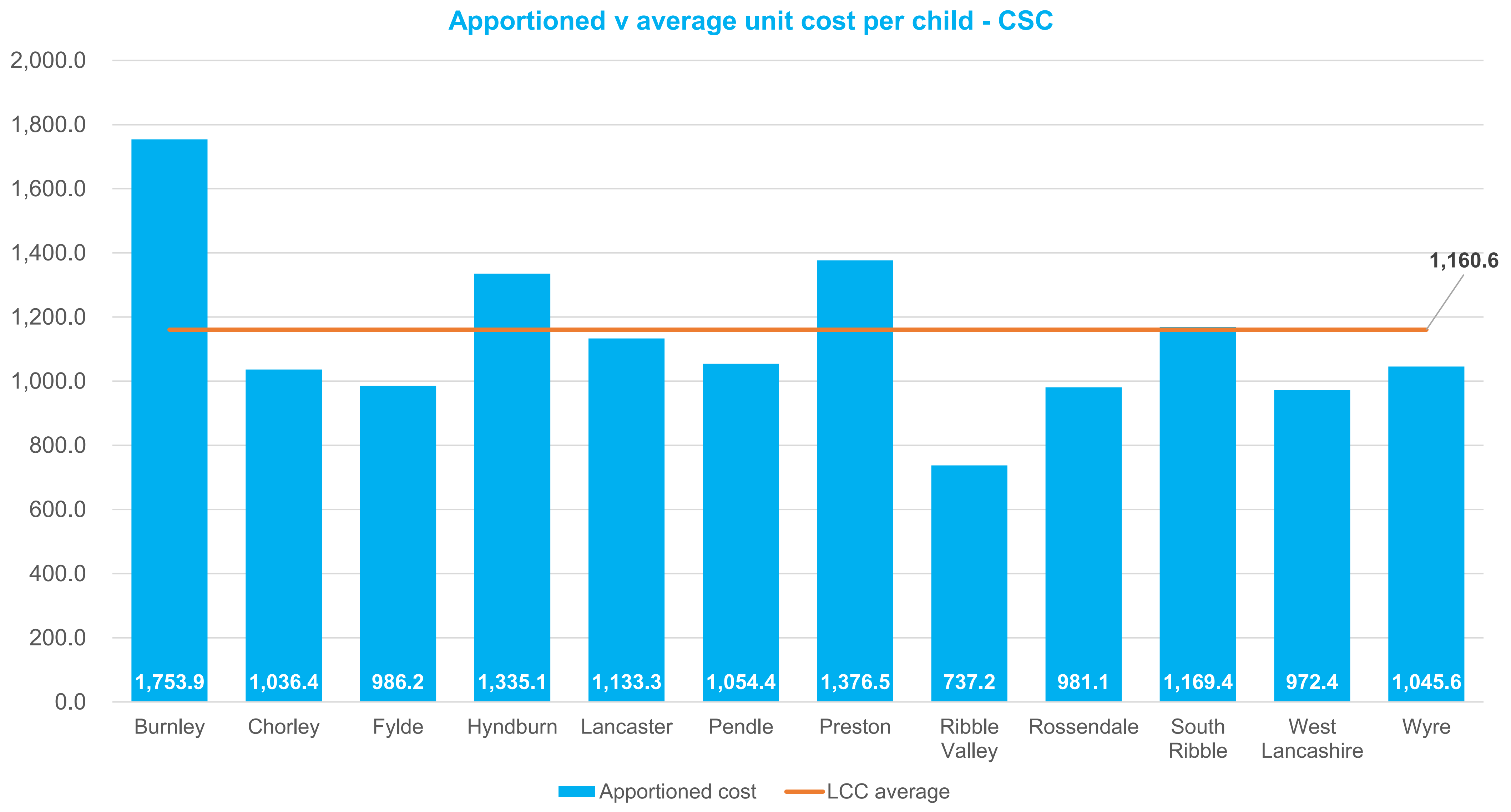

County costs

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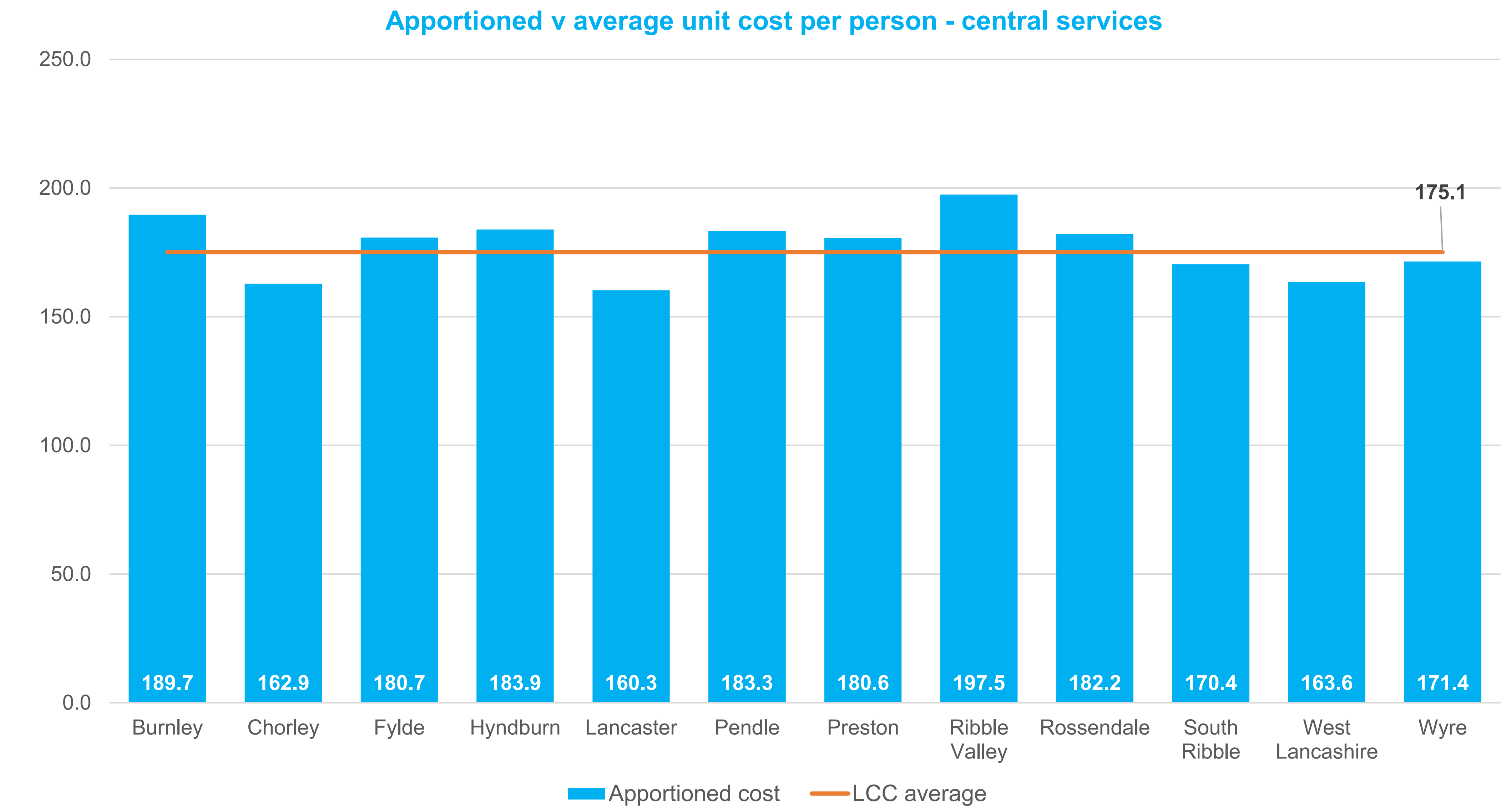
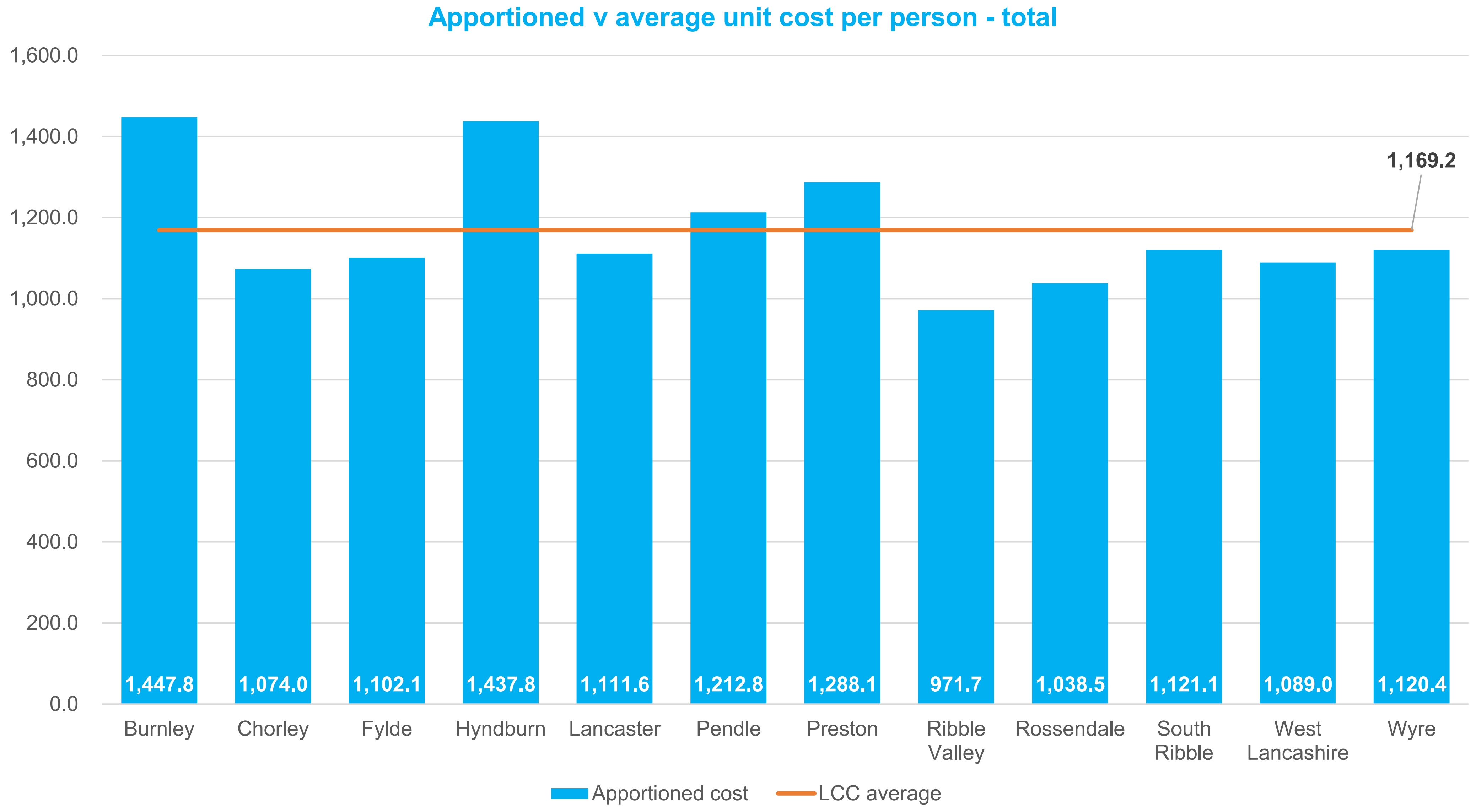


2025/26 Lancashire county council cost disaggregation



Expenditure Projection - Existing Authorities

The amended projected change in expenditure by existing authorities is shown in the table.

These amounts have been reduced to reflect savings that are yet to be found to balance the 2026/27 and 2027/28 budgets.

The table shows an increase in expenditure of £289m by 2028/29.

	2026/27 £m	2027/28 £m	2028/29 £m
Lancashire	56.0	111.7	215.4
Burnley	(0.0)	0.0	0.6
Chorley	0.4	0.8	1.4
Fylde	0.3	0.7	1.2
Hyndburn	(0.0)	(0.0)	0.3
Lancaster	1.1	2.3	2.9
Pendle	0.4	0.7	1.2
Preston	2.5	5.0	5.7
Ribble Valley	(0.0)	(0.0)	0.5
Rossendale	0.6	1.1	1.1
South Ribble	0.5	0.9	1.6
West Lancashire	0.9	1.8	1.8
Wyre	0.2	0.3	1.2
Blackburn with Darwen	5.5	11.7	20.5
Blackpool	11.7	24.3	33.8
Total	**79.9**	**161.2**	**289.3**

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Resource Projection - Existing Authorities

The projected change in resources using LG Futures Fair Funding 2.0 predictive Model for each of the existing authorities is shown in the table.

The Model forecasts the level of resources to be received for each authority based on the Spending Review 2024 and the Fair Funding 2.0 consultation paper.

The Model has been shared with MHCLG and other stakeholders and no changes were suggested.

Final allocations will be dependent on the outcome of the consultation, data change and the Autumn Budget.

	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m
Lancashire	1,350.1	56.0	111.7	171.5
Burnley	20.4	-	-	0.1
Chorley	16.3	0.4	0.8	1.2
Fylde	13.0	0.4	0.7	1.0
Hyndburn	16.1	-	-	-
Lancaster	24.0	1.1	2.3	3.6
Pendle	16.8	0.3	0.7	1.1
Preston	29.3	2.5	5.0	7.8
Ribble Valley	9.2	0.0	0.0	0.0
Rossendale	11.6	0.5	1.1	1.7
South Ribble	16.5	0.4	0.9	1.3
West Lancashire	17.2	0.9	1.8	2.7
Wyre	17.5	0.2	0.3	0.4
Blackburn with Darwen	223.3	5.5	11.7	19.4
Blackpool	245.5	11.7	24.3	38.9
Total	**2,026.9**	**80.0**	**161.2**	**250.7**
		3.9%	8.0%	12.4%

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Overall position - Existing Authorities

The table combines amended forecast change in expenditure (MTFPs) against the forecast change in resources (LG Futures).

It shows a forecast deficit, before future savings and use of reserves of £38.6m for 2028/29.

This assumes savings of £96.5m will be found by 2027/28.

	2026/27 £m	2027/28 £m	2028/29 £m
Lancashire	0.0	(0.0)	(44.0)
Burnley	0.0	(0.0)	(0.6)
Chorley	0.0	0.0	(0.2)
Fylde	0.0	0.0	(0.2)
Hyndburn	0.0	0.0	(0.3)
Lancaster	(0.0)	0.0	0.7
Pendle	(0.0)	(0.0)	(0.1)
Preston	(0.0)	0.0	2.1
Ribble Valley	0.0	0.0	(0.4)
Rossendale	(0.0)	(0.0)	0.6
South Ribble	(0.0)	(0.0)	(0.3)
West Lancashire	(0.0)	(0.1)	0.8
Wyre	0.0	0.0	(0.8)
Blackburn with Darwen	0.0	(0.0)	(1.0)
Blackpool	0.0	0.0	5.2
Total	**0.1**	**0.0**	**(38.6)**

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New Unitaries – Splitting LCC Expenditure

The amended LCC 2025/26 expenditure and the projected change in future years has been split across the districts. This is based on the splits provided by LCC for existing and forecast future expenditure.

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2025/26 %	2028/29 %
Burnley	122.1	126.1	130.5	139.0	9.0%	8.9%
Chorley	125.5	131.0	136.3	146.0	9.3%	9.3%
Fylde	85.5	89.1	92.9	99.9	6.3%	6.4%
Hyndburn	110.6	114.1	118.3	126.2	8.2%	8.1%
Lancaster	154.7	160.9	167.4	179.4	11.5%	11.5%
Pendle	102.9	107.4	111.8	119.7	7.6%	7.6%
Preston	173.0	180.0	186.9	199.7	12.8%	12.8%
Ribble Valley	53.9	56.6	59.0	63.5	4.0%	4.1%
Rossendale	69.4	72.5	75.4	80.7	5.1%	5.2%
South Ribble	116.1	121.1	125.9	135.0	8.6%	8.6%
West Lancs	116.8	122.3	127.5	137.0	8.7%	8.8%
Wyre	119.6	124.9	130.1	139.6	8.9%	8.9%
Total	**1,350.1**	**1,406.2**	**1,461.9**	**1,565.6**	100.0%	100.0%

LGFUTURES

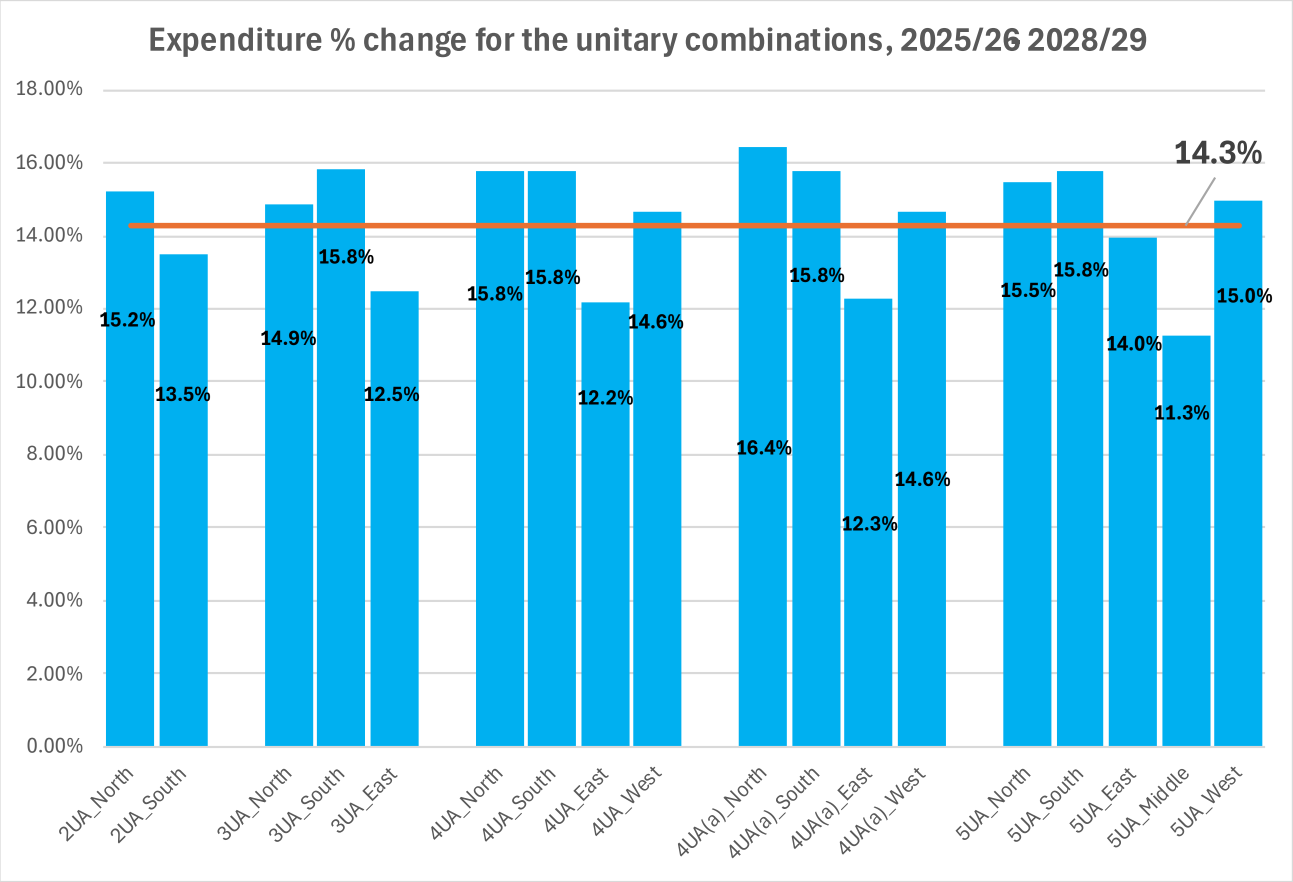
Expenditure Projection – Overall

The overall amended expenditure projection (Existing expenditure figures plus LCC apportioned) is shown in the table below.

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Change %
Burnley	142.5	146.5	150.9	160.0	12.3%
Chorley	141.8	147.7	153.3	163.7	15.4%
Fylde	98.6	102.4	106.6	114.1	15.8%
Hyndburn	126.7	130.2	134.4	142.7	12.6%
Lancaster	178.7	186.1	193.7	206.3	15.5%
Pendle	119.7	124.6	129.3	137.8	15.1%
Preston	202.3	211.8	221.1	234.7	16.0%
Ribble Valley	63.1	65.8	68.2	73.2	15.9%
Rossendale	81.0	84.7	88.1	93.4	15.3%
South Ribble	132.6	138.1	143.3	153.1	15.5%
West Lancashire	134.0	140.4	146.5	156.0	16.4%
Wyre	137.1	142.5	147.8	158.3	15.4%
Blackburn with Darwen	223.3	228.8	235.0	243.8	9.2%
Blackpool	245.5	257.2	269.8	279.3	13.7%
Total	**2026.9**	**2106.8**	**2188.1**	**2316.2**	14.3%

Expenditure Projection – Overall

The overall amended expenditure projection (Existing expenditure figures plus LCC apportioned) is shown in the chart below.



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Resource Projection – Unitary Options

Methodology – apportionment of Lancashire County Council

To establish the resources projection of the new unitaries, there was a need to develop a methodology to apportion resources of Lancashire County Council to constituent Districts

There are multiple elements to consider:

- Splitting the 2025/26 baseline position
- Settlement funding and how it is affected by the Fair Funding Review
- Council tax income growth: the County share
- Grants not covered by the Fair Funding Review (both inside and outside Core Spending Power) – are assumed to be cash flat so the 2025/26 split prevails over time, too.

In addition to apportionment of the County Council, District Council and Unitary Council figures are added as they are (including our FFR projection for those authorities).

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Resource Projection – Unitary Options

Methodology – apportionment of 25/26 LCC base position (similar used re: districts in 4UA(a)

CORE SPENDING POWER

Please select authority

Lancashire

Illustrative Core Spending Power of Local Government:	2025-26 £ millions	Basis of apportionment
Settlement Funding Assessment	250.2	Top-up: BFL apportioned on 2023 MYE pop 0+. BRB: apportioned on the basis of shire district BRB. BRR above base: actuals as originated from districts, applying apportioned top-up RSG: 2023 MYE pop 0+
Compensation for under-indexing the business rates multiplier	41.9	Apportioned on the basis of NNDR at district level
Council tax requirement excluding parish precepts[1,2]	682.1	District taxbase shares
Local Authority Better Care Grant[3]	67.8	2012-based ONS SNPPs for 2013: 18-64 / 65+ weighted
New Homes Bonus	1.4	District NHB
Social Care Grant	144.8	2012-based ONS SNPPs for 2013: 18-64 / 65+ weighted
Market Sustainability and Improvement Fund[6]	24.1	2012-based ONS SNPPs for 2013: 18-64 / 65+ weighted
Domestic Abuse Safe Accommodation Grant[7]	3.2	2018-based ONS SNPP for 2020 (as used in formula)
Recovery Grant[8]	5.0	Population x IMD
Children's Social Care Prevention Grant[9]	5.0	2023 MYE 0-17 population
Employer National Insurance Contributions Grant[10]	8.1	Staff cost breakdown from LCC spreadsheet
Core Spending Power	**1,233.8**	

Resource Projection – Unitary Options

Methodology – settlement funding projection and apportionment

Based on the central scenario of LG Futures' model. Business rates data in 25/26 base uses NNDR1.

Districts and Unitaries added individually (except 4UA(a) where some Districts are split). Only two authorities are projected to be in receipt of funding floor by 28/29 (£340k), so the amounts were added to SFA as considered immaterial.

County split to district shares:

- Rerun FFR in District-level fragments:
  - Resource adjustment: share of taxbase based on CTB 2024 data of Districts included
  - Needs assessment: disaggregated by key driver in each formula by District (eg no. of children for the children's formula)

District split for 4UA(a) proposal – rerun FFR in parish level segments, both for the County share of the District and the District itself:

- Resource adjustment: share of taxbase based on CTR 2025/26 data of parishes included
- Needs assessment: disaggregated by key population driver in each formula by parish (eg no. of children for the children's formula)

Resource Projection – Unitary Options

Methodology: subsequent growth in funding – SR

Use LG Futures' central scenario from FFR model (2028/29: £800 million extra compared to 2025/26), applying post-transition FFR shares (i.e. 28/29 settlement funding shares). County/District split FFR shares applied where appropriate (worked out as in previous page)

Other grants (all assumed to be cash flat from 25/26):

Children and families grant (currently outside CSP, likely to be included in CSP in the future as it will be merged with CSCPG): disaggregate County value by children's population in Districts. Districts for 4UA(a): child population split in parishes.

Public health grant: Total population-based split in Districts/parishes.

Crisis and resilience fund: disaggregate HSF element of county by (IMD x population) of Districts, the DHP element added together from District allocations. District splits for 4UA(a): total population split in parishes.

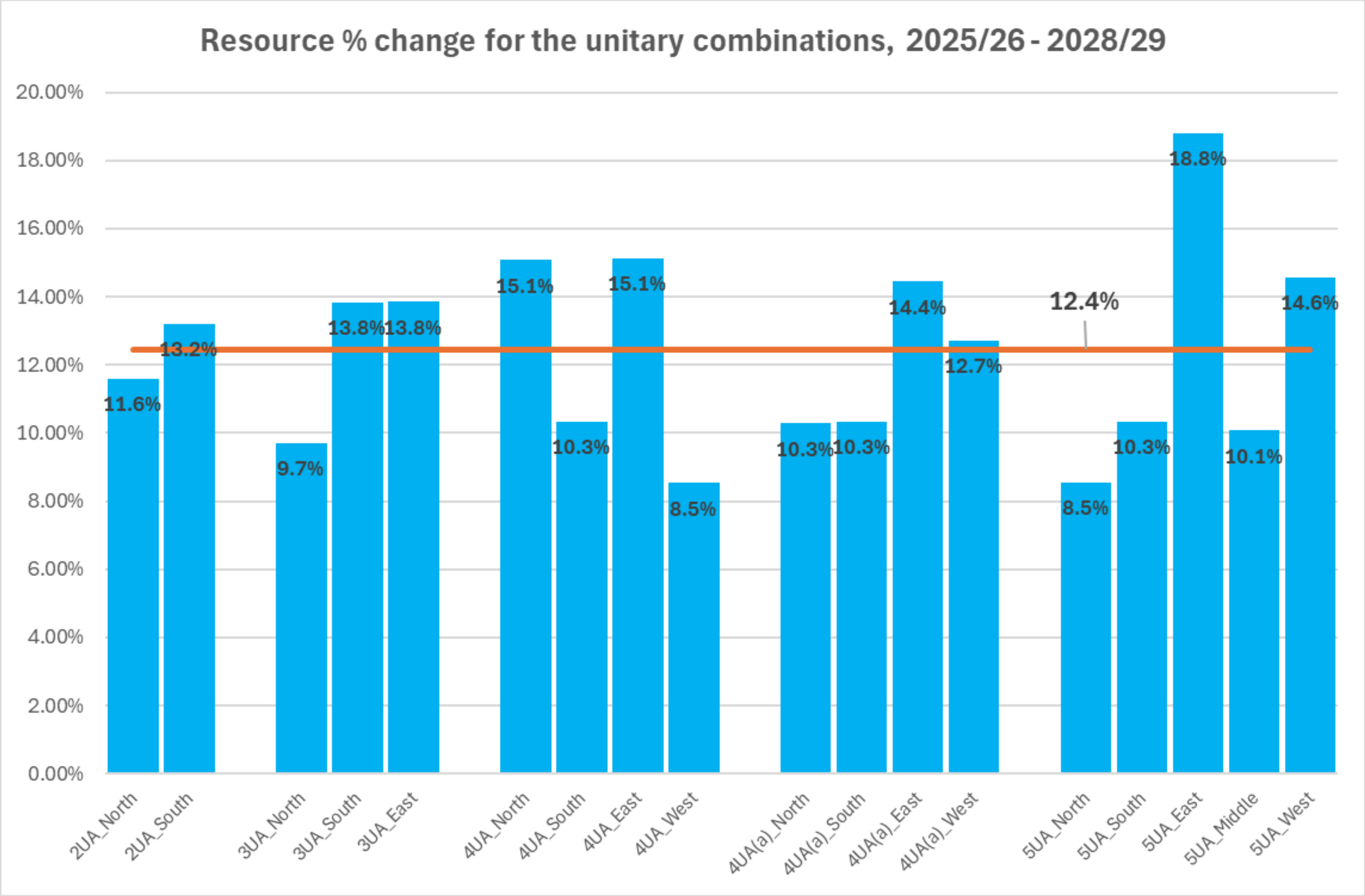
Homelessness and rough sleeping fund: add together Districts. District splits for 4UA(a): total population split in parishes.

Council tax

Max use of council tax flexibilities in 26/27 and 27/28 (4.99% thereafter), taxbase growth mimics MHCLG approach to projections (4-year average CTR taxbase growth, between 21/22 and 25/26)

Resource Projection – Unitary Options

The resources projection for each of the unitaries has been prepared.



Overall Projection

The original overall projection (first table) can now be split based on the different unitary options.

The variance in year 3 is due to the district share now being able to raise CT by 5%.

It is important to note that the expenditure amounts reflect those funded by Core Spending Power Resources and related grants.

Where grants are ring fenced / typically netted off at a service level, these amounts are no included.

	2026/27 £m	2027/28 £m	2028/29 £m
Lancashire	0.0	(0.0)	(44.0)
Burnley	0.0	(0.0)	(0.6)
Chorley	0.0	0.0	(0.2)
Fylde	0.0	0.0	(0.2)
Hyndburn	0.0	0.0	(0.3)
Lancaster	(0.0)	0.0	0.7
Pendle	(0.0)	(0.0)	(0.1)
Preston	(0.0)	0.0	2.1
Ribble Valley	0.0	0.0	(0.4)
Rossendale	(0.0)	(0.0)	0.6
South Ribble	(0.0)	(0.0)	(0.3)
West Lancashire	(0.0)	(0.1)	0.8
Wyre	0.0	0.0	(0.8)
Blackburn with Darwen	0.0	(0.0)	(1.0)
Blackpool	0.0	0.0	5.2
Total	**0.1**	**0.0**	**(38.6)**

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Change %
Res	2,026.9	2,106.9	2,188.1	2,279.2	12%
Exp	2,026.9	2,106.8	2,188.1	2,316.2	14%
Net	**-**	**0.1**	**0.0**	**- 37.0**	**-2%**

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Overall Projection – 2 Unitaries

The overall projection for the new unitary options is shown on the following slides

		2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
2UA_North	Res	956.8	992.2	1027.9	1067.8
2UA_North	Exp	925.2	965.8	1007.2	1065.8
	Net	**31.5**	**26.4**	**20.6**	**2.0**
2UA_South	Res	1070.1	1114.7	1160.3	1211.4
2UA_South	Exp	1101.7	1141.0	1180.9	1250.4
	Net	**-31.5**	**-26.3**	**-20.6**	**-39.0**
2UA_Total	Res	2026.9	2106.9	2188.1	2279.2
2UA_Total	Exp	2026.9	2106.8	2188.1	2316.2
	Net	**0.0**	**0.1**	**0.0**	**-37.0**

Overall Projection – 3 Unitaries

		2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
3UA_North	Res	683.7	704.8	726.0	750.1
3UA_North	Exp	659.8	688.2	717.9	757.9
	Net	**23.9**	**16.6**	**8.1**	**-7.8**
3UA_South	Res	618.2	645.9	673.5	703.8
3UA_South	Exp	610.7	637.9	664.3	707.5
	Net	**7.5**	**8.0**	**9.2**	**-3.7**
3UA_East	Res	725.0	756.2	788.7	825.3
3UA_East	Exp	756.4	780.6	805.9	850.8
	Net	**-31.4**	**-24.4**	**-17.3**	**-25.4**
3UA_Total	Res	2026.9	2106.9	2188.1	2279.2
3UA_Total	Exp	2026.9	2106.8	2188.1	2316.2
	Net	**0.0**	**0.1**	**0.0**	**-37.0**

Introduction

Baselines

Unitary projections

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Overall Projection – 4 Unitaries

		2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
4UA_North	Res	449.1	470.9	492.8	516.8
4UA_North	Exp	444.0	463.6	483.0	514.2
	Net	**5.1**	**7.2**	**9.8**	**2.7**
4UA_South	Res	432.4	447.2	461.5	477.2
4UA_South	Exp	408.4	426.1	443.2	472.8
	Net	**24.0**	**21.0**	**18.3**	**4.3**
4UA_East	Res	637.7	667.5	698.8	734.3
4UA_East	Exp	693.2	714.8	737.7	777.6
	Net	**-55.5**	**-47.3**	**-38.9**	**-43.3**
4UA_West	Res	507.6	521.3	535.1	550.9
4UA_West	Exp	481.2	502.2	524.2	551.6
	Net	**26.5**	**19.2**	**10.9**	**-0.7**
4UA_Total	Res	2026.9	2106.9	2188.1	2279.2
4UA_Total	Exp	2026.9	2106.8	2188.1	2316.2
	Net	**0.0**	**0.1**	**0.0**	**-37.0**

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Overall Projection – 4 Unitaries – Blackpool Variation

		2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
4UA(a)_North	Res	288.4	298.1	307.6	318.1
4UA(a)_North	Exp	273.1	285.1	297.2	318.0
	Net	**15.3**	**13.0**	**10.5**	**0.1**
4UA(a)_South	Res	432.4	447.2	461.5	477.2
4UA(a)_South	Exp	408.4	426.1	443.2	472.8
	Net	**24.0**	**21.0**	**18.3**	**4.3**
4UA(a)_East	Res	678.4	708.8	740.5	776.4
4UA(a)_East	Exp	722.6	745.4	769.3	811.4
	Net	**-44.3**	**-36.7**	**-28.9**	**-35.1**
4UA(a)_West	Res	627.7	652.9	678.6	707.5
4UA(a)_West	Exp	622.7	650.1	678.4	713.9
	Net	**5.0**	**2.7**	**0.1**	**-6.4**
4UA(a)_Total	Res	2026.9	2106.9	2188.1	2279.2
4UA(a)_Total	Exp	2026.9	2106.8	2188.1	2316.2
	Net	**0.0**	**0.1**	**0.0**	**-37.0**

Overall Projection – 5 Unitaries

		2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
5UA_North	Res	324.4	333.6	342.4	352.1
5UA_North	Exp	315.8	328.6	341.5	364.6
	Net	**8.7**	**5.0**	**0.8**	**-12.4**
5UA_South	Res	432.4	447.2	461.5	477.2
5UA_South	Exp	408.4	426.1	443.2	472.8
	Net	**24.0**	**21.0**	**18.3**	**4.3**
5UA_East	Res	313.6	332.2	351.3	372.6
5UA_East	Exp	343.2	355.8	368.3	391.1
	Net	**-29.6**	**-23.6**	**-17.0**	**-18.6**
5UA_Middle	Res	411.3	424.0	437.3	452.8
5UA_Middle	Exp	413.1	424.8	437.6	459.6
	Net	**-1.8**	**-0.8**	**-0.3**	**-6.9**
5UA_West	Res	545.1	570.0	595.6	624.6
5UA_West	Exp	546.4	571.4	597.5	628.1
	Net	**-1.3**	**-1.4**	**-1.9**	**-3.5**
5UA_Total	Res	2026.9	2106.9	2188.1	2279.2
5UA_Total	Exp	2026.9	2106.8	2188.1	2316.2
	Net	**0.0**	**0.1**	**0.0**	**-37.0**

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To find out more about our services and expertise,
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