

# RECOMMENDATION / DECISION FORM

Agenda Item 8



## SUBJECT:

**Revenue Budget 2008/09 and Medium Term Financial Strategy & Capital Programme 2008/11**

**Portfolio Area:** ALL

## Portfolios Affected:

ALL

## Wards Affected:

ALL

## Recommendations:

- 1 That the proposals for the Revenue Budget for the financial year 2008/09 and the indicative revenue budgets for 2009/10 and 2010/11 outlined in this report be approved.
- 2 That the proposals for the Capital Programme for the period 2008/09 to 2010/11 as outlined in this report be approved.
- 3 That the levels of fees and charges consequent to the budget proposals within this report be approved.
- 4 That the Medium Term Financial Strategy 2008–2011 be approved with the final version, incorporating the approved budget proposals, included as a chapter within the Performance Agreement 2008/09.
- 5 That the following portfolio responsibilities and budgetary transfers are approved:
  - i) Land Charges from Resources to Regeneration;
  - ii) Lifelong Learning from Regeneration to Housing and Neighbourhood Services, and
  - iii) Business Development and Information Management from Citizens and Consumer Rights to Resources.
- 6 That the pooling arrangements in respect of concessionary transport as outlined in this report be approved.
- 7 That subject to recommendation 2.1 outlined above, the Council be requested to approve the consequent Council Tax Levels, detailed in the formal resolution of the Director of Financial Services' Report.

## Rationale:

To agree the Revenue Budget 2008/09 and the Medium Term Financial Strategy & Capital Programme for 2008/11.

## Policy and Corporate Implications (including consultation process):

The budget strategy reflects the policy requirements at both a corporate level and a departmental level and in particular will reflect the corporate priorities contained in the Performance Agreement. Consultations have been held with Business Ratepayers, Community Associations, Voluntary Organisations, Trade Unions and the Education Sector.

## Financial implications:

To agree a net Revenue Budget of £120.8M and to increase the Council's share of Council Tax by 1.9%.

## Legal implications/Powers:

The Council is required to approve a balanced budget.

# RECOMMENDATION / DECISION FORM

Agenda Item 8

**Other resource implications:**

The budget gives authority to Directors and Executive Members to spend within approved limits

**Declaration of Interest:**

None

**Signed:**

*M. Lee*

**Executive Member:**

Resources

**Date:**

21<sup>st</sup> February 2008

**Also present:**

**Signed:**

**Chief Officer:**

**Date:**

**Background papers:** A list of background papers on this issue is held with: Denise Park on ext: 5482



**TO: COUNCIL**

**FROM: EXECUTIVE MEMBER (RESOURCES)  
ON BEHALF OF THE CONSERVATIVE,  
LIBERAL DEMOCRAT & FOR DARWEN  
PARTNERSHIP**

**DATE: 3<sup>rd</sup> March 2008**

**PORTFOLIOS AFFECTED: ALL**

**WARDS AFFECTED: ALL**

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**TITLE OF BRIEFING PAPER: REVENUE BUDGET 2008/09 AND MEDIUM  
TERM FINANCIAL STRATEGY & CAPITAL  
PROGRAMME 2008 - 2011**

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## **1. PURPOSE**

- 1.1 To recommend to Finance Council the Budget Strategy and the proposals for the Revenue Budget 2008/09, Medium Term Financial Strategy (MTFS) and Capital Programme for 2008-11, to underpin the priorities established at the Policy Council and the Local Area Agreement (LAA).

## **2. RECOMMENDATIONS**

- 2.1 That the proposals for the Revenue Budget for the financial year 2008/09 and the indicative revenue budgets for 2009/10 and 2010/11 outlined in this report be approved.
- 2.2 That the proposals for the Capital Programme for the period 2008/09 to 2010/11 as outlined in this report be approved.
- 2.3 That the levels of fees and charges consequent to the budget proposals within this report be approved.
- 2.4 That the Medium Term Financial Strategy 2008–2011 be approved with the final version, incorporating the approved budget proposals, included as a chapter within the Performance Agreement 2008/09.
- 2.5 That the following portfolio responsibilities and budgetary transfers are approved:
- i) Land Charges from Resources to Regeneration;
  - ii) Lifelong Learning from Regeneration to Housing and Neighbourhood Services, and
  - iii) Business Development and Information Management from Citizens and Consumer Rights to Resources.



- 2.6 That the pooling arrangements in respect of concessionary transport as outlined in this report be approved.
- 2.7 That subject to recommendation 2.1 outlined above, the Council be requested to approve the consequent Council Tax Levels, detailed in the formal resolution of the Director of Financial Services' Report.

### 3. KEY ISSUES

#### 3.1 Introduction

The Council is required to set a balanced Revenue Budget and Capital Programme for the financial year 2008/09. Following the Government's first three year indicative financial settlement for local government, this paper sets out the budget strategy of the Partnership for the next three years, the MTFS 2008-11, together with our proposals for the forthcoming financial year's Revenue Budget, Capital Programme and associated Council Tax level.

This builds on the framework for the MTFS and the Performance Agreement priorities agreed at Policy Council in November 2007 and the priorities for the LAA.

#### 3.2 Local Government Finance Settlement

This year, for the first time, the Government announced a three year financial settlement for local government. The provisional settlement was announced for consultation on 6<sup>th</sup> December 2007 with the final settlement announced on 24<sup>th</sup> January. Whilst there was a reduction of around £330k per annum from the provisional to the final settlement, overall this was a good settlement for the borough which recognised some of the funding constraints and budget pressures faced by the Council.

However, we should not lose sight of the fact that the changes to the settlement in respect of the damping mechanisms regarding the funding floors has actually seen this authority's contribution to the national floor increase significantly to £10.2M in 2008/09. This is money which should have been received into the borough from the government but has been withheld and distributed to other authorities who would otherwise have seen a reduction in funding. This reflects ongoing underlying pressures and it is good to note that this is reducing over years 2 and 3 of this settlement although not quite to the degree we might have hoped for.

Executive Board received a report on the Revenue Budget and Capital Programme 2008/09 at their meeting on 14<sup>th</sup> February 2008 which included details of the settlement which, in summary, resulted in increased government grant as shown below:



	2007/08* Adjusted £000	2008/09 £000	2009/10 £000	2010/11 £000
Formula Grant	67,128	73,481	77,804	81,683
Increase		6,353	4,323	3,879
% Increase Year on Year		9.5%	6.0%	4.9%
National Average		3.5%	2.86%	2.6%
Unitary Average		4.8%	3.4%	3.0%
Contribution to the 'floor'	4.5m	10.2m	8.3m	6.8m

\* Adjusted to reflect transfers of a number of specific grants into formula grant from 2008/09.

The report to Executive Board is appended to this report for background information.

The Formula Grant announced for 2009/10 and 2010/11 remains provisional but is not expected to change significantly.

A three year settlement means that we can now look ahead with a greater degree of certainty over funding levels. This approach was indicated at Policy Council when the framework for the MTFS was approved.

This means that we can build with some confidence on the previous Interim MTFS and for the first time the Council will be asked formally to approve a three year budget and MTFS – the detailed 2008/09 revenue budget and capital programme and consequent level of Council Tax, together with corresponding indicative figures for 2009/10 and 2010/11.

Schools have also had a 3 year settlement for Dedicated Schools Grant (DSG):

	<u>£M</u>	<u>Increase</u> <u>£M</u>
2007/08	102.7	
2008/09	106.5	3.8 (3.7%)
2009/10	110.0	3.5 (3.3%)
2010/11	114.7	4.7 (4.3%)

### 3.3 Area Based Grant and other grant funding

From 2008/09 the Government has introduced the Area Based Grant. This is a non-ringfenced government revenue grant that now includes a number of grants which previously were specific to services. The ABG also includes the new Working Neighbourhoods Fund (WNF) which is the successor to Neighbourhood Renewal Fund (NRF), and LEGI (Local Enterprise Growth Initiative). Being a general grant, the council will be able to allocate funding in order to achieve local, regional and national priorities including those in the LAA agreed by the Local Strategic Partnership (LSP).

WNF is to be targeted at activities designed to tackle worklessness. From 2009/10, ABG will also include the existing Supporting People grant.

<b>Year</b>	<b>Total Allocation £'000</b>	<b>WNF Element £'000</b>	<b>Supporting People £'000</b>
<b>2008-2009</b>	21,033	3,814	n/a
<b>2009-2010</b>	27,731	4,585	5,650
<b>2010-2011</b>	27,743	4,771	5,367

### 3.4 Budget Update

In preparing the budget, the 2007/08 Revenue Budget has been updated to reflect:

- pay and price inflation
- changes in specific grant funding
- financial impact of legislative change
- full year effect of approved changes
- revenue consequences of committed and proposed capital programme
- known portfolio budget pressures

### 3.5 Partnership Budget Strategy

This is the first budget proposed by the Partnership of the Conservative, Liberal Democrat and For Darwen Groups and we have developed our budget strategy to incorporate key principles:

- to introduce a policy of maximum Council Tax increases of 0.5% below inflation (RPI) in each of the next three years and lower where this may be possible
- to invest effectively to deliver our priorities as set out in the Performance Agreement framework at Policy Council and the LAA

- to address past underfunding in key critical services
- to reflect the priorities of those whom we have consulted in developing our budget to meet the requirements of the citizens of this borough
- to invest in capital schemes which will support ongoing sustained service delivery and regeneration of the borough
- improving value for money through efficiencies and Invest to save options
- to maximise partnership working where this can realise service benefits and or cashable efficiencies
- maintain the minimum level of balances as recommended by the Strategic Director of Resources

### 3.6 Corporate Budget Pressures

Alongside the good settlement, a number of substantial funding pressures must still be addressed. The most significant of these are:

- **Adult Social Care**  
There has been a nationally recognised significant demand increase in a number of areas, including, but not limited to, older people and younger adults with learning disabilities. This trend is set to continue and we need to address the historic under funding of Adults Social care which has resulted in cash injections of around £2M in the current and previous financial year to support the service either at year end or during the year as the pressures have been flagged.
- **Pay and Reward**  
The Council has had to implement a new pay and grading structure for all 'Green Book' staff within broad parameters of affordability and impact on staff. This has significant cost implications both in the current year and 2008/09 and every year beyond, adding around 5% to the pay bill of both the Council and schools.
- **Highways**  
An easy target for authorities in previous budgets but consistent under funding results in significant long term damage to the roads and bridges infrastructure of the borough. This pattern must be halted.
- **External Funding**  
Successful as the Council is in attracting significant amounts of external funding into the borough, there can be an over-reliance on such funding sources to support core activities rather than value-added or short term projects.

The budget strategy will deal with these corporate pressures by investing in our priorities, good financial management, the delivery of efficiencies and the targeted application of external funding with clear exit strategies to be developed where funding will end



### 3.7 Service Portfolios

Each portfolio and each service within a portfolio has its own set of pressures and opportunities and will deliver high quality services within a cash limited budget which is uplifted in line with inflation but with portfolios clearly managing their own pressures in most areas through their portfolio efficiency programmes.

The proposed cash limits for portfolios for the next 3 years, together with the service pressures and proposals to manage these pressures are attached at Appendix D. These cash limits remain subject to changes to reflect adjustments necessary in respect of Area Based Grant, as a non-ringfenced general grant, and the impact of Pay and Reward. These changes, once finalised, will have no overall impact on the Council's budget. The key issues for each portfolio are as shown below.

#### Adult Social Care

- *a base budget increase of £2M for 08/09 increasing by another £1M in 09/10 and a further £1M in 10/11 to address underlying demand pressures primarily across older people's services and services to younger adults with a learning disability including those transitioning from Children's Services during the course of this three year budget*
- *the 'Getting Fit for the Future' efficiency programme now underway which we have progressed in this year will continue to deliver the planned efficiencies in the years ahead*

#### Children's Services

- *safeguarding agenda is significant and needs the appropriate level of investment to ensure those most vulnerable of our children are protected*

#### Citizens and Consumer Rights

- *this portfolio had a disproportionately high level of one-off funding and efficiencies supporting the 07/08 budget which needs to be addressed to bring some stability to the services over the next 3 years*
- *the budgets for Information Management and Business Development, now Business Transformation, will be transferred to Resources to more accurately reflect the way in which these services will be managed and delivered in the future*
- *savings will be also realised as the portfolio services are embedded into the new departmental structures of Regeneration and Environment and Housing, Neighbourhoods and Customer Services*

### Housing and Neighbourhood Services

- *the portfolio will continue to deliver the Housing Market Restructuring programme across the borough and a review of 'Streetscene' services is underway to ensure effective services delivering value for money for the citizens of the borough*

### Leisure and Culture

- *the portfolio has suffered from increasing income targets in previous years which have not been deliverable and this will be addressed through this budget strategy to give a more solid foundation from which to improve the cultural experience and health and well-being of citizens in years to come*

### Regeneration

- *external funding remains a pressure for this portfolio as funding streams are temporary*
- *the substantial regeneration activity underway and planned for the borough can also impact on revenue income in the short term*
- *again there are expected efficiencies from the new Regeneration and Environment department structure*

### Resources

- *Internal Audit and governance to be strengthened as agreed by the Audit Committee with funding for this secured corporately, predominantly through the improved procurement efficiency savings generated in a full year*
- *key elements of the delivery priorities set out in the Performance Agreement framework agreed by Policy Council in November reside within the Resources portfolio and it is vital that we have a strong corporate core to support improved service delivery and value for money*

## 3.8 Fees and Charges

As part of the budget considerations, Executive Members, in conjunction with Directors, have reviewed all the fees and charges for services within their portfolios, and have proposed variations where appropriate in order to balance their portfolio budgets. A full schedule of all fees and charges agreed will be issued to all Members and Directors following approval of the budget. Any further changes during the course of the year will require the agreement of the Executive Board.



### 3.9 Investment in Delivering our Priorities

At Policy Council in November the framework for the new Performance Agreement was approved as:

Vision: “Shaping a Better Blackburn with Darwen for Today’s and Future Generations”

Outcomes/Performance Priorities:

- Improving public health and well-being
- Improving your neighbourhood
- Tackling worklessness, developing skills, delivering regeneration

Organisational Delivery Priorities:

- Achieving first class services
- Deliver a ‘fit for purpose’ organisation

This budget strategy will see investment in each of these areas to deliver our key priorities aligned to the LAA over the next three years.

#### ***Health and Well-Being***

Together with our partners in the Primary Care Trust (PCT), we will invest £2M each year in improving the health and well-being of the citizens of this borough with a £1M contribution in each of the next three years from the PCT.

This will address poor health statistics across the borough as publicised through the 2007 ‘killer facts’ campaign. There will be a joint launch event later this month.

#### ***Neighbourhoods and Communities***

We will strengthen our neighbourhoods and give a voice to the people of those neighbourhoods with a total budget of £250,000 each year for the 5 neighbourhoods to determine their own local priorities.

We will invest an additional £500k each year in Highways Maintenance to start to address years of under funding.

We will invest an additional £100,000 in streetscene and the environment to increase recycling and garden waste collection alongside the continuation of the Environmental Town Rangers and the current environmental improvements programme which was for one-year only.



We will improve community safety through the introduction of a number of measures including an alley-gating programme for our backstreets, involving young people in the neighbourhoods and a 'youth bus' for diversionary activities.

### ***Worklessness and Skills***

The updated Index of Multiple Deprivation (IMD) ranking published in December 2007, shows a need to address skills gaps across the borough. Whilst there has been a focus on job creation in recent years this has not been targeted at higher level skilled jobs which needs to be aligned with a long term skills development and aspirational programme across the borough.

We will invest an additional £6M over the period of the MTFS in new activities targeted at addressing worklessness and utilising the new Working Neighbourhoods Fund (WNF), some of which will support existing successful programmes aimed at skills development and tackling worklessness which would otherwise see funding withdrawn. We will ensure that these programmes are successful and deliver the outcomes needed.

#### **3.10 Other Key Priority Areas**

We will continue some schemes which are currently only funded short term for one year

- holiday activities for young people
- benefit take up programme for vulnerable families
- environmental improvements, which will be subject to an efficiency and effectiveness review
- enhanced weekend street cleansing

We will invest in new flexible office accommodation which will release Jubilee House and Bridge House for the significant Cathedral Quarter development programme, whilst providing an opportunity to release other accommodation and prepare to deliver efficiencies through flexible and more mobile working subject to technological improvements over time.

We will increase our support and provision for young people as we develop major new youth provision in the town centre during the period of the MTFS.

Following the transfer back of ICT to the Council in early 2008/09, we will invest in an ICT Transformation programme over the next 3 to 5 years to deliver significant improvements and future efficiencies through enhanced use of technology to support service delivery and back office support.

### 3.11 Concessionary Travel

From April 2008 a new national concessionary travel scheme will commence, which will allow concession-holders free off-peak bus travel throughout the country. At the same time, the cost of travel will be paid by councils on the basis of where passengers commence their journey, and not on the place of residence.

This council has always worked jointly with Lancashire County Council and the other district councils to operate a single scheme that covers the whole of the Lancashire travel area. Council Leaders have met and negotiated a provisional agreement, which will be to extend the national concession beyond 11pm, but not to extend the concession period to apply prior to 9.30am.

In any event, the new scheme will result in substantial additional costs. The Government is providing a specific grant for each of the next three years with the intention that it will cover these additional costs, but the amount of grant may prove to be either greater than or less than the actual increase in costs. Furthermore, the incidence of costs will also change between authority areas, possibly substantially. In order to reduce the risks of any one authority being subject to very significant increased costs, the Leaders have provisionally agreed to pool the additional grant and the mandatory costs applicable to commercial and contracted bus services throughout the county area. The discretionary costs in relation to travel outside the hours of the national scheme, plus the concessions in relation to Blackpool Tramway and Knott End Ferry are also to be pooled. The overall cost in 2008/09 will then be distributed between councils on the basis of actual expenditure in 2007/08.

The details of how any surplus or deficit will be distributed, and the sharing arrangements for 2009/10 and 2010/11 will be subject to discussions of the Lancashire Chief Financial Officers.

Costs of community transport concessions will continue to be charged to each local authority directly.

Actual data will become available over the course of the year that will identify expenditure and show how the incidence is changing, which will enable monitoring of the overall total and provide definitive information for future consideration of charging arrangements. However, the proposals recommended for adoption now will allow the significant risks of the new scheme to be shared on an equitable basis, and the budget has been developed on this basis.



We will pass on the full government grant funding in respect of concessionary travel and we will also create a contingency of £250k to minimise the risk to the Council that government funding will not be sufficient to fund the new scheme in full from April 2008.

### 3.12 Capital Programme

Alongside the revenue budget we have also developed a significant capital investment programme with new schemes over the course of the three year budget :

- new substantial town centre youth provision to be developed
- a programme of targeted investment through the Carbon Management Plan to make efficiencies and deliver environmental improvements
- funding to make inroads into our backlog of upgrades to corporate properties sitting alongside a property rationalisation review
- ICT Transformation programme
- Investment in play space improvements

The new schemes for the Capital Programme 2008/11 are detailed at Appendix E. The full capital programme for 2008/11 will also include commitments in the current programme.

### 3.13 Level of Reserves

The Strategic Director of Resources is recommending a minimum level of reserves of £4M for the duration of the MTFS which this budget strategy will ensure.

The estimated levels of reserves are:

@ 31/3/09	£4.4M
@ 31/3/10	£4.0M
@ 31/3/11	£4.9M

### 3.14 Council Tax

The Executive Board has recommended that this Finance Council adopts a three year Council Tax policy which will see a maximum increase of no more than 0.5% below (RPI) inflation.

We recognise this is a guideline and is indeed a maximum. Therefore in this first year of the three, we will deliver services, invest in the priorities outlined above and limit the increase in Council Tax to 1.9%, not only more than 0.5% below RPI but also below CPI which is currently 2.1%.



3.15 MTFS

The MTFS is attached at Appendix F. This will be finalised to reflect the budget approved and will be incorporated as a chapter within the Performance Agreement. The MTFS will be refreshed and updated annually with estimated figures for the following year pending the next three year settlement. Within the MTFS we have assumed an indicative inflation rate for pay and prices of 3%. It then follows that, in line with the policy proposed above, the Council Tax assumptions for 09/10 and 10/11 reflect a 2.5% increase per annum. However, this will be subject to a detailed review each year based on the prevailing inflation rates at the time and a review of the priorities for investment

3.16 Conclusion

We believe that the proposed revenue budget, capital programme and MTFS will deliver our priorities and will ensure the delivery of high quality efficient and effective services to and for the citizens of this borough.

3.17 Appendices:

- A - Proposals for a Balanced Budget (summary)
- B - Key areas for investment to deliver priorities
- C - Other investments
- D - Portfolio cash limits, key pressures and efficiencies
- E - Capital Programme 2008-11
- F - Medium Term Financial Strategy 2008-11
- G - Report to Executive Board, 14 February 2008

CONTACT MEMBER: Councillor Michael Lee, Executive Member Resources  
DATE: 3<sup>rd</sup> March 2008  
BACKGROUND PAPER: Formula Grant Settlement Papers, Budget Working Papers

## Proposals for a Balanced Budget 2008/09 - 2010/11

	Indicative		
	2008/09	2009/10	2010/11
	£M	£M	£M
<b>Corporate Costs</b>			
Pay and price inflation	3.2	6.0	9.1
Pay & Reward	4.2	2.7	3.5
Legislative and Approved changes - full year effect	0.4	0.3	(0.1)
<b>Net increase in corporate costs</b>	<b>7.8</b>	<b>9.0</b>	<b>12.5</b>
<b>Budget Proposals</b>			
Investment to deliver Performance Agreement priorities	1.6	1.9	2.3
Other investment			
Continuation of one-off programmes from 07/08	0.4	0.5	0.5
Adult Social Care - base budget adjustments	2.6	3.0	4.0
Contingencies and additional support to deliver efficiencies	1.0	1.5	0.5
Contribution to/from reserves (+/-)	(3.2)	(0.4)	0.9
<b>Net cost of budget proposals</b>	<b>2.4</b>	<b>6.5</b>	<b>8.3</b>
<b>Total Cost</b>	<b>10.2</b>	<b>15.5</b>	<b>20.8</b>
<b>Movement in Resources</b>			
Collection Fund adjustment	0.2	(0.1)	(0.1)
Grant reductions (LABGI /PSA2PRG)	1.7	2.1	1.9
Net movement in borrowing costs	-	0.1	0.0
07/08 non-recurring expenditure	(4.8)	(4.8)	(4.8)
Formula Grant	(6.4)	(10.8)	(14.5)
Council Tax	(0.9)	(2.0)	(3.3)
<b>Net increase in resources</b>	<b>(10.2)</b>	<b>(15.5)</b>	<b>(20.8)</b>
<b>Balanced Budget</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Key Areas for Investment to Deliver Priorities**

	<b>Indicative</b>		
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Health and Well-Being</b>			
- joint investment programme over the next 3 years, together with the PCT to improve health and well-being			
Total investment	2,000	2,000	2,000
less Contribution from PCT*	- 1,000	- 1,000	- 1,000
	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
* subject to formal approval by the PCT Board (17 March) launch event planned for mid-March			
Current Council resources will be released to reinvest in delivering the Health and Well-Being programme with additional new resources of £400k per annum	- 600	- 600	- 600
	<b>400</b>	<b>400</b>	<b>400</b>
<b>Neighbourhoods and Communities</b>			
Strengthened neighbourhood working includes £250k p.a. shared across the 5 neighbourhoods for participatory budgeting	300	300	300
Highways Maintenance	500	500	500
Streetscene*	100	100	100
Community Safety	300	608	608
Youth provision - town centre revenue support to deliver major town centre youth facilities	-	-	400
	<b>1,200</b>	<b>1,508</b>	<b>1,908</b>
* linked to the continuation of the environmental improvements programme, £400k p.a. FYE, and the environmental town rangers (externally funded)			

**Worklessness and Skills**

£6M over 3 years from WNF for new projects to tackle worklessness and the economy  
Continuation funding for other schemes which address these issues



**Other investments**

	<b>Indicative</b>		
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Continuation of current one-off programmes</b>			
Enhanced weekend street cleansing	41	41	41
Benefit take up for children in need	30	30	30
Holiday activities for young people	44	44	44
Environmental improvement programme	300	400	400
subject to streetscene review and linked to other neighbourhood investment	<b>415</b>	<b>515</b>	<b>515</b>
<b>Address inherent under-funding</b>			
Adult Social Care			
- base budget adjustment	2,000	3,000	4,000
- Supporting People Grant reduction	570	-	-
	<b>2,570</b>	<b>3,000</b>	<b>4,000</b>
<b>Contingencies and additional support to deliver efficiencies</b>			
Investment in property to maximise space utilisation, and enable, a property rationalisation review to deliver VFM and support regeneration development	200	250	250
Contingency to minimise risks related to new concessionary fares scheme from April 08	250	250	250
Additional funding for Pay and Reward from 09/10 further to the £1M included for market supplements etc	-	250	250
Support for revenue loss during regeneration	256	311	341
ICT transformation Programme	-	377	624
Major project development fund	200	-	-
Support for value for money and efficiency agenda	40	40	40
	<b>946</b>	<b>1,478</b>	<b>507</b>

## Portfolio Cash Limits, key pressures and efficiencies

		2008/09 £000	Indicative 2009/10 £000	2010/11 £000
<b>Adult Social Care</b>				
	<b>Cash Limit</b>	<b>32,258</b>	<b>33,498</b>	<b>35,355</b>
<i>Key Pressures</i>		1,155	1,725	2,225
<i>less Corporate support to base budget</i>				
Commissioning growth and demand increases				
Develop Personalisation agenda and Safeguarding				
<i>Efficiencies</i>				
Application of Social Care Reform Grant		260	260	260
Getting Fit for the Future efficiencies		348	557	1,060
Review of delivery options for specialist care services		-	186	230
Re-assessment of Supporting People grant		247	247	247
Review and management of commissioning and reposition services to support Person Centred budgets		300	300	300
		1,155	1,550	2,097
<b>Children's Services</b>				
	<b>Cash Limit</b>	<b>25,568</b>	<b>25,636</b>	<b>26,269</b>
<i>Key Pressures</i>		1,143	1,143	1,143
Commissioning and engagement				
Schools - school improvement and transport				
Care Services - foster care, leaving care, young carers				
Common Assessment Framework and workforce development				
<i>Efficiencies</i>				
Inflation freeze		280	280	280
Vacancy management		428	428	428
Grant freedoms and flexibilities		435	435	435
		1,143	1,143	1,143



	2008/09	Indicative 2009/10	2010/11
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**Citizens and Consumer Rights**

Cash Limit	3,807	3,845	4,020
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*Key Pressures*

	392	357	357
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07/08 one-off savings and efficiencies

Contaminated land and smoke free legislation

*Efficiencies*

## Fees and Charges

	44	44	44
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private hire/hackney carriage 5% above inflation

fee income from gambling act

Contaminated land/smoke free approved carry forward

	70	39	39
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Staffing reviews and external funding

	184	224	224
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Benefits review

	30	30	30
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Other minor savings

	64	20	20
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	392	357	357
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**Housing and Neighbourhood Services**

Cash Limit	8,723	9,022	9,281
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*Key Pressures*

	38	38	38
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Neighbourhood intervention fund revenue costs

Integrated Housing Needs team

*Efficiencies*

07/08 underspend to be carried forward

	38	-	-
--	----	---	---

Savings from departmental structure review

	-	38	38
--	---	----	----

	38	38	38
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**Leisure and Culture**

Cash Limit	6,963	7,016	7,074
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*Key Pressures*

	271	493	745
--	-----	-----	-----

Turton Tower contributions

Inflation on fees and charges and shortfalls against targets

*Efficiencies*

Supplies and services, maintenance and buildings savings

	157	182	182
--	-----	-----	-----

Management and staffing savings

	114	161	63
--	-----	-----	----

Review of leisure provision linked to health and well-being

	-	150	500
--	---	-----	-----

	271	493	745
--	-----	-----	-----

		Indicative		
		2008/09	2009/10	2010/11
<b>Regeneration</b>	<b>Cash Limit</b>	<b>16,588</b>	<b>17,107</b>	<b>17,949</b>
<i>Key Pressures</i>		1,610	1,610	1,610
07/08 one year only savings and grant fallout				
Income pressures - car parks, markets, crematorium				
<i>Efficiencies</i>				
Fees and charges - Cemeteries, Crematorium, Business		168	168	168
Centres, Trade Waste				
Planning Delivery Grant		150	-	-
Highways insurance review		558	150	150
External funding to support ongoing schemes		330	330	330
Savings from departmental structure review		264	822	822
Savings on salt and transport procurement		140	140	140
		1,610	1,610	1,610
<b>Resources</b>	<b>Cash Limit</b>	<b>16,722</b>	<b>17,125</b>	<b>17,044</b>
<i>Key Pressures</i>		310	310	310
Property income and accommodation				
07/08 efficiencies not achieved				
<i>Efficiencies</i>				
Integrated finance system payments		132	132	132
Fees and Charges - Land Charges, Registrars		11	11	11
Treasury and cash flow management		167	167	167
		310	310	310



**PROPOSED CAPITAL PROGRAMME 2008/11**

	2008/09	2009/10	2010/11
	£'000	£'000	£'000
<b><u>1. Estimated Available Resources</u></b>			
Borrowing			
Supported Borrowing	5,780	5,668	4,806
Unsupported Borrowing	2,876	0	0
Government Grants			
-Education / Early Years Grants	** 3,467	2,918	3,836
-Housing Market Renewal	** 6,750	9,000	9,000
-Housing Capital Grant		1,732	3,445
-Department for Transport Grants	1,310	881	706
-Disabled Facilities Grant	** 612	612	
-Other Specific Grants	1,427	957	692
Capital Receipts	1,260	5,042	1,438
Revenue Contributions (incl school reserves)	100	650	650
External Contributions	413	20	0
<b>TOTAL ESTIMATED AVAILABLE RESOURCES</b>	<b>23,995</b>	<b>27,480</b>	<b>24,573</b>
<b><u>2. Expenditure Proposals</u></b>			
<b><u>Adult Social Care</u></b>			
Management Info Systems	104	104	
Disabled Facilities Grants - Adult Social Care	** 845	845	
Minor Works Grants	** 420	420	420
Property Upgrades - Personal Social Care	67	67	67
Mental Health Supported Capital	111	111	111
	<b>1,547</b>	<b>1,547</b>	<b>598</b>
<b><u>Children's Services</u></b>			
Schools Structural Improvement Programme	2,356	2,906	2,907
Schools Access Initiative	217	217	217
Devolved Formula Capital	1,965	1,916	1,916
Extended Schools	311	330	171
Early Years Projects	634	68	71
Harnessing Technology / Other Schools ICT	819	604	644
Property Upgrades - Children's Establishments	37	37	37
Disabled Facilities Grants - Children's Services	** 175	175	
Disabled Facilities Grants - additional allocation	200	200	
	<b>6,714</b>	<b>6,453</b>	<b>5,963</b>

Note: The BSF Capital programme will commence during the 3 year period, however, the Outline Business Case is to be approved by Executive Board and then on to DCSF for approval in 08/09.

2008/09	2009/10	2010/11
£'000	£'000	£'000

#### Housing and Neighbourhood Services

Housing Market Renewal Spending	**	6,750	9,000	9,000
Future Housing Grant Funded Schemes	**		1,732	3,445
Bank Top Community Centre Expansion		550		
Community Safety Bus (Youth Bus)		35		
Play Space Improvements	##	100	100	100
		<u>7,435</u>	<u>10,832</u>	<u>12,545</u>

#### Leisure and Culture

Corporation Park Bowls Pavilion & Toilets		100		
		<u>100</u>	<u>0</u>	<u>0</u>

#### Regeneration

Local Transport Plan and Road Safety Works		4,318	4,039	4,035
Alley Gating		100	100	100
Street Lighting, Bus Shelters & Litter Bins		200	200	200
Waste Infrastructure		255	255	94
		<u>4,873</u>	<u>4,594</u>	<u>4,429</u>

#### Resources

Corporate Property Investment (additional funds)	##	500	500	500
Corporate Property Upgrades (additional funds)	##	250	250	250
Darwen Town Hall Frontage		558	31	
Council Chamber Sound System & Voting System		50		
Corporate ICT Infrastructure		1,680	2,985	
Carbon Management Plan *	##	288	288	288
(* proposed £ 288 k p.a. for 5 yrs to 2012/13)				
		<u>3,326</u>	<u>4,054</u>	<u>1,038</u>

## not to proceed until a detailed programme has been agreed by the Executive Board

\*\* provisional - awaiting confirmation of level of grant allocation

TOTAL CAPITAL PROGRAMME	23,995	27,480	24,573
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#### Vehicle and Plant Replacements

2,935

(funded from operating lease or unsupported borrowing as determined by Director of Financial Services)

#### TOTAL OTHER APPROVALS

2,935	0	0
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## **MEDIUM TERM FINANCIAL STRATEGY 2008 to 2011**

### **Purpose**

1. The purpose of a Medium Term Financial Strategy (MTFS) is to set the financial framework for the Council for the medium term, considering the Council's strategic objectives and major projects. This includes the impact on revenue budgets, capital programme, reserves and potential future Council Tax levels based on funding projections and assumptions.
2. The Council is continually improving its approach to medium term planning and the MTFS is very significant in setting out the projected high level financial position and the strategic choices, risks and opportunities facing the Council.
3. The MTFS forms a key link between financial and business planning, both reflecting and influencing the key plans of the Council, including the Performance Agreement, the Community Plan and other plans such as the Capital Strategy, Medium Term Property Strategy, Asset Management Process, and the developing and emerging People Strategy, ICT Strategy and Carbon Management Plan.

### **Financial Outlook**

4. The financial outturn for 2006/07 and latest forecasts for 2007/08 indicate significant spending pressures across a number of service areas, but in particular across Adult Social Care. The budget strategy for 2007/08 was formulated with a view to addressing this pressure, but to the extent that demand continues to exceed resources, this pressure will continue into future years.
5. Some key areas for consideration into the medium term therefore include:
  - a. level of Council reserves expected
  - b. continuing pressures across demand-led services
  - c. full year cash flow implications of major capital schemes
  - d. pay and reward
  - e. concessionary travel
  - f. waste

### **Priorities**

6. As a unitary authority there are many competing priority areas across the service portfolios. The challenge for the Council is to determine, within given financial constraints, the key investment priorities and the services for review, either in terms of potential reduction in service levels, through business process redesign or by transforming the way in which services are provided within the borough with options which could include some transition from the Council being a service provider to a commissioner of services, and ensuring the ongoing availability of sustainable and accessible, inclusive services.

7. The borough has five Area Agency Partnerships, as part of the Local Strategic Partnership (LSP), based upon the neighbourhood co-ordination areas. These partnerships bring together public, private and community and voluntary sector organisations to identify priorities and deliver activities to meet the Council's Local Area Agreement. Each partnership has to produce a plan for their neighbourhood area based on consultation with residents on local issues and through the LSP Theme Groups. The plans will change over time as priorities are addressed and new issues emerge. The Council will build a degree of flexibility into the MTFS to respond to these changing priorities and to target resources to areas of greatest need.

### **Principles**

8. The Council's MTFS is underpinned by the principles of:
  - periodic consideration to reprioritisation and realignment of existing resources between and within portfolios to ensure delivery of the Council's key priorities
  - focus on customer care and high quality services
  - valuing employees
  - managing future Council Tax levels and increases to reflect central government indications and local circumstances
  - sound financial management, adhering to best practice
  - devolved budget management to Executive Members (with portfolio) and service Directors
  - retaining adequate reserves based on risk assessment and local experience and knowledge
  - continually striving to maintain 4\* CPA status, reviewing all services' spending to demonstrate value for money in line with stated priorities and identified need and achieving a good score for Use of Resources through continuous improvement
  - identification of ongoing efficiency savings (cashable and non-cashable), to redirect into front line services
  - continuing to seek to maximise appropriate local and external funding sources, whether through grants, additional income or partnering opportunities
  - planning for and managing change, whether related to need, demand for services, technological advances, legislative, local aspirations or resource allocation
  - good risk management and corporate governance within the authority and throughout our partnership arrangements
  - recognising that in order to deliver the above, sufficient resources are made available to support services
9. The delivery of the strategy over the medium term will depend largely on how successful the Council is in reprioritising services, realigning resources to meet its key priorities and delivering efficiencies. This may also mean re-engineering the way in which services are provided or, indeed, who provides them. There is a significant project 'Getting fit for the future' currently underway in Adult Social Care which will see changes in service delivery and an enhanced commissioning



role for the authority which will realise savings in the medium to long term which are built into the portfolio budget forecast.

10. There is also a dependency on the level of resources allocated by Central Government through the settlement in enabling the Council to meet its priorities whilst also meeting its objectives for Council Tax. The period of this MTFS coincides with the first three year settlement which has enabled the council to plan ahead with greater certainty.
11. Members and officers are committed to successful partnership working, reflected in the existing partnerships with Capita and Hyndburn, closer working across Pennine Lancashire particularly on housing and economic development issues, with the Primary Care Trust (PCT), the strength of the Local Strategic Partnership (LSP), the Local Public Service Board (LPSB) and the current development of the Pennine Lancashire City Development Company in partnership with Lancashire County Council and the District Councils. Partnership working, where it can be effective and is in the best interests of service users, is to be considered as a potential option for other areas.
12. The strategic partnership with Capita has recently undergone a 5 year fundamental review which has seen changes introduced as the partnership evolves and prepares for the years ahead. A number of services have transferred back to the Council including Adults and Children's Social Care finance and administration, financial management, customer services, strategic HR, and the ICT service from early in 2008/09.

### **National Considerations:**

#### **13. Local Government Finance settlement**

In December 2005, the Government issued a 2 year financial settlement for Local Government, covering 2006/07 and 2007/08. There was also a significant change in the methodology used to allocate funding with the introduction of the 4 block model and the Dedicated Schools Grant (DSG). This has seen a shift away from notional spending on services to formulae based on relative need and relative resources i.e. the ability to raise Council Tax.

Last October the Government published its Comprehensive Spending Review (CSR) 2007 and pre-budget report. This indicates 1% growth above inflation, but with 3% efficiency savings required. Council tax increases are expected to be substantially less than 5%. All these are averages across the local government sector.

The grant distribution formula has also been reviewed leading to a new settlement for the next three years 2008/09, 2009/10 and 2010/11. For this authority, the Government announced an increase in Formula Grant of 9.5% for 2008/09, which equates to approximately £6.4M.



<b>Increases</b>	<b>2007/08 Adjusted £000</b>	<b>2008/09 £000</b>	<b>Increase / (Decrease) £000</b>
Formula Grant	67,128	73,481	6,353
% Increase Year on Year			9.46%
National Average			3.5%
Unitary Average			4.8%

The table shows that overall this Council's increase in Formula Grant exceeds the National and Unitary Average.

However, in order to fund the minimum increase to authorities on the funding 'floor', there is a 'damping' mechanism which smoothes changes in grant allocations over time. This mechanism in previous years was applied at two levels – to the Relative Needs Block and to the overall grant. Following representations from many local authorities, the damping at Relative Needs level has been removed from 2008/09, giving rise to a significant increase in overall grant. However, the national impact of that has increased the contribution the authority is required to make in respect of overall damping, up to £10.2M. This will then continue to be reduced over coming years, and contributes to larger than average increases in formula grant for each of the next two years:

2009/10 provisional - £77.804M (5.9%)

2010/11 provisional - £81.683M (5.0%).

Schools-related expenditure is now funded by Dedicated Schools Grant. On the whole, schools received a good settlement with indicative figures shown below:

<b>Indicative figures</b>	<b>£000</b>	<b>% increase</b>
2008/09	106,483	3.7%
2009/10	110,038	3.3%
2010/11	114,685	4.2%

Final figures for 2008/09, which are dependant upon final pupil numbers, are expected to be announced in April 2008.

#### 14. Efficiency Programme

The Council has had to deliver a target of 2.5% efficiency gains per annum over the 3 year period 2005/08 to be reinvested in front line services, with at least half the identified efficiency gains being 'cashable'. The Council submits Annual Efficiency Statements, both Forward Look for the year ahead and Backward Look identifying achievements to date. Whilst these would indicate that the Council is well on the way to achieving the three year efficiency target, it is important that the focus internally continues to be on those areas where efficiencies can be achieved by the Council or with its partners.

The CSR 2007 intends that significant "cashable" savings will continue to be achieved, primarily from smarter procurement, better asset management and business process improvements. Efficiencies will also service portfolios to offset budget service pressures.

#### 15. Neighbourhood Renewal Fund (NRF) / Working Neighbourhoods Fund (WNF)

The authority has benefited from significant NRF funding which ends in 2007/08. As part of the drive to help people be less reliant on welfare and to enter into training and work, the Government has established a new Working Neighbourhoods Fund in order to focus on the most deprived areas to tackle worklessness and other aspects of deprivation. The Council is benefiting from continued WNF funding linked to the updated indicators of multiple deprivation. The WNF now forms part of the non-ringfenced Area Based Grant, and determination of priorities will form part of the overall consideration of how that grant is deployed (see paragraph 17). Linked to the LAA priorities of the LSP.

#### 16. Public Service Agreements (PSA)

The authority successfully delivered its PSA1 and is now completing the assessment of PSA2 which will deliver additional Performance Reward Grant in 2007/08 and 2008/09, of around £1.270M per annum in each of the two years, half for revenue purposes and half for capital. Again, it is important that the short term nature of this funding is a key consideration in its application. This is factored into the budget forecast.

#### 17. Local Area Agreements (LAA) and Area Based Grant (ABG)

The "single pot" LAA grant has been extended further from 2008/09 to become Area Based Grant (ABG). Not only does this include specific ring-fenced grants removed from a number of services, but it includes the Working Neighbourhoods Fund (see paragraph 15) and Local Enterprise Growth Initiative (LEGI), all to be distributed by agreement of the Local Strategic Partnership (LSP). A substantial number of projects are being managed this way with a total grant approved of £21.048M for 2008/09 (some of which requires to be allocated to other bodies within Pennine Lancashire).



Further grants, including £5.650M supporting people grant, are to be transferred into the ABG in future years, and provisional allocations have been issued as follows:

2009/10 £27.730M

2010/11 £27.743M

The effective use of this funding will be critical going forward.

#### 18. Adult Social Care and Health

The Adult Social Care Department already works closely with partners in the Primary Care Trust (PCT) on issues such as rehabilitation and avoidance of bed blocking, however, consideration needs to be given to the potential for cost transfer from the NHS. Indeed closer working has seen the joint appointment of a new Chief Executive of the PCT, partly funded by the Council and sitting on the Council's Chief Executive's Strategy Group. Opportunities for wider efficiencies are also being explored with approval recently given to consider joint commissary posts. (Executive Board February 2008)

#### 19. Comprehensive Area Assessment (CAA) and Use of Resources (UoR)

Currently referred to as Comprehensive Performance Assessment (CPA), from 2009, there will be an enhanced focus on value for money (VFM) through the UoR block and a requirement for closer links between finance and performance which must be evidenced through improved business planning and greater understanding of cost drivers and comparators. BwD achieved an overall score of 3 for its UoR assessment in summer 2006 which included a 3 for VFM. Whilst the score was improved the overall assessment remained a 3 in 2007. additional support to drive improvements in VFM is recommended in the budget.

#### 20. Local Authority Business Growth Incentives (LABGI)

This scheme was introduced in 2005 allowing Councils to retain some business rate revenues resulting from growing the local tax base. The Council's Economic Development section within the Regeneration portfolio has a successful track record of supporting business growth and the authority realised significant revenues from business rate growth with sums of £1.0M and £1.8M having been received respectively in 2005/06 and 2006/07. There is potential for this payment to increase further for 2007/08.

The LABGI scheme was a 3 year scheme. The CSR 2007 has indicated that the scheme may continue but that there will be changes to the scheme. Significantly, the CSR suggests that no LABGI payments will be made in 2008/09, with a replacement scheme starting in 2009/10, but with income projections of only around 15% of the 2008/09 levels. This is impacting on the overall level of resource available to the Council.



## 21. Pensions

The Local Government Pension Scheme (LGPS) is administered by Lancashire County Council and actuarial revaluations are undertaken every 3 years. The last revaluation saw increases set for this three year period of 0.8% in 2005/06, 0.7% in 2006/07 and a further 0.7% in 2007/08 with resultant increased costs of around £0.5M annually. The actuary's report has indicated that the Council's contributions do not need to increase during the next three year period, but there is the potential that at the end of the period, dependant upon fund performance, further increases may be required in subsequent periods. However, there will remain a further 19 years of the planned recovery period over which to recover any deficits.

### Local Context

22. The Performance Agreement clearly demonstrates the links to the LSP priorities set out in the Community Plan and Local Area Agreement (LAA), to the Council's strategic objectives and how the Council's corporate planning process, including this MTFS, is driven by these overarching priorities to ensure the vision is achieved.

The Policy Council last November agreed the strategic framework for the Performance Agreement and updated key priority areas, as set out in paragraph 25 below.

## 23. Council Strategic Objectives

Policy Council set out a new council vision, supported by 5 strategic objectives which reflect what we are trying to achieve:

### *Outcomes / performance priorities*

- improving public health and well-being – “Living Better, Living Longer”
- Improving your neighbourhood – community engagement, community cohesion, environment, liveability/public realm, enforcement, community safety
- tackling worklessness, delivering skills, delivering regeneration

### *Organisational delivery priorities*

- achieving first class services: influencing, enabling and commissioning
- deliver a “fit for purpose” organisation

The medium term financial strategy reflects the Council's priorities going forward.

## 24. Links across other plans

In developing budget options and financial planning, consideration also needs to be given to the Council's other corporate plans and strategies including the Capital Strategy, Medium Term Property Strategy (MTPS) and Asset Management Plan, ICT Strategy (draft developed alongside the 5 year review of the strategic partnership), the People Strategy (currently in draft) and the newly developed Carbon Management Plan.

*25. Housing Market Restructuring (HMR)*

Five authorities across the East Lancashire sub-region currently benefit from significant HMR funding through the 'Elevate' pathfinder, one of 9 nationally. Whilst this has also helped lever in further funding from NWDA and English Partnerships, consideration needs to be given to potential future grant clawback from any capital receipts generated from sites cleared and subsequently released for development. In addition, the sheer scale of the HMR programme means that expenditure and funding profiles can be difficult to achieve. The Council has seen significant early spend against the HMR profile in 2006/07 and 2007/08 and there are ongoing short term revenue implications factored into the budget.

*26. Where should the 'business' be in 5 years?*

This question was posed in the interim MTFS. In its role as community leader, the Council considers how the organisation should be positioned to ensure and sustain future delivery of quality services. Considering quality and scope of provision of service, together with ensuring accessibility, availability and value for money, options are worked up around the Council continuing as service provider against alternatives such as taking a wider commissioning role and becoming more of an 'enabler'. This is reflected in the organisational delivery priorities in the new Performance Agreement. For example, through the introduction of individualised budgets for service users with an emphasis on stimulating the development of preventative services as individuals make choices through 'In control' models of support for care services. Again, Adult Social is at the forefront of Departments placing a greater emphasis on commissioning and enabling.

**Cost Pressures**

*27. 2007/08 Budget Monitoring*

Current budget monitoring indicates ongoing cost pressures across demand led services within Adult Social Care which need to be considered in advance of the 2008/09 budget. To the extent that these pressures arise from increasing demand for services, they will be continuing. The portfolio has been given a cash limit increase of £2M in the year.

*28. Regeneration of the Town Centres*

A priority for the authority in the medium to longer term, there is the planned development of a new Blackburn market and the redevelopment of the shopping centre, key town centre sites for development. There are also development plans for the Cathedral quarter and the area around Blackburn College. This is likely to have a detrimental impact on revenue income streams which is factored into portfolio budgets.



### 29. *Pay and Reward*

The development of a new Pay and Reward policy to encompass Job Evaluation and full implementation of Single Status by April 2008 has been a challenging timetable and will have significant financial implications. The recently agreed scheme will mean an ongoing cost of around £4M for the Council with similar percentage increases for schools.

### 30. *Waste*

To encourage recycling and reduce landfill, the government has significantly increased the level of landfill tax and will continue to do so. The tax will increase by 33% per annum per tonne, a current annual cost increase of over £400K.

In addition, each waste disposal authority is set a landfill allowance, above which threshold financial penalties will be incurred for excess waste landfilled. In conjunction with this there is a Landfill Allowance Trading Scheme (LATS) which allows authorities to buy and sell landfill permits.

The authority needs to ensure that landfill tonnages stay within the permitted allowances otherwise LATS charges of up to £5 million could be incurred.

### 31. *Concessionary Travel*

A new national concessionary travel scheme is due to be introduced from April 2008. This will extend the current scheme of free off-peak bus travel for concession-holders within borough boundaries to unlimited off-peak bus travel. Furthermore, the national scheme is proposing a significant change in the incidence of where costs will fall, as liability moves from place of residency to place where journeys commence. Thus for example if a resident of Blackburn takes a bus to Preston, then to Blackpool, returning directly to Blackburn, Blackburn with Darwen will pick up the fare subsidy for the outward journey to Preston, then Preston will pick up the cost to Blackpool and Blackpool will pick up the cost back to Blackburn. Similarly Blackburn will pick up the costs for returning visitors to the borough.

It is not yet possible to forecast accurately what the financial impact of these changes will therefore mean for the Council. The Government has stated that the additional costs will be fully covered, and following substantial lobbying by local authorities, a specific grant will be paid for at least the next three years. However, the grant will be formula-driven and as such may not actually fully cover all the additional costs. In order to provide a buffer against the possibility of very large shifts in the incidence of costs, the councils within Lancashire have agreed to pool the grant, and pool the risks, for the next three years to be reviewed after the first year

### 32. *Car Parking*

Approval has been given for a new multi-storey car park in Blackburn. There may be some temporary loss of income from other car parks in the town as key sites are released for development and this could also be affected by the shopping



centre redevelopment plans. Again, this is flagged as a cost pressure to be managed within the Regeneration portfolio budgets.

### 33. *ICT*

The ICT Strategy currently being developed following completion of the 5 year review may result in potential investment requirements. This will be impacted by other developments such as increased requirements for mobile, flexible and home-working, which will be subject to the development of robust business cases and benefits realisation plans. A significant ICT Transformation is planned following the transition of the service, back to the council in early 08/09.

### 34. *Capital commitments and future investment*

The 3 year Capital Programme 2007-10 approved as part of the 2007/08 budget process includes a number of longer term schemes with funding commitments beyond the current year. These will obviously be first call on future capital resources and may impact on the availability of funding for new schemes. There are also significant revenue implications to be built in to forecasts. In addition, the accelerated spending in relation to the HMR programme has required significant short term borrowing – the use of future housing grant to repay this borrowing is likely also to restrict the extent to which the Council can commit its own resources to supporting housing investment. The overall affordability of the total Capital Programme has been a key consideration in the budget.

### 35. *Investment in Physical Assets*

To sustain our operational and community assets investment will be required. Reviews will establish which buildings are required for longer term service provision and staff office accommodation, with consideration being given to the emerging neighbourhood's agenda and the proposals for more flexible working. There is also a need to review energy usage and more energy efficient options with a view to encouraging lower consumption both in the interests of the environment and delivering cost efficiencies. This links with the Carbon Management Plan which has been developed.

The Council's partner, Capita Symonds, are updating the accommodation strategy and piloting a property rationalisation study in East Blackburn.

### **Opportunities**

### 36. *External Funding*

In late 2006, the Council was awarded significant external funding under both the Building Schools for the Future (BSF) initiative, where the Council is in wave 4, and the Local Economic Growth Initiative (LEGI) which will influence future investment across the Pennine Lancashire sub-region.

The authority has also retained Assisted Area status, along with adjacent wards in Hyndburn, for the period 2007-2013 which will be a key factor in attracting UK

and EU funding going forward. From 2007 there is a new EU structural funding round which will be more closely linked to UK national economic regeneration spend delivered via Regional Development Agencies (RDAs) for which effective sub-regional economic planning will be increasingly important.

Shared services across Pennine Lancashire, facilitated by the proposed new Pennine Lancashire City Development Company (CDC), may provide opportunities not only to generate efficiencies but to maximise the use of external funding across the sub-region. The recent Sub-National Review of Economic Development proposes the devolution of funding from the Regional Development Agency to the CDC, and it is envisaged that this will provide additional resources for economic regeneration from 2009-2010 onwards.

The Council, Lancashire County Council and the 5 District Councils of Burnley, Hyndburn, Ribble Valley, Rossendale and Pendle, are well advanced in working together on the development of a Multi-Area Agreement (MAA) across Pennine Lancashire.

### *37. Business Transformation*

The Council's investment in bdirect, the transfer in-house of the ICT Service and the changes being made to the senior management structure will help to ensure that opportunities for efficiencies through changing business processes are delivered.

### *38. Procurement*

Changes in the way the Council procures goods and services are now showing significant benefits, and savings approaching £1M per annum have currently been identified. These opportunities are set to develop further as the procurement team is strengthened. The Council has agreed to join the East Lancashire e-Partnership (ELeP) to improve procurement savings opportunities and capacity.

### *39. Service Provision Reviews*

A review of community centres has recently been undertaken by external consultants, transport provision is currently under review, and, for example, the Darwen Leisure Centre development could, in time, facilitate a review of other leisure facilities across the borough. The need for additional flexible office space is being considered as part of the budget strategy.

### *40. Future Accommodation Requirements*

This needs to link into the Council's family friendly policies and strategies for more flexible working, including home working and mobile working in neighbourhoods, in order to appreciate current and potential future requirements for Town Centre accommodation, predominantly for office based staff. Links should also be made to future car parking requirements.



#### 41. Council Tax

Comparisons with other unitary authorities show that average Council Tax payable per dwelling is fairly low being in the 3<sup>rd</sup> quartile even though our spending and settlement is high. The Executive Board has recommended that the Council adopt a council tax policy for the next 3 years such that the authority's maximum council tax increase will be no more than 0.5% below Retail Price Index (RPI) inflation.

#### 42. Partnerships

The joint appointment of Chief Executive of the Primary Care trust (PCT) with a remit which includes reviewing links between Health and Social Care will provide opportunities for both the Council and the PCT. For example, proposals are being worked up for the development of an integrated commissioning system across the PCT and the Council's Adult Social Care and Children's Services departments. The current commissioning functions could be formally joined up to commission more effective and efficient integrated services for health and wellbeing. The partnership board across the PCT and Council functions as a business partnership and as such it is proposed that its remit, governance arrangements and membership are reviewed to enable it to function as the hub of decision making and accountability for the future commissioning arrangements.

Under the terms of the Compact which is being developed between the Local Strategic Partnership and the third sector within Blackburn with Darwen, the principle of 3 year funding arrangements with third sector organisations, usually under Service Level Agreements, is being supported in appropriate cases. This will give third sector organisations longer term financial stability and certainty in the planning and delivery of services on behalf of other LSP partners, including the Borough Council. It will be allied to proper performance management and monitoring arrangements. The Compact is also likely to lead to an increase in the scope and extent to which LSP services are commissioned from the third sector.

#### **2007/08 budget monitoring position**

43. The Council set the budget with a view to contributing £1M to bring balances up to a minimum level of £4M. The latest budget monitoring position indicates forecast balances to be around £7.6M at 31 March 2008. This is largely due to capitalisation of equal pay compensation payments, dividends from Connexions and Intack Services Ltd plus cash flow and debt restructuring savings. The forecast level of balances is subject to all portfolios maintaining spending within their cash limits and achieving their target savings of £14.3M as adjusted. Portfolios were on target to deliver 84% of these savings, but unavoidable demand pressures have made it difficult for Adult Social Care to fully deliver their target. The Executive Board in December recognised the issues and agreed to a cash limit increase which should help the portfolio to deliver a balanced budget by year end. The three year budget strategy reflects the issues facing the service in the medium term.



### Three Year Financial Forecast

44. The Council's revenue position is affected by two main issues, the current estimated figures are summarised cumulatively in the table below and detailed in Appendix 1.

	2008/09	2009/10	2010/11
	£ 000's	£ 000's	£ 000's
Estimated Increase in Resources / Savings	13,570	19,784	25,312
Assumed Cost pressures at existing service levels to be funded corporately	11,407	13,966	17,713
<b>Budget (gain) / shortfall</b>	<b>(2,163)</b>	<b>(5,818)</b>	<b>(7,599)</b>

In addition to this, however, portfolios are also identifying service pressures some of which are potentially significant.

The options available to the council for meeting this shortfall, in order to formulate a budget strategy, are:

- Additional increases in council tax (1% increase raises approximately £470K)
- Use of balances (see paragraph 49 on levels of balances) – these can only be used once and are more appropriate to apply towards one-off non-recurring costs
- Reductions in expenditure
- Increases in income

### 45. Assumptions and Risks

It is important that the underlying assumptions and the risks are considered, as set out below:

Assumptions	Risks
<b>Resources</b>	
Council tax increases each year at no more than 0.5% below the level of inflation as measured by the RPI	Inflation rates may vary significantly to those assumed
<b>Spending Pressures</b>	
Pay inflation of 2.5% per annum	Pay award for 2007 agreed at 2.475%.
Price inflation generally at 2.5%, but taking account of known contract price reductions for fuel and insurances in 2007/08. 33% increase in landfill tax for 2008/09	Inflation rates may vary significantly to those assumed
Pay and reward £4.2M	Whilst this figure has been derived from the pay line, there is still

set out elsewhere in the Performance Agreement. The council is developing an improved process for portfolios to bid for capital resources. This is by way of a system of “gateways” – the first gateway considered high level bids which are being prioritised by linking to the council’s asset management and service plans. Those passing through the first gateway have then been developed in greater detail, thus eliminating the need to undertake significant abortive preparation work. The final selection of schemes will, however, be dependant upon the level of capital resources available. The submission of projects which can generate substantial savings sufficient to finance borrowing costs and contribute towards corporate savings targets are likely to be favoured.

The Medium Term Financial Strategy depends upon the use of the eventual expected capital receipts arising from the sale of the Markets site and Darwen Moorland School to be used to repay the short term borrowing for the land assembly. However, these receipts may be delayed and they also carry a risk of falling significantly short of the amounts required. In addition, housing capital grant expected to be received over the three year period will also be substantially committed to repaying advance borrowing used to support the HMR programme.

The main priority areas for investment at a corporate and neighbourhood level, will be in respect of housing, regeneration, asset management and invest to save projects.

Some projects are only in the early stages of development, and will not form part of the approved capital programme for 2008/09 to 2010/11. However, over the period covered by this Medium Term Financial Strategy more information will become available and these projects should therefore be identified for future consideration:

*Crematorium* – changing legislation in 2009/10 is expected to require crematoria to improve emission standards by reducing the amount of mercury displaced into the atmosphere.

*Residential Care* – development of specialist residential provision providing for respite care, dementia respite, intermediate care and rehabilitation.

*Development of care / retirement villages* – investment in a range of choice of residential accommodation for older people and people with disabilities will assist more people to stay independent in their own homes for longer reducing the impact on social care and social housing.

*Flagship town centre youth centre* – development of a centre for youth in line with new national standards aimed at integrated provision of activity and services linked to health and well-being, participation and social contribution.

The strategy proposes that some resources are earmarked to allow for certain feasibility studies to be undertaken in the pursuance of new capital proposals.



## APPENDIX 1

## MEDIUM TERM FINANCIAL FORECAST 2008/09 TO 2010/11

Summary (cumulative over the period)

	2008/09	2009/10	2010/11
	£ 000's	£ 000's	£ 000's
<b>Increase in Resources / Savings</b>			
Formula Grant plus rating pool increase due to LABGI grant fall-out	6,432	10,755	14,583
Collection fund adjustment	-255	115	115
Council tax increase 2008/09	865	865	865
Council tax increase 2009/10		1,193	1,193
Council tax increase 2010/11			1,223
Non-recurring expenditure 2007/08	4,557	4,557	4,557
Borrowing costs reduced due to capital slippage and debt rescheduling	1,557	1,557	1,557
Net savings estimated to accrue from transport review and departmental restructure	414	742	1,219
<b>Net increase in resources</b>	<b>13,570</b>	<b>19,784</b>	<b>25,312</b>

	2008/09	2009/10	2010/11
	£ 000's	£ 000's	£ 000's
<b>Cost Pressures</b>			
Fall-out of Performance Reward grant	265	900	900
Fall-out of LABGI grant	1,300	1,000	700
Pay, pensions and price inflation	3,117	6,133	9,255
Pay and reward	4,200	2,950	3,750
Borrowing costs consequent to current capital programme commitments	1,057	1,383	1,281
Borrowing costs in respect of capitalised equal pay compensation	399	456	456
Weekly refuse collection rounds	411	470	470
Support for Building Schools for the Future	200	250	350
Other changes approved in 2007/08	458	424	551
<b>Net increase in pressures</b>	<b>11,407</b>	<b>13,966</b>	<b>17,713</b>

	2008/09	2009/10	2010/11
	£ 000's	£ 000's	£ 000's
<b>BUDGET (BENEFIT) / SHORTFALL</b>	<b>(2,163)</b>	<b>(5,818)</b>	<b>(7,599)</b>



## MEDIUM TERM FINANCIAL FORECAST 2008/09 TO 2010/11 (continued)

Summary (cumulative over the period)

	2008/09	2009/10	2010/11
<b>Budget Plans</b>	£ 000's	£ 000's	£ 000's
Budget benefit brought down	(2,163)	(5,818)	(7,599)
This section will be completed following approval of the three year budget			
<b>Balanced Budget position</b>	<b>0</b>	<b>0</b>	<b>0</b>

# DECISION FORM

Appendix G

Decision Form to be retained by Democratic Services – copy to be kept in Department



**SUBJECT:** REVENUE BUDGET AND CAPITAL PROGRAMME 2008/09 to 2010/11

**Decision to be taken by:** Executive Board

**Key Decision (NO)**

**Portfolio Area:** Resources

**Portfolios Affected:** ALL

**Wards Affected:** ALL

## Recommendations:

It is recommended that the Executive Board:

- i) note the report.
- ii) recommend to Finance Council the adoption of a Council Tax policy for the next 3 years, 2008/09 to 2010/11, such that the authority's maximum Council Tax increase will be no more than 0.5% below Retail Price Index (RPI) inflation.

## Rationale:

The Council is required to set a revenue budget and council tax level such that projected expenditure is met fully by projected income.

## Policy and Corporate Implications (including consultation process):

The budget process is the mechanism by which the Council allocates resources so that it can achieve its policy objectives set out in the Performance Agreement. Consultations have or will take place with the Trade Unions, Education Sector, Business Rate payers and other interested groups, as required by statute, before the budget is finalised.

## Financial implications:

The budget process will determine the level of net revenue expenditure for the council in 2008/09 the Capital Programme and the level of Council Tax, together with indicative figures for the following two years.

## Legal implications/Powers:

The Council is obliged by statute to set a balanced budget.

## Other resource implications:

Decisions taken during the budget process will affect the resources allocated to all service areas.

**Declaration of Interest:** None

## Signed:

Executive Member:

Date: 6.2.08

Also present:

## Signed:

Chief Officer:

Date:

Background papers: A list of background papers on this issue is held with:  
Denise Park on ext: 5482

Date of Publication of Decision: 15<sup>th</sup> February 2008

Date of Expiry of Call-In Period: 25<sup>th</sup> February 2008







## EXECUTIVE MEMBER BRIEFING PAPER

**TO:** Executive Member Resources  
**FROM:** Strategic Director of Resources and  
Director of Financial Services  
**DATE:** 14<sup>th</sup> February 2008

**PORTFOLIOS AFFECTED:** ALL

**WARDS AFFECTED:** ALL

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<b>TITLE OF BRIEFING PAPER</b>	<b>REVENUE BUDGET AND CAPITAL PROGRAMME 2008/09 to 2010/11</b>
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### 1. PURPOSE

- 1.1 To outline the parameters relating to the budget proposals and Medium Term Financial Strategy to be presented to the Council on 3<sup>rd</sup> March 2008.

### 2. RECOMMENDATIONS

- 2.1 It is recommended that the Executive Board:
- i) note the report.
  - ii) recommend to Finance Council the adoption of a Council Tax policy for the next 3 years, 2008/09 to 2010/11, such that the authority's maximum Council Tax increase will be no more than 0.5% below Retail Price Index (RPI) inflation.

### 3. KEY ISSUES

3.1 Introduction

The Council is required to approve a revenue budget and capital programme and to set the level of Council Tax for the coming financial year. The Council will also, for the first time, be asked to approve an indicative budget for the following two years.

Local Government Finance Settlement

Following the announcement of the comprehensive spending review in the Autumn, for the first time, the government have provided a three year financial settlement for local government; 2008/09 being the first year, with provisional figures announced for 2009/10 and 2010/11. This enables Councils to plan ahead with a greater degree of certainty, with an expectation that Councils may be able to announce indicative three year Council Tax rates.

*Dedicated Schools Grant (DSG)*

The Council has little influence or flexibility over funding for schools-related expenditure which continues to be funded by this direct grant.



On the whole, schools received a good settlement with indicative figures of:

	<u>£M</u>	<u>Increase</u> <u>£M</u>
2007/08	102.7	
2008/09	106.5	3.8 (3.7%)
2009/10	110.0	3.5 (3.3%)
2010/11	114.7	4.7 (4.3%)

### 3.2 Formula Grant Settlement 2008/09, 2009/10 and 2010/11

For this authority, the Government announced an increase in Formula Grant of 9.5% for 2008/09, which equates to approximately £6.4M.

	<b>2007/08*</b> <b>Adjusted</b> <b>£000</b>	<b>2008/09</b> <b>£000</b>	<b>2009/10</b> <b>£000</b>	<b>2010/11</b> <b>£000</b>
Formula Grant	67,128	73,481	77,804	81,683
Increase		6,353	4,323	3,879
% Increase Year on Year		9.5%	6.0%	4.9%
National Average		3.5%	2.86%	2.6%
Unitary Average		4.8%	3.4%	3.0%
Contribution to the 'floor'	4.5m	10.2m	8.3m	6.8m

\* Adjusted to reflect transfers of a number of specific grants into formula grant from 2008/09.

The table shows that overall this Council's increase in Formula Grant exceeds the National and Unitary Average. To an extent this reflects the new Index of Multiple Deprivation (IMD) rankings which were also announced in December.

Nationally, however, in order to fund the minimum increase to authorities on the funding 'floor', there is a 'damping' mechanism which smoothes changes in grant allocations over time. This mechanism in previous years was applied at two levels – to the Relative Needs Block and to the overall grant. Following representations from many local authorities and the LGA, the damping at Relative Needs level has been removed from 2008/09, giving rise to a significant increase in overall grant for this authority which largely relates to Social Care Provision. However, the national impact of that has increased the contribution the authority is required to make in respect of overall damping, up to £10.2M.

This will then continue to reduce over coming years, and contributes to larger than average increases in formula grant for each of the next two years as shown above.

### 3.3 Spending Pressures and Investment Priorities 2008/09 to 2010/11

The budget setting process will need to address a number of continuing cost pressures and investment priorities in the coming years which include:

- Inflationary Pressures (pay and prices)
- Pay and reward – the implementation of a new pay & grading structure and the need to address equal pay responsibilities
- Reduce instances of non-recurring funding and reductions to support the ongoing budget strategy
- Major projects continuing or agreed
  - Town Centre redevelopment (Blackburn and Darwen)
  - Housing Market Restructuring
  - Darwen Leisure Centre
  - Feilden Street Car Park
  - Freckleton Street Masterplan
  - Darwen Academy
  - Impact of 2008/09 Capital Programme
  - Building Schools for the Future
- Investment to deliver the Council priorities in the Performance Agreement that will be confirmed at Finance Council.
- Pressures on waste management costs, including increases in landfill tax.
- Continuing and significant demographic and cost pressures on Adult Social Care Services.

It should also be noted that, following the 3 yearly revaluation of the Lancashire Pension fund, the actuaries have agreed that the employer's pension contribution rate does not need to be increased in the next 3 years.

### 3.4 Balancing the Revenue Budget

As always, when balancing the budget, the Council will need to consider:

- a) Council Tax levels
- b) Use of revenue reserves to support the revenue budget
- c) Policy and budget priorities (service reductions and growth)
- d) Efficiency gains, whether at departmental or corporate level
- e) Level of net expenditure to be approved

These decisions are inter-connected. Members will need to consider which combination of net expenditure, use of reserves and council tax increase they wish to approve.



Policy Council in November approved the strategic framework for the Performance Agreement and Medium Term Financial Strategy (MTFS) which will be reflected in the budget.

As reported to previous Executive Board meetings, whilst there are significant spending pressures in 2007/08, substantial savings have been made (mainly as a consequence of being able to capitalise equal pay compensation costs), and balances are currently predicted to be in excess of the recommended minimum at 31<sup>st</sup> March 2008. This may allow reserves to be utilised in the short term. While the Local Government Act requires a formal report to Finance Council on the level of balances to be retained, the Strategic Director of Resources provisionally recommends that the Council should maintain working balances of around £4 million as the minimum pending a more formal report being prepared.

### 3.5 Council Tax Levels

The Government's expectation, outlined in the settlement is that, nationally, council tax increases will be kept substantially below 5%. This to apply equally to Police and Fire Authorities.

The pre-budget MTFS indicated Council Tax increases broadly in line with inflation and it is recommended that the Council's policy for council tax increases should be an increase of no more than 0.5% below RPI inflation for each of the next three years.

RPI is the generally accepted measure of inflation by the public. In December 2007, RPI fell to 4.0% from 4.3% in November.

The expected dates for agreeing the increase in the Lancashire Fire and Police precepts are 13<sup>th</sup> February and 26<sup>th</sup> February respectively.

### 3.6 Three Year Forecast

Three-year forecasting has always been a difficult exercise, largely due to the extent to which funding for Local Government has been determined and provided by Central Government.

However, the move to a 3 year settlement, allows 3 year forecasting into the medium term to become a fundamental part of the budget setting and overall Council Planning process.

The Finance Council will, this year, not only formally agree the revenue budget and capital programme for 2008/09 and set the level of Council Tax, but will approve the Performance Agreement, which in itself will embody the medium term financial strategy 2008-2011.

This will be refreshed each year but the new year added will be based very much on estimated figures. E.g. refresh in summer / early Autumn 2008 with 2011/12 estimated.

### 3.7 Capital Programme

The Capital Programme will be presented to Finance Council on the 3<sup>rd</sup> March 2008 as part of the overall budget. It is anticipated that the Council will be able to combine investment from its own resources (borrowing, capital receipts etc) with major external funding streams (e.g. Housing Market Renewal and Town Centre Redevelopment) resulting in a significant overall capital investment programme.

### 3.8 Area Based Grant

For 2008/09 the Government has introduced an Area Based Grant. This is a non-ringfenced government grant that now includes a number of previous specific grants across all services, including Working Neighbourhoods Fund (the successor to Neighbourhood Renewal Fund) and LEGI (Local Enterprise Growth Initiative). Being a general grant, the council will be able to allocate funding in accordance with local priorities agreed via the Local Strategic Partnership, and as part of the new Local Area Agreement.

## 4. RATIONALE

- 4.1 The Council is required to set a revenue budget and council tax level such that projected expenditure is met fully by projected income.

## 5. POLICY IMPLICATIONS

- 5.1 The budget process is the mechanism by which the Council allocates resources so that it can achieve its policy objectives set out in the Performance Agreement.

## 6. FINANCIAL IMPLICATIONS

- 6.1 The budget process will determine the level of net revenue expenditure for the council in 2008/09 the Capital Programme and the level of Council Tax, together with indicative figures for the following two years.

## 7. LEGAL IMPLICATIONS

- 7.1 The Council is obliged by statute to set a balanced budget.

## 8. RESOURCE IMPLICATIONS

- 8.1 Decisions taken during the budget process will affect the resources allocated to all service areas.

## 9. CONSULTATIONS

- 9.1 Consultations have or will take place with the Trade Unions, Education Sector, Business Rate payers and other interested groups, as required by statute, before the budget is finalised.

CONTACT OFFICERS: Alan Cotton, Strategic Director of Resources, ext. 5655  
Denise Park, Director of Financial Services, ext.5482

DATE: 5<sup>th</sup> February 2008

BACKGROUND PAPER: Local Government Finance Settlement Papers; Budget Working Papers held in Financial Services Directorate and Service Departments.



