MEDIUM TERM FINANCIAL STRATEGY 2009 to 2012

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 Sustainable Community Strategy and other plans such as the Medium Term Property Strategy, Asset Management Process, ICT Strategy, Carbon Management Plan and the developing People Strategy. The Capital Strategy is, in addition, embodied within the MTFS.

Financial Outlook

4. The financial outturn for 2007/08 and latest forecasts for 2008/09 indicate that spending pressures continue across a number of service areas, but the greatest single pressure this year has been in respect of rapidly increasing costs of gas and electricity. The three year budget forecast has had to be adjusted to take account of these changes.

5. This MTFS is being prepared against the backdrop of a worldwide economic recession. There will undoubtedly be an impact upon businesses and citizens of the borough which the council will need to respond to. The council's strategy will be to prepare a budget that will help support hardship whilst ensuring jobs and businesses are protected as much as possible.

6. Some key areas for consideration into the medium term therefore include:
    a. level of Council reserves expected
    b. increasing fuel costs
    c. continuing pressures across demand-led services
    d. full year cash flow implications of major capital schemes
    e. waste

Priorities

7. 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.

8. 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. Neighbourhood Boards have been established during 2008/09 linking in to the Area Agency Partnerships. 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

9. 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 excellent inspection ratings as we move into the wider (organisational) Comprehensive Area Assessment (CAA), 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

10. 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.

11. 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 second year of a three year settlement which has enabled the council to plan ahead with greater certainty, although the position for 2011/12 will be dependant upon the outcome of the next comprehensive spending review due later in 2009.

12. Members and officers are committed to successful partnership working, reflected in the existing partnerships with Capita, Hyndburn and Burnley, closer working across Pennine Lancashire particularly on housing and economic development issues, with NHS Blackburn with Darwen, 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 via the Multi-Agency Agreement signed in early 2009. 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.

<u>National Considerations:</u>

13. Local Government Finance settlement

    The comprehensive spending review in the autumn of 2007 resulted in a three year financial settlement for local government; 2008/09 being the first year, with provisional figures announced for 2009/10 and 2010/11. The provisional figures for 2009/10 have been confirmed with no changes, but no figures will be available in respect of 2011/12 until after the next comprehensive spending review due in the autumn of 2009. Nevertheless the council will be able to plan ahead with some degree of certainty to 2010/11, but will have to make assumptions with regard to settlement figures for 2011/12. Council tax increases are expected to be substantially less than 5% each year.

	2008/09 £000	2009/10 £000	2010/11 £000
Formula Grant	73,481	77,804	81,633
Increase		4,323	3,829
% Increase Year on Year		6.0%	4.7%
National Average		2.86%	2.6%
Contribution to the ‘floor’		8.3m	6.8m

The table shows that overall this Council’s increase in Formula Grant exceeds the National and Unitary Average. To an extent this reflects the Index of Multiple Deprivation (IMD) rankings as well as a reducing contribution to the ‘floor’. Nationally, 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 will continue to reduce over coming years, and contributes to larger than average increases in formula grant for each of the two years as shown above.

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

Indicative figures	**£000**	**% increase**
2008/09	102,392 #	
2009/10	104,956	2.5%
2010/11	109,609	4.4%

2008/09 allocation of £103,812k has been adjusted by £1,420k by removal of Darwen Moorland High School in order to provide a like for like comparison with the later years.

Final figures for 2009/10, which are dependant upon final pupil numbers, are expected to be announced in April 2009.

14. Efficiency Programme

The 2007 Comprehensive Spending Review has set the public sector a new challenge: to achieve three per cent annual efficiencies, but this time all gains must be cash releasing. For councils in England, this amounts to a target of £4.9bn by the end of March 2011. While there are no mandatory targets for individual authorities, each council will be required to report their progress through National Indicator 179, part of the National Indicator Set, and where there is evidence of underperformance, this will be followed up by the local Government Office.

15. Local Area Agreements (LAA) and Area Based Grant (ABG)

    Area Based Grant is a general non-ringfenced government grant that has replaced a number of specific ring-fenced grants removed from services, and includes the Working Neighbourhoods Fund 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 £22.395M for 2009/10 (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 2010/11, the provisional allocation for that year being £28.120M.

16. Adult Social Care and Health

    The Adult Social Care Department already works closely with partners in NHS Blackburn with Darwen (NHSBwD) on issues such as rehabilitation and avoidance of bed blocking. The Council and NHSBwD are looking to establish joint strategies for commissioning of health care, Care Trust Plus and a bid for pilot status for Integrated Care. The commitment to closer working is shown by the co-location of significant staff and services.

17. Carbon Reduction Commitment

    The Government plans to introduce this initiative in April 2010. It is a mandatory “cap and trade” scheme targeted at carbon emissions from large, non-energy intensive organisations. An energy consumption threshold will be set, and organisations are expected to purchase sufficient allowances to cover these each year. The intention is that the scheme will encourage investment in energy efficiency to reduce fuel costs and the cost of purchasing allowances. Payments should be recycled depending upon outcomes, but it is not clear yet how this will work, or what the net contribution by the council might be. Due to this uncertainty, and also as the council has a multi-year carbon-reduction investment programme in place, no costs have yet been factored into the three year budget. Indications are that initial costs from 2010/11 may amount to £275k per annum.

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

    CAA looks at how well local services are working together to improve the quality of life for local people. It will make straightforward independent information available to people about their local services, helping them make informed choices and influence decisions.

    CAA will look most at what matters locally. It may cover issues like improving access to healthcare, increasing the availability of affordable housing, reducing the fear of crime, improving educational achievement, attracting investment or reducing the area's carbon footprint. The issues assessed in each area will reflect local priorities for improving quality of life and protecting people at most risk of disadvantage.

UoR is an Audit Commission assessment of how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people.

The assessment has been revised to meet the needs of CAA; it assesses use of resources in a broader way than previously, embracing the use of natural, physical and human resources. It also places new emphasis on commissioning services for local people and achieving value for money.

Auditors will produce a judgement for each of the following three themes:

- **managing finances** - focusing on sound and strategic financial management;
- **governing the business** - focusing on strategic commissioning and good governance; and
- **managing resources** - focusing on the effective management of natural resources, assets and people.

Blackburn with Darwen Borough Council achieved an overall 3 for its UoR assessment for the year 2008.

19. 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 and Environment 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, £2.4M and £1.5M having been received respectively in 2005/06, 2006/07 and 2007/08.

During 2008/09 the Government has consulted with interested bodies concerning proposals for a replacement scheme. Consequently, no LABGI grant has been awarded for 2008/09, and the proposals are in preparation for a new scheme from 2010/11. Draft proposals would result in the council receiving only an estimated £0.150M when the new scheme starts, with perhaps double the amount in 2011/12. There are plans for a small interim distribution in 2009/10 pending adoption of a new scheme. However, in the current economic climate, business rates may now fall nationally, and this in turn may well reduce the amount of funding available nationally for distribution via LABGI.

20. 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 the 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 current 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

21. 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 December agreed the strategic framework for the Performance Agreement and updated key priority areas. These were confirmed by Finance Council and are set out in paragraph 22 below.

22. *Council Strategic Objectives*

The council vision is 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
- Improving the economy - delivering regeneration to tackle poverty, skills and worklessness

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.

23. *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, the People Strategy (currently in draft) and the newly developed Carbon Management Plan.

24. *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. This funding will in future be included with other funding under the Multi Agency

Agreement (MAA), and the establishment of the new Pennine Lancashire Development Company will replace Elevate.

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

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 Care is at the forefront of Departments placing a greater emphasis on commissioning and enabling.

Cost Pressures

26. *2008/09 Budget Monitoring*

Current budget monitoring indicates ongoing cost pressures as a result of rapidly increasing gas and electricity prices. Whilst prices may have stabilised, or even reduced slightly, in recent weeks, it is expected that in the longer term this will continue to be a pressure.

27. *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.

28. *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 25% 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.

29. *Car Parking*

Construction of the new multi-storey car park in Blackburn will start in April 2009. 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 and Environment portfolio budgets.

30. *ICT*

The ICT Strategy developed following completion of the 5 year review has resulted in significant investment requirements which have been built into the capital programme over the next three years. 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.

31. *Capital commitments and future investment*

The 3 year Capital Programme 2008-11 approved as part of the 2008/09 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 shortfall in capital receipts as a consequence of the economic downturn has required significant short term borrowing – the MTFS assumes that future receipts will, in the first instance, be used to repay this borrowing. The overall affordability of the total Capital Programme has been a key consideration in the budget.

32. *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 approved Carbon Management Plan.

Opportunities

33. *External Funding*

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), 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.

A Multi Area Agreements has recently been signed by the Council, Lancashire County Council and the 5 District Councils of Burnley, Hyndburn, Ribble Valley, Rossendale and Pendle, which will further strengthen joint working across Pennine Lancashire.

34. *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.

35. *Procurement*

The Council now has a Procurement Strategy for 2008/2011 which is being delivered by the Procurement Champions Group who represent every council department. The Council is a member of the Lancashire Procurement Hub which will provide opportunities for collaborative procurement among Lancashire authorities and will result in cashable and efficiency savings.

36. *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.

37. *Council Tax*

Comparisons with other unitary authorities show that average Council Tax payable per dwelling is fairly low being in the 3rd quartile even though our spending and settlement is high. The Council has adopted a council tax policy for the next 3 years such that the authority's maximum council tax increase will be at least 0.5% below inflation.

38. *Partnerships*

The joint appointment of Chief Executive of NHSBwD with a remit which includes reviewing links between Health and Social Care will provide opportunities for both the Council and NHSBwD. For example, proposals are being worked up for the development of an integrated commissioning system across NHSBwD 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 NHSBwD 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.

<u>2008/09 budget monitoring position</u>

39. The Council set a budget which planned to utilise over £3M of balances in 2008/09, but which ensured in future years that balances remained above a minimum level of £4M. The latest budget monitoring position indicates forecast balances to be around £5.0M at 31 March 2009 despite there being some additional spending pressures, the most significant being in respect of gas and electricity prices. Substantial savings have been made mainly as a consequence high interest rates being earned on investments during the first part of the year, and additional LABGI grant notified, allowing balances to be maintained in excess of the recommended minimum, which allows reserves to be utilised in the short term. The forecast level of balances is subject to all portfolios maintaining spending within their cash limits, as is currently largely expected. The three year budget strategy reflects the issues facing the service in the medium term.

Three Year Financial Forecast

40. 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.

	2009/10	2010/11	2011/12
	£ 000's	£ 000's	£ 000's
Estimated Increase in Resources / Savings	11,436	16,699	20,421
Assumed Cost pressures at existing service levels to be funded corporately	12,758	18,436	22,177
Budget shortfall	**1,322**	**1,737**	**1,756**

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 £480K)
- Use of balances (see paragraph 43 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

41. Assumptions and Risks

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

Assumptions	Risks
Resources	
Maximum council tax increases each year to be at least 0.5% below the level of inflation.	Inflation rates may vary significantly to those assumed.
Local Authorities Business Growth Incentive scheme grant.	Uncertainty about how the new scheme will operate. Business rate growth during the current economic uncertainty may be smaller than expected or non-existent.

Assumptions	Risks
Spending Pressures	
Pay inflation of 1.75% in 2009/10, and 2.00% in each of the subsequent two years.	Pay award for 2008 has not yet been agreed nationally. Future pay awards not certain.
Price inflation generally at 2.5%, but taking account of known contract price increases for fuel. 25% increase in landfill tax for 2009/10.	Inflation rates may vary significantly to those assumed.
Pension rate – actuarial review due to take effect from 2011/12.	Increase is expected, but may be significantly greater than allowed for.
Borrowing costs in respect of current capital programme commitments. Forecast assumes that capital receipts in respect of the sale of Darwen Moorlands school site and the Blackburn market site, are used to repay advance borrowing and *not* to finance new expenditure. It has also been assumed that some of the capital receipts in future years, arising as a consequence of the slow market conditions in 2008/09, will be committed to the repayment of temporary borrowing and will *not* therefore be available in full for new capital investment.	Capital receipts may not be as great as forecast. Capital costs may increase Capital grants assumed in respect of Freckleton Street Masterplan may not be approved. Darwen Moorlands school has been earmarked as a location to decant pupils from other schools as Building Schools for the Future takes place. This may significantly delay any capital receipt. The capital costs in connection with the market redevelopment have not yet been fully established, and whilst it has been assumed that any increased costs will be covered by the capital receipt, the level of receipt will be dependant upon planning decisions regarding the future of the old site, and any capital receipt could fall significantly short of the amount anticipated.

Further budget pressures and opportunities

42. In addition to the budget pressures outlined above, portfolios have identified pressures and service developments in the region of £7.0M.

<u>RESERVES</u>

43. The council's unallocated general fund reserves are currently predicted to be £5.0M at 31st March 2009, together with £3.8M earmarked reserves excluding schools. Earmarked reserves have been set aside for specific purposes and are not generally available to support the revenue budget. They mainly relate to contributions from developers towards works required as a condition of planning permissions (£860k), highway claims in relation to previous years (£250k), an

amount to equalise the costs of the asylum seekers contract (£400k), an amount set aside in the event of unexpected short term costs consequential to job remodelling (£500k), revenue underspends carried forward from 2008/09 (£780k) and an amount for the family support review by Children's Services (£500k).

An assessment of the minimum level of unallocated reserves is required to be undertaken by the Strategic Director Resources as part of the budget process. The minimum level of reserves recommended when setting the 2008/09 budget was £4M, and it is recommended that this level should be maintained over the period of the medium term financial strategy.

The level of reserves available prior to taking into account budget proposals are:

31st March 2010	£3.7M
31st March 2011	£2.0M
31st March 2012	£0.2M

The level of reserves planned after taking account of the budget proposals for the next three years are as follows:

31st March 2010	£ M
31st March 2011	£ M
31st March 2012	£ M

(These figures will be completed following approval of the three year budget)

CAPITAL STRATEGY

44. Investing in infrastructure, public spaces and buildings can uplift the local area and improve services. The committed capital programme has approved plans for capital investment of £64M in 2009/10 and £27M in 2010/11. This includes significant support towards housing investment, a new leisure centre in Darwen, town centre improvements in both Blackburn and Darwen including a new multi-storey car park and a new market hall in Blackburn town centre, improved transport infrastructure and property investment.

The Council has been successful in bidding for entry into wave 4 of Building Schools for the Future, and if the project successfully proceeds, then by 2014, when children who start school this September move up to high school, there will be 5 new or re-modelled state of the art schools, increasing to 8 by 2016. Start on site is expected during the first quarter of 2010.

The council has a portfolio of operational and commercial assets valued at over £400M. Maintaining these assets so they perform effectively and protect their value for future generations is a key priority for the council. The council is further developing an asset management plan together with an associated corporate repair and maintenance programme to underpin this.

However, capital resources are currently significantly committed, and the opportunity for new schemes being introduced is limited. It is important therefore that the capital programme takes into account the council's service priorities as set out elsewhere in the Performance Agreement. The council operates an objective 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 is, however, 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.

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 2009/10 to 2011/12. 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.

Potential care developments – as a consequence to the outcomes of the Older Peoples’ Housing Strategy.

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.

Loan to Pennine Lancashire City Development Company – with the formation of the new company there has been a proposal that the LEL loan is transferred to the new company which could generate further funding from the county council. This proposal will be developed more once the new Company has been established.

Museum Development – Possible redevelopment which will require external funding - opportunities are currently being investigated.

Redevelopment of Waves Pool – To be considered as part of a wider review of Leisure requirements

Blackburn to Bolton Rail Improvements – Part of the wider passenger transport infrastructure improvement plans for the Clitheroe to Manchester rail link. The Council is leading on the process of developing a funding package with local and regional agencies.

Waste Disposal Plant – Possible development depending upon the outcome of the review of future waste disposal throughout the Borough.

Bus Station Re-location – proposals to be developed in conjunction with the Blackburn Town Centre, Markets and Cathedral Quarter developments.

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

APPENDIX 1

MEDIUM TERM FINANCIAL FORECAST 2009/10 TO 2011/12

Summary (cumulative over the period)

	2009/10	2010/11	2011/12
Increase in Resources / Savings	£ 000's	£ 000's	£ 000's
Formula Grant	4,323	8,152	10,601
Other general government grants	444	978	1,258
Collection fund adjustment	695	632	632
Council tax increase 2009/10	936	936	936
Council tax increase 2010/11		978	978
Council tax increase 20011/12			998
Non-recurring expenditure 2008/09	3,749	3,749	3,749
Borrowing costs reduced due to capital slippage and debt rescheduling	1,043	451	390
Other net savings	246	823	879
Net increase in resources	**11,436**	**16,699**	**20,421**

	2009/10	2010/11	2011/12
Cost Pressures	£ 000's	£ 000's	£ 000's
Pay, pensions and price inflation	4,399	8,135	12,708
Use of balances to support budget in 2008/09	3,175	3,175	3,175
Full year effect of 2008/09 budget proposals	3,812	5,612	5,612
Interest rate reductions on investments	1,150	1,132	682
Other changes approved in 2008/09	222	382	0
Net increase in pressures	**12,758**	**18,436**	**22,177**

	2009/10	2010/11	2011/12
	£ 000's	£ 000's	£ 000's
BUDGET SHORTFALL	**1,322**	**1,737**	**1,756**

	2009/10	2010/11	2011/12
Budget Plans	£ 000's	£ 000's	£ 000's
Budget shortfall brought down	1,322	1,737	1,756
This section will be completed following approval of the three year budget.			
Balanced Budget position	**0**	**0**	**0**