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PORTFOLIOS AFFECTED: ALL

WARDS AFFECTED: ALL

SUBJECT: Revenue Budget 2013/14, Medium Term Financial Strategy and Capital Programme 2013-16

1. PURPOSE

- 1.1 To recommend to Finance Council the Budget Strategy and the proposals for the Revenue Budget 2013/14, the indicative revenue budget for 2014/15 Medium Term Financial Strategy (MTFS) and Capital Programme for 2013-16 to underpin the priorities agreed at Policy Council on 30th August 2012. Finance Council is asked to note, that if the proposals for the Revenue Budget 2013/14 are approved, there will be no increase in the level of Council Tax set by this Council for the services it provides itself.

2. RECOMMENDATIONS

- 2.1 That the proposals for the Revenue Budget for the financial year 2013/14 and

- the indicative budget 2014/15 outlined in this report be approved.
- 2.2 That the proposals for the Capital Programme for the period 2013/14 to 2015/16 as outlined in this report be approved.
 - 2.3 That the impact of fees and charges approved at the Executive Board meeting on 14th February 2013 on the budget proposals within the report be noted.
 - 2.4 That approval is given to delegate authority to the lead Directors for Portfolios, in consultation with the relevant Executive Members and Director of Finance, to have the flexibility and independence to set reasonable and appropriate pricing/other charges in response to business needs.
 - 2.5 That the Medium Term Financial Strategy 2013-16 be approved with the final version to be published incorporating the approved budget proposals.
 - 2.6 That subject to recommendation 2.1 outlined above that the Council be requested to approve the consequent Council Tax levels detailed in the formal resolution of the Director of Finance's report.
 - 2.7 That the Council approves the Pay Policy Statement prepared in accordance with the requirements of Section 38 of the Localism Act 2011 to have effect for the year 2013/14 unless replaced or varied by the Full Council, as set out in Appendix E.
 - 2.8 Adopt the current list of performance measures and targets which supports performance management of the Council's Corporate Plan priorities and delegate final sign off of the Corporate Plan to the Leader of the Council and Chief Executive following the development of remaining performance measures and targets for portfolio priorities through consultation with Executive Members.

3. BACKGROUND

- 3.1 As reported previously, this Council has faced unprecedented severe reductions in funding following the Comprehensive Spending Review (CSR) 2010, and subsequent Local Government Finance Settlements. The 2010 and 2011 Local Government Finance Settlements published details of the funding allocated to individual local authorities for 2011/12 and 2012/13, (the first two years of the 2010 CSR period). Blackburn with Darwen Council (BwD) received government funding from Formula and Specific Grants of £94.8M in 2012/13 whereas it had previously received £133.2M in 2010/11; a reduction in government funding of £38.4M or 28.8% in just two years.
- 3.2 Following receipt of the Local Government Finance Settlement in 2010, the Council took swift and decisive action, approving early budget savings options in January 2011. The Council also undertook extensive public consultation and developed a two year budget strategy. This was approved at Finance Council in March 2011. The Council subsequently reviewed its plans on receipt of the 2011 Local Government Finance Settlement and approved the 2012/13 budget and amended the Medium Term Financial Strategy (MTFS) in March 2012.
- 3.3 This early and decisive action taken in January 2011 has enabled the Council to deliver its savings targets for 2011/12 and 2012/13. In March 2012, in the absence of detailed information on the likely finance settlements and associated government grant funding levels, the Council revised its

MTFS to incorporate three scenarios for 2013/14 and 2014/15. The Worst Case Scenario estimated a budget gap or shortfall of £27M by 2014/15. Based on this Executive Members and senior officers then prepared a range of budget options, amounting to reductions of around 20% across all portfolios which would enable a balanced budget to be set in March 2013.

3.4 Since CSR 2010, the government has developed proposals to fundamentally change the financial framework governing Local Authorities from April 2013. Among the proposals are:

- The development of Local Council Tax Support Schemes replacing the national Council Tax Benefit scheme (and with overall funding reduced by 10%)
- The development of a Business Rates Retention Scheme allowing local authorities to benefit from increases locally in Business Rates income but sharing the risks of any reductions.
- Changes to the funding of schools and education, with additional funding streams being transferred out of Formula Grant and included in Dedicated Schools Grant (DSG) or a new specific grant known as the Education Services Grant (ESG)
- The transfer of responsibility for the majority of Public Health functions (and the associated funding) from NHS Primary Care Trusts to Local Authorities
- The transfer of responsibility (with a reduced level of associated funding) for the Crisis Loans and Community Care Grants elements of the Social Fund from the Department of Work and Pensions (DWP) to Local Authorities.

3.5 Local Authorities and their residents will also be affected by other government reforms such as:

- The introduction of Universal Credit and other changes to housing benefit including the “Welfare Cap” and “Bedroom Tax”.
- Significant structural changes to the NHS including the creation of Clinical Commissioning Groups (CCG’s) and a National Commissioning Board, leading to the abolition of Primary Care Trusts (PCT’s).

The government reforms currently being progressed have a significant cumulative effect in places such as Blackburn with Darwen. For example, it is currently estimated that welfare reform will have the following impact: -

- 11,826 households of working age will be affected by the changes to Council Tax Benefit/Support.
- 68 families with 329 children will be affected by the ‘Welfare Cap’ with 33 families losing more than £60 a week; and
- 1,930 properties are deemed under occupied (this affects tenants of working age claiming housing benefit in Registered Social Landlord (RSL) properties)

Similarly, despite significant improvements in our schools’ performance since unitary status in 1998, increasing numbers of academies and free schools are being encouraged with no consideration for pupil place planning and the

impact on demand for places, including within brand new BSF (Building Schools for the Future) schools.

Likewise, Health reforms have forced the expensive and unnecessary break up of the 'Care Trust Plus' joint arrangement between the PCT and the Council which was delivering efficiencies, shared management, other shared services and improving outcomes.

In addition to costs of implementation and transition, perhaps of most concern is the devolving of financial risk to local authorities without sustained transitional support.

- 3.6 In December 2012, the Chancellor announced in his Autumn Statement that further cuts would be required to reduce the deficit nationally. He set overall plans for public spending in 2015/16 and 2016/17 in line with spending reductions over the CSR 2010 period. In addition Local Authorities are now required to find further savings of 2% in 2014/15. A further CSR will be undertaken in 2013.

The Department of Communities and Local Government (DCLG) subsequently published the provisional Local Government Finance Settlement on 19th December 2012. Further information and details including revisions and amendments emerged during January. The analysis of the provisional Local Government Finance Settlement and pressures the Council faces confirmed that budget reductions of up to £30M will be required by 2014/15. Given the extent of these reductions and previous experience in 2011/12 (when swift, decisive action was taken), on 31st January 2013 the Council once again considered and approved a number of early budget savings options, amounting to £13.1M in 2013/14 and £26.3M in 2014/15. Steps to implement these proposals commenced during February 2013. However there was still a residual budget gap of around £3M and the Leader and Executive Members undertook to bring proposals to close this shortfall to this Finance Council on 4th March 2013.

DCLG subsequently published the final Local Government settlement for 2013/14 and an indicative provisional settlement for 2014/15 on 4th February 2013, with very little change to core formula grant funding.

- 3.7 The Labour Group has reviewed the indicative 2013/14 and 2014/15 Revenue budget in the light of pressures the Council faces and in the light of government policy initiatives. The proposals in this report incorporate the final 2013/14 and indicative 2014/15 Local Government Financial Settlements and the budget savings options already agreed at Council on 31st January 2013. Further budget savings are also now proposed to deliver a balanced budget over the 2 year period.

It should be noted that the government has not yet published any indicative figures for 2015/16. This clearly makes medium to long term financial planning and the development of a robust MTFS more difficult.

- 3.8 This paper therefore sets out the Labour Group's proposed Revenue Budget, Capital Programme and associated Council Tax level for 2013/14 together

with the MTFS 2013/16 and indicative revenue budget for 2014/15 updated to reflect the local government financial settlement, funding uncertainty and other key risks. This reflects the corporate plan priorities agreed at Policy Council in August 2012 and the wide-ranging consultation undertaken with a variety of stakeholders.

4. RATIONALE

4.1 The council is required to set a balanced Revenue Budget for the financial year 2013/14.

5. KEY ISSUES

5.1 Local Government Finance Settlement.

The provisional Local Government Finance Settlement was finally published, somewhat later than usual, on 19th December 2012 and unfortunately set out more extensive reductions in government funding than envisaged even in the Council's MTFS worst case scenario. Revisions and amendments have been published during January as have details of other specific grant awards and funding allocations.

The final Local Government Finance Settlement for 2013/14 and indicative settlement for 2014/15 was published on 4th February 2013 with very little change from the provisional figures.

Spending Power

Using their adjusted baseline for 2012/13 the government has identified that BwD would face a reduction in its "Spending Power" of 1.2% in 2013/14 increasing to 6.5% in 2014/15.

The government based this calculation on the following information:

	2012/13 Adjusted Baseline £M	2013/14 Spending Power £M	Change in Spending Power £M	2014/15 Spending Power £M	Change in Spending Power £M
Council Tax	38.98	39.16	0.18	39.16	0.18
Formula Grant	76.98	72.11	-4.87	74.49	-2.49
Council Tax Freeze Grant 2011/12	1.26	1.26	0.00	1.26	0.00
Council Tax Support Funding	11.09	10.91	-0.18	0.00	-11.09
Early Intervention Grant	9.90	8.62	-1.28	8.06	-1.84
Homelessness Funding	0.11	0.11	0.00	0.11	0.00
Flood Defence	0.12	0.12	0.00	0.12	0.00
Learning Disability Funding	4.22	4.32	0.10	4.43	0.21
LACSEG	-3.40	0.00	3.40	0.00	3.40
Council Tax Freeze Grant 2012/13	1.25	0.00	-1.25	0.00	-1.25

Council Tax Freeze Grant 2013/14		0.50	0.50	0.50	0.50
Social Fund Admin	0.15	0.14	-0.01	0.13	-0.02
New Homes Bonus	0.32	0.71	0.39	1.03	0.71
Other	0.17	0.18	0.01	0.19	0.02
NHS funding for Social Care	1.94	2.74	0.80	2.87	0.93
Total excluding Public Health	143.09	140.88	-2.21	132.35	-10.74
			-1.54%		-7.51%
Public Health Grant	12.43	12.78	0.35	13.13	0.70
TOTAL	155.52	153.66	-1.86	145.48	-10.04
			-1.20%		-6.46%

Council Tax Support funding is included within formula grant from 2014/15.

However this assessment of reductions in Spending Power incorporates several adjustments to the funding the Council actually receives in 2012/13.

Government grant funding

The following table sets out the changes in general government funding received in 2012/13 and that proposed for 2013/14 and 2014/15. It includes Council Tax Benefit/Support and the new responsibilities for Social Fund (both administrative and programme costs). It should be noted that it does not include the new ring-fenced Public Health Grant or the NHS funding for Social Care.

	2012/13 Actual Government Funding £M	2013/14 Final Government Allocation £M	Change in Allocations £M	2014/15 Provisional Government Funding £M	Change in Allocations £M
Formula Grant (including Council Tax Support/Benefit)	87.26	83.02	-4.24	74.49	-12.77
Council Tax Freeze Grant 2011/12	1.26	1.26	0.00	1.26	0.00
Early Intervention Grant	12.14	8.62	-3.52	8.06	-4.08
Homelessness Funding	0.13	0.11	-0.02	0.11	-0.02
Flood Defence	0.15	0.12	-0.03	0.12	-0.03
Learning Disability Funding	4.21	4.32	+0.11	4.43	+0.22
Grant for centrally retained education services (ESG) net of academies reduction	0.00	3.02	+3.02	3.02	+3.02
Council Tax Freeze Grant 2012/13	1.25	0.00	-1.25	0.00	-1.25
Council Tax Freeze Grant 2013/14	0.00	0.50	+0.50	0.50	+0.50
New Homes Bonus	0.32	0.71	+0.39	1.03	+0.71
Benefits Admin Grant	1.47	1.27	-0.20	1.27	-0.20
Social Fund –					

Administration & Programme Grants	0.00	0.78	+0.78	0.77	+0.77
Other	0.31	0.48	+0.17	0.48	+0.17
TOTAL	108.50	104.21	-4.29	95.54	-12.96
% Change			-4.00%		-11.94%

Council Tax

It should be noted that should Finance Council agree to no increase in Council Tax in 2013/14, then the authority will receive Council Tax Freeze Grant of £0.5M assumed in the table above (equivalent to a 1% increase in Council Tax) in 2013/14 and 2014/15.

Education funding

Another adjustment to Formula Grant has been made in respect of funding for schools and education. As part of the funding settlement central Government have announced that a new grant, the Education Services Grant (ESG), will replace the LA Block element of Local Authority Central Spend Equivalent Grant (LACSEG) for Academies, and the corresponding element of local authority revenue funding, from 2013-14.

In order to establish the new ESG, money has been transferred from local government revenue funding on a per-pupil basis.

Based on current information and the number of academies within Blackburn with Darwen it is estimated that BwD's revenue funding allocated via DCLG has been reduced by £3.40M for 2013/14. Of this reduction approx. £3.02M will be re-allocated to BwD via the new Education Service Grant.

In addition it is proposed that further adjustments will be made as and when schools become Academies during the 2013/14 financial year and beyond.

Local Authorities (LAs) will continue to be allocated funding through the Dedicated Schools Grant (DSG) based initially on previous funding levels, but from April 2013 DSG funding will be allocated in three notional blocks:

- *Schools Block*
- *High Needs Block*
- *Early Years Block*

The notional blocks will not be individually ring-fenced but will be ring-fenced in total and they are initially based on planned spend in 2012/13. Current estimates indicate that DSG for 2013/14 will be £126.74M (2012/13 allocation was £124.13M). The increase primarily relates to additional costs that have to met from DSG for :-

- Funding for 2 year old provision - £1.89M
- Funding for post 16 SEN provision - £0.95M

Funding for the Pupil Premium is allocated to LAs to passport directly on to schools to support the education of the most deprived and vulnerable learners. It is estimated that the Pupil Premium will be £6.8M (2012/13

allocation was £4.7M).

Council Tax Support funding

The government has stated that this Council will receive a grant of £10.9M in respect of the new Local Council Tax Support Scheme. It is estimated that the Police and Fire Authorities will also receive grants totalling £1.7M towards the costs of the discounts resulting from this scheme in BwD. In 2011/12 the Council received Council Tax Benefit subsidy of £14.4M meaning that the new grant support is a reduction in funding of around £1.8M.

Social Fund

The government is also providing a new grant of £0.781M in 2013/14 towards the programme and administrative costs of the Social Fund (formerly the responsibility of the DWP). Charitable organisations have commented that this represents a reduction of around 14% against current spend.

Public Health

On 10th January 2013, again later than anticipated, the Department of Health (DH) announced the ring-fenced Public Health Grant available over the next two years to local authorities in England to discharge their new public health responsibilities. BwD will receive £12.8M in 2013/14 rising to £13.1M in 2014/15. This is an increase of £1.2M on the interim amounts that were published in June 2012. Part of the increase (£0.7M) relates to corrections of baseline population figures following the release of 2011 census data, and the subsequent amendments to weighted population calculations (£0.143M) and part (£0.348M) relates to a 2.8% above inflation growth increase to enable local authorities to invest further in health and the prevention of illness through commissioning of services that meet the needs of the local population.

There are however some additions to the responsibilities for public health that have come as part of the final allocations that need to be reflected in the business plans and committed expenditure.

Health funding for social care

On 19th December 2012 the Department of Health (DH) announced the amounts that local authorities could expect to receive from the NHS under Section 256 of the 2006 NHS Act to support adult social care from 2013/14. The funding transfer will be carried out by the NHS Commissioning Board and BwD will receive an allocation of £2.7M for 2013/14. This includes funding previously provided under Section 256 of £1.9M and funding for reablement services of £0.4M-£0.9M which has yet to be agreed for 2012-13. Based on an allocation in the region of £0.62M for reablement services this year, this represents an increase of £0.174M or 6.8% to enable authorities to support adult social care services in the local area which also have a health benefit.

One of the conditions of transfer is that the local authority agrees with its local health partners (clinical commissioning group), how the funding is to be best used within social care and the outcomes that are to be expected from this investment, with regard to the Joint Strategic Needs Assessment for the local population and existing commissioning plans for both health and social care.

Business rates

Previously, under the system of national non-domestic rates (NNDR), business rates were collected by local authorities and paid into a central government pool. The overall income was then redistributed to authorities via the formula grant system.

Whilst rateable values and the rate in the pound (multiplier) are still determined by the valuation office and central government, and the income is still held within the formula grant system, business rates growth will in future be shared, with 49% of growth being retained by this council and 1% by the Fire Authority up to a limit beyond which a levy would be payable to central government.

However, reductions in business rate income will also be shared, subject to a safety net. The safety net is funded nationally from levies raised.

The detailed workings of the system are not yet fully understood, with new information being issued on an almost daily basis, and the gains or losses are very much subject to the average level of gains and losses nationally. It will be some time before we are able to fully understand how changes in our local business rate collection will impact on the Council's budget.

Financial risk

As a result of these changes to the financial frameworks governing local authorities, this Council will face increased financial risks, both if the number of people claiming discounts in respect of Local Council Tax Support alters, and also should the receipts collected in respect of business rates change. The Director of Finance has taken these risks into account when assessing and recommending the minimum level of reserves for 2013/14 in the earlier report on this Finance Council agenda.

Population impact

Members are asked to note that this Council has been underfunded since 2001 due to Office of National Statistics' miscalculation of population data - due predominantly to international immigration - with the 2011 census estimate of 147,500 being 5.4% higher than the mid-2010 population estimate of 140,000 and 7.3% higher than the 2001 census estimates of 137,470. Whilst the accurate projection is being used for 2013/14 settlement calculations, there is clearly a lag effect in terms of the Council's funding baseline and legacy of unfunded demand.

5.2 2015/16 and 2016/17

In December 2012, the Chancellor announced in his Autumn Statement that further cuts would be required to reduce the deficit nationally. He set overall plans for public spending in 2015/16 and 2016/17 in line with spending reductions over the CSR 2010 period. A further Comprehensive Spending Review will be undertaken in 2013.

The Council also continues to face the uncertain impact of the government reforms including the Local Government Resource Review, Welfare Reform, and changes to education and the NHS during those years.

As in previous years the Council has therefore prepared the following three scenarios:

- Best case assuming government funding is maintained at 2014/15 levels during 2015/16
- A likely case assuming government reduces by a further 5% during 2015/16
- A worst case scenario assuming government funding reduces by a further 10% during 2015/16

It is anticipated that the Council will be required to find further additional savings of between £6.7M and £15.5M in 2015/16.

5.3 Budget Update

The proposed two year budget strategy is based on the 2011/12 and 2012/13 budgets agreed by Finance Council and the two year budget strategy 2011–2013 approved in March 2011 and revised in March 2012.

The Budget Strategy has been amended to reflect:

- The Local Government Finance Settlement
- The Local Government Resource Review
- Welfare Reform
- Education Reform
- NHS Reform
- The budget reductions strategy approved by Council in January 2013

The Budget has also been updated to reflect:

- Pay and price inflation
- Changes in specific grant funding
- Financial impact of legislative changes
- Full year effect of approved changes
- Revenue consequences of capital investment
- Known corporate and portfolio budget pressures

5.4 Budget Strategy

The two year budget and Medium Term Financial Strategy 2011-13 prepared

by the Labour Group in 2011 clearly incorporated the unprecedented reduction in government funding set out in the Local Government Finance Settlement in 2010. It demonstrated the Council's considered response as set out in the Advance Budget Saving Proposals and associated budget options approved by Extraordinary Council in January 2011, and confirmed by Finance Council in March 2011. It was revised at Finance Council in March 2012 to incorporate further cost savings to offset further reductions in grant funding, portfolio cost pressures such as demographic growth and income shortfalls due to the economic circumstances.

Following this two year strategy, the Labour Group has developed a two year budget and Medium Term Financial Strategy 2013-15. This incorporates a further significant reduction in government funding and also the Council's considered response as set out in the Budget Savings Proposals approved by Council Forum in January 2013. The budget strategy also includes additional proposals to meet the remaining budget "gap" of around £3M.

This budget strategy, like its predecessor, is based on the following principles:

- To reflect the views and priorities of those whom we have consulted extensively and ensure we meet the requirements of the residents of the Borough when faced with substantial budget reductions.
- To invest effectively where possible to deliver our priorities as set out by Policy Council in August.
- To protect where possible front line services to members of the public with further savings in managerial, administrative and support service functions.
- To address key financial pressures arising from demographic and demand changes
- To continue to invest in key capital schemes. This investment will support on-going sustained service delivery, good asset management and regeneration of the borough.
- To improve value for money through efficiencies and invest to save options.
- To maximise partnership working where this can realise service benefits and cashable efficiencies.
- To maintain the minimum level of balances as recommended by the Director of Finance.
- To ensure that the Council has a sustainable and robust financial position in future years.

The Council must set a balanced budget for 2013/14 and consequent level of Council Tax in March.

5.5 Budget and Service Reductions

Executive Members and officers have been implementing a number of management actions over the course of the last few months in preparation for budget savings requirements to come. This includes a strong corporate vacancy management process and inviting applications from staff for

voluntary redundancy and/or early retirement. These actions, among others, will enable savings to be made from the deletion of the majority of resultant vacant posts.

Following the approval of the MTF5 and the expectation of further significant funding reductions, Executive Members and Officers reviewed all services and prepared options to deliver budget reductions of approximately 20%. Wherever possible Executive Members and officers have sought to achieve efficiencies, transform and modernise the services delivered and mitigate the impact on the residents of this borough. Council Forum in January 2013 approved a substantial programme of budget reductions.

These include the following efficiencies (both actual and planned):

- Rationalisation of office accommodation.
- Improved procurement and contract management
- Re-negotiation of existing contracts
- Reduced management in all services
- Reductions in business support services
- A more commercial approach to income generation

The Council has “transformed” some services leading to improved services for residents at a more affordable cost. The Council plans to:

- Increase use of telehealth and telecare in Adult Social Care
- Continue and grow the reablement service in Adult Social Care
- Develop supported living accommodation in Children’s Services
- Reconfigure services provided to Schools
- Modernise Customer Services with the introduction of new ICT systems

Further changes will be made to the delivery of some services to improve cost effectiveness. These include:

- The transfer of the HR and Payroll Services to the Council from Capita
- Shared services with other public sector bodies
- The creation of innovative arrangements for service delivery with the voluntary, charitable and community bodies
- The development with the private sector of new improved facilities in Adult Social Care
- The development of child care services by the private sector in recent

years.

Invest to Save initiatives which also mitigate future cost increases and financial risks are being proposed. The most significant relate to Street Lighting and Highways. All Invest to Save initiatives are subject to a detailed options appraisal and business case.

As already mentioned, the Government is implementing significant reform programmes. These budget reductions include an assessment of the impact of changes to Housing Benefit and the introduction of Universal Credit on Housing Benefit administration and Customer Services.

The changes to Children's Centres will also facilitate the achievement of a legal requirement to provide a revised offer for 2 year olds.

The scale of these further budget reductions combined with those already implemented in 2011/12 and 2012/13, will inevitably lead to a significant reduction in the services provided to the residents of this borough. Council Forum agreed reluctantly to proceed with a programme covering all services in January 2013.

The savings agreed amounted to £13.1M in 2013/14 increasing to £26.3M in 2014/15.

These include:

- Decommissioning of a range of Social Care services
- Changes in the in house delivery model for early help and prevention services.
- Changes to SEN (special educational needs) and discretionary Faith Transport
- Cessation of school clothing grants
- Reductions in the frequency of street cleaning and grass cutting
- Reduced opening hours for Libraries, Museums and Leisure Centres
- Reductions in subsidised bus services and community transport
- Reductions in school crossing patrols
- Reductions in funding for voluntary, charitable and community bodies

Executive Members are now bringing further savings options to Finance Council for approval to meet the £3M shortfall in 2014/15. This will enable a comprehensive two year budget strategy to be agreed.

The Labour Group is recommending that the current arrangements for staff to take 4 days leave without pay extended for a further year (2014/15). The Trade Unions have consulted with their members, who have supported this initiative which reduces the residual budget shortfall by £890k.

The Labour Group is proposing that further reductions be made in senior management and support services across the Council, amounting to £750,000. These reductions are likely to fall principally on the Resources portfolio, but will also impact on support services within other portfolios.

The existing Policy and Communications department will be disestablished with the consequent proposed loss of the Director post. In its place a remodelled and downsized small strategic unit will be created to coordinate corporate policy, performance and communications. Other responsibilities will be devolved mainly to the People and Place programme areas to focus on key council priorities, such as jobs, growth and housing, health and well being etc. as set out in the corporate plan. This will support a coordinated approach to the economic, effective and efficient delivery of policy, performance, research and communications functions across the Council. Other residual functions and responsibilities may be integrated within appropriate and complementary service departments.

At the same time, we propose to develop and move further towards automation and self service in the delivery of support services across finance, HR, legal and IT in consultation with these departments and the operational service departments and portfolios. This will enhance managerial accountability and ownership, facilitating the more effective deployment of specialist expertise and generate efficiencies.

Given the statutory responsibilities the Council now holds in respect of Public Health, the Labour Group is recommending that a review of all Council Services be undertaken to enable them to contribute effectively towards the improvement of the health and well being of the residents of Blackburn and Darwen. Existing resources will be targeted and refocused to meet this aim. The Council will streamline and modernise services to support our health improvement responsibilities and reduce health inequalities. In so doing a whole systems approach will be adopted, generating efficiencies of £1M. This gives the benefits of both improving health outcomes and reducing costs.

The budget reductions agreed in January 2013 and the proposals outlined above should enable the council to both set a balanced budget for 2013/14 and 2014/15 and achieve the targets set for these years.

5.6 Impact on Staff

Following the unprecedented reduction in funding since 2010 approximately 1000 jobs have been lost across the authority (full and part time) whether these were voluntary, through natural turnover, or through compulsory redundancies.

It is unfortunate but inevitable that now there will be a further number of job losses, including compulsory redundancies in the coming months. Therefore some staff have already been and will need to be put formally at risk of redundancy whilst consultation is undertaken and options developed.

Where staff are at risk of redundancy, it can take up to six months to generate savings. The Council has already notified the Insolvency Service that there are likely to be in excess of 100 redundancies. This requires a statutory 90 day consultation process following which some longer serving members of staff are entitled to 3 months notice of redundancy.

Open applications for ER/VR (early retirement and voluntary redundancy) will continue to be accepted and agreed where there is a financial saving to be made and all vacant posts will be reviewed with a view to deleting wherever possible.

Clearly implementing budget reductions of this scale in addition to those already implemented in recent years presents a huge challenge. It will mean that the Council will continue to undertake radical reviews across all service areas to determine the extent to which, or whether, services continue to be provided by the Council.

5.7 Capital Programme 2013-16

The Capital Programme for 2013-16 is also recommended to this Finance Council for approval. There is still a capital investment programme, which is important for the long term future of the borough. However, the programme is reduced from previous years with minimal investment in areas of substantial need given the withdrawal of supported borrowing by the government and the ending of some grant funding programmes. There will be reduced capacity for undertaking adaptations as limited funding is available for Disabled Facilities Grants, although this is an area the Labour Group continues to prioritise. The Council also continues to place an emphasis on regeneration and housing.

The Capital Programme includes the following major infrastructure schemes:

- Pennine Reach
- Investment in leisure facilities
- Invest to Save Initiatives in Street Lighting and Highways (subject to an options appraisal and business case)
- Cathedral Quarter

These major infrastructure schemes will contribute towards the achievement of the Council's key priority of creating more jobs and business growth, both during their construction, by improving transport networks, and by enhancing the town centre.

Despite the reduction in resources, the Council remains committed to improvements in the infrastructure of this borough. This will enable the Council, its partners, local businesses, voluntary and community groups and local residents to build for the future.

5.8 Corporate pressures

Every year we must assess and address funding pressures on the budget at corporate level. Those we tackled last year have been sustained alongside other emerging pressures. Clearly the most significant pressure in 2013/14 is the continuing reductions in government funding outlined above. However the Council faces other significant pressures, as follows:

Adult Social Care

During 2012/13 there have been continuing demographic pressures on Adult

Social Care Services and this will continue to be the case in 2013/14 and 2014/15.

Children's Safeguarding and Commissioning

There have been increased costs arising from the commissioning of placements to safeguard the most vulnerable children and young people in recent years. Despite effective case management and the successful initiative to recruit foster carers, these costs have proved difficult to contain. Moreover these pressures are anticipated to continue not least due to the impact of the current economic situation on vulnerable families, and the impact of Welfare Reform.

Energy

As reported in the last two years, the Council is continuing to face substantial increases in costs for energy which are procured at a national level through the Government Procurement Service to ensure effective purchasing power. Energy costs have increased during 2012/13, particularly for unmetered supplies. We have had to address the full year impact of the 2012/13 increases. Energy prices continue to be volatile. The Council continues to be committed to reducing energy consumption in future.

Treasury Management, Financing Costs and Investment Income

In the past the Council has benefitted from significant amounts of income on all investments. Nationally interest rates fell dramatically in 2009 and have remained at historically low levels. There is also considerable uncertainty about the timing of any anticipated future increase in interest rates. Many forecasts suggest interest rates may not rise significantly during 2013/14. In 2011/12 and 2012/13 the Council did make significant savings through deferring borrowing and using its internal cash balances. The Council has taken some significant borrowing during 2012/13 and expects to continue to do so in 2013/14 to fund capital investments. Any change in interest rates will affect both the financing costs of any new loans as well as the interest received on any investments the Council makes.

Reductions in Income

During 2012/13 the Council has continued to see a decline in the income the Council generates from some of its activities, reflecting reductions in economic activity. This is expected to continue into 2013/14.

The impact has been particularly seen within the Regeneration and Resources Portfolios.

Waste Services

The Council is funding increased costs due to the need to comply with European Union Legislation to reduce the level of waste sent to landfill. As a result, the cost of landfill, whether gate costs or landfill tax is increasing. Waste tonnages have increased during 2012/13 increasing the costs of

disposal.

Blackburn Market/Mall

The Council is planning to redevelop its former market site and has a successful new market hall with improved facilities within the Mall. The Council is also continuing to work with the Mall Fund to ensure that the development of the Mall is successful and creates a vibrant and dynamic retail sector in the town centre. The revenue costs of these developments are being met corporately.

Efficiencies

Corporately the Council continues to consider and approve Early Retirements and Voluntary Redundancies under its existing policy. "Savings" have helped to offset the reduction in government funding outlined previously.

The Council is also undertaking several "transformational" projects which will continue to generate efficiencies in the medium to long term. These involve the accommodation strategy, e-procurement and a review of Customer Services including a new more transactional website. The Council also continues to review its managerial and administration structures.

The Council's funding of the demographic pressures in Adults and Children's Social Care will provide support for the vulnerable and recognise the health needs of its residents. The Council's continued investment in the Market and the Mall and its property and operational assets reflects its aims of generating economic growth and jobs in the local economy.

5.9 Service Pressures and Budget Reductions

In 2012/13 Adult Social Care has faced another challenging year as a result of increasing demand arising from demographic changes. The portfolio has seen significant reductions in the grants it received. The portfolio established and implemented plans to achieve reductions estimated at £6.6M in 2011/12 with further savings of £2.2M in future years. These proposals included the review and remodelling of commissioning services through negotiation with external providers, the increased use of reablement and personalisation, the re-modelling of in-house provision, a review of Supporting People activities and Value for Money Reviews and a review of residence in Learning Disability Services.

The service now has further budget reductions of £4M in 2013/14, rising to £8.4M in 2014/15. These reductions include:

- A reduction in the cost of the commissioned Home Care Service through a review of providers and fee structures.
- A review of the costs and funding for continuing healthcare, external placements and residential intermediate care.
- An increased reablement service to reduce costs and increase independence.

- A review of the telecare service – free for over 80's, private payer scheme and increased usage.
- A further review of supported employment and supporting people contracts.
- Review of residential care provision and costs covering both the in-house and independent sector

Children's Services

In the last year this portfolio has managed the pressures it has faced, whilst ensuring that the most vulnerable of our children are protected. Despite this the portfolio has been unable to contain the increased costs within its cash limit. The portfolio implemented plans to achieve savings of £4.4M in 2011/12 and a further £3.8M in future years. These included the remodelling of all departmental, back office and business support functions, a remodelling of children's social work services, a review of Early Years Services and Children's Centres, a review of Young People's Services and of schools and learning services.

The portfolio continues to face demographic pressures and the loss of grant funding. It has identified a further programme of budget savings of £5.5M by 2014/15.

These include:

- The reduction of commissioned services, including domestic abuse, young carers, teenage sexual health
- The service offered by Early Years and Children's Centres will refocus delivery and outreach areas and deliver through an early help approach.
- The modernisation of social care processes and practices and a reduction in the numbers of children requiring intensive support.

Environment

This portfolio is required to deliver services which are of importance to citizens with particular pressure arising in waste management. The portfolio achieved savings of £1.7M in 2011/12 through changes to services including refuse and recycling, parks and open spaces and street cleansing. The portfolio identified further savings in respect of waste services and deployed these to fund limited environmental improvements in 2012/13.

The portfolio has now developed a programme of budget reductions amounting to £1.9M by 2014/15. These include:

- Reductions in the frequency of street cleaning
- Reductions in grounds maintenance and landscaped areas
- Increased charges for trade waste and bulky waste
- Increased burial and cremation fees

Neighbourhoods Housing and Customer Services

The housing service met target savings of £0.172M in 2011/12 and £0.111M in 2012/13 through the remodelling of mainstream housing services. The service continues to face the loss of grant funding in 2013/14. The Council will continue to ensure that its housing services are fit for purpose. The continued financial support in this service reflects its importance to the residents of this Borough

The portfolio has also achieved savings of £1.115M through reviews of customer services, advice services and Community Safety programmes. The portfolio has remodelled Neighbourhoods and Learning Services. It has restructured its departmental support services and reviewed Trading Standards.

The portfolio is facing increasing demands for advice services. Executive Board has agreed that the existing investment in Advice Services be continued for 2013/14 and 2014/15 to secure the development of a co-ordinated service with the voluntary sector which will be better placed to meet the increased pressures as a result of changes to benefits, and support the vulnerable in the Borough.

The portfolio has included service reductions of £0.9M by 2014/15. These include:

- Reductions in Community Safety, and Consumer Protection and Neighbourhoods Services.
- Reductions in the costs of housing services including development and enforcement
- Cost reductions arising from increased automation and self service in customer services
- The impact of the introduction of Universal Credit on Customer Services

Leisure Culture and Young People

The portfolio continues to deliver on health and wellbeing through the continued investment in the Refresh programme. The portfolio has met its savings target of £1.085M in 2011/12 and £0.727M in future years. The portfolio has adopted a more commercial approach and generated additional income in the Leisure Centres. However the portfolio is facing a continuing shortfall of income from King George's Hall and recurring funding will be released to mitigate the impact of this. This recognises the cultural importance of King George's Hall and its role in the local economy.

The service has developed a programme to achieve budget reductions of £1.6M by 2014/15. These proposals include:

- A reduction in Young People's services and activities
- Reductions in library services including opening hours

- Reductions in Leisure Centres, including reduced opening hours

Schools and Education

This portfolio is faced with the challenge of evaluating and implementing the government's proposals to reform education and schools, including the establishment of academies and free schools

Despite this the portfolio intends to achieve budget reductions of £1.6M. The service intends to:

- Reduce the staffing and management of business administration and support services
- Introduce traded services
- Decrease the costs of vulnerable learners 14-19
- Review of SEN transport costs and eligibility criteria
- Review discretionary / faith transport
- Cease discretionary school clothing grants

Regeneration

The portfolio had been supported by non-recurring funding in previous years. Much of this is now no longer available. In addition there have been significant and continuing pressures on income streams arising from both economic circumstances and from the substantial regeneration activity that has taken place. The portfolio has also faced increasing costs to maintain the network of roads not least as a result of adverse winter conditions and flooding. The portfolio has faced the not inconsiderable challenge of establishing sustainable long term budgets. In addition to meeting the pressures arising from the loss of targeted grants, the portfolio contributed towards reductions in mainstream funding by achieving savings of £2.2M in 2011/12 by restructuring and reviewing all its activities, with further savings in 2012/13 arriving from the deletion of vacant posts and further reductions in services.

In 2012/13 the portfolio has had a shortfall in rental income from the Market due to the current economic climate. This will be funded corporately.

Despite these pressures the portfolio has identified budget reductions of £2.6M by 2014/15. These include:

- The deletion of posts held vacant
- Invest to save programmes on street lighting and highways
- Restructures in planning and town centre teams
- The ending of contributions to regeneration and road safety partnerships

Resources

The portfolio has continued to face cost pressures from the Council's property portfolio as the impact of the economy is seen and increasing demand for Legal Services in social care. It faces significant changes in future years because of the government's plans for Welfare Reform. The portfolio has delivered savings of £3.3M in 2011/12 with further agreed savings delivered during 2012/13.

In January 2013, the portfolio identified service reductions of £3.8M principally from reduced staff and non-staff costs, increased fees and charges, reductions in the cost of the HR service, following its insourcing, and reductions in ICT and building maintenance costs.

Further service reviews will be undertaken during 2013/14 and 2014/15.

The Council faced and continues to face substantial reductions in government funding as well as other corporate and service pressures. The Council therefore continues to face a considerable financial challenge if it is to set a balanced budget as required by statute. The Council has for many years had robust corporate governance and management arrangements which have led to good financial management, the delivery of efficiencies and planned investment in priorities. The Council is already implementing improvements to these business systems and processes. This provided a strong foundation enabling it to successfully meet the difficult challenges it will face in the coming months and years.

5.10 Fees and Charges

Executive Members in conjunction with Chief Officers have reviewed all fees and charges. Executive Board approved fees and charges for 2013/14 at its meeting on 14th February 2012. Council is asked to give delegated authority to Chief Officers in consultation with the relevant Executive Members and Director of Finance to agree changes where required.

5.11 Investment in Delivering our Priorities

Policy Council in August 2012 agreed the following strategic objectives and corporate priorities:

- Creating more jobs and support business growth
- Improving housing quality and building more houses
- Improving health and wellbeing
- Improving outcomes for young people – education and skills
- Supporting the most vulnerable people
- Making your money go further – supporting households in difficult financial times through efficient and effective use of Council Tax.

The Council will achieve these objectives by:

- Managing the impact of national reforms for residents and the Council
- “Working with you”
- Delivering high quality services

These priorities clearly reflect the challenges the Council must meet in transforming and downsizing its services in the light of the reductions in government funding, and the risk the Council faces in so doing. However the Council remains committed to meeting the needs and aspirations of its citizens.

5.12 Level of Reserves

The Director of Finance is recommending a minimum level of reserves of £5.5M to this Finance Council for 2013/14.

5.13 Council Tax

In January 2013 Council Forum agreed in principle not to increase Council Tax for 2013/14 and thus qualify for the Council Tax Freeze Grant established by the Government with funding in place for a 2 year period (2013/14 and 2014/15).

The assumptions made within these budget proposals for 2013/14 are that the Council will accept the further Council Tax Freeze Grant for 2013/14 although acknowledging that, in this case the government is only making funding available for two years. Therefore there will be an additional pressure of c£0.5M on the budget in 2015/16 when this funding ceases.

5.14 MTFS

The MTFS 2013-16 has been refreshed and updated. However in the absence of the Comprehensive Spending Review any figures can only be indicative and consider a range of potential scenarios for government funding beyond 2014/15.

5.15 Conclusion

The proposed revenue budget strategy will continue to focus on delivering on the Council’s priorities and will try to minimise the impact of spending cuts with the delivery of quality efficient and effective services to and for the citizens of this borough, whilst ensuring the council operates within the financial constraints imposed by central government.

Through the “Your Call” programme, the Council is working with Communities and helping people to help themselves. In doing so it is transforming the services it delivers, and its relationship with its residents.

Appendices

- Appendix A - Budget Summary
- Appendix B - Budget Variations
- Appendix C - Capital Programme
- Appendix D - Medium Term Financial Strategy
- Appendix E - Pay Policy Statement
- Appendix F- Corporate Plan 2013/15 Refresh

6. POLICY IMPLICATIONS

- 6.1 The budget process is the mechanism by which the Council allocates resources so that it can achieve its policy objectives agreed at Policy Council.

7. FINANCIAL IMPLICATIONS

- 7.1 The budget process will determine the level of net revenue expenditure for the Council in 2013/14, the capital programme and the level of council tax, together with indicative figures for the following two years.

8. LEGAL IMPLICATIONS

- 8.1 The Council is legally obliged to set a balanced budget.

9. RESOURCES IMPLICATIONS

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

10. EQUALITY IMPLICATIONS

- 10.1 All proposals will be subject to an Equality Impact Assessment before the budget is presented to Finance Council in March.

11. CONSULTATIONS

- 11.1 We have consulted widely with residents, partners and stakeholders to gain a consistent understanding of local priorities which goes back to the Development of Vision 2030 during 2009.

Three major consultations have taken place between 2008 and 2010, with the Place survey in 2008, research consultation and engagement to develop the Local Strategic Partnership Vision 2030 and neighbourhood consultations during summer 2010. Each of these three has contributed strongly to our understanding of local priorities. At the strategic level, improving the local economy and jobs available for local people along with reducing crime have been consistent priorities. Consultation and engagement from the last two years shows that improving the ways that communities get on together are also consistent as a local priority. In relation to local service delivery clean streets, improved parks and open spaces and refuse collection have been

consistently identified as local priorities. The events proved popular with more than 400 people taking part in one day. A number of other consultation events have also taken place with a range of groups, service users and partners, these included meetings with Adult Social Care groups and young people. A questionnaire was also available in many of the Council's facilities and on its website and the Shuttle. Traditional meetings for various interest groups also took place ahead of the Finance Council meeting.

Overall, the results of the engagement and consultation work found that the issues identified in the 2010 Citizens Panel remained important, with particular emphasis on highway maintenance. An emerging theme from the 2012 consultations is the growing importance of 'job prospects, wage levels and the cost of living'. This was the most important issue identified at the Blackburn Market event and also one of the top issues noted through the questionnaires. 'Caring for and protecting children and adults' and 'clean streets' were also identified as key issues in these consultation events.

To add to our existing robust understanding of the priorities of residents and key service user groups we included a key question in the November 2012 Residents Survey. The responses, based on a representative sample of 1,100 residents from a telephone survey conducted during October and November 2012 confirmed the broad priorities for spending in the Borough. Residents were asked to identify where previously identified priorities lay on a priority scale from low to high priority. Analysis of this data confirms that the leading four priorities for our residents are Education, Community Safety, More Local Jobs and Children's Social Care, all of which were felt to be a continuing high priority by more than six in ten residents. Adult Social Care and Highways maintenance followed with a little more than four in ten feeling that they remain a high priority, while street cleaning and infrastructure for business were a high priority for three in ten.

The Council has taken the views of all the groups into account when preparing its budgets. It is moving towards achieving its priorities, whilst not increasing Council Tax. The Council is focusing its resources on meeting the economic challenges facing this borough and improving the skills of its residents.

The Council's priorities are set out in its Corporate Plan. The Council has also consulted extensively when developing its Local Council Tax Support Scheme which was approved on 31st January 2013. This consultation also covered increased charges for second homes and empty properties and asked respondents to identify areas for investment and disinvestment.

The Council has undertaken further consultation before setting its 2013/14 budget at this Finance Council meeting.

CONTACT MEMBER: Councillor Andy Kay, Executive Member Resources

DATE:

21st February 2013