Public Document Pack

Finance Council

Monday, 28th February, 2022
6.00 pm
Council Chamber, Blackburn Town Hall
Link to Webcast here

AGENDA

1.	Welcome and Apologies	
2.	Prayers by the Mayor's Chaplain	
3.	Minutes of the Council Forum Meeting held on 27th January 2022 Council Forum January 2022	3 - 7
4.	Declarations of Interest DECLARATIONS OF INTEREST FORM	8
5.	Mayoral Communications	
6.	Report of the Independent Remuneration Panel Report 28.02.22. Members'Allowances Scheme 2022-23. IRP Report of the Independent Remuneration Panel.February 2022 Final Part 6 Members Scheme 2022	9 - 25
7.	Provision of External Audit - PSAA Opt-in Invitation Council - Agenda Item - PSAA Opt-Inv.1 - February 2022v.FINAL	26 - 33
8.	Senior Management and Constitutional Update Senior Mgt and Constitutional Update Departmental and Chief Officer structure 2022 Pay Policy Statement 2022 - 23	34 - 47

In respect of Item 9, technical questions on the contents of the report should have been raised directly with Dean Langton, Director of Finance, by 12 noon on Friday 25th February 2022.

In respect of Items 10 and 11 below, under the Local Government (Standing Orders) (England) (Amendment) Regulations 2014, which came into force on 25 February 2014, the Council is required to record in the minutes of a budget decision meeting the names of persons who cast a vote for or against the decision or who abstained from voting.

Also in respect of items 10 and 11, Council are reminded that under Section 25 of the Local Government Act 2003 Members have a duty to have regard to the Robustness report of the Director of Finance, the Council's Section 151 Officer. As such the Mayor will only accept amendments that have a robustness report from the Director of Finance attached. Members are requested to discuss any such amendments with the Director of Finance in advance of the meeting to allow adequate time to determine the robustness of any such proposals. The Mayor will then ask if it is the intention of any Member to put forward an amendment during the debate on the Budget.

10(a) Capital Programme and Strategy 2022/2025.

10(b) General Fund Revenue Budget 2022/23 (and Draft Financial Strategy 2022/25).

Date Published: Friday 18th February 2022
Denise Park, Chief Executive

COUNCIL FORUM
Thursday 27th January 2022

PRESENT – *The Mayor Councillor Derek Hardman, Councillors, Akhtar H, Akhtar P, Baldwin, Bateson, Browne, Casey, Desai M, Desai S, Fazal, Fielding, Floyd, Gee, Gunn, Harling, Humphrys, Hussain M, Hussain S, Irfan, Jan-Virmani, Khan M, Khan Z, Khonat, Liddle, Mahmood, Marrow, McFall, McGurk, Oates, Patel Ab, Patel Alt, Rawat, Rigby, Riley, Russell, Salton, Shorrock, Slater Jacq, Slater Jo, Slater Ju, Slater N, Smith D, Smith J, Talbot, and Whittle.*

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RESOLUTIONS

41 Welcome and Apologies

The Chief Executive read out the notice convening the meeting.

There then followed Prayers by the Mayor’s Chaplain.

Apologies were received from Councillors Brookfield, Connor, Hussain I, Sidat and Walker.

42 Minutes Of The Previous Meeting

RESOLVED – That the Minutes of the Policy Council meeting held on 2nd December 2021 be agreed as a correct record

43 Declarations of Interest

Councillor Katrina Fielding declared an interest in Agenda Item No. 11 (Item relating to Our Community, Our Future Grants – the community group, West Pennine Slings, run by Cllr Fielding received one of the grants.)

44 Mayoral Communications

The Mayor highlighted some recent events and engagements, advising that he had attended a large number of engagements since the last meeting, including pantomimes, the 10k road race at Blackburn Rovers, Carol Services and Hospital and Hospice visits.

The Mayor paid tribute to Sayyed Osman MBE, who was attending his last Council Forum meeting before commencing a new post at Oldham MBC, and also encouraged Members to purchase tickets for the Mayor’s Ball on 11th March 2022.

45 Council Forum

The Chief Executive reported that no questions had been received under Procedure Rule 12.

46 **Motions**

The Chief Executive announced that two Notices of Motion had been submitted under Procedure Rule 12 as follows:

MOTION 1

When an opposition party holds a quarter of the Council Member seats, then the Chairs of the, Place scrutiny committee and the People's scrutiny committee are to be held by the opposition party.

We believe this change to the Council's Constitution will give further confidence in the Council's scrutiny process.

Proposed by Councillor Paul Marrow
Seconded by Councillor John Slater

Following debate the Council moved to the vote.

RESOLVED – That the Motion be lost.

MOTION 2

Blackburn with Darwen Borough Council recognises the importance of ensuring that elections are fair and accessible for all voters.

Blackburn with Darwen Borough Council notes that the Elections Bill is set to bring in major changes to national elections, including the introduction of compulsory photographic ID to vote.

There is no evidence basis to justify the introduction of photographic ID. Out of over 40 million votes cast at the last General Election there were only a handful of incidents of confirmed voter impersonation.

This Council believes that the change will act as a barrier to people voting and increase inequality in the electoral process.

Council notes with concern that currently 3.5 million people in the UK do not have any form of photographic ID, in the form considered acceptable under these proposals – namely a passport or driving licence – both of which are costly to obtain.

Council notes that these changes are estimated to cost the taxpayer £180

million in administration and will create unnecessary bureaucracy to Councils.
Council believes that at a time when voter turnout is declining, we should be doing all we can to make it easier not harder for people to vote.

Blackburn with Darwen Borough Council does not wish to see people being turned away at the ballot box because of these changes and resolves to support the #HandsOffOurVote campaign by asking the Chief Executive to write to :

1. Rt Hon Michael Gove MP, Secretary of State for Levelling Up, Housing and Communities;

2. Both local MPs asking them to raise these concerns in Parliament.

Proposed by: Damian Talbot
Seconded by: Dave Smith

Following debate, the Council moved to the vote.

RESOLVED - That the Motion be carried.

47 Our New Deal for a Greater Lancashire

A report was submitted To provide Council Forum with an update on work undertaken towards development of strengthened joint working, a long term strategic plan and a County Deal for the Lancashire area and seek agreement to progress this work.

The report was being considered by the Full Council of each of the fifteen local authorities in Lancashire, that is, the county council, two unitary authorities and each of the 12 district councils.

The report set out the general principles and high level priorities of a long term strategic plan and County Deal. As progress was made, more details about specific asks would be developed, and there would be opportunities for all of the partner authorities to contribute to and influence that, including identifying specific schemes and activities.

Council Forum was asked to consider the report and the recommendations.

RESOLVED –

That Council Forum:

1. Support the outline "Our New Deal for a Greater Lancashire" at Appendix 1 as the initial draft basis for further discussion and

development of a possible County Deal for the Lancashire area.

2. Agree the principles of governance as set out in Appendix 2 for any future deal.
3. Agree that the Leader of the Council continues to work with Lancashire Leaders in line with the principles agreed in recommendations 1 & 2 above, and note that any formal proposals will require approval by Full Council at the appropriate time.

48 Gambling Policy 2022-25

Members were asked to approve the revised Statement of Licensing Policy for the Gambling Act 2005.

The Policy had to be reviewed every three years, with the last policy published in January 2019.

RESOLVED –

That the Council approves the revised Statement of Licensing Policy for the Gambling Act 2005.

49 Reports of the Standards Committee

Council Forum received an update from the Standards Committee, containing recommendations relating to a Local Guide for Personal Safety for Councillors, which supplemented the Local Government Association (LGA) Guide on the same topic, and relating to the use of social media by Councillors.

RESOLVED –

1). The Council formally endorses the Local Guide: 'Personal Safety for Elected Members';

2) All Members consider the Code of Conduct and the LGA Guidance on Councillors and social media; and

3) That the Member Training Programme continues to include guidance on the use of social media.

50 Reports of the Executive Members with Portfolios

The Leader and Executive Members presented their reports, providing updates as appropriate.

In particular, the Leader referred to the recent incident in Texas carried out by an ex Blackburn resident, noting this was not reflective of Blackburn at all, noting the community cohesion and the unity of the Borough. The

Leader condemned any Hate Crime, violence or extremism and referenced the Holocaust Memorial Day event earlier in the day, which highlighted the focus on peace and standing together against hate and persecution.

The Leader, and several Members, highlighted the excellent work of Sayyed Osman, who had been awarded the MBE in the Queen's New Year's Honours, and wished him well for the future in his new role at Oldham MBC.

Several Members also passed thanks to various teams throughout the Council for their excellent contributions and successes over the past months.

RESOLVED - That the reports of the Leader and Executive Members be noted.

51

Questions from Members

No questions from Members had been received under Procedure Rule 11.

52

Year Planner 2022/23

Further to the draft version of the Year Planner submitted to the Policy Council meeting, the final version for 2022/23 was submitted.

RESOLVED -

That the Year Planner for 2022/23 be approved.

Signed at a meeting of the Finance Council

On 28th February 2022

(being the ensuing meeting on the Council) by

MAYOR

DECLARATIONS OF INTEREST IN

ITEMS ON THIS AGENDA

Members attending a Council, Committee, Board or other meeting with a personal interest in a matter on the Agenda must disclose the existence and nature of the interest and, if it is a Disclosable Pecuniary Interest or an Other Interest under paragraph 16.1 of the Code of Conduct, should leave the meeting during discussion and voting on the item.

Members declaring an interest(s) should complete this form and hand it to the Democratic Services Officer at the commencement of the meeting and declare such an interest at the appropriate point on the agenda.

MEETING: **FINANCE COUNCIL**

DATE: **28th FEBRUARY 2022**

AGENDA ITEM NO.**:**

DESCRIPTION (BRIEF):

NATURE OF INTEREST:

DISCLOSABLE PECUNIARY/OTHER (delete as appropriate)

SIGNED :

PRINT NAME:

(Paragraphs 8 to 17 of the Code of Conduct for Members of the Council refer)

REPORT OF:	**CHIEF EXECUTIVE**
TO:	**FINANCE COUNCIL**
DATE:	**28 February 2022**

SUBJECT: REVIEW OF THE MEMBERS' ALLOWANCE SCHEME

1. PURPOSE OF THE REPORT

To inform Finance Council of the review of the Members' Allowance Scheme, and to consider the report and recommendations of the Independent Remuneration Panel (Appendix 1).

2. RECOMMENDATIONS

Finance Council is asked to:

2.1 Consider the report of the Independent Remuneration Panel (**Appendix 1**);

2.2 Approve the recommendations of the Independent Remuneration Panel set out in section 6 of the report;

2.3 Subject to 2.2 above, approve the draft Members' Allowances Scheme as attached at **Appendix 2** of this report, and agree for its implementation from May 2022.

3. BACKGROUND

The current Members' Allowance Scheme was adopted by Annual Council in May 2018 following the electoral review, which reduced the number of electoral wards (23 to 17) and the number of councillors (64 to 51). Under paragraph 3 of the Scheme, it is a requirement for it to be reviewed at least every four years. Any review of Member allowances and expenses must be in accordance with relevant legislation. The current scheme introduced in May 2018 requires review and for the revised Members' Allowance Scheme to be implemented from May 2022.

4. REVIEW OF THE SCHEME

Following Council approval on 22 July 2021, an advert was published seeking to appoint new members to the Independent Remuneration Panel ('the Panel'). The new Panel was subsequently appointed and met three times (virtually and in person) during January and February to review the current scheme and make any recommendations to Council.

The Panel's review included consideration of:

- The levels of some relevant allowances from Councils in the North of England
- The current Members Allowances Scheme (as amended) introduced in May 2018.
- The Annual Council report of 17 May 2018 detailing the recommendations from the IRP appointed in 2018.
- Council Appointments List 2021/22
- Representations from Group Leaders (written and oral)

Officers from Governance attended the meeting to provide further information and to support the Panel. The Panel's observations, findings and recommendations are contained in the report forwarded by the Chair (**Appendix 1** – *'Report of: The Independent Remuneration Panel'*). The Panel's recommendations include some minimal changes to the existing scheme, and the draft new Members' Allowance Scheme is contained in **Appendix 2**.

5. LEGAL IMPLICATIONS

The legislative framework for members' allowances is contained in the Local Government and Housing Act 1989, the Local Government Act 2000 and the Local Authorities (Members' Allowances) (England) Regulations 2003 ('the Regulations'). Local authorities must also have regard to guidance issued by the Secretary of State when setting up or operating their scheme.

Under the Regulations, local authorities are required to establish and maintain an Independent Remuneration Panel to make recommendations on the level of basic and special responsibility allowances, and other related expenses that are paid to Councillors.

It is a function of the Council to have regard to the report and recommendations made by the Independent Remuneration Scheme, and adopt the Member's Allowances Scheme. Once adopted, the scheme will need to be published.

6. POLICY IMPLICATIONS

Local authorities have discretion as to the form and amount of their scheme of allowances (save for travel allowances), subject to a minimum basic allowance for every member. Local authorities are therefore free to set their members' allowances at levels that reflect the level of responsibility and the amount of time they devote to council affairs. The adoption of the Member's Allowance Scheme would encourage more diversity and representation from residents to devote time for public roles.

7. FINANCIAL IMPLICATIONS

The Panel's recommendations include the re-introduction of a Special Responsibilities Allowance (SRA) for the Vice Chair of the Standards Committee (£786 pa at current rates) and SRAs for the Chair and Vice Chair of the Audit & Governance Committee (£1,572 and £786 respectively, at current rates).

However, the Panel stressed that the provision in the existing Members Allowances Scheme that only one SRA is paid (i.e. the highest amount) where more than one responsibility/position is held by any Councillor, is retained. Therefore, the impact on the 2022/23 revenue budget would be contained within existing budgets.

8. CONSULTATIONS

As set out in the report, the Independent Remuneration Panel is drawn from open advertisement and their recommendations are presented in full to the Council for consideration. Group leaders were also consulted and invited to make representations directly to the Panel.

Chief Officer/Member

Contact Officers:	Asad Laher, Strategic Head of Service – Legal & Governance. Phil Llewellyn, Corporate & Democratic Lead
Date:	28th February 2022
Background Papers:	None

Report of: The Independent Remuneration Panel
To: Blackburn with Darwen Borough Council on Monday 28 February 2022

Review of the Members' Allowances Scheme

1. Introduction

1.1 The Council has appointed an Independent Remuneration Panel (IRP) to advise the Council on the adoption of a Scheme of Members' Allowances from May 2022.

1.2 The Panel was convened under the Local Authorities (Members' Allowances) (England) Regulations 2003 (SI 1021). These regulations, which arise out of the relevant provisions in the Local Government Act 2000, require all local authorities to set up and maintain an advisory Independent Remuneration Panel to review and provide advice on Members' allowances. All Councils are required to convene their Allowances Panel and seek its advice before they make any changes or amendments to their allowances scheme and they must 'pay regard' to the Panel's recommendations before setting a new or amended Members' Allowances Scheme.

1.3 The Panel undertakes a full review once every four years and meets in the intervening years, if required. The last full review was carried out in 2018, following the Boundary Review when the number of Councillors reduced from 64 to 51 and Electoral Wards were reduced from 23 to 17.

1.4 The Members of the Panel are Ian Woolley (Chair) who has chaired the Panel for a number of years and was also formerly Chair of a Local Health Authority and is a retired Managing Director of a local pharmaceutical business, Miranda Carruthers-Watt, former Solicitor and retired Local Government Senior Executive, and David Swift, retired Audit Professional from an NHS background.

2. Methodology

1. The Panel were supplied with the following information to assist its work:
   - Research on levels of some relevant allowances from Councils in the North of England.
   - The Existing Members Allowances Scheme, as amended, to reflect pay rises since 2018.
   - A Briefing Note on Members Allowances.
   - Terms of Reference for the Panel.
   - The Annual Council report of 17 May 2018 detailing the recommendations from the IRP in 2018.
   - Council Appointments List 2021/22.

2. The Strategic Head of Service Legal and Governance and the Corporate and Democratic Lead attended meetings to answer questions and support the Panel. The Panel met three times during January and February 2022.

3. The Panel also received the written representations of the Leaders of the Labour and Conservative Groups as part of the review, and the Leader of the Conservative Group joined the second meeting to outline the views of his Group.

4. Following the full review of the allowances scheme approved by the Council in 2018, the Panel were asked to review the level of allowances generally, to look at some matters that had arisen since the last review, and to produce a report containing recommendations for Full Council to consider.

5. The Council's Appointments List 2021/22 reference the current responsibilities/positions approved by the Council. The Panel noted that not all the positions listed are in receipt of a Special Responsibility Allowance (SRA) and considered the reasons for this. The Panel also notes that the existing Members Allowances Scheme clearly state that only one SRA is paid (i.e. the highest amount) where more than one responsibility/position is held by any Councilor.

3.0 Level of Members Allowances Payments

3.1 The Panel noted that for many of the schemes from other local authorities that it looked at, generally the rates are higher in terms of Basic Allowances and Special Responsibility Allowances (SRA's) than Blackburn with Darwen, whether this be for the Leader for example, but also for other key positions.

3.2 Through further information and clarification on the possible reasons for these differences, the Panel gained further insight into differences between Councils, which ranged from the population of the Council's administrative area, differing responsibilities/roles, number of Portfolios, Councillors, Wards and number of electors represented by each Member for example. It was also noted that Blackburn with Darwen has 15 Assistant Executive Members to assist the Executive Members, whereas some other Councils did not have these positions to support the Executive/Cabinet Members, which perhaps reflects different rates for allowances. Therefore it was not possible to compare exactly on a 'like with like' basis.

3.3 Nevertheless, the Panel did feel that for key posts such as the Leader of the Council, Blackburn with Darwen pays an allowance at a comparatively lower rate. That being said, the Panel noted the view of the Leader of the Labour Group, who advised that he could not recommend any changes to the level of allowances paid, due to financial constraints. The Panel feel that the differential in allowances needs to be addressed over the next few years to bring the Council more in line with its counterparts.

3.4 The Panel agreed with the existing way of increasing allowances each year, which is to continue use of the annual local government pay settlement. It is also noted that the 2021/22 pay award had not yet been agreed, and that this would need to be back dated when agreed and confirmed. The Panel noted that the Members Allowances Scheme in the Council's Constitution reflected these increases each year.

3.5 The Panel considered the views of the Leader of the Conservative Group, who requested a number of changes to the Scheme, and these are outlined in Section 4.

4.0 Conservative Group Observations

4.1 The Leader of the Conservative Group, Councillor John Slater, attended the Panel meeting on 14th January 2022 to outline the views of his Group, which he had also outlined via e-mail on 24 December 2021:

- No change to Basic Allowance
- There should be a payment for the Vice Chair of the Standards Committee
- Shadow Executive Members should be paid the same SRA as Assistant Executive Members
- Shadow Assistant Executive Members should receive a payment of £1000.
- Spokespersons on Planning & Highways Committee and Licensing Committee receive an allowance

Councillor Slater also indicated that he felt that if allowances were paid at the appropriate level, that this would attract younger people with family commitments etc to become Councillors.

Following consideration, the Panel agreed that there should be a payment of £786 at current rates for the Vice Chair of the Standards Committee, to recognise the importance and responsibility of the role.

The Panel did not agree that the level of responsibility of the Shadow Executive Members was equivalent to that of Assistant Executive Members, and the current differences in the level of allowances reflect that. Therefore, the Panel could not recommend changes in respect of that position. The Panel also noted that the Shadow Assistant Executive Members posts had been previously paid positions, but had been removed from the scheme in 2018 as the Panel at that time did not consider that the retention of these separate allowances could be justified. Having considered this this Panel could also not see any justification for their re-introduction.

4.2 The Panel would like to thank Councillor Slater for taking the time to outline the views of his Group, and agree that going forwards, the Council may want to consider looking at increasing basic allowances to encourage people from all backgrounds to become Councillors.

5.0 Other Matters

5.1 As part of the review (and with reference to the Council Appointments List 2021/22) the Panel also noted that a payment for the Chair of the Audit & Governance Committee is not within the Members Allowances Scheme. The Panel understand that this is because the Chair of the Committee is usually the Assistant Executive Member, who already receives a payment for that role, but feel that the Scheme needs to reflect this arrangement. It is also noted that the Vice Chair of the Committee does not receive a payment, for the same reason, again this should be reflected in the scheme.

5.2 The Panel is aware that some other Councils have introduced parental leave policies, which aim to increase the diversity of Councillors. Such policies allow six months maternity leave to members giving birth, adopting, fostering for adoption, or becoming surrogate parents, as well as two weeks paternity leave for biological, adoptive or surrogate fathers for example. The Panel feel that the Council should explore this further.

5.3 The Panel were advised that it may be necessary for the Council to create more sub committees or other formal Committees in the near future. In particular, the Officers advised that the Council may restructure the Scrutiny

Committees in the near future. The Panel would recommend that remuneration for any additional Chair and Vice Chair posts are in line with existing comparator Committees.

6.0 Recommendations to Council

6.1 The Panel ask that the Council note that the level of allowances paid at Blackburn with Darwen is generally lower than the other Councils looked at. The Panel notes the difficulties of comparing differing Councils, but feel that allowances such as the Leader for example, are comparatively low, but acknowledge the financial position of the Council, so are not recommending significant changes to the Scheme. However, the Panel feel that the lower levels of remuneration by Blackburn with Darwen needs to be addressed in future years, to bring them to a comparable level with counterparts, including increasing basic allowances to encourage more diversity and representation from people currently unable to devote time for public duties.

6.2 That the Council agree to introduce the following SRA payments:

- SRA Payment for Vice Chair of the Standards Committee of £786 at current rates.
- SRA Payment for Chair of Audit & Governance Committee (if not already receiving higher payment for other position) of £1572 in line with equivalent payment for Chair of Standards Committee. Also SRA payment for Vice Chair of Audit & Governance Committee if not already receiving higher payment for other position) of £786 in line with equivalent payment for Vice Chair of Standards Committee at current rates.

6.3 That increases to Basic Allowance and SRA payments each year continue to be in-line with the annual local government pay settlement and back dated as appropriate.

6.4 That the Council consider the introduction of a Parental Leave Policy to increase the diversity of Councillors.

6.5 The Panel stressed that the provision in the existing Members Allowances Scheme that only one SRA is paid (i.e. the highest amount) where more than one responsibility/position by any Councillor, is retained.

6.6 In the event of the establishment of any extra Committees/sub committees it is recommended that remuneration for any new responsibilities/positions are in line with existing comparator Committees.

Ian Woolley,
Chair of the Independent Remuneration Panel
February 2022

PART 6

MEMBERS' ALLOWANCES SCHEME

MAY 2022

Draft

MEMBERS' ALLOWANCES SCHEME

THIS DOCUMENT FORMS PART OF THE COUNCIL'S CONSTITUTION

CONTENTS

Introduction

1. This scheme requires approval by Blackburn with Darwen Borough Council in exercise of the powers conferred by the Local Authorities (Members' Allowances) (England) Regulations 2003.

2. This scheme replaces all previous Members' Allowances Schemes and applies to Members of Blackburn with Darwen Borough Council with effect from May 2022.

3 It is a requirement that this scheme be reviewed at least every four years by the Independent Remuneration Panel

4. This scheme should be read in conjunction with the provisions of the Council's Code of Conduct for Members of the Council.

5. The allowances mentioned in this scheme shall:-

    5.1 Be implemented from May 2022.

    5.2 Be up rated annually in line with the pay award for local authority NJC staff with each annual increase being reported to a Council meeting for information at the earliest opportunity.

    5.3 Payments made to Councillors under this Members' Allowance Scheme will be published on the Council's website each year.

6. Any other amendments to this scheme will be determined by the Council following receipt of recommendations from the Independent Remuneration Panel.

7. 7.1 In this scheme "Councillor" means an elected member of Blackburn with Darwen Borough Council. "Year" means the period of the Municipal Year.

    7.2 "Co-optee" means a person (other than a Councillor) who is appointed to the membership of a Committee or Sub-Committee of the Council.

Part 1 – Allowances for Councillors

1. Basic Allowance

A basic allowance shall be paid to each Councillor for each year to enable them to cover the costs associated with their role as an Elected Member of Blackburn with Darwen Borough Council.

2. Special Responsibility Allowances

Special Responsibility Allowance (SRA) shall be paid to those Councillors who have been appointed or recognised by the Council or have been notified to the Chief Executive by their Group as holding the special responsibilities in relation to the Authority that are specified in Appendix 1 to this scheme.

Note that only one SRA shall be paid (the highest amount), where applicable, irrespective of the number of responsibilities held.

3. Attendance Allowance

No Attendance Allowance shall be payable under this scheme either for Council duties or in respect of Council appointments to Outside Bodies.

4. Renunciation

A Councillor may, by notice in writing given to the Chief Executive, elect to forego any part of his or her entitlement to an allowance under this scheme. On giving such notice, the lower amount will then become payable to that Councillor until such notice is rescinded.

5. Part Year Entitlements

In accordance with the requirements of the regulations, pro rata payments of Basic Allowance or Special Responsibility Allowance shall be payable to eligible Councillors in any of the following circumstances:

5.1 If an amendment to this scheme changes the amount to which a Councillor is entitled by way of a Basic Allowance or a Special Responsibility Allowance.

5.2 Where the term of office of a Councillor begins or ends otherwise than at the beginning or end of a year.

6. Suspension of Allowances

Where a Councillor is suspended wholly or partially from his or her duties, the allowances payable to that Councillor (including Basic, Special Responsibility, Travel, Subsistence and Dependent Carers/Childcare Allowance) will also be suspended in whole or in part.

7. Payment

Payment of Basic and Special Responsibility Allowances shall be made in equal instalments on a monthly basis directly to a bank account under the Bankers Automated Clearing System.

8. Travel and Subsistence Allowances

Travel and Subsistence Allowances may be claimed by Councillors in accordance with Appendix 2 to this scheme.

[Note – subsistence expenses can only be claimed for approved duties outside of the authorities boundaries].

9. Dependents Carer's and Childcare Allowance

Councillors are eligible to claim Dependents Carer's and Childcare Allowances for approved duties as set out in Appendix 2. The sum of £10 per hour for Dependent Carers and £5 per hour for Childcare will be payable.

[This will not be payable where the care is provided by any other member of the Councillor's household.]

10. Digital Councillor Package

Councillors will be provided with appropriate IT equipment including:

Tablet refreshed in line with Council's policy to cover equipment needs and meet with the Council's data protection, information governance and security standards. This equipment is provided to facilitate digital engagement and communication and support the Councillors active participation in Council and related Council meetings. All Council meetings will utilise digital media.

A smartphone (with secure email) will be provided to Executive and Shadow Board Members and the option of a mobile phone handset for all other members.

As an alternative a member can utilise their own Tablet device and the Council will load secure e-mail and other Council related software (e.g. Modern.gov to facilitate Council meetings and other digital information exchanges).

A monthly cap of £25 on mobile phone bills will be applied in relation to Executive Members*, and £15 for all Non-Executive Members. Any costs in excess of the set limits will be claimed back from the following month's basic allowance payment. As an alternative, a payment of £14 per month will be made for those Members choosing to use their own mobile phones.

[Executive Members – exceptional circumstances (approved in advance) may allow the monthly limit for calls and data usage costs being exceeded such as occasions when Executive Members are abroad and have requirements related to their roles for international calls and higher than usual data usage costs.]*

Part 2 – Allowances for Co-optees

Travel and Subsistence Allowances

Travel and Subsistence Allowances may be claimed by all co-optees of Council Committees and Sub Committees in accordance with the provisions detailed in Appendix 2.

Part 3 – Travel Allowances

1. These provisions apply to Councillors and co-optees on Council Committees and Sub Committees and members of the Independent Remuneration Panel. Travel allowances are only paid on journeys exclusively for the conduct of Council business.

   Travelling allowances can be claimed in respect of each occasion on which one of the persons described above carries out a duty as described in Appendix 2 to this scheme.

2. Car Mileage

2.1 Claims are subject to the claimant having the appropriate insurance (business use) for their car.

2.2 Mileage rates claimable at **xxxxx** per mile.

2.3 This rate is the Inland Revenue approved rate at April **xxxx**. Should the rate change the allowance will be adjusted accordingly.

2.4 When claiming mileage the distance claimed for mileage should be the shortest most reasonable journey by road from the point of departure to the point of which the duty is performed and similarly from the duty point to the place of return.

2.5 Where Members are travelling from work for Council meetings/Council business they should only claim the mileage that they have undertaken over and above their normal journey from their place of residence to and from work. This is in accordance with Inland Revenue guidance.

2.6 Any claims for expenses should be made in accordance with paragraph 10.

3. Travel by Bus

The actual cost of bus travel will be reimbursed and councillors who regularly use bus services may claim reimbursement of the cost of a Rover season ticket. This includes the purchase of an annual Rover pass. A personal contribution will be expected where some personal use of the pass is undertaken.

4. Travel by Taxi

The actual cost of fare will be reimbursed. Receipts should be provided for taxi journeys.

5. Travel by Rail

The actual cost of rail travel will be paid.

6. Travel by Bicycle/Motorbike

a. A rate of **xxx** per mile will be made for the use of bicycle and a rate of **xxx** per mile for the use of motorbikes.

b. These rates are the Inland Revenue approved rate at April **xxx**. Should the rate change the allowance will be adjusted accordingly.

7. Using a Wheelchair

A payment of £200 per year will be made to assist motorised wheelchair users. This provision will be reviewed in the light of experience and the needs of individual users.

8. Longer Journeys

When travelling longer distances e.g. to attend a conference or seminar, Democratic Services staff can make arrangements for rail tickets or other forms of transport booking which avoids members bearing the cost of fares until reimbursement is received.

9. Car parking

A car park pass will be issued for the Brown Street Car Park. Executive Board Members will be issued with a pass for the Mall Multi-Storey car park. These passes are strictly for use by Councillors only and to be used whilst on Council business only.

Other parking charges will only be reimbursed whilst incurred in respect of approved duties (as defined in Appendix 2) outside the borough.

10. Making Claims

Any claims for travelling expenses should be submitted digitally through the Council's I-Trent system and contain all the information required including details of journey and specific duties or activities undertaken. These should be in line with the approved duties listed in Appendix 2.

Failure to provide the required level of information will unavoidably result in delays to the processing of claims and may result in claims being rejected.

<u>Part 4 – Subsistence Allowances</u>

4.1 Members may claim subsistence allowances in respect of approved duties undertaken outside the outside the authority's boundaries (as set out in Appendix 2) where meals and accommodation are not otherwise provided and they have actually incurred the expenses claimed. Receipts must always be obtained and submitted with claims.

4.2 The meal allowances rates are as follows: **(To be updated as appropriate)**

- Breakfast Allowance £ 5.00
- Lunch Allowance (5 hour rate) £ 5.00
- Dinner (10 hour rate) £10.00
- Late evening meal rate £15.00

4.3 Overnight accommodation must be booked through Governance Services or other Departments (as appropriate) as this will avoid the need for Members to pay directly for accommodation and enable the Council to take advantage of any preferential rates.

- Inner London - £180 per night **(To be updated as appropriate)**
- Outside Inner London and the rest of the UK - £120 per night **(To be updated as appropriate)**

4.4 Meals which are not provided as part of the accommodation fee or any meals not provided by the Conference, meeting or event being attended may be claimed for at the rates detailed above in paragraph 4.2.

4.5 All claims are to be submitted digitally through the Council's I-Trent system.

APPENDIX ONE

SCHEDULE OF MEMBERS' ALLOWANCES (rates last reviewed 2020/21)

Responsibility	2020/2021	2021/22 (Pay Award tbc)	2022/2023 Pay Award tbc)	No.
Basic allowance	£7,336.00	£7,336.00	£7,336.00	51
Special Responsibility Allowances	**2020/2021**	**2021/22**	**2022/2023**	**No.**
Leader of the Council	£20,961.00	£20,961.00	£20,961.00	1
Deputy Leaders (including Executive Member portfolio allowance)	£12,577.00	£12,577.00	£12,577.00	2
Other Executive Board Members (with portfolios)	£7,336.00	£7,336.00	£7,336.00	5
Assistant Executive Members	£3,144.00	£3,144.00	£3,144.00	15
Chair of Policy & Corporate Resources Committee	£4,087.00	£4,087.00	£4,087.00	1
Vice Chair of Policy & Corporate Resources Committee	£1,572.00	£1,572.00	£1,572.00	1
Scrutiny Committee Chairs	£3,144.00	£3,144.00	£3,144.00	2
Chair of Planning & Highways Committee	£5,135.00	£5,135.00	£5,135.00	1
Vice Chair of Planning & Highways Committee	£1,886.00	£1,886.00	£1,886.00	1
Chair of Licensing Committee	£4,926.00	£4,926.00	£4,926.00	1
Vice-Chair of Licensing Committee	£1,782.00	£1,782.00	£1,782.00	1
Chair of Standards Committee	£1,572.00	£1,572.00	£1,572.00	1
Vice- Chair of Standards Committee	N/A	N/A	£786.00	1
Chair of Audit and Governance Committee	N/A	N/A	£1,572.00	1*
Vice Chair of Audit and Governance Committee	N/A	N/A	£786.00	1*
Main Opposition Leader	£7,336.00	£7,336.00	£7,336.00	1
Main Opposition Deputy Leaders (if 20% or more seats (i.e. 10 or more)	£2,096.00	£2,096.00	£2,096.00	1
Opposition Spokespersons (Shadow Cabinet) (The Shadow Cabinet shall include the Opposition Spokesperson for Planning & Highways Committee and Licensing Committee)	£1,572.00	£1,572.00	£1,572.00	7**
Minor Opposition Leader (Subject to 10% or more seats (i.e. 5 or more)	£2,096.00	£2,096.00	£2,096.00	1
Appeals Panel Members	£52.00	£52.00	£52.00	£52.00
Mayoral Allowance	£12,577.00	£12,577.00	£12,577.00	1
Deputy Mayor	£4,192.00	£4,192.00	£4,192.00	1

Notes:

1/ 2020/2021 NJC pay ward of 2.75% applied in accordance with paragraph 5.2 of this Scheme.
2/ *Only payable if not receiving other SRA payment.
3/ ** The number shall be reduced to 6 where SRA is made to an Opposition Deputy Leader.

APPENDIX TWO

Schedule of Approved Duties for the purpose of travel, subsistence claims (where incurred outside the authority's boundaries) and dependent carer's and childcare allowances

For Members of the Council
Council Forum and other meetings of Full Council.
Executive Board meetings either as a Member or an observer.
Meetings of any Committee or Sub Committee of the Council either as a member or an observer including any formal briefing meetings.
Attendance at: • Senior Policy Teams • Partnership Political Leadership Group • Policy Development Sessions • Scheduled meetings with Directors to discuss Council business • Scheduled meetings with Portfolio holders to discuss matters relevant to their portfolio • Shadow Executive Board meetings • Other Political Group meetings convened solely to discuss Council business
Attendance by an Executive Member at Council premises for the purposes of making a decision under delegated powers.
All other Council meetings and any other meeting scheduled on the Council's formal calendar of meetings, including formal briefing meetings.
Attendance at any meeting (other than one specifically mentioned in this schedule) the holding of which has been authorised by Full Council, or a Committee or Sub Committee of the Council or a joint Committee of which the Authority is a Member. Members of more than one political group must have been invited to such a meeting.
Meetings of partnership bodies like Blackburn with Darwen Strategic Partnership and meetings of any other external body to which a Councillor has been formally appointed by the Council.* *where an outside body has its own scheme for the payment of allowances, Councillors should claim travel and subsistence expenses from that body and not from the Council
Opening of tenders where a member is required to be present
Conferences and Seminars (including training events organised by the Council) where attendance is authorised by the Council).
Site and premises visits relating to Council business.
Pre-arranged consultation meetings with officers of the Council.
Visits to inspect Council premises e.g. Regulation 33 visits to Children's Homes
Ward surgeries and ward visits to undertake Council business.
Parish Council meetings, Community Association meetings where Members have been invited to attend regarding Council business.
Attendance at any meeting or event as a representative of the Council where that attendance has been approved in advance by the Chief Executive.
Visits to the Town Hall to undertake essential correspondence, paperwork etc. in relation to the conduct of Council business.

For Co-opted Members on Council Committees and Sub-Committees
Attendance at any meeting of a Committee or Sub Committee of which the claimant is an appointed member
Any arranged visit in connection with the business of a Committee or Sub Committee including conferences, seminars, training events, tours of inspection, site visits.

TO:	Finance Council
FROM:	Audit and Governance Committee
DATE:	28th February 2022

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Provision of External Audit – PSAA Opt-In Invitation

1. PURPOSE

1.1 The purpose of this report is to seek the agreement of Finance Council to join the national scheme for the procurement of external audit services with effect from the financial year 2023/24.

2. RECOMMENDATIONS

2.1 Finance Council is recommended to accept Public Sector Audit Appointments' (PSAA) invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

3. BACKGROUND

3.1 Councillors may be aware that in 2014, the then Government undertook a range of structural reforms to the external audit framework for local public audit (including the arrangements for local government). This led to the abolition of the Audit Commission and the decentralisation of the framework for the provision of external audit services to local public services.

3.2 The arrangements for the appointment of external auditors under the new regime are set out in the Local Audit and Accountability Act 2014 (the Act). The Act provides for the creation of a locally-led audit regime providing local authorities with greater flexibility over the procurement of their external audit service. In essence, Councils can:-

a) undertake their own procurement and appointment of an External Auditor – this would require the Council to establish an Audit Panel comprising Elected and Independent Members who would be consulted on the selection and appointment of an Auditor;

b) work collaboratively with other local authorities on a procurement for an External Auditor – this is the same as (a) above but with a procurement exercise undertaken by a group of local authorities who may use a shared Audit Panel for consultation about selection and appointment of an Auditor;

c) opt in to a Sector-led procurement – this is a national procurement exercise whereby a designated body undertakes the procurement and appointment of an External Auditor on behalf of those Councils that choose to opt-in to this process.

3.3 In response to this, the Local Government Association (LGA) established PSAA as a not-for-profit company to act as an Appointing Body for principal local government and police bodies; in essence, PSAA undertake the procurement, appointment, setting the scale of fees payable and contract management for those bodies that opt in to the national scheme.

3.4 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. Along with 98% of eligible public bodies, the Council opted into the 'appointing person' national auditor appointment arrangements established by PSAA for the period covering the accounts for 2018/19 to 2022/23.

3.5 PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. All local government bodies need to determine their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.

3.6 This report concludes that the sector-led procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:

- collective procurement generally reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements;
- if it does not use the national appointment arrangements, the Council will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;
- it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and
- supporting the sector-led body offers the best way of to ensuring there is a continuing and sustainable public audit market into the medium and long term.

3.7 If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at a meeting of the full Council, hence this report. The opt-in period closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council needs to return completed opt-in documents to PSAA by 11 March 2022.

4. KEY ISSUES

Procurement of External Audit for the period 2023/24 to 2027/28

4.1 Under the Act, the Council is required to appoint an auditor to audit its accounts for each financial year. The Council has three options:-

- to appoint its own auditor, which requires it to follow the procedure set out in the Act;
- to act jointly with other authorities to procure an auditor following the procedures in the Act;

- to opt in to the national auditor appointment scheme administered by a body designated by the Secretary of State as the ‘appointing person’. The body currently designated for this role is PSAA.

4.2 In order to opt in to the national scheme, a Council must make a decision at a meeting of the Full Council.

The Appointed Auditor

4.3 The Auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and Best Value assessment of the council in each financial year, in accordance with all relevant codes of practice and guidance. The Appointed Auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.

4.4 The Auditor must act independently of the Council and the main purpose of the procurement legislation is to ensure that the Appointed Auditor is sufficiently qualified and independent. The Auditor must be registered to undertake local audits by the Financial Reporting Council (FRC) and employ authorised Key Audit Partners to oversee the work. As the report below sets out there is a currently a shortage of registered firms and Key Audit Partners.

4.5 Auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the course of the next audit contract.

4.6 Councils therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.

Appointment by the Council itself or jointly

4.7 The Council may elect to appoint its own External Auditor under the Act, which would require the Council to:-

- Establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This could mean that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council’s external audit;

- Manage the contract for its duration, overseen by the Auditor Panel.

4.8 Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

The National Auditor Appointment Scheme

4.9 PSAA is specified as the 'appointing person' for principal local government bodies under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five-year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services. PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members.

4.10 In summary the national opt-in scheme provides the following:

- the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023;
- appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;
- managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy;
- ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;
- minimising the scheme management costs and returning any surpluses to scheme members;
- consulting with authorities on auditor appointments, giving the Council the opportunity to influence which auditor is appointed;
- consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and
- ongoing contract and performance management of the contracts once these have been let.

Pressures in the current local audit market and delays in issuing opinions

4.11 Much has changed in the local audit market since external audit contracts were last awarded in 2017. At that time the audit market was relatively stable, there had been few changes in audit requirements, and local audit fees had been reducing over a long period. As indicated above, 98% of those bodies eligible opted into the national scheme and attracted very competitive bids from audit firms. The resulting audit contracts took effect from 1 April 2018.

4.12 During 2018 a series of financial crises and failures in the private sector year led to questioning about the role of external auditors and the focus and value of their work. Four independent reviews were commissioned by Government: Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator; the Competition and Markets Authority review of the audit market; Sir Donald Brydon's review of the quality and effectiveness of audit; and Sir Tony Redmond's review of local authority financial reporting and external audit. The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator (ARGA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.

4.13 The Kingman review has led to an urgent drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. By the time firms were conducting 2018/19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible. To deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in prior years.

4.14 This situation has been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with Covid-19 creating further significant pressure for finance and audit teams.

4.15 None of these problems is unique to local government audit. Similar challenges have played out in other sectors, where increased fees and disappointing responses to tender invitations have been experienced during the past two years.

The Invitation

4.16 PSAA is now inviting the Council to opt in for the second appointing period, for 2023/24 to 2027/28, along with all other eligible authorities. Based on the level of opt-ins it will enter into contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's auditor.

The next audit procurement

4.17 The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. PSAA will:

- seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies;

- continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties (pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key tenet of the national collective scheme);

- continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members. In 2019 it returned a total £3.5million to relevant bodies and in 2021 a further £5.6million was returned.

4.18 PSAA will seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.

4.19 The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the National Audit Office), the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements. The requirements are mandatory; they shape the work auditors undertake and have a bearing on the actual fees required.

4.20 There are currently nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation. This means that a local procurement exercise would seek tenders from the same firms as the national procurement exercise, subject to the need to manage any local independence issues. Local firms cannot be invited to bid. Local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.

Assessment of options and officer recommendation

4.21 If the Council did not opt in there would be a need to establish an independent Auditor Panel to make a stand-alone appointment. The Auditor Panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council's external audit.

4.22 Alternatively, the Act enables the Council to join with other authorities to establish a joint Auditor Panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

4.23 These would be more resource-intensive processes to implement for the Council, and without the bulk buying power of the sector-led procurement may result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process. As set out above, the Council is unable to influence the scope of the audit and the regulatory regime inhibits the Council's ability to affect quality.

4.24 The Council and its Auditor Panel would need to maintain ongoing oversight of the contract. Local contract management cannot, however, influence the scope or delivery of an audit.

4.25 The national offer provides the appointment of an independent auditor with limited administrative cost to the Council. By joining the scheme, the Council would be acting with other councils to optimise the opportunity to influence the market that a national procurement provides.

4.26 It should be noted that the majority of Councils in the North West have either, or are likely to opt-in to the national auditor appointment scheme. In light of this and for the reasons set out above, the Audit and Governance Committee recommends to Finance Council that the Council should opt in to the national auditor appointment scheme.

The way forward

4.27 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the Full Council.

4.28 This matter was considered by the Audit *and Governance* Committee on 18th January where it was resolved:-

'That the Committee recommend to February's Finance Council to opt in to the sector-led option for the appointment to be able to participate in the arrangement that will be led by Public Sector Audit Appointments, as the opt-in period closes on 11 March'.

4.29 Subject to the Council's deliberations here, the Council will need to respond formally to PSAA's invitation in the form specified by PSAA by the close of the opt-in period (11 March 2022).

4.30 PSAA will commence the formal procurement process in early February 2022. It expects to award contracts in August 2022 and will then consult with authorities on the appointment of auditors so that it can make appointments by the statutory deadline of 31 December 2022.

5. POLICY IMPLICATIONS

5.1 There are no policy implications arising directly from this report.

6. FINANCIAL IMPLICATIONS

6.1 There is a risk that current external audit fee levels could increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.

6.2 Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large scale collective procurement arrangement.

6.3 If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

7. LEGAL IMPLICATIONS

7.1 Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.

7.2 Section 8 governs the procedure for appointment including that the Council must consult and take account of the advice of its Auditor Panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council is a local Council operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council under those arrangements.

7.3 Section 12 makes provision for the failure to appoint a local auditor. The Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.

7.4 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

8. RESOURCE IMPLICATIONS

8.1 There are no other resources implications arising from the contents of this report.

9. EQUALITY AND HEALTH IMPLICATIONS

9.1 There are no equality and health implications arising from the contents of this report.

10. CONSULTATIONS

10.1 None arising from the contents of this report.

11. STATEMENT OF COMPLIANCE

11.1 The recommendation in this report are made further to advice from the Monitoring Officer.

VERSION:	1
CONTACT OFFICER:	Dean Langton – Director of Finance
DATE:	February 2022
BACKGROUND PAPERS:	PSAA Opt-In Invitation

REPORT OF:	**CHIEF EXECUTIVE**
TO:	**FINANCE COUNCIL**
ON:	**28 February 2022**

SUBJECT: SENIOR MANAGEMENT & CONSTITUTIONAL UPDATE

1. PURPOSE OF THE REPORT

To update the Council on the appointment to the post of Director of Public Health (DPH).

Further to the Council Forum report of 22 July 2021 (Item 10), to seek Council approval on the permanent appointment to the statutory Monitoring Officer role.

To request that Council approve updates to the Constitution to reflect the changes proposed and set out in this report.

2. RECOMMENDATIONS

The Council is asked to:

1. Endorse the decision of the Chief Officer Employment Committee to appoint Mr. Abdul Razaq to the post of Director of Public Health (DPH).

2. Note the decision of the Chief Officer Employment Committee to appoint the Interim Strategic Head of Service, Legal & Governance (MO) to the post of Deputy Director with responsibility for Legal & Governance Services who will act as the Council Solicitor, and approve that the post holder be appointed as the Council's Monitoring Officer on a permanent basis.

3. Endorse the recommendation of the Chief Officer Employment Committee in respect of the re-designation and regrading of the post of Director in Place to Strategic Director.

4. Subject to 2 and 3 above, authorise the Monitoring Officer to update the Constitution and approve other updates to the Constitution reflecting the changes set out in this report.

5. Approve the Council's Pay Policy Statement for 2022/23, reflecting the changes set out in this report.

3. KEY ISSUES

Appointment of Director of Public Health

In March 2022 the current Director of Public Health will retire. Following an external recruitment process the Chief Officer Employment Committee (COEC) unanimously agreed that Abdul Razaq be appointed to the post of Director of Public Health.

Monitoring Officer

In September 2021, the Director of HR, Governance & Engagement retired and interim management arrangements were put in place via a temporary realignment of responsibilities primarily through two existing senior members of the extended leadership team.

Firstly via a role of Strategic Head of Service, HR & Engagement (Covid Coordination) & secondly via a role of Strategic Head of Service, Legal & Governance.

The latter post contains the duties and responsibilities associated with the Monitoring Officer role, given Section 5 of the Local Government & Housing Act 1989 requires Councils to appoint a Monitoring Officer to undertake the statutory responsibilities and the duties contained in the Constitution.

Following recommendations from the COEC, it is proposed that Asad Laher, currently interim Strategic Head of Service, Legal & Governance, and the Council Solicitor and acting Monitoring Officer (as approved by Council in July 2021), is appointed as Deputy Director and is now permanently appointed by Council to act as the Monitoring Officer, with a direct line of accountability to the Chief Executive. The post will also be responsible for Legal & Governance services.

It has also been agreed by the COEC that the current interim Strategic Head of Service, HR & Engagement (Covid Support), is appointed to the role of Deputy Director, in the Chief Executive's Office with responsibility for HR services, civil contingencies, corporate policy and communications and acts as the Council's chief HR advisor.

Aligned to the above, the vacant Director post and the two Heads of Service posts will be deleted from the structure.

Director/Strategic Director, Place

The former Growth & Development and Environment Departments were brought together in 'Place' with a Strategic Director and Director posts.

There are a number of existing key priorities within the growth programme, planning and economic development areas alongside priorities in respect of the environment and highways services, economic recovery, climate change and future proposed environmental changes.

To address this range of priorities, it has been considered and is recommended by the Chief Officer Employment Committee that the current Director role in Place is re-designated as a Strategic Director (Strategic Director 2) with responsibilities including environment, highways, leisure and commercial services, accountable to the Chief Executive.

Pay Policy statement 2022/23

The updated pay policy is attached at Appendix 1 to this report.

Constitution Updates

The Constitution was last updated in October 2021.

The Constitution is a key document setting out the governance framework of the Council. From time to time the constitution needs to be updated to reflect changes in legislation, resolutions passed by Council, portfolio changes made by the Leader, and changes made to the Council management structure and delegations.

In relation to the Council's Leader and Executive form of governance the Leader appoints the Executive, and Deputy Leaders are also appointed by the Leader from the Executive. This is to be made more clearly, as part of the constitutional update.

The Monitoring Officer and Section 151 Officer also review and update generally the Constitution to ensure accuracy and continued compliance with legislation.

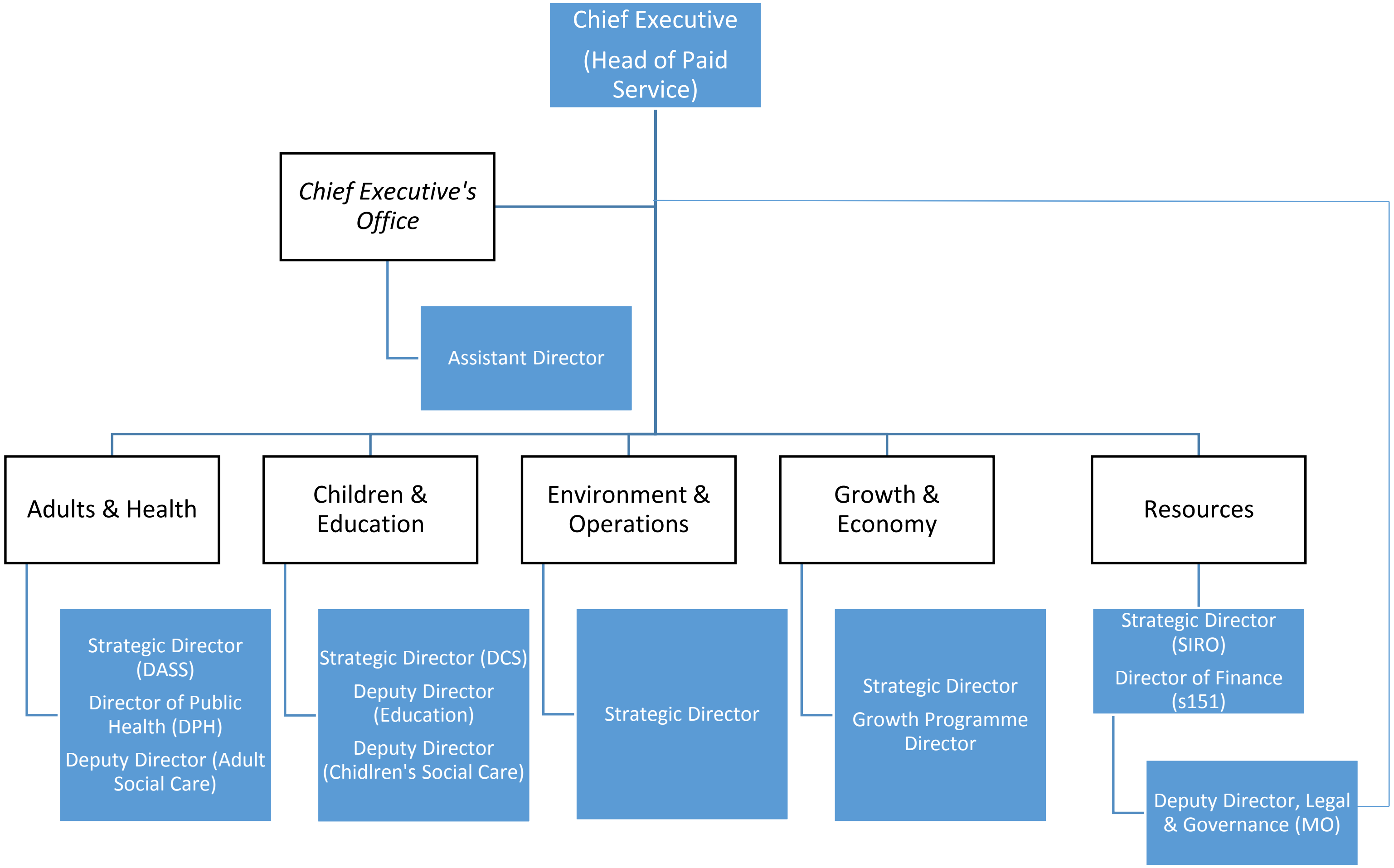
Subject to Council approval, the changes set out in this report will require updates to the scheme of delegations and other amendments to the Constitution.

Contact Officer: Denise Park, Chief Executive (Head of Paid Service)

Date: 28th February 2022

Background Papers: Constitution Updates

DRAFT Departmental and Chief Officer structure for 2022:



Adults & Health	Children & Education	Environment & Operations	Growth & Economy	Resources	Chief Executive's
Adults Social Care Commissioning Prevention Wellbeing Adult Learning Community Protection Housing Needs Public Health	Children's Social Care Early Help Education Schools relationships Early Years Young People's Services	Environment Public Protection Highways Commercial Services, Leisure, Markets, Parking Arts & Culture Building Maintenance	Growth Programme Planning & Building Control Investment Property Bids & Economic Development Town Centres Transport Strategy	Finance & Audit Procurement Revs & Bens Customer Services Digital & Data Performance Transformation Legal & Governance	HR & payroll OD & workforce Health & Safety Emergency planning Corporate Policy Communications Monitoring Officer & Elections

Blackburn with Darwen Borough Council
Pay Policy Statement for the Year 2022/23

1. Introduction and Purpose

1.1 Under section 112 of the Local Government Act 1972, we (the Council) have the power to appoint officers on such reasonable terms and conditions as the authority "thinks fit". This Pay Policy Statement details our approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011.

1.2 The purpose of this policy statement is to provide transparency regarding our approach to setting the pay of employees (excluding teachers working in local authority schools) by identifying:

- the methods by which salaries of all our employees are determined;
- the detail and level of remuneration of our most senior employees i.e. 'Chief Officers', as defined by relevant legislation;
- the Committee responsible for ensuring the provisions set out in this statement are applied consistently and in recommending any amendments to the full Council.

1.3 It applies for the year 2022 /2023 unless replaced or varied by the full Council.

1.4 Once approved by the full Council, this policy statement will come into effect and will be subject to review on at least an annual basis, the policy for the next financial year being approved by 31st March each year.

This Pay Policy Statement makes reference to a number of related documents and information which can be accessed via links to the Council website. These links will be inserted when the document is approved by Full Council and published in accordance with paragraph 14.1 below.

2. Other legislation relevant to pay and remuneration

2.1 In determining the pay and remuneration of all our employees, the Council will comply with all relevant employment legislation. This includes legislation such as the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, General Data Protection Regulation 2018 and where relevant, the Transfer of Undertakings (Protection of Employment) Regulations. We will also ensure there is no pay discrimination within our pay structures and that all pay differentials can be objectively justified through the use of job evaluation mechanisms, National Joint Council (NJC) and Hay Group, which directly establish the relative levels of posts in grades according to the requirements, demands and responsibilities of the role.

3. Pay Structure

3.1 The Council uses the nationally negotiated pay spine(s) (i.e. a defined list of salary points) as the basis for our local pay structure, which determines the salaries of the large majority of our (non-teaching) workforce together with locally determined rates where these do not apply.

3.2 We adopt national pay bargaining arrangements for the establishment and revision of the national pay spine(s), for example through any agreed annual pay increases negotiated nationally with joint trade unions.

3.3 All other pay related allowances for Senior Managers are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery as for all employees.

3.4 In determining our grading structure and setting remuneration levels for posts, the Council takes account of the need to ensure value for money in the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet our requirements in providing high quality services to the community, delivered effectively and efficiently and at times at which the services are required.

3.5 New appointments will normally be made at the minimum of the relevant pay scale for the grade, although this can be varied where necessary to secure the best candidate. Where the appointment salary is above the minimum point of the pay scale and is not affected by other Council policies or processes, for example alternative employment or flexible retirement, this is approved in accordance with the Recruitment and Selection Policy.

3.6 From time to time it may be necessary for us to take account of the external pay levels in the labour market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, we will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using data sources that are appropriate and available from within the local government sector and outside.

3.7 Any temporary supplement to the salary scale for the grade is approved in accordance with the agreed policy.

4. Senior Management Remuneration

4.1 For the purposes of this statement, Senior Management means ‘Chief Officers’ as defined within the Localism Act. The posts falling within the statutory definition are set out below, with details of their basic salary as at 1st April 2022.

4.2 Where we are unable to recruit Chief Officers, or there is a need for interim support to provide cover for a substantive Chief Officer post, the Council will, where necessary, consider engaging individuals under a ‘contract for service’. These will be sourced through a relevant procurement process ensuring we are able to demonstrate the maximum value for money benefits from competition in securing the relevant service. In assessing such it should be noted that in respect of such engagements we are not required to make either pension or national insurance contributions for such individuals.

4.3 The Council does not currently have any Chief Officers engaged under such arrangements.

5. Chief Executive and Chief Officer pay scales 2022/2023

(Last national pay award increase applied from 01/04/2020). All the posts listed below are permanent unless otherwise stated in the notes

Chief Executive of Council
£149,111- £162,933
Denise Park
denise.park@blackburn.gov.uk – 01254 585655

Strategic Director, Adults & Health (DASS)
£111,000 - £120,600
Vacant

Strategic Director, Children's & Education (DCS)
£111,000 - £120,600
Jayne Ivory
jayne.ivory@blackburn.gov.uk – 01254 588888

Strategic Director, Growth & Economy (title TBC)
£101,000 - £110,200
Martin Kelly
martin.kelly@blackburn.gov.uk – 01254 588686

Strategic Director, Environment & Operations (title TBC)
£101,000 - £110,200
Martin Eden
martin.eden@blackburn.gov.uk – 01254 585102

Strategic Director, Resources (SIRO)
£101,000 - £110,200
Paul Fleming
paul.fleming@blackburn.gov.uk – 01254 222535

Director of Finance (s151, chief financial officer)
£91,756 - £100,580
Dean Langton
Dean.langton@blackburn.gov.uk - 01254 585600

Director of Public Health (DPH)
£91,756 - £100,580
Abdul Razaq (expected commencement in post 1st April 2022)

Deputy Director, Adults Social Care
£79,900 - £87,947
Katherine White
Katherine.white@blackburn.gov.uk

Deputy Director, Education
£79,900 - £87,947
Jo Siddle
Jo.siddle@blackburn.gov.uk

Deputy Director, Children's Social Care
£79,900 - £87,947
Emma Ford
Emma.ford@blackburn.gov.uk

Deputy Director, Legal & Governance (MO, monitoring officer)
£79,900 - £87,947
Asad Laher
Asad.laher@blackburn.gov.uk

Deputy Director, Chief Executive's Office (HR, Communications & Policy) (title TBC)
£79,900 - £87,947
Corinne McMillan
Corinne.mcmillan@blackburn.gov.uk

Other Roles included as paid on Chief Officer equivalent scales*
£79,900 - £87,947

Public Health Consultant (Medicine) (0.51FTE)*
Gifford Kerr
gifford.kerr@blackburn.gov.uk - 01254 (58)8820
(0.49 FTE vacant)

Consultant in Public Health*
Laura Wharton
Laura.wharton@blackburn.gov.uk - 01254 (58)8911

Growth Programme Director (see Note 5(i))
Simon Jones simon.jones@blackburn.gov.uk

5.1 **Notes**
Information is based on the Chief Officer structure with effect from 1st April 2022.

* Included for transparency due to salary level post job evaluation.

i) Following transfer to the Council in 2018 post is confirmed as Director 2 – employee in receipt of temporary pay protection (TUPE). Current salary £114,445 per annum.

ii) The Chief Executive & Chief Officer Employment Committee determines the numbers and grades of Chief Officers - full terms of reference are contained in the Council Constitution. Appointments are subject to consultation with the Executive Board - Current membership of the Committee is as follows:

Leader of the Council
2 x Deputy Leader of the Council
Leader of Main Opposition Group

iii) The Chief Executive appointment is subject to full Council approval and the Chief Executive & Chief Officer Employment Committee recommends pay and conditions of employment - full terms of reference are contained in the Council Constitution.

iv) The Chief Officer Structure Chart is set out at the end of this document.

6. Recruitment of Chief Officers

6.1 The Council's policy and procedures with regard to recruitment of Chief Officers is set out within the Council Constitution.

6.2 When recruiting to all posts we will take full and proper account of all relevant employment law and Equal Opportunities, Recruitment and Alternative Employment Procedures as approved by the Council.

6.3 The determination of the remuneration to be offered to any newly appointed Chief Officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment.

7. Policy on the remuneration of Chief Officers

7.1 The salaries detailed above are determined by the respective Chief Executive & Chief Officer Employment Committee and are based on the Hay Group methodology for job evaluation and also having due regard to the Council's duty to ensure best value and after taking professional advice on pay levels, market conditions and other relevant factors.

7.2 With the exception of progression through the incremental scale of the relevant grade being subject to satisfactory performance, the level of remuneration is not variable dependent upon the achievement of defined targets.

7.3 The Government determines and funds the fees for Returning Officers and for related electoral duties for National and Police and Crime Commissioner Elections and these are subject to full re-imbursement and paid to officers as appropriate. The fees for Local Elections are based on a County wide formula.

7.4 To meet specific operational requirements it may be necessary for an individual to temporarily take on additional duties to their identified role. Our arrangements for authorising any additional remuneration [e.g. honoraria, ex gratia, 'acting up'] relating to temporary additional duties for Chief Officers are set out in the Council Constitution.

7.5 The level of remuneration is determined as set out above. Other than allowable expenses we make no payments in addition to the basic salary to Senior Managers for undertaking their core role. Overtime is not payable to Senior Managers.

8. Payments to Senior Managers on their ceasing to hold office or to be employed by the authority.

8.1 Our approach to payment of Senior Managers is the same as those which apply to all our employees including those related to long service awards.

8.2 Currently, we operate early retirement scheme(s) where employees may apply for voluntary severance. Payments under the scheme are in accordance with the respective Pension Scheme Regulations.

8.3 Any applications within these schemes for Senior Managers however are subject to approval by the Chief Executive/Chief Officer Employment Committee (as appropriate).

8.4 In circumstances where employees find they are `at risk of redundancy' they may apply for voluntary redundancy and the number of weeks redundancy pay is in accordance with national legislation or contractual national terms of employment. For Senior Managers as for most other employees the Council pay is for the actual weeks' pay due. Again for those Officers in pension schemes payments are made in accordance with the Pension Scheme Regulations. Voluntary redundancy application is open equally to Senior Managers as it is for all appropriate employees.

8.5 In all instances, including Senior Managers, our approach is to avoid employee redundancies wherever possible and try and identify suitable alternative job options as opposed to compulsory or voluntary redundancy. As such, in circumstances where an Officer's role is redundant an alternative may be found and if suitable the employee could be redeployed into that role with temporary salary protection (if appropriate) in line with the Council's alternative employment process. For Senior Managers such considerations are for the Chief Executive/Chief Officer Employment Committee.

8.6 Employees who have applied for early retirement or voluntary redundancy will not be eligible to be employed by the Council for a period of 6 months from the date that they leave our employment, this includes employment by external agencies (including via the Council's preferred supplier [subject to tender]), or by any other means.

8.7 Compensation payments for loss of office are considered in situations where the employment relationship is no longer tenable. The Council's approach is to treat each case on its individual merits, taking professional advice on appropriateness, and ensuring that all payments represent value for money to the taxpayer. For Senior Managers such considerations are for the Chief Executive/Chief Officer Employment Committee.

8.8 In accordance with wider practice any severance package would not normally exceed an 18 month payback period. I.e. severance pay would not be greater than one and a half year salary.

9. Lowest Paid Employees

9.1 The lowest paid employees on a contract of employment with the Council are employed on full time [37 hours] equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's grading structure which is based on the National Joint Council pay scales.

9.2 As at 31st December 2021, this was £17,842 per annum. We employ Apprentices who are not considered within the definition of 'lowest paid employees' as they are employed under defined training contract terms.

9.3 The relationship between the rate of pay for the lowest paid and Chief Officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.

9.4 As part of our overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate.

10. Apprentices

10.1 Our rates for Apprentices are above the Apprenticeship National Minimum Wage guidelines for apprentices. The rates are reviewed every April. The rates below are as at 1st April 2021.

Year 1 - £6.15 per hour
Year 2 - £6.45 per hour or age related National Minimum Wage if 21 or older.

Apprentice Information

Reporting Period – 1st April 2021 to 31st March 2022 –*This data to be updated after 31/3/22*

Figure		
A	The number of employees whose employment in England by the body began during the reporting period	**169**
B	The number of apprentices who began to work for the body in the reporting period and whose apprenticeship agreements also began in that period (This includes employees who were already working for the body before beginning their apprenticeship, as well as new apprentice hires)	**33**
C	the number of employees employed in England that the body has at the end of the reporting period (31st March)	**2125**
D	the number of apprentices who work for the body at the end of the reporting period (31st March)	**92**
E	Figure B expressed as a percentage of figure A	**19.5%**
F	Figure D expressed as a percentage of figure C	**4.33%**
G	The number of apprentices who worked for the body immediately before the reporting period started (1st April)	**33**
H	Headcount on the day before the first day of each reporting period in the target period	**2160**
I	Figure B expressed as a percentage of figure H	**1.5%**

11. Gender Pay Gap

11.1 The Equality Act 2010 (Gender Pay Gap Information) Regulations came into effect in March 2017. They require that organisations with 250 employees or more publish a series of statistics covering a number of different measures of the gap between the total pay of male and female employees. These measures must be published, no later than 30 March each year for Public Authorities.

11.2 We were very pro-active in ensuring that a review of pay and reward was undertaken at a very early stage over ten years ago and we have continued to monitor the impact of this on our workforce. Men and women in the same role, performing equal work are paid equally, 'same job – same pay'. We actively support the progression of both men and women within the organisation and all employees progress proportionately.

11.3 Our Gender Pay information is outlined in our published Equality Watch Report 20/21

12. Relationship between: Remuneration of Senior Managers, and Remuneration of non-Senior Managers

12.1 The Council has no formal policy on the relationship between the remuneration of Senior Managers and other employee groups.

12.2 Will Hutton's report entitled Fair Pay in the Public Sector contained a recommendation that the Chief Executive's salary should not exceed 20 times that of the lowest pay in the organisation.

12.3 At Blackburn with Darwen, the pay multiple between the Chief Executive's pay and the lowest paid employee in the organisation (see above) is 8.6:1, and is therefore well within this recommended range.

12.4 The summary workforce data is shown below.

Highest Pay Grade	£149,111- £162,933
Highest Pay	£156,024
Lowest pay	£17,842
Average Pay (per annum) – mean	£28,749
Average Pay (per annum) – median	£25,991
Pay Difference (between average & highest pay) – mean	£127,275
Pay Difference (between average & highest pay) – median	£130,033
Pay Multiple (ratio between average & highest pay) - mean	5.4:1
Pay Multiple (ratio between average & highest pay) – median	6:1
Pay Multiple (ratio between the lowest and the highest pay)	8.7:1
Data based on pay as at	31st December 2021

Notes

- The data is based on pay as at 31st December 2021.

13.* Trade Union Facility Time *(The following section will be completed at the end of the 2021/2022 financial year and published accordingly).

Trade Union Facility Time information for the period 1st April 2021 – 31st March 2022.

Data to be updated after 31st March 2022.

13.1 The Trade Unions represented within the Local Authority are Unison, Unite and GMB.

13.2 Total number of employees who were relevant union officials during the relevant period

Number of employees who were relevant union officials during the relevant period	*Full-time equivalent employee number*
TBC	TBC

13.3 Number of employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	*Number of employees*
0%	TBC

1-50%	TBC
51%-99%	TBC
100%	TBC

13.4 Percentage of total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

First Column	*Figures*
Provide the total cost of facility time	TBC
Provide the total pay bill	TBC
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	TBC

13.5 As a percentage of total paid facility time hours, number of hours spent by employees who were relevant union officials during the relevant period on paid trade union activities.

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: *(total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100*	TBC

14. Publication

14.1 Upon approval by the full Council, this statement will be published on the Councils Website. The Policy will be updated and re-published at least annually. Our Annual Statement of Accounts will also include a note setting out:

- the number of employees whose remuneration in that year was at least £50,000 in brackets of £5,000;
- the name of each employee and details of their remuneration, for employees whose salary is at least £150,000;
- details of remuneration and job title of certain senior employees whose salary is between £50,000 and £150,000.

Appendix A

TO:	Finance Council
FROM:	Director of Finance
DATE:	28th February 2022

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Statement on the Robustness of the Council's Budget Calculations for 2022/23 and the Adequacy of Financial Reserves

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1. PURPOSE

1.1 The purpose of this report is to report on the robustness of the Council's budget estimates for 2022/23 and the adequacy of financial reserves in accordance with Section 25 of the Local Government Act 2003. Section 25(2) of the Act states that:-

"an Authority to which a report under this section is made shall have regard to the report when making decisions about the calculations in connection with which it is made"

1.2 **Councillors should, therefore, have regard to this report when making decisions on the 2022/23 Budget (Revenue Budget and Capital Programme) and the associated level of Council Tax.**

2. RECOMMENDATIONS

2.1 Finance Council is recommended to consider and have regard to the statements from the Director of Finance (as the Council's statutory finance officer) as provided at ***Appendix A*** when determine the budget (Revenue Budget and Capital Programme) and the level of Council Tax for 2022/23.

3. BACKGROUND

3.1 In accordance with Section 25 of the Local Government Act 2003, the Director of Finance as the Council's statutory finance officer is required to make a report to the Council on the robustness of the budget estimates and the adequacy of reserves allowed for in the budget proposal.

4. RATIONALE

4.1 To inform Finance Council of the Director of Finance's assessment of the robustness of estimates for 2022/23 and to ensure that Councillor's fully appreciate the implications of the proposed budget on the Council's overall financial position for the year and over the medium term.

5. KEY ISSUES

5.1 Under Section 25 of the Local Government Act 2003, the Director of Finance as the Council's officer designated under s151 of the Local Government Act 1972 has a duty to report to Council, when it considers the budget for the forthcoming financial year, on the following matters:-

a) The robustness of estimates made for the purposes of the calculations; and

b) The adequacy of the proposed financial reserves.

5.2 In deciding on the Budget Requirement (and Council Tax Requirement) for 2022/23, the Council is required to take into consideration this report. The purpose of this is to acknowledge the risks and uncertainties faced by the Council and that adequate provision has been made for these both as part of the budget estimates and also in determining the adequacy of reserves.

5.3 The statements from the Director of Finance are provided at **Appendix A**.

5.4 Councillors should note that these statements are predicated on the budget as presented elsewhere on the Agenda for this meeting. Should there be material changes to the proposed budget that impact on the robustness of estimates or the adequacy of reserves, it may be necessary for the Director of Finance to amend the statements provided at Appendix A as is considered necessary.

6. POLICY IMPLICATIONS

6.1 There are no policy implications arising directly from this report.

7. FINANCIAL IMPLICATIONS

7.1 There are no financial implications arising directly from this report.

8. LEGAL IMPLICATIONS

8.1 There are no legal implications arising directly from the contents of this report.

9. RESOURCE IMPLICATIONS

9.1 There are no other resources implications arising from the contents of this report.

10. EQUALITY AND HEALTH IMPLICATIONS

10.1 There are no equality and health implications arising from the contents of this report.

11. CONSULTATIONS

11.1 None arising from the contents of this report.

12. STATEMENT OF COMPLIANCE

12.1 None arising from the contents of this report.

Appendices

Appendix A – Statement on the Robustness of Estimates and Adequacy of the Council's Reserves

Appendix B – General Fund Working Balance

VERSION:	1

CONTACT OFFICER:	Dean Langton – Director of Finance
DATE:	February 2022
BACKGROUND PAPERS:	None

Appendix A

Draft Statement on the Robustness of Estimates and Adequacy of the Council's Reserves and Balances

1. In accordance with Section 25 of the Local Government Act 2003, the Director of Finance (as the officer designated under Section 151 of the Local Government Act 1972) has produced the following statements in respect of the proposed budget for 2022/23.

2. Finance Council is asked to consider these statements when considering the budget for 2022/23.

<u>Statement on the Robustness of the Council's Budget Calculations</u>

3. In respect of the proposed General Fund Revenue Budget and Capital Programme for 2022/23, Finance Council is asked to consider the following statement from the Director of Finance acting in his capacity as the Council's Statutory Financial Officer when considering the budgets for 2022/23:-

   "This statement is given <u>only</u> in respect of the 2022/23 budget setting process for Blackburn with Darwen Council. I acknowledge my responsibility for ensuring the robustness of the budget calculations and the adequacy of reserves as part of this process.

   As in previous years, a range of factors has been considered in this assessment of the robustness of the budget calculations for both the General Fund Revenue Budget and the Capital Programme for 2022/23. Whilst the narrative below explains some of these in more detail, **Annex A** *summarises other factors that have been considered.*

   <u>Covid-19</u>

   The Covid-19 Pandemic continues to have a profound impact on the Country. It also continues to impact directly on the activities of the Council and its financial position. Whilst the Government has made significant funding available for both business support and general support for the Council during 2020/21 and 2021/22, there is currently no such funding provision for 2022/23.

   For example, there is currently no specific provision for business support at this stage other than additional reliefs for retail, hospitality and the accommodation sector. Whilst this may reflect the Government's view that the impact of the Pandemic will, with the roll-out of the vaccination programme (including the Booster Programme), have subsided by the start of the new financial year, the nature of the virus, the uncertainty about take up of the vaccine and the booster along with the extent to which it is effective against new variants means that there remains a great deal of uncertainty about its continuing impact.

   Specifically in relation to the Council's own activities, the impact of Covid-19 has been wide-ranging. Income from both Council Tax and Business has been significantly affected and whilst the Government has made funding available in the current year to meet some of the irrecoverable losses, no such provision has been made in 2022/23. Similarly, income from Car Parking, Court Costs, Trade Waste and Commercial Rents has also reduced during 2021/22. Given the expectation that the Pandemic will continue to impact on the Council's activities in 2022/23, contingent sums have been earmarked in the Council's reserves should there be continuing shortfalls in income. However, this is not a sustainable solution if Covid-19 continues to impact.

In the current financial year, the Government has provided funding for the estimated additional cost of Council Tax Support acknowledging the anticipated increase in the number of claimants. It should be viewed, though, in the knowledge that Blackburn has had amongst the highest number of furloughed staff in Lancashire. Similarly, a grant of £5.1m has been provided by the Government for general expenditure pressures and the Council has been able to claim for c70% of any shortfall in budgeted income for the first quarter of 2021/22 financial year. This funding will not be repeated in 2022/23 but the impact of Covid-19 may well continue.

Whether the adjustment to budgets and the Government's funding provision is sufficient will depend on the extent to which the Pandemic continues, the costs pressures that arise and the income shortfalls that materialise. All of these are uncertain and the Council will have to continue lobbying to ensure that the Government provides full reimbursement of the costs of the Pandemic as it has indicated it would.

Business Rates Retention

Since the inception of the business rates retention scheme in 2013/14, the Council's annual share of income from the business rate retention system is not guaranteed; it is dependent on the Council's ability to retain and grow its business rates base and other factors outside of our control (e.g. appeals, collection etc.). This is within an environment where economic growth in the Blackburn with Darwen area has proven difficult given a range of structural issues, e.g. connectivity, adequacy of land supply for economic development and lack of available funding for business support.

Estimating the Council's share of income from business rates for 2022/23 remains a challenge for a number of reasons. As ever, the ongoing uncertainty on the timing and level of appeals since the system for making appeals was revised in 2017 continues to pose problems with estimating the overall level of business rates incomes. There remain a number of appeals outstanding against the 2010 rating list for which we can make an assessment but there continues to be limited detail at the time of budget setting regarding appeals against the 2017 rating list.

The position is also exacerbated by both the impact of the Covid-19 Pandemic and the general changes in the economy, particularly in the retail sector, which are seeing many retail outlets move their activities away from traditional 'bricks and mortar' trading to online trading. Whilst the latter is a one of the more fundamental matters for the sustainability of business rates as a method of financing local government, the Pandemic has the more immediate potential to depress the rental value of properties – particularly offices as businesses exploit the opportunities for staff to work from home – which in turn will lead to downward pressure on business rates. The extent to which this will happen and its impact on the Council's estimate of business rates is difficult to predict but a matter that will, nevertheless, need to be monitored closely.

At the same time, the level and extent of reliefs being made available by the Government to cushion the impact of business rates may have a bearing the amount of business rate to collect. In current year, substantial reliefs were given to retail properties and, to reduce the burden of business rates in 2022/23, the Government will freeze the business rates multiplier, provide temporary business rates relief to retail businesses and give 100% to any new property improvements to support investment by businesses. The sustainability of these measures relies on continuing Government support.

To inform the estimate of funding available to support Council spending in 2022/23, estimates have been made regarding the value of business rates that will be collected in both 2021/22 (for the estimate of the estimated Collection Fund Deficit of c£14.0m) and 2022/23 (for the estimated amount of retained Business Rates). These estimates are based on a range of assumptions around changes in business rates - new property assessments, changes to existing properties, appeals against rateable values, applications for Retail Relief etc. – and also levels of collection.

Having reviewed these estimates, including the amounts held in the relevant provisions, whilst I am content that they are reasonable and prudent based on information available at the time, ***I must advise Council that there continues to be volatility in business rates, particularly due to the impact of Covid-19, outstanding appeals, applications for rate reliefs and collection.*** *For this reason, I have included in the budget for 2022/23 a contribution of £5.5m from the Business Rates s31 Grant Reserves to offset the impact of the Collection Fund Deficit in 2021/22. And in the determination of the Business Rates to be collected in 2022/23, I have made a provision for a reduction in the Business Rates Taxbase, additional loss of business rates due to successful appeals and doubtful debts. I have also earmarked an element of the minimum working balance for this purpose.*

For the current year, actual income from business rates will not be finalised until after the end of the financial year. We have established arrangements to monitor business rates income closely during the year so that action can be taken as necessary to deal with any potential variation against the estimates used in setting the budget and these will continue to operate in 2022/23.

<u>Council Tax</u>

The estimates for Council Tax receipts included in the budget for 2022/23 are based on increasing the Council Tax by the maximum allowable within the Government's Referendum Principles for the 2022/23 financial year.

As with Business Rates, the actual amount of income received by the Council will be dependent on a range of factors including, for example, the award of reliefs/exemptions, take-up of the Local Council Tax Support Scheme and the rate of collection. Paying Council Tax is largely dependent on the affordability of Council Tax for residents; in recent years, the Council has had a reasonably good track record of collecting Council Tax but the impact of Covid-19 along with inflationary pressures from price rises on utilities, food and other household goods are likely to have a more significant bearing on collection than in previous years.

Again, the Council has in place good arrangements to monitor income from Council Tax and these will be used by Management to consider taking action on recovery of Council Tax debts (in accordance with the Council's relevant Collection Policies) where it is necessary to do so.

<u>Development of Budgets</u>

The estimates of income and expenditure forming the council's general fund revenue budget and capital programme for 2022/23 have been prepared on the basis of existing plans, known current and future commitments and the financial implications of the proposals for service efficiencies/reductions. They have been prepared in conjunction with the Strategic Directors, Heads of Service and Budget Holders. The base budget for 2022/23 is consistent with the delivery of current and expected levels of service required to achieve the council's corporate objectives.

Where it has been necessary, in the case of certain budgets (e.g. pay, utility costs, investment income and income from fees and charges), assumptions have been used for inflation, interest rates and service take-up that, on the basis of current and predicted levels of activity, are considered to be reasonable and prudent. Likewise, in relation to capital receipts and grant funding which are expected to be received by the Council, assumptions have been made about the timing and amount of those receipts which I consider to be reasonable.

Locally, some budgets are more sensitive and responsive to changes in demand for services. This includes, for example:-

- *staffing budgets which are dependent on various factors including agreement on pay awards, turnover and, more recently, difficulties in recruitment of staff requiring the use of temporary cover from Employment Agencies to maintain service provision. Equally, given the ongoing Senior Management Restructuring and the potential for further service restructuring, there will be a need to monitor staffing expenditure closely during the year;*

- *continuing upward pressure with demand for Adult Social Care Services. As well as the impact of Covid-19, the underlying pressures of an ageing population and increasing complexity of health needs remains a constant issue. Combined with pressure on costs due to, for example, increases in the National Living Wage, the difficulty in recruitment and the general fragility of the care market, the budget for Adult Social Care will need to remain under review. And whilst the impact of social care reforms as set out in the Adult Social Care White Paper are expected to impact from 2023/24 onwards, work will need to be undertaken in 2022/23 to prepare for the changes necessary to deliver these reforms;*

- *similarly, demand for Children's Services continues to be an issue, again due to the complexity of needs. Whilst the number of Children in our Care remains relatively stable, there is a view that there is pent-up demand in the system that, once the impact of Covid-19 starts to subside, will impact on the Council. That, combined with volatility in the the costs of providing that care mean there is a significant degree of uncertainty with these budgets. The outcome of both the MacAlister Review into the Children's Social Care system and the Competition and Markets Authority Children's Social Care Market Study is due in March 2022 and whilst it is not expected they will impact in 2022/23, it will be necessary to keep a watching brief on prospective changes arising from these reviews;*

- *the vitality of the local housing market which impacts on services such as Housing, Planning, Building Control and Local Land Charges. In particular, income budgets for these areas have been set with regard to known and predicted market conditions including, as indicated above, the impact of Covid-19 but the nature of these service activities means that it is difficult to be precise about service levels and therefore the income that will be generated as a result.*

- *Income budgets such as for car parking, markets, leisure services and commercial rents have all been significantly affected by Covid-19. The extent to which these budgets recover back to pre-pandemic levels will depend largely on the confidence of service users returning to use the services; this is difficult to predict in the current economic climate and will, therefore, need to be monitored carefully;*

- *Housing Benefits where, in recent years, the growth of supported (or exempt) accommodation where Housing Benefit subsidy is paid at 60% has led to increasing costs for the Council;*

These examples illustrate the potential volatility in budgets, made even more volatile because of the uncertainty with Covid-19, hence it may be necessary to take corrective action during the year to ensure that the Council's budget and capital programme remain in balance. The effectiveness of this action relies on good systems of budgetary control, monitoring and risk management. These systems are well established.

Equally, there are certain areas of expenditure/income where limited information is available on which to base budget estimates. These include, for example:-

- *the extent to which the Council will need to incur expenditure during 2022/23 in the response to Covid-19 is largely uncertain. Funding remains in the Council's reserves to meet costs should it be necessary but whether this is sufficient depends on how long the Pandemic continues and the extent of expenditure incurred by the Council.*

- *at the same time, the Council will turn its attention to recovery from the Pandemic, both in terms of the well-being of residents and the health of the local economy. No specific funding is included in the budget for these matters but the Council may consider making provision available to stimulate the local economy as necessary;*

- *the effect of changes to legislation and government policy which may create additional cost burdens. Examples include the impact of the recently enacted Environment Act 2021 and the Elections Bill which is currently making its way through the parliamentary process. More recently, the Adult Social Care and Levelling Up White Papers have been released, both of which may have a bearing on the Council's financial position;*

- *the impact of cost shunting from other government departments as they, too, seek to reduce their costs, i.e. business rate reductions as schools convert to Academies or applications for rating reliefs from parts of the NHS;*

- *more specifically, the Council has embarked on the delivery of the Darwen Town Investment Plan (TIP) as part of the Town Deal arrangements supported by Government. This will require match funding support from the Council for which there is provision in the Council's Capital Programme. The Council is also expected to bid in the next round of the Levelling Up Fund which will is also likely to require a match funding commitment. The affordability of this in the context of the Council's Medium Term Financial Plan will need to be assessed as and when the bid is developed.*

Alongside these issues will be the success, or otherwise, of implementing savings proposals which Councillors agree to accept as part of the current budget process. It is important that the necessary measures to achieve these savings are implemented sufficiently early in the financial year to ensure that the full amount of savings is realised. Where savings are not implemented in full or at all, this could increase the requirement to draw from the Council's reserves in the year as well as creating unaffordable cost burdens in subsequent years.

It is important, therefore, to review actual performance against budget on a regular basis in order to ensure budgets remain on track, including the implementation of savings/efficiency proposals as well as being proactive in identifying emerging risks and responding accordingly, taking remedial action where this is appropriate.

Acknowledging the above and setting this within the wider control framework and financial management arrangements applied within the council I consider the Council's budget for 2022/23 in isolation to be robust.

Although I am not required at this stage to comment on the robustness of estimates for future years' budgets, it is my view that when considering the budget calculations for 2022/23, ***Councillors must have regard to the medium term financial position of the Council when deciding the budget and council tax for next year.***

The Council's Medium Term Financial Plan to 2024/25 shows a deficit of c£6.0m. This is based on assumptions of Government funding which cannot be confirmed with any certainty at this stage. As Councillors will be aware, the Settlement for 2022/23 is for one-year only, despite the Department of Levelling Up, Housing and Communities being given a 3-year Settlement as part of the recent Comprehensive Spending Review.

The amount and how any future funding will be distributed to individual local authorities is not known but it is likely to be influenced by many factors including, for example, the outcome of the Fair Funding Review (when and if it takes place), the review of the Business Rates Retention Scheme and changes to the News Homes Bonus Scheme. Taken together, these have the potential to significantly change the Council's future funding.

The Council's Financial Strategy is based around four key strands – Grow, Charge, Save and Stop. Progress is being made on the implementation of measures in most of these strands. That said, the budget reductions necessary to achieve a balanced budget are of a magnitude that it is not feasible to make incremental reductions in services or wholly from back–office functions, particularly given the amount of savings made since 2010. Budget reductions on the scale need to be from transforming Council Services, should be considered strategically and, whilst acknowledging the Council's corporate objectives, set in the context of the main areas of service spending. The financial challenge facing the Council is such that more work is needed and it will take time to identify and implement the required changes to the budget to make it sustainable.

At the same time, the Council needs to manage the use of balances and reserves as part of the strategy to achieve the necessary change in the budget. As balances and reserves have reduced, this will become more difficult and so decisions on budget reductions will become unavoidable.

Therefore, subject to agreement to the draft Financial Strategy, the degree of uncertainty with future funding allocations combined with the projected scale of the savings required by the Council to ensure a balanced budget each year means that I cannot, at this stage, comment on the robustness of budget estimates with effect from 2023/24. Suffice to say, the financial challenge facing the Council remains substantial and there are undoubtedly difficult decisions ahead as the Council seeks to align service spending within projected available resources.

Statement on the Adequacy of Financial Reserves

"Having conducted a review of the Council's requirement for the minimum working balance, taking into consideration various matters including:-

- *the Council's spending plans for 2022/23 and the medium term financial position;*
- *adequacy of estimates of inflation, interest rates;*
- *treatment of demand led pressures;*
- *impact of external partnerships;*
- *the need to respond to emergencies.*
- *Performance of business rates (and the position on the Collection Fund for business rates);*
- *Capital programme variations.*

I can confirm that an amount of £6.0m is considered adequate for this purpose.

In relation to other financial reserves, a review has also been conducted to determine their adequacy. In addition to the matters referred to above, and taking into account the Medium Term Financial Plan, the review concluded that the level of such reserves is adequate based on current information in relation to anticipated risk, existing commitments and known future plans. That said, should there be a significant call on those reserves another review will need to be carried out.

This statement is made on the understanding that any use of reserves and balances is undertaken in accordance with the Council's existing Financial Procedure Rules and that a further review of reserves and balances will be undertaken in the Summer of 2022 following the preparation of the Council's accounts for 2021/22."

Factors Considered in the Determining the Robustness of Estimates and Adequacy of Reserves

Factors	Commentary
The Council's Aims and Priorities	Where it is considered affordable to do so, the budget estimates reflect the amounts required to achieve service objectives agreed by Council as part of our current Corporate Plan. The Council's Corporate Plan for the period to 2023 was approved by Council in 2019 and therefore the budget estimates and key budget assumptions have been aligned to the Council's corporate objectives. As reported to the last Policy Council, work is now underway to refresh the Council's Corporate Plan. As a consequence, there will be a need to review the Council's strategic objectives and to ensure that the actions to achieve these objectives reflect those required to deliver the vision for the Borough. This work will be undertaken during 2022.
Financial Strategy (and Medium Term Financial Planning)	In preparing the Council's budget estimate for 2022/23, due regard has been given to the impact of decisions made by the Council on matters which might impact on the Medium Term Financial Plan (MTFP). Details of the updated Medium Term Financial Plan are reported to Finance Council elsewhere on the Agenda for this meeting so that decisions on the budget for 2022/23 can be taken in the context of the longer term impact for the Council. Equally, this is reflected in the development of a Financial Strategy which, amongst other matters, seeks to combine prudent use of reserves with efforts to align the Council's ongoing expenditure with ongoing resource levels. Whilst acknowledging that the Financial Strategy is predicated on a range of assumptions which have contributed to the development of the Medium Term Financial Plan (MTFP), the extent to which the Council takes decisions that impacts those assumptions, will result in changes to the MTFP. Whilst the budget estimates shown in the Medium Term Financial Plan for 2022/23 to 2024/25 are, on the basis of current information, considered robust, they are unaffordable given the projected levels of income. The Financial Strategy proposed for future years include the following key themes of:-

Factors	Commentary
	• ***Growing*** the Council's taxbases, both for business rates and for Council Tax along with any schemes, if any, the Government uses to incentivise the supply of housing (like the New Homes Bonus Scheme although it is acknowledged this is subject to reform); • ***Charging*** for services where is it considered appropriate to do so on a cost recovery basis and to use spare capacity. It will also involve the introduction of new charges where this is considered feasible; • ***Saving*** costs by being more efficient, transforming how the Council provides services, working in partnership with others or by prioritising some services over others when allocating resources; • ***Stop*** **–** determining what are not priorities, seek other organisations who could provide them or stop them given the financial challenge faced by the Council. Underpinning the current strategy are the following strands:- • pursuing an Economic Development Strategy aimed at increasing, amongst other matters, the number of business rateable properties in Blackburn with Darwen thereby increasing the Council's share of retained business rates; • encouraging housing development within the Borough thereby boosting our access to additional funding which the Government may distribute to reward the supply of housing growth; • making savings over the medium term based on the MTFP savings requirement rather than relying solely on reserves to balance the Council's budget; a strategy that relies heavily on finite reserves will simply defer, not reduce, the need to make savings and the longer savings are put off the greater the amount required. • increasing the Council Tax in 2022/23 and subsequent years, to the extent this is possible without triggering a referendum. The proposal for 2022/23 is that Council Tax charge be increased by 1.99% and the Adult Social Care Precept by 2.0%. In future years, the assumption is that Council Tax will increase by the maximum amount within any revised thresholds set by Government. No consideration has been given to exceeding the referendum threshold although this policy remains open to consideration in future years; • no avoidable budget growth without compensating savings; • the planned use of the Budget Support Reserve in the period 2022/23 to 2024/25 to 'smooth' the amount of savings required accepting that even then, the magnitude of savings will present some extremely difficult decisions for the Council and impact on frontline service provision.

Factors	Commentary
	Acknowledging the significant deficit on the Medium Term Financial Plan, it is important that work begins early in the new financial year to start developing options for the delivery of future savings.
The level of funding likely from Central Government towards the cost of local services	From 2022/23, the Government has again provided Local Government with a 1-year funding settlement year (despite there being a 3-year Settlement with the announcement made as part of the Comprehensive Spending Review in Autumn 2021). For 2022/23, given there have been no substantive changes, the Business Rates Retention Scheme will operate as in the current year with the Council retaining 49% of any business rates payable Estimates of Business Rates to be retained have been produced and feature in the Council's budget for 2022/23. For 2022/23, the Council's core Revenue Support Grant will be £14.015m which is a marginal increase when compared to the current financial year. At this stage, despite the 3-year Settlement for the Department of Levelling Up, Housing and Communities in the Comprehensive Spending Review in Autumn 2021, a 1-year Settlement for 2022/23 provides no certainty for the Council's future funding. Equally, the Fair Funding Review and the review of the Business Rate Retention Scheme, all of which could have impacted on funding allocations from April 2022, have still not been completed. As a consequence, it is not possible to say with any certainty what Government funding the Council will receive after 2022/23. Forecasts of funding included in the Medium Term Financial Plan are based on estimates for 2022/23 and information provided to the Council by LG Futures who the Council retains as support on these matters.
Council Tax Base	The Council Tax Base for 2022/23 is 35,439.30 (34,938.16 in 2021/22), an increase of 1.43% when compared to the previous year. The Tax Base reflects a rate of collection of Council Tax for 2022/23 of 96.50%, no change when compared to the current financial year to reflect the continuing impact on collection of the Covid-19 Pandemic. The Council has robust procedures to monitor the rate of Council Tax collection during the financial year.
Referendum Threshold set by the Secretary of State in respect of Council Tax Increases	For 2022/23, the Government has indicated that for Councils like Blackburn with Darwen, the maximum allowable increase in Council Tax is 1.99% for the general Council Tax and 1% for the Social Care Care Precept (plus 1% held over from 2021/22). Anything above these limits will trigger a referendum of local taxpayers. The recommendation to the Finance Council is within these limits and should not, therefore, trigger a Referendum.

Factors	Commentary
The Prudential Code and its impact on capital planning (including the Corporate Capital Strategy)	The Council has a Capital Strategy which informs future projected capital expenditure and income. Arising out of consideration of the Capital Strategy, there is recommended to Council a Capital Programme for 2022/23 which is considered to be affordable, prudent and sustainable. Subject to Council's decision on the overall Capital Programme and how it will be financed, it may be necessary to revisit the prudential indicators to ensure that the proposed Capital Programme remains affordable, prudent and sustainable.
Financial Standing (including adequacy of reserves)	On the basis of the third quarter budget monitoring exercise, the General Fund Revenue Budget for 2021/22 is estimated to be overspent by £3.9m. Any variations that have an ongoing impact on the Council's budget in the current year have been factored into the budget for 2022/23 where it is applicable to do so. The Medium Term Financial Plan for the period 2022/23 to 2024/25 shows a shortfall in projected resources giving rise to a significant savings requirement. The Council has in place a strategy which combines the planned use of reserves to smooth the level of savings required in each year but nevertheless this still requires Councillors to agree the necessary reductions in expenditure to balance spending within available resources. A review of the Council's Minimum Working Balance justifies retaining a balance of £6m. The adequacy of this will remain subject to review on at least an annual basis. Equally, a review of specific reserves has been undertaken and these are assessed as being adequate for the purpose for which they were created. As required by Statute, these too will be subject to at least an annual review. The Council's External Auditors are likely to give an unqualified opinion on the Statement of Accounts for 2020/21. In the context of our Financial Standing, our arrangements for ensuring value for money will be the subject of a separate report by the External Auditors using new guidance issued by the National Audit Office. This is not expected to identify any issues with the Council's arrangements.
Financial Management	The Council's financial information and reporting arrangements are considered to be sound and the end of year procedures in relation to budget management and the closure of accounts are currently considered fit for purpose. As indicated above, the Council's External Auditors are likely to give an unqualified opinion on the Statement of Accounts for 2020/21. Work is still underway on the Council's arrangements for ensuring value for money in the year and this will be the subject of a further report to the Audit and Governance Committee. No issues are expected to be raised.

Factors	Commentary
	The management of the Council's asset base continues to be reasonably good with resources linked to capital planning in both the annual budget and the Medium Term Financial Plan. Collection performance of both NNDR and Council Tax are broadly as expected in 2021/22 acknowledging that Covid-19 continues to have an adverse impact on collection. Collection performance continues to be managed closely by the Head of Revenues and Benefits in conjunction with the Director of Finance and the Executive Member for Finance and Governance. The Council will also undertake a review of its Financial Management Arrangements against CIPFA's Financial Management Code at the end of the current (2021/22) financial year.
Corporate Governance and Risk Management	The Council has adopted a Local Code of Corporate Governance based upon the most recent requirements of the CIPFA/SOLACE Corporate Governance Framework. The Local Code was assessed against the revised 2016 CIPFA/SOLACE framework and overall, our arrangements were found to be robust with only a small number of areas requiring further work or improvement. These arrangements are subject to regular self-assessment by a the Council's Statutory Officers Group including Chief Executive, Strategic Director of Resources, Director of Finance and Strategic Head of Legal Services. The Group meets periodically to consider matters including corporate governance and risk management issues. The Council also has a risk management policy and framework which underpins the Strategic Risk Register and various Departmental Risk Registers. A refresh of these arrangements is currently underway. There are regular reports on risk management to the Audit and Governance Committee.
The adequacy of the Council's Insurance Arrangements	The Council's insurance arrangements are reviewed annually as part of the review of premiums paid and levels of cover obtained. The Council implemented a contract of insurance with Zurich Municipal from April 2017 following the completion of an OJEU compliant procurement exercise. A re-procurement of the contract is due in 2022. There continue to be close links between the work to ensure adequate insurance arrangements, risk management and business continuity. This work is overseen by the Head of Audit and Assurance and the Audit and Governance Committee.
Business Continuity Arrangements	The Council has a Resilience and Emergency Planning Team responsible for responding to emergencies and business continuity situations.

Factors	Commentary
	The Council has a Corporate Business Continuity Plan (BCP) which is supported by a suite of Service-specific Business Continuity Plans. These are review and updated regularly, not least because of the ongoing impact of the Covid-19 Pandemic. Likewise the Council's Emergency Plan is regularly reviewed and updated. In both cases, regular training and updates are provided for Officers on both business continuity and emergency planning to ensure Officers are clear about their roles and responsibilities in the event of emergency situations.
Arrangements to secure Value for Money	The Council's arrangements in relation to value for money have been assessed and the External Auditor who issued an unqualified opinion on the Council's arrangements for securing value for money for 2019/20. New arrangements for assessing Value for Money are in place for the 2020/21 financial year onwards. The External Auditor is undertaking their work on this assessment and will report in the first quarter of 2022. It is not expected there will be any issues arising.
Interest Rates	At the time of writing, the bank base rate is currently 0.50% following a decision by the Bank of England to increase the rate in February 2022. With inflation increasing and expected to peak around 7% during 2022, the expectation is for further increases in interest rates. This is likely to have direct impact on the levels of investment returns the Council expects to receive. Looking ahead, interest returns have been set at 0.1% for 2022/23, 0.15% for 2023/24 and 0.20% for 2024/25 although these will be reviewed as part of the on-going development of the Medium Term Financial Plan. This reflects the expectation that interest rates will remain relatively low over the medium term. Interest rates on long term debt are fixed at the rate at which the debt was taken. The Council's present debt which consists wholly of loans from the Public Works Loan Board has a consolidated rate of interest of 3.52%. Annually, the Council agrees a Treasury Management Strategy which sets out how both borrowing and investments will be managed throughout the year. For 2022/23, this will be reported to the Executive Board in March 2022. To mitigate against fluctuations in interest rates, and therefore changes in investment returns, the General Fund Minimum Working Balance includes provision for loss of income in the short term.
Pay and Price Inflation	An allowance of 2% has been factored in to the budget for the Local Government pay award in 2022/23.

Factors	Commentary
	Generally, other budgets are cash limited (i.e. not increased by general inflation) with the exception of certain costs, e.g. utilities, , where budgets have been increased to reflect anticipated inflationary increases. Consumer Price Index at December 2021 was 4.8% (0.8% for December 2020) and the Retail Price Index was 7.5% (1.2% for December 2020).
Fees and Charges	Annually, the Council reviews its fees and charges. As explained above, where it has been considered necessary, budgets have been adjusted to reflect the impact of the Covid-19 Pandemic. As in the current financial year, the Council needs to closely monitor budgets for fees and charges to ensure they remain in line with expectations and, where necessary, be in a position to respond if budgets are not being achieved.
Demand Led Pressures	Where possible, the forecasts of income and expenditure forming the Council's budget estimates for 2022/23 take into account anticipated changes in demand led pressures to the extent that they can be predicted. However, by the very nature, these can vary from year to year as service take-up in these areas is difficult to forecast. The Covid-19 Pandemic continues to impact on the Council's budget and is expected to continue doing so in the 2022/23 financial year. The success of the NHS Vaccination Programme and how quickly it is rolled out across the Country will be a key determinant in this matter. There remains the potential for demand increases in the number of service users in areas such as Adult Social Care, Children's Services, Benefits and Homelessness and the extent to which the Council maintains service provision will need to be monitored carefully. In considering the budget for 2022/23 to Council, it should be noted that budgets will be cash limited and as a consequence Budget Holders will be required to manage demand led pressures within their existing budget allocations. Notwithstanding this, the Council's General Fund Minimum Working Balance includes provision to deal with some level of unexpected and unforeseen costs arising from increases in demand for services.
Emerging Pressures	The projections within the budget and the Medium Term Financial Plan include all known and quantified priorities and growth pressures that Managers are aware of at the time the budget is proposed. Some matters, particularly the financial impact of the Covid-19 Pandemic and the time it will take the local economy to recover from its impact, are difficult to assess in budgetary terms and will, therefore, require closely monitoring. The arrangements are in place for that to happen.

Factors	Commentary
	Looking ahead, as well as the continued reduction in our core funding generally, there are a range of other issues which may require investment:- • a focus on economic growth and job creation to support business and increase employment which should yield additional business rates income; • the impact of the White Paper on the reform of Adult Social Care may require additional investment from the Council; • Likewise, the outcome of the MacAlister Review of Children's Services may increase the pressure on Children's Services provision; • The devolution agenda including any requirements of the Levelling Up White Paper and/or matters such as County Deals where, at this stage, it is uncertain exactly what they will mean for the Council; • Now that the Environment Act is law, changes to the arrangement for waste collection and disposal arising out of the Act may have significant financial implications for the Council; • The Council has declared a Climate Emergency and so the need to take action to deal with this will, inevitably, create funding pressures if there is no funding made available by the Government; • The Darwen Town Deal, a Levelling Up Fund Bid for Blackburn and bids to the Shared Prosperity fund may require match funding from the Council and other local organisations; • the ongoing changes to the Benefits regime including the impact of Full Service Universal Credit and ongoing welfare reforms. This is difficult to predict especially as changes to the programme of claimants transferring to UC recently being announced by government; • as partners and other local organisations experience reductions in their funding this may affect access to services they provide within Blackburn and Darwen and in some cases lead to pressure for the Borough Council to help address the position or to help other groups to take on the responsibility (e.g. services provided by the County Council and the role of the Voluntary and Community Sector in Blackburn/Darwen). • as the Council reduces in size, funding may be required to help meet the 'costs of change'; • legislative changes leading to potential increased costs for the Council. This above is not an exhaustive list and there will be other issues that arise either due to local priorities or statutory obligations.

Assessment of the level of the Council's General Fund Working Balance

1. Reserves are sums set aside to meet possible future costs where there is no certainty about whether or not the costs will actually be incurred. The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

2. When reviewing their medium term financial plans and preparing their annual budgets local authorities should consider the establishment and maintenance of reserves. These can be held for three main purposes:

   - a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;

   - a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;

   - a means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but legally remain part of the General Fund.

3. Local authorities also hold other reserves that arise out of the interaction of legislation and proper accounting practice. These are reserves, which are not resource-backed and cannot be used for any other purpose. An example is the Revaluation Reserve which is a reserve that records unrealised gains in the value of fixed assets. The reserve increases when assets are revalued upwards, and decreases as assets are depreciated or when assets are revalued downwards or disposed of. Reserves of this type do not form part of the annual review of the adequacy of reserves.

4. Section 25(1)(b) of the Local Government Act 2003 requires the Director of Finance to report to the Council on the adequacy of the proposed financial reserves. Guidance is published by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the establishment and maintenance of local authority reserves and balances. The level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the Director of Finance.

5. In support of this requirement, and as part of the development of the budget for 2022/23, a risk assessment has been carried out to establish the minimum level of the General Fund Working Balance for Blackburn with Darwen. Details of this assessment are provided below in **Table 1** which indicates that the minimum working balance should be **c£6.0m**. At this level it represents c2% of the Council's gross revenue expenditure.

Table 1: Risk Assessment for General Fund Working Balance – 2022/23

Minimum £000	Desirable £000	Area of expenditure / Explanation of risk / Justification for Reserves
350	**500**	**Pay** – the MTFP includes annual provision for a 2% pay award. However, as future pay awards within the MTFP period are not yet agreed, there is a risk of the current assumptions on pay being at variance to the budget as the pay claim received by the employees' side is often in excess of the budgeted provision.. **Assessment: Degree of risk / reserve needed:** **Low £0-350k Medium £350-700k High £700-£1.1m** **Likelihood of risk occurring : Low** **Minimum reserve needed : £350k**
1,000	**2,000**	**Prices** – the budget assumes that, in the main, price inflation can be managed by Departments within a zero cash-limited increase or specific inflation allowances for designated expenditure (e.g. National Living Wage, Fuel, Utilities). The indications are pointing to growing inflationary pressures over the medium-term driven by supply-constraints as the global economy emerges from the Covid-19 Pandemic. This is impacting on the both labour, utilities, services and materials. **Assessment: Degree of risk / reserve needed:** **Low £750m Medium £1.0m High £2.0m** **Likelihood of risk occurring : Medium** **Minimum reserve needed : £1.0m**
1,000	**2,000**	**Litigation Claims** – as the Council faces reductions in resources for future provision of services, there is an increased risk of litigation beyond that which would otherwise be covered by insurance arrangements. **Assessment: Degree of risk / reserve needed:** **Low £1.0m Medium £2.0m High £3.0m** **Likelihood of risk occurring : Low** **Minimum reserve needed : £1.0m**
1,000	**1,500**	**Income from Fees and Charges** – With continuing impact of the Covid-19 Pandemic plus the on the commercial/retail sector, the current economic climate may continue to impact on a range of income streams from activities such as land charges, markets, planning fees and industrial estates. A number of services are also price sensitive and delivered in competition with other providers (e.g. trade waste / building control). **Assessment: Degree of risk / reserve needed:** **Low £1.0m Medium £1.5m High £2.0m** **Likelihood of risk occurring : Low (given Covid Contingency)** **Minimum reserve needed : £1.0m**

Minimum £000	Desirable £000	Area of expenditure / Explanation of risk / Justification for Reserves
2,000	**2,000**	**Demand Led Pressures on Services** – the most significant is likely to be the ongoing impact of the Covid-19 Pandemic. The Government has made no funding provision for 2022/23 despite there being no certainty about the impact of the Pandemic and how it will continue to impact on the Council's activities, both in terms of costs pressures and loss of income. Both Adult and Children's Social Care can be subject to significant demand-led pressures. This can vary from one year to the next and both have been significantly impacted by Covid-19. Both Housing and Council Tax Support may also come under pressure given the prevailing economy and associated risk of increasing unemployment due to the impact of Covid-19. The Council spends c£34m on Housing Benefits whereas the cost of Council Tax Support (applied as a discount on council tax bills) is estimated at c£14m. Qualifying expenditure on Housing Benefit is *generally* matched by Government subsidy in full, however, an increase in, say, supported services (referred to below) at a lower rate of recovery, can increase the overall net cost to the Council. In recent years, the Council has experienced an increase in Supported Accommodation enquiries and applications. The rate of subsidy for this category of accommodation is 60% and not 100% if the landlord is not a Registered Social Provider. Notwithstanding, an estimate is provided in the budget , if this trend continues this additional provision will not be sufficient to cover the Council's financial risk exposure. **Assessment: Degree of risk / reserve needed:** **Low £1.0m Medium £2.0m High £3.0m** **Likelihood of risk occurring : Medium** **Minimum reserve needed : £2.0m**
600	**1,000**	**Non-achievement of Savings** – the level of savings required for over the medium term is c£6m according to the most recent Medium Term Financial Plan (MTFP). Whilst arrangements are in place to manage the implementation of the savings it is recommended that additional cover be provided to mitigate the risk of some not being realised or implementation lead in times being longer. The risk assessment is based on c10% cover (low), 15% (medium) and 25% (high). This recognises the amount of savings achieved since 2010 and the fact that decisions on budget savings may become increasingly difficult. It should be noted that this MTFP does not contain any future years where the core funding level of the Council is known, so increasing the degree of uncertainty within the budget assumptions made on high value budgets. **Assessment: Degree of risk / reserve needed:** **Low £600k Medium £900k High £1.5m** **Likelihood of risk occurring : Low** **Minimum reserve needed : £600k**

Minimum £000	Desirable £000	Area of expenditure / Explanation of risk / Justification for Reserves
250	**500**	**Unforeseen / emergency expenditure** – there is a risk that unexpected events may occur which require expenditure to be incurred or income to be foregone that has not been budgeted. Examples might include, adverse weather, flooding, business continuity linked to loss of key service/building (to the extent not covered by insurance) **Assessment: Degree of risk / reserve needed:** **Low £250k Medium £500k High £700k** **Likelihood of risk occurring : Low (assuming Bellwin scheme would apply in certain cases)** **Minimum reserve needed : £250k**
250	**500**	**Receipt of capital resources –** the overall capital programme assumes a level of income from asset disposals / grants – as the timing of these can sometimes be uncertain it is considered prudent to set provision aside for additional revenue to help offset any shortfall if expenditure cannot be delayed. The current Capital Strategy is that only new borrowing equivalent to the previous year's Minimum Revenue Provision should be incurred to fund the Capital Programme and therefore revenue contributions is the only viable option in lieu of capital receipts being realised. **Assessment: Degree of risk / reserve needed:** **Low £250k Medium £500k High £1.0m** **Likelihood of risk occurring : Low** **Minimum reserve needed : £250k**
`500	**1,000**	**Business Rates -** Given the volatility inherent in the current rates retention system and the regime's imminent overhaul, it is considered prudent to set aside a level of funding within the working balance to help manage the associated risks. Covid-19 has had a significant impact on the collection of Business Rates, both in terms of the amount of funding support available to businesses but equally the impact on the rate of collection. Taking into account Collection Fund monitoring to date, the provisions made to cover the risk of appeals and bad debts and an amount held for the volatility in Business Rates, it is proposed to set aside a minimum amount for 2022/23. **Assessment: Degree of risk / reserve needed:** **Low £500k Medium £1.0m High £2.0m** **Likelihood of risk occurring : Low** **Minimum reserve needed : £500k**
6,450	**11,000**	**Total**

REPORT OF:	**EXECUTIVE MEMBER FOR FINANCE AND GOVERNANCE, ON BEHALF OF THE LABOUR GROUP**
TO:	**FINANCE COUNCIL**
ON:	**28th February 2022**

PORTFOLIOS AFFECTED: ALL

WARDS AFFECTED: ALL

SUBJECT : CAPITAL PROGRAMME AND CAPITAL STRATEGY REPORT 2022/25

1. PURPOSE

This report seeks approval for the 2022/23 – 2024/25 Capital Strategy, set out in **Appendix 1** and Capital Programme, Set out in **Appendix 6**.

The capital strategy gives a high-level overview of how the Council's capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risks are managed and the implications for future financial sustainability.

Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework, summarised in this report.

2. RECOMMENDATIONS

Members are recommended to:

2.1. approve the Capital Strategy for 2022/25 (in **Appendix 1**), including:

a) the Council's Capitalisation Policy, as outlined in **Appendix 2**;

b) the Minimum Revenue Provision (MRP) Statement, which determines the Council's policy for repayment of debt (**Appendix 3**);

c) the proposed prudential indicators for the forthcoming year (**Appendix 4**);

d) the proposed Investment Strategy for 2022/23, as outlined in **Appendix 5**.

e) the proposed Use of Capital Receipts Strategy, as outlined in **Appendix 6**.

2.2. Approve the proposed Capital Programme for 2022/25, as outlined in **Appendix 6** and **Appendix 6A**.

2.3. Note the indicative programmes for 2023/24 and 2024/25 as shown in **Appendix 6** and acknowledge that these will be subject to further review as part of the development of future years capital programmes.

2.4. Delegate authority to the Director of Finance to determine the most appropriate method of financing the capital programme.

3. BACKGROUND

The *Prudential Code for Capital Finance in Local Authorities* was updated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2017. The framework provided by the Prudential Code supports local strategic planning, local asset management and proper option appraisal.

The objectives of the Prudential Code are to provide a framework that will ensure for individual local authorities that:

- capital expenditure and investment plans are affordable;
- all external borrowing and other long-term liabilities are within prudent and sustainable levels; and
- treasury management and other investment decisions are taken in accordance with good professional practice.

In order to demonstrate that these objectives have been fulfilled, the Council should have in place a Capital Strategy that sets out the long term context in which capital expenditure and investment decisions are made and which gives due consideration to service objectives, long term financing implications and potential risks to the authority.

4. KEY ISSUES

Capital Strategy

The updated Capital Strategy for the period 2022/23 to 2024/25 is provided at **Appendix 1**. Amongst other matters, the Strategy outlines the Council’s main capital investment priorities, capital financing, treasury management strategy and revenue budget implications of the Capital Strategy.

Further details on the Council’s borrowing and treasury investments can be found in the Treasury Management Strategy, to be presented to Executive Board in March for approval.

The strategy is supported by the details contained within Appendices 2 to 5 including; the Council’s capitalisation policy, details of the Council’s proposed Minimum Revenue Provision policy for 2022/23, proposed Prudential Indicators and the Council’s Non-Treasury Investments Strategy.

Capital Programme

To deliver the Capital Strategy, it is recommended that Finance Council approve the proposed Capital Programme for 2022 through to 2025 of £89.874 million, as detailed at **Appendix 6A**. The programme recognises the importance of investment in the Borough and the impact that the schemes themselves will have on the regeneration and economic growth of the area in the future.

The programme comprises existing commitments and new schemes brought forward as a result of the Council’s capital bidding process.

The main items of expenditure forming the proposed Capital Programme for 2022/23 are:

a) aids and adaptations through provision of Disabled Facilities Grants;

b) existing schemes within the schools capital programme and creation of additional school places required within the Borough;

c) regeneration of the borough, including;
    i. Darwen Towns Fund – Darwen was successful in securing £25million of Government funding for projects that will improve the lives of the towns residents;
    ii. continuing work on improvement of highways within the Borough, as part of the Local Transport Plan;
    iii. our scheme at Blakey Moor to enhance the town centre in Blackburn and support the improvement of leisure facilities and a night time economy; and
    iv. redevelopment of the former Thwaites site, as part of a joint venture with Maple Grove Developments.

d) support of continued investment in IT services to underpin our 'digital first' approach to delivering efficiencies and in turn cash savings;

e) support of our accommodation review which again will drive efficiencies and savings through rationalisation and a more cost effective use of space.

Allocations are also included to enable the Council to invest in the vehicle fleet, land and property, should the opportunity arise, and for potential investment in existing assets. However, before projects are allocated funding they are subject to a rigorous business case approval process and detailed reports are produced in line with the Council's financial procedures.

The programme will contribute towards the achievement of the Council's priorities by facilitating the creation of jobs and supporting business growth in the borough through construction, improving transport networks and enhancing the town centre, by improving housing quality and building more homes and also in assisting to deliver efficiencies and savings through the rationalisation of accommodation and maximising the use of technology to streamline services and processes.

Current commitments will continue to be reviewed to bring forward any additional schemes, subject to approval of robust business cases, and capital allocations for the schools in the borough will be added to the programme when provided by the Department of Education.

5. POLICY IMPLICATIONS

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

6. FINANCIAL IMPLICATIONS

The financial implications are as given in the report.

7. LEGAL IMPLICATIONS

There are no legal implications arising directly from the contents of this report. In accordance with s32 of the Local Government Finance Act 1992 (LGFA 1992), annually the Council must calculate and approve its budget requirement for the forthcoming financial year. A report elsewhere on the Agenda for this meeting deals with the Council's General Fund Revenue Budget, whereas this report deals with the Capital Programme.

Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003. The Code requires local authorities to establish a range of 'Prudential Indicators and Limits' and to monitor these on an ongoing basis. Those Prudential Indicators and limits that are applicable to this Council are shown at **Appendix 5** to this report.

Local authorities are required each year to set aside resources as provision for debt repayment, on the basis of making a prudent provision. The Minimum Revenue Provision (MRP) proposals set out in **Appendix 3** comply with existing regulatory requirements.

8. RESOURCE IMPLICATIONS

None as a direct consequence of this report.

9. EQUALITY IMPLICATIONS

The decisions to be taken do not change policy and do not require any further consideration in respect of equality issues

10. CONSULTATIONS

None required as a direct consequence of this report.

Appendices

Appendix 1 - Capital Strategy 2022/23 to 2024/25
Appendix 2 - Council's Capitalisation Policy
Appendix 3 - Minimum Revenue Policy Statement for 2022/23
Appendix 4 - Prudential Indicators for 2022/23
Appendix 5 - Investment Strategy for 2022/23
Appendix 6 - Capital Programme for 2022/23

VERSION:	1

CONTACT MEMBER	Councillor Vicky McGurk Executive Member – Finance and Governance
DATE:	28th February 2022

Blackburn with Darwen Borough Council

Capital Strategy

2022/23 to 2024/25

Contents

- **Background**

The Capital Strategy forms a key part of the Council's overall Corporate Budget Planning and provides a mechanism by which capital expenditure and investment decisions are aligned over the medium to long-term period.

This Strategy sets out the framework for all aspects of the Council's capital and investment expenditure including prioritisation, governance, funding and monitoring and risk management, and maintains links to other key strategic documents, notably the Treasury Management Strategy and Medium Term Financial Strategy.

- **Aims of the Capital Strategy and its links to the Council's Corporate Plan**

The aim of this Strategy is to ensure that the Council has overall long-term policy objectives in this area, resulting in the identification of capital strategy requirements, governance procedures and clarity in its risk appetite.

The capital strategy gives a high-level overview of how the Council's capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risks are managed, and the implications for future financial sustainability.

Capital investment plans are driven by the Council's Corporate Plan. The Corporate Plan was agreed by elected members in March 2019 and it is the Council's key strategic document.
The Corporate Plan 2019-2023 sets out the Council's core priorities and ambitions for the period and contains eight strategic priorities:

- **People:**
  - Supporting young people and raising aspirations
  - Safeguarding and supporting the most vulnerable people
  - Reducing health inequalities and improving health outcomes
- **Place:**
  - Connected communities
  - Safe and clean environment
- **Economy:**
  - Strong, growing economy to enable social mobility
  - Supporting our town centres and businesses
- **Council:**
  - Transparent and effective organisation

- **<u>Capital spending priorities and governance</u>**

The key principles for the Council's 2022-2025 capital programme are summarised below:

- Capital spending decisions reflect the aspirations and priorities included within the Corporate Plan and supporting strategies.
- Schemes to be added to the capital programme will be evaluated and prioritised by senior management prior to Executive Board / Executive Member approval.
- The full cost of any capital scheme must be established at the outset, including any financing costs and future revenue operational costs.
- Commissioning and procuring of capital schemes will comply with the requirements set out in the Council's constitution and financial regulations/ contract procurement rules.

The Council prepares its capital programme on a 3 year rolling basis. Service Teams entered bids in October to include projects in the Council's capital programme. Bids were collated by the Director and Finance and his team in a report presented to the Corporate Leadership Team in December and a draft capital programme agreed. The final capital programme is presented to Finance Council for approval annually.

Quarterly monitoring and outturn reports are considered by Executive Board during the financial year.

The Council's capital spending priorities for 2022/23 include:

- Transforming our systems to offer digital solutions which improve customer satisfaction by ensuring all services where appropriate are able to be accessed digitally, and to allow the Council to operate as efficiently as possible.
- Delivering the growth plan priorities of Industry and Gateways; Town Centre; and Housing.
- Maintaining and improving our highways to support economic growth and improve the connectivity of transport networks.
- Developing commercial floor space and priority housing sites.
- Creation of school places to meet the demand of pupil growth within the Borough.

Local Plan 2018 to 2037

The Council is in the process of updating its Local Plan, and the Publication Draft Local Plan, which covers the period 2018 to 2037, is currently under public consultation.

The Vision: Blackburn with Darwen 2037

In 2037 Blackburn with Darwen will be a thriving, carbon neutral Borough. It will be recognised as a place of strong leadership and community cohesion. A place that has invested in its communities and infrastructure, has a high quality built and natural environment, a place strengthened by the contributions of the different communities who live and work in the Borough. Over the period of the plan, policies and decisions should seek to deliver social, environmental and economic gains.

The Publication Draft Local Plan outlines the strategic policy for a number of core policy themes:

- Housing
  The Council's Housing and Economic Needs Assessment (HENA) (2021) estimates a need for 447 net new dwellings per annum to support the economic growth scenario for the Borough.

  Over recent years a number of new developments have started within the Borough, contributing towards fulfilling the need for residential housing in the area. The Council's Growth and Development team continue to work to identify potential sites for future developments, however the majority of this work does not fall within the Council's own capital programme.

  Currently around 4.5% of the total residential housing stock in the Borough is empty, with 13.8% of properties having stood empty for over 2 years. Empty properties in the borough can have negative environmental impact on neighbourhoods, in addition to being a wasted housing resource. Tackling empty properties supports the key priorities in the Council's Corporate Plan and the Empty Property Strategy. The Council currently has a Neighbourhood Intervention Project as part of the capital programme, which can be used to bring long-term empty properties back into use in cases where the owners have not done so themselves. This project will continue, and has the potential to grow, over the coming years.

- Economic Development
  The Council's HENA (2021) sets out a realistic economic growth scenario for the Borough. It concludes a minimum need for 198,451sqm of new employment floorspace in the Borough over the period of the plan. Creation of new employment floorspace at this scale will help to facilitate net growth of around 5,000 new jobs.

  Converted to land requirements the HENA highlights that a minimum of 46.4ha of new land is required over the plan period. The HENA identifies a potential further 34.3ha of land as being justified for allocation to ensure increased choice in the market (a land buffer) and to ensure that the impact of historic and future losses of employment land is minimised.

  Alongside the provision of new strategic employment sites, the Council will focus on protecting existing employment areas.

- Town Centres and Commercial Development
  Promoting the growth of commercial development and other town centre uses such as leisure, entertainment, offices, arts, culture, tourism facilities and housing is important for maintaining the vitality and viability of existing centres in the Borough and ensuring that they continue to act as a focus for the community.

The Council has some existing capital projects that will be ongoing in 2022/23 including work on the renovation at Blakey Moor and Blackburn town centre redevelopment of the former Thwaites site.

- Climate Change and the Natural Environment
The Council has set an ambitious target to become carbon neutral by 2030. Development and transport are major contributors to greenhouse gas emissions thus, if the Borough is to achieve carbon neutrality, energy demand from existing buildings, new development and transport must be minimised and generation of energy from low carbon and renewable sources increased.

  In February 2020 the Executive Board approved the a Climate Emergency Action Plan, which set out the main proposals and initial actions that the Council intends to take, underpinned by the following objectives:
    - Sound decisions – To use resources sustainably so as not to add to the burden of climate change emissions in Blackburn with Darwen or elsewhere.
    - Resilient & attractive borough – To align policy to climate change mitigation and adaptation objectives to create sustainable places where people want to live, work and visit and capture the benefits to health and the economy from the move to a climate friendly borough.
    - Lean and clean – To use energy more efficiently and generate more locally from renewable sources; cut waste and improve recycling.
    - Travelling lightly – To make and facilitate the transition to cleaner, greener fuels and more active travel.
    - Capturing more carbon – To store carbon naturally by increasing tree cover, protecting soils and enhancing natural habitats.

  Work is ongoing to produce further business plans for each action, which may result in new capital schemes over the coming years.

- Health and Well-being
Improving the physical and mental health and the well-being of residents, workers and visitors is a key strategic objective of the Local Plan.

  This core policy sets out our strategic approach to helping manage new development to influence health and well-being in the most positive way possible.

- Design and Heritage
Design quality and heritage are closely linked and important as they contribute towards a sense of place and making our settlements and rural areas distinctive.

  Blackburn with Darwen has a rich and varied history that is reflected in its built environment and should be protected and taken into account when considering new development. It is essential that the most important elements of the Borough's historic environment are protected as positive assets that will promote ongoing growth.

- Transport and Accessibility
  A number of transport evidence based documents have been prepared to support the Local Plan which appraise the potential impact of proposed growth sites on the local pedestrian, cycling public transport and highway networks. They have also identified a wide range of potential interventions and a strategy for improvements in order to adequately support new developments. The improvements range in scale from strategic to local in nature.

  The Blackburn with Darwen Local Transport Plan (LTP3) provided a long-term strategy and delivery programme of transport investment and service improvements for the period 2011-2021. A number of transport schemes identified in LTP3 have been successfully delivered, including the Freckleton Street link road, Clitheroe to Manchester rail enhancements and the Pennine Reach rapid bus transport scheme.

  Work is now progressing between the three Transport Authorities of Blackburn with Darwen, Blackpool and Lancashire to prepare a Joint Lancashire Local Transport Plan 4 (LTP4) covering the period 2021-2046. Emerging key themes are:
  - Improving access into, between and within areas of economic growth and regeneration
  - Improving people's health, safety, quality of life and wellbeing
  - Reducing the environmental impact of transport
  - Maintaining our assets.

  Initial projects identified in the emerging LTP4 include electric charging vehicle points in the town centres, Blackburn Railway Station redevelopment and the development of new Public Rights of Way in and around Darwen.

- Infrastructure and Delivery
  The new housing, employment and other development proposed in the Local Plan will increase demands on physical infrastructure such as roads, social infrastructure such as health and education facilities, and green infrastructure such as open spaces.

  Development proposals will be expected to i contribute to the provision, improvement or replacement of infrastructure that is required to meet needs arising from the development proposal and/or to serve the needs of the wider area. Appropriate matters to be funded by planning contributions include, but are not limited to:
  - Affordable housing
  - Education provision
  - Transport and travel improvements
  - Highways infrastructure
  - Health infrastructure
  - Community facilities
  - Open space, public realm and leisure
  - Flood defence and water management
  - Biodiversity net gain and environmental improvements
  - Carbon reduction including decentralised energy
  - Digital infrastructure.

The Council has a number of ongoing capital schemes in respect of the creation of new school places across the Borough, as well as the various Local Transport Plan projects mentioned above.

Darwen Town Fund Deal

The Darwen Town Deal is an opportunity to kick-start the transformation of Darwen and the surrounding areas.

The maximum bid of £25 million of Government funding has been secured for projects that will improve the lives of our residents. This major funding boost will allow the Darwen Town Deal Board – made up of experts who all have links to our town – to progress with a range of exciting planned projects.

It also underpins the delivery of the Darwen Investment Plan, worth £116 million, aiming to generate and safeguard over 600 jobs and create and assist over 200 businesses.

Capital Schemes

There is a requirement for the continued funding of existing programmes of work on:

- Social Care (including an ongoing programme to provide aids and adaptations)
- School Investment/ Pupil Places Pressures
- Environmental Services (Land Remediation Scheme)
- Growth and Development Projects (including Blakey Moor Renovation, Local Transport Plan, Darwen Town Deal)
- Development of the ICT Strategy
- Progression of the Corporate Accommodation Strategy
- Fleet Management

In addition to the projects referred to above, funding may be required in respect of further/new projects including:

- Low Carbon and Energy Efficiency Initiatives
- Housing Initiatives
- A potential new Household Waste Recycling Centre
- Further development of the Digital Strategy

Further details of the Council's Capital Programme are included within **Appendix 6**.

- **Capital Expenditure**

Capital expenditure is spending on assets such as property or vehicles that will be used for more than one year. In local government this includes spending by the Local Authority on assets owned by other bodies, and loans and grants made by the Local Authority to other bodies enabling them to buy assets. The Council has some limited discretion on what is deemed to be capital expenditure, for example assets costing below £10,000 are not capitalised and are instead charged to revenue in the year the expenditure is incurred.

For details of the Council's Capitalisation Policy, see **Appendix 2**.

In 2022/23, the Council is planning capital expenditure, excluding a one off adjustment for a change in accounting for leases, of £39.0 million, as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Budget £m *	2023/24 Budget £m	2024/25 Budget £m
Portfolio spending	21.1	24.9	30.9	23.4	17.6
Earmarked schemes	-	0.8	3.3	2.6	2.9
Contingent schemes	-	-	1.5	1.5	1.5
Total Capital Programme	**21.1**	**25.7**	**35.7**	**27.5**	**22.0**
Estimate of IFRS16 Adjustment *	-	-	45.0	-	-
Total Capital Programme	**21.1**	**25.7**	**80.7**	**27.5**	**22.0**

* £45.0 million of capital expenditure in 2022/23 arises from a change in the accounting for leases and does not represent cash expenditure.

On 1 April 2022 there is a change in accounting standards to implement a new standard, IFRS16. This change relates to assets leased by the Council on operating leases (leases where the risks and rewards of ownership do not substantially transfer to the lessee).

Previously, the cost of these leases were expensed to the Revenue Account in year as they were incurred, however, going forward, at the start of a lease agreement the Council will have to recognise an asset and liability equal to the amount of future cash flows relating to that lease, discounted at the implied interest rate for that lease or the Council's incremental rate of borrowing.

On transition at 1 April 2022 the Council will recognise an increase in assets, liabilities and Capital Financing Requirement in relation to lease agreements in place at that date. It is expected that there will be no change in the amount charged to the Revenue Account each year in respect of these leases.

Further analysis of planned capital expenditure by portfolio can be found in **Appendix 6**.

- **Capital Financing (Including MRP)**

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Budget £m *	2023/24 Budget £m	2024/25 Budget £m
External sources	14.5	17.3	15.3	13.5	8.1
Own resources	0.1	2.3	6.4	4.0	2.4
Debt	6.5	6.1	12.7	9.3	10.5
Debt - Leasing *	-	-	46.3	0.7	1.0
Total Capital Financing	**21.1**	**25.7**	**80.7**	**27.5**	**22.0**

* £45.0 million of capital expenditure in 2022/23 arises from a change in the accounting for leases and does not represent cash expenditure.

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. The Council's planned MRP and use of capital receipts is as follows:

Table 3: Forecast MRP and Use of Capital Receipts To Repay Debt in £ millions

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Capital Receipts To Repay Debt	3.0	5.0	3.4	3.1	2.0
MRP	5.7	5.9	6.4	6.7	6.7

The Council's policy for setting a "prudent" level of Minimum Revenue Provision for the repayment of debt, must be consistent with the Council's Medium Term Financial Strategy, and can be found at **Appendix 3.**

The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases as new debt-financed capital expenditure is incurred and reduces with MRP, and as capital receipts are used to replace debt.

The table below shows that the CFR (excluding leases) is expected to increase by £2.9 million during 2022/23. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Budget £m *	2023/24 Budget £m	2024/25 Budget £m
General Fund services	214.1	209.7	213.0	212.8	215.0
Debt managed by LCC	15.1	15.0	14.8	14.6	14.4
PFI projects	69.3	69.1	68.9	68.7	68.5
Total CFR (Excluding Leases)	**298.5**	**293.8**	**296.7**	**296.1**	**297.9**
Estimate of Leases CFR *	-	-	45.0	45.0	45.0
Total CFR (Including Leases)	**298.5**	**293.8**	**341.7**	**341.1**	**342.9**

* £45 million of the Capital Financing Requirement increase in 2022/23 arises from a change in the accounting for leases.

- **Asset management**

To ensure that capital assets continue to be of long-term use, the Council has an Asset Management Plan in place. This ensures that land and property assets support the aims and objectives of the Council and its key services. In particular, the plan aims to:

- Enable the Council to understand the scope of its property and land assets portfolio i.e. location, suitability, condition and value.
- Maximise the beneficial and efficient use of property and land assets.
- Encourage the regular review and challenge of the continued use and ownership of property and land assets to ensure they are still delivering a rate of return and are fit for purpose.
- Ensure that buildings are properly maintained.

The Asset Management Plan is in the process of review and development.

The Council's Asset Management Group acts as a strategic steering group, which formulates and reviews the aims and objectives of the Asset Management Plan. The group works with the Corporate Finance team in overseeing the Capital Expenditure and Capital Receipts programmes.

In line with the Council's Corporate Plan and Growth Agenda, a Development Growth Board runs alongside and supports the Asset Management Plan.

The Council's Highways Asset Management Strategy was revised in July 2019. This document describes the Council's strategy for the management of its highway assets, considering long-term needs as well as the short-term position to address maintenance requirements. The objectives of this strategy are:

- To direct investment in the highway related assets on the basis of 'prevention is better than cure', having consideration to the Council's priorities, risk and the current condition of the assets.

- To improve the overall condition and explore the most cost effective maintenance treatments, based on the whole life of the assets.

- To facilitate the development of cost-effective forward works programmes over a number of years based upon the principles of life cycle planning.

- To ensure the Council adheres to its duty of care under the Highways Act 1980.

The Council's current Highways Asset Management Strategy can be found at **https://blackburn.gov.uk/roads-and-highways/highways-asset-management**.

- **Asset disposals**

When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or may be used to repay debt.

Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £3.4 million of capital receipts in the coming financial year as follows:

Table 5: Capital receipts in £ millions

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Budget £m	2023/24 Budget £m	Future Years Budget £m
Asset Sales	2.0	5.0	3.4	3.1	32.1
Loans Repaid	-	-	-	-	-
Sale of Investments	1.1	-	-	-	-
Total Capital Receipts	**3.1**	**5.0**	**3.4**	**3.1**	**32.1**

The Council plans to continue to utilise all of the capital receipts generated from the disposal of land and property in support of the Minimum Revenue Provision i.e. to repay debt.

Further details of planned asset disposals, together with the Council's Use of Capital Receipts Policy are detailed in **Appendix 6.**

- **<u>Treasury management</u>**

The Council produces a Treasury Management Strategy, which is approved annually by the Executive Board.

The Capital Strategy and Treasury Management Strategy are closely linked as the capital programme determines the borrowing need for the Council. This is part of the long-term cash flow planning to ensure that the Council can meet its capital spending requirements.

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash is met through borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Due to decisions taken in the past, the Council currently has £237 million borrowing at an average interest rate of 4.8% and £53 million treasury investments at an average rate of 0.08%.

Borrowing strategy: The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting and the Council therefore seeks to strike a balance between low-cost short-term loans (currently available at around 0.4%) and long-term fixed rate loans, where the future cost is known but is higher (currently 1.5% to 2.5%).

Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases and transferred debt from local government reorganisation) are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Budget £m *	2023/24 Budget £m	2024/25 Budget £m
Debt (including PFI, Leases and LCC debt)	299.1	229.6	278.3	282.0	285.4
Capital Financing Requirement	298.5	293.8	341.7	341.1	342.9

* £45 million of the Capital Financing Requirement and Debt increase in 2022/23 arises from a change in the accounting for leases.

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. The Council's debt was in excess of the capital financing requirement temporarily at the end of 2020/21, this was due to slippage on some capital schemes, and additional borrowing required for the advance payment of pension costs made in April 2020. The effects of the advance payment of pension costs will cease by the end of 2022/23, at which point debt is anticipated to return to normal levels, when compared to the capital financing requirement. As can be seen from Table 6, the Council expects to comply with this guidance from 2021/22 and over the medium term.

Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash an investment balances are kept to a minimum level of £10 million. This benchmark is currently £131 million and is forecast to rise to £172 million over the next 3 years.

Table 7: Borrowing and the liability benchmark in £ millions

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Debt (excluding PFI, Leases and LCC debt)	224.0	156.8	163.2	169.9	176.7
Liability Benchmark	174.8	130.6	146.7	166.4	171.7

The table shows that the Authority expects to remain borrowed above its liability benchmark. This is mainly due to the additional borrowing required for the advance payment of pension costs made in April 2020.

Affordable borrowing limit: The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt in £ millions

	2021/22 Limit £m	2022/23 Limit £m	2023/24 Limit £m	2024/25 Limit £m
Authorised Limit – Borrowing	263.1	245.2	232.2	234.5
Authorised Limit – PFI, Leases and LCC Debt *	84.5	139.2	138.8	138.4
Authorised Limit – Total External Debt	347.6	384.4	371.0	372.9
Operational Boundary – Borrowing	253.1	235.4	222.2	224.5
Operational Boundary – PFI, Leases and LCC Debt *	84.5	139.2	138.8	138.4
Operational Boundary – Total External Debt	337.6	374.4	361.0	362.9

* From 2022/23 onwards the limits have been increased to allow for additional liabilities which will arise from a change in the accounting for leases.

The authorised limit and operational boundary are calculated based on the projected capital financing requirement of the Council and an allowance for other short-term borrowing needs.

Treasury investment strategy: Treasury investments arise from receiving cash before it is required to be paid out again. Investments made for service reasons, or for pure financial gain, are not generally considered to be part of treasury management.

The Council’s policy on treasury investments is to prioritise security and liquidity over yield, i.e. to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms could be invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back if required at short notice.

Table 9: Forecast treasury management investments in £ millions

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Short-Term Investments	59.2	36.2	26.5	13.5	15.0
Long-Term Investments	-	-	-	-	-
Total Investments	**59.2**	**36.2**	**26.5**	**13.5**	**15.0**

Risk management: The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to mitigate the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

The treasury management prudential indicators are included within the treasury management strategy, which is to be presented to Executive Board for approval on 10 March 2022.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and staff within the Finance Team, who must act in line with the Treasury Management Strategy approved by Executive Board each year. A regular officer group (Treasury Management Group) also review treasury management activity and operational decisions. Quarterly reports on treasury management activity are presented to the Audit and Governance Committee, which is responsible for scrutinising treasury management decisions. Treasury management activities are also reported on each quarter to the Executive Board within the quarterly Corporate Budget Monitoring reports.

Further details of the Council's borrowing and treasury investments can be found in the Treasury Management Strategy which is to be presented to Executive Board for approval on 10 March 2022.

- **Other investment and long term liabilities**

In addition to the treasury investments referred to in the section above, the Council may also make loans and investments for service purposes, and may purchase and maintain property for investment purposes. The Investment Strategy included at **Appendix 6** focuses on these other, non-treasury investments.

Service investments
These investments, including loans and shareholdings, are made for their contribution toward service delivery objectives. For example, the Council could advance relatively small loans to local businesses and local residents for community and economic benefits. In light of the public service objective, the Council is willing to take more risk in making service investments than it is with treasury investments, however it still aims for such investments to contribute to its corporate priorities.

The Council has entered into joint ventures and partnerships, which have resulted in ownership of shares in the companies set up to deliver the objectives of these projects. These have included joint ventures with development companies. These are held as long-term investments for the Council, but with the primary objective being their contribution towards service delivery.

Governance: Decisions on service investments are made by the Director of Finance, the Executive Member for Finance and Governance or the Executive Board, in line with the Council's constitution. Most loans and shares are capital expenditure and purchases will therefore be approved as part of the capital programme.

Commercial investments
Historically, the Council has invested in commercial property, primarily for regeneration purposes, but has also received financial gain in the form of rental income.

As there are financial and wider economic returns, the Council accepts higher risk on commercial investment than on treasury investments. The principal risk exposures include: vacancies, rent arrears and a fall in capital value. These risks are managed by the Council's Asset Management Group as part of their regular review of the continued ownership of property and land assets to ensure they are still delivering a rate of return and are fit for purpose.

Governance: Decisions on commercial investments are made by the Strategic Director of Place, the Executive Member for Finance and Governance or the Executive Board in line with the Council's constitution. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

Further details on service and commercial investments are included in the Investment Strategy in **Appendix 5.**

Liabilities
In addition to the debt detailed in Table 6 above, the Council is committed to making future payments to cover its pension fund deficit (valued at £325.184 million at 31st March 2021. It has also set aside £2.875 million to cover risks in relation to:

- Backdated appeals against the rateable value of business ratepayers (£1.637 million)
- Injury and damage compensation claims (£1.238 million)

The Council is also at risk of having to settle additional insurance claims, not provided for in the list above, in relation to the "Scheme of Arrangement" between local authorities and the administrators of Municipal Mutual Insurance. The Council has not put aside any funds for this purpose because the potential liability is less certain and the amount cannot be measured reliably. It does, however, disclose this item as a "contingent liability" in the Statement of Accounts.

Governance: Decisions on incurring new discretional liabilities are taken by service managers in consultation with the Director of Finance. The risk of liabilities crystallising and requiring payment is monitored by the Finance Team together with budget holders, and significant potential liabilities are reported quarterly to Executive Board within the quarterly Corporate Budget Monitoring reports.

- **Revenue budget implications**

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP repayments are charged to revenue, offset by any investment income receivable. The net annual charge is known as the Financing Cost; within the Prudential Indicators, this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Financing Costs (£m)	18.1	17.5	21.5	21.8	22.1
Proportion of Net Revenue Stream	10.5%	12.1%	14.3%	13.8%	14.5%

£2.5m of the increase in financing costs in 2022/23 on future years arises from a change in the accounting for leases and does not represent additional cost to the authority.

Further details on the revenue implications of capital expenditure can be found within the *Revenue Budget 2022/23, Medium Term financial Strategy and Capital Programme 2022-2025* report which is on the agenda of this meeting

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Director of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable as set out in the *Robustness of the 2022/23 Budget and the Recommended Level of Reserves* report which is on the agenda of this meeting.

- **Knowledge and skills**

The Council's approach to ensuring that the requisite knowledge and skills are held and demonstrated when making capital expenditure, borrowing and investment decisions, includes:

- Employment of professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.
- Training for council members to aid informed decision-making and effective scrutiny.
- Engagement of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers, and other appropriate advisors as required.

The intention is that by building a solid knowledge base for both Officers and Members, they are fully informed when taking decisions to realise corporate objectives. Specialist support from external advisors strengthens the decision making process and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

- **Prudential indicators**

The Prudential Code provides a framework to ensure that the capital investment plans of the Council are affordable, prudent and sustainable. The Prudential Indicators required by the Prudential Code are designed to support and record local decision making in a manner that is publicly accountable. They are not designed to be comparative performance indicators, and should be considered in parallel with the Treasury Management Indicators required by the CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*.

In setting or revising its Prudential Indicators, the Council must have regard to the following matters:

- service objectives – alignment with the Council's strategic plan
- stewardship of assets – asset management planning
- value for money – option appraisal
- prudence and sustainability – risk and implications for external debt and whole life costing
- affordability – the amount of money the Council can afford to borrow and the impact on revenue budgets

Although a number of Prudential Indicators have been referred to already in the body of this report, the full list of indicators is detailed in **Appendix 4**.

BLACKBURN WITH DARWEN BOROUGH COUNCIL - CAPITALISATION POLICY

Unless expenditure qualifies as capital it will normally fall outside the scope of the Prudential Framework and will be charged to revenue in the period that the expenditure is incurred. If expenditure meets the definition of capital, there may be opportunities to finance the outlay from capital receipts or by spreading the cost over future years' revenues.

There are three routes by which expenditure can qualify as capital under the Prudential Framework:

- The expenditure results in the acquisition, construction or enhancement of non-current assets (tangible and intangible) in accordance with "proper practices"
- The expenditure meets one of the definitions specified in regulations made under the 2003 Local Government Act.
- The Secretary of State makes a direction that the expenditure can be treated as capital expenditure.

Capitalisation under proper practices

Proper practices are defined to include *the Code of Practice on Local Authority Accounting in the United Kingdom* (the Code). The Code is published annually and its provisions relating to capitalisation are based on IAS 16 *Property, Plant and Equipment*.

Expenditure on acquisitions and construction work is analysed to decide whether it satisfies the accounting rules for recognising a non-current asset in the Council's Balance Sheet. The amount capitalised generally comprises the purchase price plus any expense directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Examples include:

- acquisition of land and site preparation.
- acquisition, construction, preparation or replacement of roads, buildings and other structures.
- acquisition, installation or replacement of movable or immovable plant, machinery, apparatus and vehicles.
- acquisition of non-current assets that do not have physical substance but are identifiable and are controlled by the Council as a result of past events i.e. the Council will receive future economic benefits or service potential as a result of enforceable rights, such as a legal title or licence (intangible assets)

Capitalisation can include subsequent expenditure on existing assets, where the value of the asset is enhanced by:

- lengthening substantially the life of the asset.
- increasing substantially the open market value of the asset.
- increasing substantially the extent to which the asset can be used for a function of the Council.

Assets may also be recognised (at fair value) under leases, PFI contracts and similar agreements.

The Council has some limited discretion on what is deemed capital expenditure, for example assets costing below £10,000 (the de-minimis amount) are not capitalised and are charged to revenue in the year the expenditure is incurred.

Regulations made under the Local Government Act 2003

Special arrangements exist in local government for the extension of the accounting definition of capital expenditure. Regulation 25 of the 2003 regulations (as amended) allows certain expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. The purpose of this provision is to enable payments to be funded from capital resources rather than charged to the General fund and impact on that year's council tax.

Capital expenditure within the 2003 regulations includes:

- The giving of a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure which would, if incurred by the Council, be capital expenditure (except for advances made to officers as part of their terms or conditions of employment or in connection with their appointment).
- The repayment of any grant or other financial assistance given to the Council for the purposes of expenditure which is capital expenditure.
- The acquisition of share capital in any body corporate (except for investments in Money Market Funds or an investment in a real estate investment trust).
- Expenditure incurred on works to any land or building in which the Council does not have an interest, which would be capital expenditure if the Council had an interest in that land or building.
- Expenditure incurred on the acquisition, production or construction of assets for use by or disposal to a person other than the Council which would be capital expenditure if those assets were acquired, produced or constructed for use by the council.

Revenue expenditure funded from capital under statute (REFCUS)

This term relates to payments that would otherwise be revenue expenditure but are treated as capital expenditure for the reasons above, and are financed from capital resources.

The underlying revenue nature of the expenditure means that it is debited or charged to the Comprehensive Income and Expenditure account when it is incurred. The statutory provision to treat the expenditure as capital allows the debit against the General Fund to be reversed and posted to the Capital Adjustment Account, so that there is no impact on the Council's "bottom line".

The adjustment that is made between the accounting basis and the funding basis is reflected in the Movement in Reserves Statement within the Council's statutory accounts.

Capitalisation directions

The Secretary of State for Housing, Communities and Local Government has powers to direct that expenditure that would not otherwise be capital, should be treated as such. As the treatment of revenue expenditure as capital is contrary to the normal accounting requirement that long-term borrowing or capital receipts should only be used for capital investment, the

Secretary of State advises authorities that they must meet strict criteria before a direction will be given. These criteria are set out each year in a guidance note.

MINIMUM REVENUE PROVISION (MRP) STATEMENT

Introduction

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP, but authorities retain flexibility over their determination of what is prudent.

The proposed methodologies for use within Blackburn with Darwen Borough Council are set out below and reflect the basic principles set out in the guidance, along with some locally determined and prudent modifications.

Proposed MRP Policy Statement for 2022/23

The following MRP Policy is proposed, under guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) is as follows:

(a) *For capital expenditure financed from debt arising up to 2007/08 and all new Government-supported borrowing arising from 2007/08 and thereafter* - to spread the cost outstanding at the end of 2014/15 over 50 years (from 2015/16 through to 2064/65), but to use the annuity variant, based on the average Public Works Loan Board (PWLB) annuity rates prevailing in 2014/15. **Annex 1** shows the profile of MRP charges on this debt.

(b) *For capital expenditure that is self-financed from debt arising in 2007/08 and thereafter* - to charge the expenditure over the expected useful life of the relevant asset ("the Asset Life Method"), but to use the annuity variant, based on the average PWLB annuity rates prevailing in the year of the expenditure (rather than charging on a straight line basis over the asset life).

(c) *For 'on-balance sheet' Private Finance Initiative (PFI) contracts* - to use the annuity variant of the Asset Life Method, using the annuity rates built into the financing arrangements for the contracts. This means that the MRP will relate to the estimated asset life and may not match the value written down each year against the balance sheet liability of the respective lease or PFI contract.

(d) *For assets acquired by leases* – MRP will be determined as being equal to the principal element of the rent or charge that goes to write down the balance sheet liability.

(e) Where former operating leases have been brought onto the balance sheet on 1st April 2022 due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

(f) *For historic debt that was entered into prior to unitary authority status and is managed by Lancashire County Council (LCC)* - to spread the cost using an annuity variant, based on the average PWLB annuity rates prevailing in 2014/15, over 50 years (up to 2064/65), in alignment with the profile for historic supported borrowing.

(g) *In those cases where asset lives cannot be readily determined* - to use a default period of 20 or 25 years in line with government guidance. However the Council may make its own determination in exceptional circumstances, if the recommendation of the guidance would not be appropriate.

(h) For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure.

Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

Capital expenditure incurred during 2022/23 will not be subject to a MRP charge until 2023/24.

Therefore, in the determination of MRP, the Council will be both:

(a) **prudent** - working within the principle that debt be repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits, and

(b) **practical** - making detailed determinations where the impact of the calculation will be material, but allowing a more general approach if that would be reasonable.

Based on the Authority's latest estimate of its capital financing requirement (CFR) on 31st March 2022, the budget for MRP has been set as follows:

	31 March 2022 Estimated CFR £m	2022/23 Forecast MRP £m
Capital Expenditure	209.7	6.0
Private Finance Initiatives	69.1	0.2
Transferred Debt	15.0	0.2
Total	**293.8**	**6.4**

Profile of MRP Charges on Supported Borrowings

Appendix 3 – Annex 1

Year	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	2031/32 £'000
Annual MRP Charge	748.9	776.9	806.1	836.3	867.7	900.2	934.0	969.0	1,005.4	1,043.1	1,082.2

Year	2032/33 £'000	2033/34 £'000	2034/35 £'000	2035/36 £'000	2036/37 £'000	2037/38 £'000	2038/39 £'000	2039/40 £'000	2040/41 £'000	2041/42 £'000	2042/43 £'000
Annual MRP Charge	1,122.8	1,164.9	1,208.6	1,254.0	1,301.0	1,349.8	1,400.4	1,453.0	1,507.5	1,564.0	1,622.7

Year	2043/44 £'000	2044/45 £'000	2045/46 £'000	2046/47 £'000	2047/48 £'000	2048/49 £'000	2049/50 £'000	2050/51 £'000	2051/52 £'000	2052/53 £'000	2053/54 £'000
Annual MRP Charge	1,683.6	1,746.7	1,812.2	1,880.2	1,950.7	2,023.9	2,099.8	2,178.6	2,260.3	2,345.1	2,433.1

Year	2054/55 £'000	2055/56 £'000	2056/57 £'000	2057/58 £'000	2058/59 £'000	2059/60 £'000	2060/61 £'000	2061/62 £'000	2062/63 £'000	2063/64 £'000	Total £'000
Annual MRP Charge	2,524.3	2,619.0	2,717.2	2,819.2	2,924.9	3,034.6	3,148.5	3,266.6	3,389.1	3,516.2	**77,292.3**

PRUDENTIAL INDICATORS FOR 2022/23

Introduction

Local authorities determine their own programmes for capital investment in fixed assets that are central to the delivery of quality public services. The Chartered Institute of Finance and Accountancy (CIPFA) Prudential Code provides a framework to ensure that the capital investment plans of the Council are affordable, prudent and sustainable.

The Prudential Indicators recommended in the Prudential Code are designed to support and record local decision making in a manner that is publicly accountable. They are not designed to be comparative performance indicators, and should be considered in parallel with the Treasury Management Indicators required by the CIPFA *Code of Practice on Treasury Management in the Public Services*.

The Prudential Indicators provide a broad framework to be considered alongside robust forecasting procedures embedded into the budget process of the Council. Forecasts should be regularly updated as the capital programme develops, and proposals should be considered in terms of their impact on the overall corporate position, ensuring that prudence and affordability are taken into account.

Prudential Indicators in relation to previous years' actuals are taken directly from information in the Council's statement of accounts. The Prudential Indicators for the forthcoming and following years must be set before the beginning of the forthcoming year. The forward-looking Prudential Indicators include indicative figures for years two and three to allow decisions to be made with an appreciation of future trends. It is recognised that these will be subject to change but exist to promote a move away from the focus on annual decision making towards longer-term strategies.

Procedures are in place to monitor performance against the forward-looking indicators in order to highlight significant deviations from expectations.

Prudential Indicators for prudence

Estimates of Capital Expenditure in £ millions

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Budget £m *	2023/24 Budget £m	2024/25 Budget £m
Portfolio spending	21.1	24.9	30.9	23.4	17.6
Earmarked schemes	-	0.8	3.3	2.6	2.9
Contingent schemes	-	-	1.5	1.5	1.5
Total Capital Programme	**21.1**	**25.7**	**35.7**	**27.5**	**22.0**
Estimate of IFRS16 Adjustment *	-	-	45.0	-	-
Total Capital Programme	**21.1**	**25.7**	**80.7**	**27.5**	**22.0**

* £45.0 million of capital expenditure in 2022/23 arises from a change in the accounting for leases and does not represent cash expenditure.

Total capital spend in later years may be higher than currently forecast – however only spend funded from borrowing will impact on the Council's CFR.

Estimates of Capital Financing Requirement in £ millions

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Budget £m *	2023/24 Budget £m	2024/25 Budget £m
General Fund services	214.1	209.7	213.0	212.8	215.0
Debt managed by LCC	15.1	15.0	14.8	14.6	14.4
PFI projects	69.3	69.1	68.9	68.7	68.5
Total CFR **(Excluding Leases)**	**298.5**	**293.8**	**296.7**	**286.1**	**297.9**
Estimate of Leases CFR *	-	-	45.0	45.0	45.0
Total CFR **(Including Leases)**	**298.5**	**293.8**	**341.7**	**341.1**	**342.9**

* £45 million of the Capital Financing Requirement increase in 2022/23 arises from a change in the accounting for leases.

The Council must make reasonable estimates of the "total Capital Financing Requirement" – that is an estimate of the debt outstanding in respect of capital expenditure, including LCC debt and that relating to the recognition of assets acquired under PFI projects, at the end of each of the next three financial years. The LCC element relates to debt still managed by the County Council in respect of services transferred when Blackburn with Darwen became a Unitary Authority. The Other Long Term Liabilities in relation to PFI schemes are in respect of schools built under the Building Schools for the Future programme.

Authorised limit and operational boundary for external debt in £ millions

	2021/22 Limit £m	2022/23 Limit £m	2023/24 Limit £m	2024/25 Limit £m
Authorised Limit – Borrowing	263.1	245.2	232.2	234.5
Authorised Limit – PFI, Leases and LCC Debt *	84.5	139.2	138.8	138.4
Authorised Limit – Total External Debt	347.6	384.4	371.0	372.9
Operational Boundary – Borrowing	253.1	235.2	222.2	224.5
Operational Boundary – PFI, Leases and LCC Debt *	84.5	139.2	138.8	138.4
Operational Boundary – Total External Debt	337.6	374.4	361.0	362.9

* From 2022/23 onwards the limits have been increased to allow for additional liabilities which will arise from a change in the accounting for leases.

Gross Debt and the Capital Financing Requirement in £ millions

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Budget £m *	2023/24 Budget £m	2024/25 Budget £m
Debt (including PFI, Leases and LCC debt)	299.1	229.6	278.3	282.0	285.4
Capital Financing Requirement	298.5	293.8	341.7	341.1	342.9

* £45 million of the Capital Financing Requirement and Debt increase in 2022/23 arises from a change in the accounting for leases.

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. The Council's debt was in excess of the capital financing requirement temporarily at the end of 2020/21, this was due to slippage on some capital schemes, and additional borrowing required for the advance payment of pension costs made in April 2020. The effects of the advance payment of pension costs will cease by the end of 2022/23, at which point debt is anticipated to return to normal levels, when compared to the capital financing requirement. As can be seen from Table 6, the Council expects to comply with this guidance from 2021/22 and over the medium term.

Prudential Indicators for affordability

Estimates of the Incremental Impact of Capital Investment Decisions on the Council Tax

The incremental cost of any additional, unsupported borrowing required for new schemes to be added to the programme is not expected to be material on the 2022/23 budgets and as such has will have negligible impact on Council Tax. All new proposals are subject to the Council's governance and financial regulations and are reported accordingly, identifying the revenue costs associated with such schemes as applicable.

Estimates of proportion of financing costs to net revenue stream

Although capital expenditure is not charged directly to the revenue budget, there are revenue budget implications i.e. interest payable on loans and MRP repayments, offset by any investment income receivable. The net annual charge is known as financing costs i.e. the cost of financing capital expenditure.

The Council must estimate the proportion of the revenue budget taken up in financing costs, by comparing financing costs to the net revenue stream i.e. the amount available to fund the Council's revenue budget from Council Tax, business rates and general government grants.

The Indicator below is calculated on the basis that all of the Capital Programme, including Contingent elements, is delivered and assumes no reduction in SFA when projecting the future Net Revenue Stream beyond 2022/23.

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Financing Costs (£m)	18.1	17.5	21.5	21.8	22.1
Proportion of Net Revenue Stream	10.5%	12.1%	14.3%	13.8%	14.5%

£2.5m of the increase in financing costs in 2022/23 on future years arises from a change in the accounting for leases and does not represent additional cost to the authority.

The Council's capital financing costs in respect of BSF PFI schemes – both MRP and financing charges (interest elements) – are included, but this cost is largely covered by central government grant and does not put a pressure on Council resources.

It remains the case that a significant proportion of the net revenue budget is taken up in supporting the Main Programme part of the Capital Programme.

INVESTMENT STRATEGY 2022/23

Introduction

This investment strategy focuses on the Council's strategy in respect of non-treasury management investments.

The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as ***treasury management investments***),
- to support local public services by lending to or buying shares in other organisations (***service investments***), and
- to earn investment income (known as ***commercial investments*** where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

Treasury Management investments

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The balance of treasury management investments is expected to fluctuate between £10M and £40M during the 2022/23 financial year.

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Further details: Full details of the Authority's policies and its plan for 2022/23 for treasury management investments are covered in a separate document, the Treasury Management Strategy, to be presented to Executive Board on 10th March 2022 for consideration and approval.

Non-Treasury Management investments

The Council may also make loans and investments for service purposes, and may purchase property for investment purposes. The investment strategy focuses on these other investments, which are included within the second and third categories above.

- **Service Investments: Loans**

Contribution: The Council could advance loans to its subsidiaries and joint ventures, local businesses and charities, local residents and its employees to support local public services and stimulate local economic growth.

The Council current advances relatively small loans to local businesses and local residents for community and economic benefits. For example, the capital programme includes a number of schemes where loans are given to support home owners unable to fund essential property repairs to bring properties back into use.

The Council has also advanced loans to joint venture companies, which are contributing towards local economic growth through regeneration of areas within the Borough. The main examples are Maple Grove Blackburn Limited, which is involved in the development of a the former Thwaites site in Blackburn town centre and Barnfield Blackburn Limited, which is involved in the regeneration of various sites across the Borough.

The Council has also previously advanced loans to a local business, Lancashire County Developments Limited, which is supported by Lancashire County Council, to improve the economic performance with Lancashire.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, the loans to home owners are registered as a charge against the property at the Land Registry which will be removed by the Council once full repayment of the loan has been made. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £ millions

Category of Borrower	31 March 2021 Actual			2022/23
	Balance Owing	Loss Allowance	Net Figure in Accounts	Approved Limit
Subsidiaries	-	-	-	2.5
Joint Ventures	0.525	-	0.525	5.0
Local Businesses	0.398	-	0.398	1.0
Local Residents	0.021	-	0.021	0.1
Total	**0.944**	**-**	**0.944**	**8.6**

Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding service loans. Loans are made where they support the Council's Corporate Plan and other relevant strategies. This is usually where the market appetite for such advances or services is limited.

External advisors are used where appropriate, to provide specialist services where the knowledge is not held by the Council. This includes services such as; the preparation and review of business cases, financial advice and legal advice. Where loans are provided to businesses the financial statements for the Company are obtained and reviewed annually. Subsidiary and joint venture companies are usually subject to an annual external audit in respect of their financial statements.

- **Service Investments: Shares**

Contribution: The Council may invest in the shares of its partners and subsidiaries to support local public services and stimulate local economic growth.

The Council has a minority shareholding in two Special Purpose Vehicles (SPVs) together with local developers.

Barnfield Blackburn Limited is a SPV set up for the purpose of acquiring a specific vacant site, which has had a history of stalled development activity and incidents of anti-social behaviour, vandalism and trespass, the SPV will prepare the site for future development by 3rd parties. The proposed development will contain a mix of employment and residential end uses, which will directly support growth in jobs and housing.

Maple Grove Blackburn Limited is a SPV set up for the purpose of acquiring a Blackburn Town Centre site, which was vacant following the demolition of the former Thwaites Brewery. The SPV will prepare the site for future development by 3rd parties, with potential end uses including both commercial and residential properties, which will directly support growth in jobs and housing.

Security: One of the risks of investing in shares is that they fall in value, meaning that the initial outlay may not be recovered. In order to limit this risk, an upper limit of £100,000 has been set in relation to investment in company shares where there is no direct service benefit arising.

Risk assessment: The Authority assesses the risk of loss before entering into such shareholdings by ensuring the Council's risk exposure is quantified and capped at the proposed initial investment. The main purpose of these shareholdings is not to make a financial rate of return for the Council; it is to support the key priorities in the Council's Corporate Plan and the service delivery objectives of its Growth agenda.

Detailed business plans are produced for any such investments, including the use of external advisors where appropriate, which are rigorously challenged by Council Officers prior to being brought forward for approval by Members. Financial information is reviewed regularly for existing investments and the current SPV companies both have annual external audits performed on their financial statements annually.

Liquidity: The expected period of investment in company shareholdings is reviewed prior to approval of a business case, to ensure that the funds to be invested may be prudently committed for that period. The expected maximum period for investment in shares is 50 years.

Non-specified Investments: Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

- **Commercial Investments: Property**

The Chartered Institute of Public Finance and Accountancy (CIPFA) define investment property as *property held **solely** to earn rentals or capital appreciation or both.* Commercial properties owned by the Council are held for regeneration, planning reasons and estate management purposes in addition to earning rental income, therefore, they have been classified as property, plant and equipment within the accounting statements.

Government guidance in the context of this investment strategy has a different view and defines property to be an investment if it is held **primarily or partially** to generate a profit.

Contribution: The Council invests in local commercial property with the dual purpose of supporting the local economy and generating rental income to support expenditure spent on local public services. The main categories of property investments held are as follows:

- Industrial estates, business centres, shops and sundry commercial property – these properties have the purpose of regenerating areas of the borough as well as supporting the local economy and creating/retaining jobs.
- Agricultural tenancy – this land is used for the purpose of supporting the local economy.
- Development sites and vacant land – these assets will be used to regenerate areas of the borough to ultimately provide housing or commercial property to support the local economy and job creation.

Table 2: Property held in £ millions

Property type	Actual Purchase Cost	31 March 2021	
		Gains or (Losses)	Value in Accounts
Industrial Estates	10.5	0.6	13.1
Business Centres	4.1	0.7	2.6
Sundry Commercial Property	13.1	0.6	14.0
Sundry Shops	2.9	(0.2)	2.9
Agricultural Tenancy	2.6	1.9	10.5
Industrial/Commercial Development Sites	9.5	0.1	3.9
Residential Development Sites	11.0	(0.9)	9.6
Vacant Land	2.0	0.5	3.4
Total	**55.7**	**3.3**	**60.0**

Security: In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. As the properties noted in the table above are held primarily for service purposes (mainly regeneration, planning or supporting the local economy), with the side benefit of obtaining rental income, the Council is willing to accept that there may be downward changes in the valuation of properties, but the properties are not held for their capital appreciation.

Risk Assessment: The Council is willing to accept that there may be downward changes in the valuation of properties, but the properties are not held for their capital appreciation but are held for other benefits they provide within the Borough. Any acquisition of land or property are considered alongside the service benefits it will provide or the income it would generate, if that was to be the primary reason for the acquisition.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. The Council's Growth and Property teams review the property portfolio regularly to compile the list of sites and properties for potential sale, which is updated regularly with the likeliness of the sale going through, and expected date for receipt of funds.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council, and would be included here for completeness.

The Council does not have any such liabilities at present.

- **Capacity, Skills and Culture**

Elected Members and Statutory Officers: The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

The Council pays for accountancy staff to study towards relevant professional accountancy qualifications and the staff within the treasury team, whom are all qualified accountants, attend treasury seminars and workshops provided by CIPFA and other external service providers.

Training is provided to Councillors to aid informed decision-making and effective scrutiny.

The Councils appoints external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers and other appropriate advisors as required.

The intention is that by building a solid knowledge base for both Officers and Members, they are fully informed when taking decisions to realise corporate objectives. Specialist support from external advisors strengthens the decision making process and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Commercial Deals: The Council undertakes business case analysis of potential investments which are considered by chief officers and elected members.

In recent years the Council has not acquired any properties for the sole gain of generating a profit or return to contribute to net service costs.

Corporate Governance arrangements ensure that all decisions on Commercial investments are made in line with the criteria and limits approved by Council in line with Financial Regulations and the Constitution.

- **<u>Investment Indicators</u>**

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total Risk Exposure: The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 3: Total investment exposure in £ millions

	31 March 2021 Actual	31 March 2022 Forecast	31 March 2023 Forecast
Treasury Management Investments	59.2	36.2	32.9
Service Investments: Loans	0.9	2.9	3.7
Service Investments: Shares	0.0	0.0	0.0
Commercial Investments: Property	60.0	61.8	63.7
Total Investments	**120.1**	**101.0**	**100.3**
Commitments to Lend	-	-	-
Guarantees Issued on Loans	-	-	-
Total Exposure	**120.1**	**101.0**	**100.3**

How Investments are Funded: Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table 4: Investments funded by borrowing in £ millions

	31 March 2021 Actual	31 March 2022 Forecast	31 March 2023 Forecast
Service Investments: Loans	0.9	2.3	3.1
Service Investments: Shares	0.0	0.0	0.0
Commercial Investments: Property	60.0	48.2	52.8
Total Funded by Borrowing	**60.9**	**50.5**	**55.9**

Rate of Return Received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Note: These properties are held primarily for their contribution to the local economy and regeneration of the Borough, but have the added benefit of achieving income for the Council.

The table below takes into account all costs of holding these properties, including:

- Rental income;
- Interest paid on borrowings and minimum revenue provision charged;
- Revaluation gains and losses; and
- All property running costs.

Table 5: Investment rate of return (net of all costs)

	2020/21 Actual	31 March 2022 Forecast	31 March 2023 Forecast
Commercial Investments: Property	2.2%	2.4%	2.1%

CAPITAL PROGRAMME 2022-2025

Capital expenditure

In 2022/23, the Council is planning capital expenditure of £35.691 million as summarised below:

Table 1: Estimates of Capital Expenditure in £ thousands

	2020/21 Actual £'000	2021/22 Forecast £'000	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000
Health and Adult Social Care	976	2,424	2,890	1,867	1,867
Children, Young People and Education	1,948	6,346	6,827	2,013	263
Environment	1,573	3	609	-	-
Public Health and Wellbeing	2	304	-	-	-
Growth and Development	14,160	10,680	17,092	19,176	15,162
Digital and Customer Services	711	1,568	2,623	362	282
Finance and Governance	1,703	3,608	900	-	-
Portfolio Spending	**21,073**	**24,933**	**30,941**	**23,418**	**17,574**
Corporate ICT	-	268	-	-	-
Vehicles	-	532	1,300	700	1,000
Corporate Property Investment	-	-	1,950	1,900	1,900
Earmarked Schemes*	**-**	**800**	**3,250**	**2,600**	**2,900**
Asset Management	-	-	1,500	1,500	1,500
Contingent Schemes**	**-**	**-**	**1,500**	**1,500**	**1,500**
Total Capital Expenditure	**21,073**	**25,733**	**35,691**	**27,518**	**21,974**

* **Earmarked schemes** – These are programmes that the Council is committed to undertaking. As specific schemes are identified, reports are prepared to obtain appropriate approvals and budgets are allocated to portfolios.

** **Contingent schemes** – These are schemes or programmes the Council may wish to undertake in future years if proposals are affordable. Detailed proposals and business cases will be required.

The programme is predominantly comprised of existing commitments including investment in:

- our local transport plan
- aids and adaptations through provision of disabled facilities grants
- regeneration of the borough, including our scheme at Blakey Moor to enhance the town centre in Blackburn and support the improvement of leisure facilities and a night time economy, Blackburn town centre redevelopment of the former Thwaites site and various schemes across Darwen following the successful bid of up to £25M of Towns Fund grant
- facilitating housing and business growth
- support of continued investment in IT services to underpin our 'digital first' approach to delivering efficiencies and in turn, cash savings
- support of our accommodation review which again will drive efficiencies and savings through rationalisation and a more cost effective use of space.
- schools capital programme existing schemes and creation of additional school places required within the Borough

Allocations are included for:

- potential investment in existing assets

Within the capital programme there is also a Property Investment Fund, which enables the Council to invest in land and property should the opportunity arise.

Before projects are allocated funding however, they are subjected to a rigorous business case approval process and detailed Member reports are produced in line with financial procedures as required.

These schemes will require strong project management and effective monitoring to ensure they are achieved on time and within budget. Failure to deliver against budget on such large schemes could lead to potential overspends which could impact on the overall future capital programme, as additional costs could put pressure on the funding available for delivery of other schemes within the programme. To mitigate this risk, sound systems of internal control are in place with project boards established to provide the necessary governance structure, ensuring appropriate and timely reporting mechanisms.

Further details of individual capital schemes included within the Council's capital programme are included in **Appendix 6A**.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ thousands

	2020/21 Actual £'000	2021/22 Forecast £'000	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000
Government Grants	8,309	16,363	15,160	13,506	8,062
External Contributions	6,100	913	202	-	-
Revenue Contribution	129	2,329	6,351	4,020	2,380
Borrowing	6,335	6,128	12,678	9,292	10,532
Leasing	-	-	1,300	700	1,000
Total Capital Financing	**21,073**	**25,733**	**35,691**	**27,518**	**21,974**

Planned asset disposals

The Asset Management Group monitors asset disposals and generation of capital receipts throughout the year. Capital receipts are generated through the sale of land and property no longer used by the Council and / or in order to facilitate commercial or housing development.

The MRP estimates that are included within the Council's 2022/23 Budget and MTFS are based on the following estimates of capital receipts:

	2020/21 Actual £'000	2021/22 Forecast £'000	2022/23 Budget £'000	2023/24 Budget £'000	Future Years Budget £'000
Disposal of Land and Property	1,968	5,000	3,445	3,145	32,075
Sale of Investments	1,081	-	-	-	-
Total Capital Receipts	**3,049**	**5,000**	**3,445**	**3,145**	**32,075**

The Council plans to continue to utilise the majority of any capital receipts generated from the disposal of land and property in support of the Minimum Revenue Provision i.e. to repay debt.

	2022/23 £'000	2023/24 £'000	2024/25 £'000	Future Years £'000
1. Estimated Available Resources				
Unsupported Borrowing	12,678	9,292	10,532	3,627
- Department for Education	3,353	-	-	-
- Department for Transport Grants	-	-	-	-
- Disabled Facilities Grant	3,413	2,130	2,130	-
- Towns Fund Grant	5,978	11,376	5,932	464
- Other Specific Grants	2,416	-	-	-
Government Grants	**15,160**	**13,506**	**8,062**	**464**
External Contributions	202	-	-	-
Revenue Contributions	6,351	4,020	2,380	600
Leasing	1,300	700	1,000	-
Capital Receipts	-	-	-	-
TOTAL ESTIMATED AVAILABLE RESOURCES	**35,691**	**27,518**	**21,974**	**4,691**
2. Approved schemes				
Health & Adult Social Care				
Disabled Facilities Grant	2,650	1,707	1,707	-
Telecare Project	240	160	160	-
	2,890	**1,867**	**1,867**	**-**
Children, Young People & Education				
Disabled Facilities Grant	663	263	263	-
Two Year Old Grant	-	-	-	-
Capital Grant Allocations *(schemes to be determined)*	1,116	-	-	-
Schools Programme- St Barnabas & St Pauls	135	-	-	-
Schools Programme- Shadsworth Heating	247	-	-	-
Schools Programme- Lammack School Extension	1,550	-	-	-
Schools Programme-Darwen East School Places Increase	1,500	1,750	-	-
Schools Programme- Longshaw Nursery Relocation	500	-	-	-
Schools Programme- Shadsworth Infants Extension	200	-	-	-
Schools Programme- Ashleigh Heating & Ventilation	26	-	-	-
Schools Programme- Ashworth Nursery Perimeter Fencing	15	-	-	-
Schools Programme- Audley infants (Nursery) Upgrade Fire Alarm	19	-	-	-
Schools Programme- Audley Infants Resurfacing Pathways	15	-	-	-
Schools Programme- Audley Infants Replacement of Fascias & Soffits	41	-	-	-
Schools Programme- Audley Replace Windows & Upstands to Lean to Roof	45	-	-	-
Schools Programme- Avondale Resurface Playground	105	-	-	-
Schools Programme- Belmont Replace Fire Alarm System	23	-	-	-
Schools Programme- Brookhouse Primary (Nursery) Replace Roof System	56	-	-	-
Schools Programme- Brookhouse Primary Replace Boilers	30	-	-	-
Schools Programme- Intack Primary Replacement of External Doors	13	-	-	-
Schools Programme- Longshaw Juniors Replace Fire Alarm System	30	-	-	-
Schools Programme- Lower Darwen Primary Heating Scheme	158	-	-	-
Schools Programme- Roe Lee Roofing, Upstandings & Windows	146	-	-	-
Schools Programme- Roe Lee Repairs to Service Road, Ext Areas & Auto Gates	78	-	-	-
Schools Programme- Shadsworth Juniors Replacement of Boilers	30	-	-	-
Schools Programme- Turton & Edgworth Upgrade Fire Alarm	23	-	-	-
Schools Programme- Meadowhead Infants Drainage Installations	15	-	-	-
Schools Programme- Lower Darwen Partial Replace Fire Alarm System	12	-	-	-
Education - Free School Meals Module	36	-	-	-
	6,827	**2,013**	**263**	**-**
Environment				
Land Remediation Scheme	104	-	-	-
Blakewater Car Park	230	-	-	-
Prayer Shelter at Pleasington Cemetry	275	-	-	-
	609	**-**	**-**	**-**

Capital Programme 2022/2025 **Appendix 6A**

	2022/23 £'000	2023/24 £'000	2024/25 £'000	Future Years £'000
Growth and Development				
Bank Top and Griffin	150	-	-	-
Neighbourhood Intervention	1,805	500	500	500
Equity Loans/PALs Griffin	100	-	-	-
Empty Homes Cluster	360	-	-	-
Development Investment Fund	500	500	500	-
Assistance to Industry	150	150	-	-
Blakey Moor	2,302	-	-	-
Local Transport Plan	979	-	-	-
Land Release Fund	759	-	-	-
Darwen Tower	108	-	-	-
Darwen Towns Fund	6,778	15,326	11,432	3,214
Maple Grove Blackburn - Thwaites SPV	245	-	-	-
Carbon Management Plan	67	-	-	-
St John's Church Refurbishment	450	1,350	1,640	100
Griffin Lodge / Coach House	200	100	-	-
St John's Quarter	500	750	1,090	-
SE Blackburn (Junction 5 & Growth Corridor) Intervention Works	1,639	500	-	-
	17,092	**19,176**	**15,162**	**3,814**
Digital and Customer Services				
Corporate ICT Finance System	20	-	-	-
Corporate ICT Core Infrastructure Programme	100	-	-	-
Corporate ICT Corporate Website	26	-	-	-
Corporate ICT Town Hall IT Infrastructure Update	100	-	-	-
Corporate ICT Digital Customer Portal	240	-	-	-
Corporate ICT Round Management System	4	-	-	-
Corporate ICT Microfsoft Licence Agreement Server and Database	126	-	-	-
Corporate ICT Replacement HR and Payroll System	306	-	-	-
Corporate ICT Microsoft 365 and Unified Comms	570	-	-	-
Corporate ICT Transition to the Cloud	112	42	42	42
Corporate ICT Helpdesk for Everything	108	80	-	-
Corporate ICT Digital Customer Portal (Phase 2)	240	240	240	-
Corporate ICT Core Network Upgrade	581	-	-	-
Corporate ICT Intranet/iTrent	90	-	-	-
	2,623	**362**	**282**	**42**
Finance and Governance				
Corporate Accommodation Strategy Phase 2	850	-	-	-
Mill Hill Community Centre Roof	50	-	-	-
	900	**-**	**-**	**-**
TOTAL Approved Schemes	**30,941**	**23,418**	**17,574**	**3,856**
3. Earmarked schemes				
Corporate ICT	-	-	-	-
Corporate Property Investment	1,950	1,900	1,900	835
Vehicles Earmarked Scheme	1,300	700	1,000	-
TOTAL Earmarked capital reserves	**3,250**	**2,600**	**2,900**	**835**
4.Contingent schemes				
Asset Management Strategy	1,500	1,500	1,500	-
TOTAL Contingent capital reserves	**1,500**	**1,500**	**1,500**	**-**
TOTAL CAPITAL PROGRAMME	**35,691**	**27,518**	**21,974**	**4,691**

TO:	FINANCE COUNCIL
FROM:	EXECUTIVE MEMBER FOR FINANCE AND GOVERNANCE ON BEHALF OF THE LABOUR GROUP
DATE:	28th FEBRUARY 2022

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: General Fund Revenue Budget 2022/23 (and Draft Financial Strategy 2022/25)

1. PURPOSE

1.1 The purpose of this report is to recommend to Finance Council proposals for the Revenue Budget for 2022/23 together with a Financial Strategy for 2022/25. A report elsewhere on the Agenda for this meeting considers proposals for the Capital Programme for 2022/23.

2. RECOMMENDATIONS

2.1 Finance Council is recommended to:-

a) acknowledging the impact of the increase in the National Living Wage as set out in the report, give delegated authority to the Strategic Director for Adults and Health, in consultation with the Executive Members for Adult Services and Prevention, and Finance and Governance, to agree the hourly rates and contract changes for Social Care Providers for 2022/23;

b) approve the service investment proposals as set out in the report;

c) approve the savings proposals as set out at **Appendix B**;

d) note the estimated balance of reserves as at 31st March 2022 as shown at **Appendix C**;

e) approve the General Fund Budget Requirement for 2022/23 as set out at **Appendix D** to this report;

f) require each Portfolio to operate within the individual Portfolio Controllable Budgets for 2022/23 as set out at **Appendix D** and that these be cash limited and subject to regular monitoring and control;

g) agree that the current Local Council Tax Support Scheme remains unchanged for 2022/23 and note the intention to undertake a review of the Scheme in the forthcoming year;

h) approve an increase in the general Council Tax of 1.99% (reflecting a weekly increase of £1.25 for Band D Council Tax payers and of £0.83p for Band A Council Tax payers);

i) approve an additional increase in Council Tax of 2.00% to contribute towards the additional costs of Adult Social Care;

j) give approval to the Financial Strategy and Medium Term Financial Plan for 2022/25 as set out **Appendix F** and note that a further report on the implementation of the Strategy will be submitted to the Executive Board in June 2022.

3. BACKGROUND

3.1 The budget process is a key element of the Council's corporate planning process and, as part of the service and financial planning approach adopted by the Council, is a means of ensuring that resources are best placed to enable the Council to meet its objectives as set out in the Corporate Plan.

3.2 This reports sets out the proposed General Fund Revenue Budget and Capital Programme for 2022/23. In doing so, and for context, the report provides details of the Autumn Budget and Comprehensive Spending Review, as it impacts on Local Government, and information on the Local Government Finance Settlement, details of which were confirmed by the Secretary of State for the Department of Levelling Up, Housing and Communities (DLUHC) on 9th February 2022.

3.3 The development of the budget for 2022/23 is set against the backdrop of over a decade of austerity which has resulted in the Council experiencing one of the highest funding reductions of Unitary Councils across the Country over that period. This is despite being amongst the most deprived Boroughs according to the Indices of Multiple Deprivation.

3.4 Latterly, this position has been compounded by the deep impact of Covid-19 with Blackburn with Darwen experiencing some of the worst and enduring effects of the Pandemic. At the time of writing, the Pandemic remains with rates of infection in the Borough continuing to be a cause for concern and the pressure on the delivery of Council Services, both in terms of reductions in income and additional costs of both response to and recovery from the Pandemic, continuing to impact.

3.5 Underpinning the development of the budget for 2022/23 (and indeed the Council's Financial Strategy and Medium Term Financial Plan 2022/25) is the continuing impact of austerity. Although the Council's Core Spending Power for 2022/23 has increased, that increase is neither sufficient to make up for the funding reductions experienced by the Council since 2010 nor reflective of the significant changes in demand for services. As a consequence, the Council's Medium Term Financial Plan still shows a forecast funding deficit for which action will need to be taken to ensure the Council remains financially sustainable.

Autumn Budget and Comprehensive Spending Review 2021

3.6 Details of the Chancellor's Autumn Budget 2021 including the Comprehensive Spending Review for 2021 (CSR21) were announced on 27th October 2021. As anticipated, CSR21 set out Departmental Spending Limits for each Government Department from 2022/23 to 2024/25.

3.7 For Local Government, the headline announcement was an increase in Core Spending Power of an average of 3% in real-terms in each year of the CSR21. Excluding funding for social care reform, to fund the cost of expanding access to means-tested social care and capping lifetime care costs as announced in September 2021, the average real-terms increase the Core Spending Power for other services is just below 1.9%. This is below the 2.6% average real terms increase which the Local Government Association had lobbied for and below the 1.9% that the Institute for Fiscal Studies thought necessary for Local Government to maintain service provision.

3.8 The other key feature of the CSR21 settlement for Local Government is that the majority of the increase in Core Spending Power is expected to come from locally-raised Council Tax and Business Rates. The Office of Budget Responsibility (OBR) projects that Council Tax receipts will be 10.8% higher in 2024/25 than in 2019/20 partly because of the Government's decision to allow Local Authorities to increase Council Tax in general terms by 1.99% and the Social Care Precept by 1% in each year of the CSR21 period.

3.9 The generally accepted view is that the increase in Core Spending Power set out in CSR21 is unlikely to be enough to keep pace with rising demand for Adult Social Care, meaning further pressure on other services that have already borne the brunt of a decade of austerity. Equally, the increased reliance on Council Tax to fund services, given it is a regressive tax, is likely to mean those areas most in need such as Blackburn with Darwen will have the least available funding given the low taxable capacity of the Borough.

Local Government Finance Settlement 2022/23

3.10 The provisional Local Government Finance Settlement (LGFS) for 2022/23 was released for consultation by the Government on 16th December 2021. The details of the provisional Settlement and the Council's response to the consultation were provided in a report to the Executive Board in January 2022.

3.11 The final Settlement was confirmed on 9th February 2022. Despite CSR21 setting out a multi-year settlement for Local Government, as in recent years, the Government has chosen to provide Councils with a further one-year Settlement for 2022/23. As indicated previously, Local Government has lobbied consistently for a multi-year funding settlement to aid service and financial planning.

3.12 Details of the Council's settlement are provided below but in summary, the Council's Core Spending Power for 2022/23 will rise by 8.8% (compared to an average in increase of 7.4% for Local Government overall). This is predicated on the following assumptions:-

- an increase in the Council's Settlement Funding Assessment of 0.7%. The extent to which this will happen is dependent on the growth in the Council's amount of retained business rates;

- an increase in Revenue Support Grant of 3.1% to £14.016m;

- additional grant funding of c£8.051m (or 10.6%) when compared to the Council's Core Spending Power in 2021/22;

- included in the additional grant funding are new grants - £516k for Market Sustainability and Fair Funding (for Adult Social Care) and £3.072m for the Services Grant;

- the Government's assumption that there will be an increase in the general rate of Council Tax of 1.99%, the Adult Social Care Precept of 2.0% (comprising 1% of unused taxable capacity from 2021/22 and 1% increase in 2022/23).

3.13 A full analysis of the Council's change in Core Spending Power for 2022/23 (when compared to 2021/22) is provided at **Appendix A**.

Statement on the robustness of the Council's budget calculations and the adequacy of financial reserves

3.14 As indicated in the legal implications section below, Section 25 of the Local Government Act 2003 requires the Council's Director of Finance, as the Officer having responsibility for the administration of the Council's financial affairs, to report to the Council on the robustness of the budget estimates and the adequacy of proposed financial reserves when determining its budget requirement under the Local Government Finance Act 1992.

3.15 This Statement is provided elsewhere on the Agenda for this meeting. The statement has been produced on the basis of the proposals set out in this report. It should be noted that, subject to Councillors' deliberations on the budget at this meeting, the Statement confirms that the budget presented here (and the Capital Programme for 2022/23 which is elsewhere on the Agenda) is considered to be robust.

3.16 Given the significant reduction in core government funding in recent years, the absence of any funding certainty over the medium term and the use of council reserves to balance the Council's budget, Councillors are asked to consider these statements fully in the context of the proposed budget and Medium Term Financial Plan.

3.17 As part of the preparatory work in relation to the statement on the adequacy of the Council's financial reserves, work has been undertaken to review the level of the Council's General Fund Working Balance. This review is undertaken annually and the outcome of this work is a proposal to maintain a Minimum Working Balance of c£6m. The rationale for this is provided at Appendix B to the report on the Robustness of Estimates.

4. RATIONALE

4.1 The Council has a statutory obligation to set a balanced General Fund Revenue Budget for 2022/23 by 11th March 2022.

5. KEY ISSUES

Funding Allocations 2022/23

5.1 On the basis of the Local Government Finance Settlement 2022/23 and the Council's own assessment of Retained Business Rates, Table 1 below summarises the estimate of Government funding for Blackburn with Darwen for 2022/23:-

Table 1: Estimate of Government Funding 2022/23 (and forecast to 2024/25)

	Actual Funding 2021/22 £000	Estimated Funding 2022/23 £000	Forecast Funding 2023/24 £000	Forecast Funding 2024/25 £000
Business Rates Retained (IABR*1)	20,545	18,185	20,245	20,658
Business Rates Top Up	24,275	24,275	24,688	25,182
Baseline Funding Assessment	**44,820**	**42,460**	**44,933**	**45,840**
Revenue Support Grant	13,597	14,016	14,016	14,016
Settlement Funding Assessment	**58,417**	**56,476**	**58,949**	**59,856**
Improved Better Care Fund	8,103	8,349	8,349	8,349
Social Care Grant	6,551	8,813	8,813	8,813
Market Sustainability and Fair Funding	-	516	-	-
BSF PFI Grant	8,472	8,472	8,472	8,472
Sub-total	**81,543**	**82,626**	**84,583**	**85,490**
Other Government Grants				
Under-indexing Business Rates	2,336	4,340	4,340	4,340
Other Business Rates s31 Grant	2,904	4,228	2,800	2,800
New Homes Bonus	1,006	1,006	-	-
Lower Tier Services Grant	334	341	341	341
Services Grant	3,072	3,072	3,072	3,072
Total Government Funding	**91,195**	**95,613**	**95,136**	**96,043**

*1 – Individual Authority Business Rates (IABR)

Business Rates Retained

5.2 The estimate of Business Rates Retained for 2022/23 in Table 1 above is the Council's own assessment of the amount of business rates the Council will retain from the net collectable Business Rates generated in the Borough (based on a 49% share, with the balance shared between the Lancashire Fire Authority (1%) and the Government (50%)). This is based on local knowledge of the Business Rates taxbase, anticipated growth/decline in the rateable value of properties, exemptions and reliefs.

5.3 The Council's assessment of Business Rates Retained compares to the Government's assessment as set out in the final Local Government Finance Settlement.

Business Rates Top Up

5.4 In simple terms, the Business Rates Top-Up is the amount payable **to** the Council to reflect the difference in the Council's Baseline Funding Assessment (the assessment of funding needed to deliver services (last undertaken in 2013/14)) and its ability to raise income from Business Rates (the Individual Authority Business Rates Assessment). This is a cash grant payable to the Council and for 2022/23 will be £24.275m (£24.275m in 2021/22).

Revenue Support Grant

5.5 Revenue Support Grant (RSG) is a general cash grant payable to the Council. Compared to the current financial year, for 2022/23 RSG has been increased by inflation of 3.0% and will be £14.016m (£13.597m in 2021/22).

Funding for Social Care

5.6 For a number of years, the Government has made available various ad-hoc grants to support the social care system. These are cash grants payable to local authorities for investment in Adult and Children's Social Care, either directly by the Council or as part of a pooling arrangement with the NHS. The amounts received by Blackburn with Darwen Council including the allocations for 2022/23 are shown in the table below:-

Table 2: Additional Grant Funding for Social Care (excl Social Care Precept)

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Adult Social Care	768	478	-	-	-	-
Improved Better Care Fund	4,307	5,901	7,339	8,104	8,104	8,349
Social Care Grant	-	-		4,925	6,551	8,813
Social Care Support Grant	-	-	1,306	-	-	
Winter Pressures Grants	-	764	764	-	-	-
Market Sust/Fair Funding	-	-	-	-	-	516
Total	**5,075**	**7,143**	**9,409**	**13,029**	**14,655**	**17,678**

5.7 Table 2 above includes an additional £2.262m for Social Care and a new Market Sustainability and Fair Funding Grant with the Council's share being £516k. It is assumed that this is a one-off grant and according to Government guidance, it is intended to be used to:-

- conduct a cost of care exercise to determine the sustainable rates and identify how close they are to it;
- engage with local providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market;
- strengthen capacity to plan for, and execute, greater market oversight (as a result of increased section 18(3) commissioning) and improved market management to ensure markets are well positioned to deliver on our reform ambitions; and
- use this additional funding to genuinely increase fee rates, as appropriate to local circumstances.

5.8 As Councillors will be aware, the Government has published a White Paper on reforms to the Adult Social Care system which sets out a 10 years vision for adult social care. These reforms are expected to be implemented from April 2023 and there is an expectation that new funding will be provided to Councils by the Government to fund this change. The extent to which any such funding will be sufficient to meet the cost of delivering the reforms will be a consideration in the development of the Council's budget for 2023/24.

New Homes Bonus

5.9 The New Homes Bonus (NHB) is now in its tenth year as part of the Local Government Finance system. The original policy intention of the NHB was to provide a financial incentive to local authorities to encourage the building of new homes and/or bringing empty homes back into use.

5.10 Despite consulting on proposals earlier this year to amend the NHB Scheme, the Government has decided to roll-forward the present scheme for a further financial year. As a consequence, rather than just providing for legacy amounts from previous years (£185k), the Government has provided NHB to reflect new housing and empty houses brought into use in the period to October 2021. This amounts to £820k giving an overall NHB payment of £1.006m for 2022/23.

5.11 It has been assumed that there will be no further NHB payments after 2022/23 although this is subject to the outcome of the Government's consultation on this matter and whether the NHB Scheme will be a feature of the future funding of Local Government.

Other Grants

5.12 As indicated in the table, the Government includes a number of other cash grants payable to the Council in the calculation of the Core Spending Power.

- ***Under-Indexing of Business Rates*** – this is a cash grant payable to the Council to reflect the Government's decision previously to not increase the national business rates multiplier by inflation (as is normally required by Business Rate legislation). The policy intention is to relieve businesses of the burden of additional business rates costs and the purpose of the grant is to compensate Councils for the loss of income that they would otherwise have received. The actual grant payable to the Council will be based on the performance of business rates during the year;

- ***Lower Tier Services Grant*** – This grant was first paid in the current financial year and was, when announced, badged as one-year only. Contrary to their initial view, the Government has chosen to pay Lower Tier Services grant again in 2022/23 and the Council will receive £341k;

- ***Services Grant –*** The Services Grant is a new grant for 2022/23. The Council will receive £3.072m (out of a total £822m) with the distribution of the grant based on the Council's Settlement Funding Assessment from 2013/14 (the last time the Council's funding was based on an assessment of its relative needs);

  The Government has indicated that the grant is one-off and is not ringfenced. However, in doing so, it has set out a clear intention to retain the £822m allocated nationally for Local Government spending from 2023/24 and to work with the Sector on how best to use the funding from then onwards. For the purposes of the MTFP, it is assumed the Council will retain its share of this grant funding at 2022/23 levels.

Dedicated Schools Grant

5.13 Dedicated Schools Grant (DSG) is paid to the Council in support of the Local Authority's Schools Budgets. It comprises four blocks (Schools Block, High Needs Block, Early Years Block and Central School Services Block). It is the responsibility of the Council, in conjunction with their local Schools Forum, for determining the split of the funding between their own expenditure and the Individual Schools' Budgets.

5.14 For 2022/23, DSG totals £183.348m and is shown, by block and in comparison to 2021/22, in the table below:-

Table 3: Dedicated Schools Grant 2022/23

	2021/22 £000	2022/23 £000	Change £000
Schools Block	138,058	142,241	4,183
Central Services Block	2,151	1,944	(207)
High Needs Block	25,628	28,276	2,648
Early Years Block	11,816	10,887	(929)
Total	**177,653**	**183,348**	**5,695**

5.15 The following narrative explains the changes in the Block allocations:-

- The Schools Block is allocated through the National Funding Formula (NFF). Councils still have the ability to allocate their Schools Block to individual Schools through a local funding formula; that said, as reported previously, the Government has confirmed its intention that Councils will have to use the NFF for allocations to Schools (although the timescales for this have not been confirmed). In any event, Blackburn's allocation of the funding is broadly based on the NFF;

- the additional Schools Block funding reflects both an increase in the 'per unit' pupil funding and the expected number of pupils;

- in contrast, the Central Services Block which funds the Council's ongoing responsibilities for all Schools in the Borough has reduced due to a reduction in the 'per unit' pupil funding and the gradual reduction in funding for historic commitments as in previous years;

- The increase in the High Need Block reflects in the main additional investment of £780m (or 9.6%) nationally into the High Needs provision, when compared to 2021/22;

- Whilst the rates of funding for the Early Years Block have increased by c4%, the estimated number of children has reduced hence the reduction in the Block allocation.

5.16 In addition to the allocation above, the Government has provided (provisional) supplementary grant funding in 2022/23 for both the Schools Block (£3.990m) and the High Needs Block (£1.061m). This is described by Government as '*additional funding to provide support for the costs of the Health and Social Care Levy and wider costs'*.

5.17 As is standard practice, the allocation of Block Funding to each School as appropriate has been agreed with the Schools Forum and any changes that impact on the Council have been reflected in the General Fund Budget for 2022/23 and the Medium Term Financial Plan to 2025.

Public Health Grant

5.18 The allocations of Public Health Grant for 2022/23 were released on 7th February 2022. Blackburn with Darwen will receive £15.486m (compared to £15.063m in 2021/22), an increase of 2.8% when compared to the previous year.

5.19 Again, as in previous years, the Grant is ring-fenced for public health measures (although work is currently underway to determine what, if any, new burdens may need to be funded from the grant). For the purposes of the budget, it is assumed that the change in grant will have a neutral impact on the Council's General Fund budget.

Council Tax (as part of Core Spending Power)

5.20 The Government has assumed that the Council will raise £59.770m in Council Tax in 2022/23 as part of their assessment of the Core Spending Power. This is based on the following assumptions:-

- applying the average annual growth in the Council Tax Base between 2017/18 and 2021/22 to project growth in the tax base for 2022/23; and

- that the Council will increase its Council Tax in line with the maximum allowable level set out by the Council Tax Referendum Principles for 2022/23. That is 1.99% for general Council Tax and 1% for the Adult Social Care Precept. The Government has also indicated that Councils like Blackburn with Darwen, which did not use the full flexibility for the Adult Social Care Precept in 2021/22, can apply the balance in 2022/23. For Blackburn with Darwen, this is an additional 1%.

5.21 As indicated, these are the Government's assumptions. Proposals for Blackburn with Darwen's Council Tax for 2022/23 are set out elsewhere in this report.

Forecast General Fund Outturn 2021/22

5.22 At the meeting of the Executive Board on 10th February 2022, a report on the Council's budget position for the current financial year was considered.

5.23 Monitoring of the Council's Budget for 2021/22 will continue with any variations to the estimated year end position reported to the Executive Board as part of the normal monitoring procedures.

Development of the Base Budget 2022/23

5.24 The development of the General Fund Revenue Budget for 2022/23 has been against the backdrop of the continuing impact of the Covid-19 Pandemic along with a range of other matters, specific to Portfolios, details of which are provided below

5.25 Where there are ongoing impacts of Covid-19 on the Council's activities, whether this is additional costs due to the Council's response/recovery activities or it is shortfall income, unlike in the current financial year, the Government is <u>not</u> providing any additional funding to support local authorities. As a consequence, any such costs will have to be borne by the Council both from within existing budgets or from reserves.

5.26 As in previous years, work continues to review and realign budgets to service activity. This has been hampered to some extent by the impact of Covid-19 which in some areas is distorting what would be considered to be normal levels of activity. Examples include the additional pent-up demand in both Adults and Children's Services, higher than expected amounts of waste collection as people remain at home more frequently and lower attendance at the Council's leisure, culture and arts facilities.

5.27 Where it is considered necessary, adjustments have been made to Portfolio Budgets to reflect this as appropriate or amounts have been earmarked in reserve as contingent sums.

Adult Services and Prevention

5.28 During the year, whilst there have been demand and additional cost pressures on the commissioning budget, these have been offset by income from the NHS, both from the Discharge to Assess Scheme and Continuing Health Care contributions from the Blackburn with Darwen CCG. It should be noted that these additional income sources are considered to be one-off for 2021/22 and, unless any such funding is received in 2022/23, the Council is expected to be faced with the additional costs of rising demand and care prices.

5.29 Increasing costs and rising demand apply equally to the provision of domiciliary care and the cost of individual care packages due to the acuity of needs. In both cases, these pressures are likely to continue throughout the winter period and into the new financial year. Similarly, as a result of changes to discharge and joint funding pathways, the Portfolio is beginning to see an increase in referrals and care package costs reverting back to the Council to fund which will increase cost pressures in 2022/23.

5.30 Given the continuing impact of Covid-19, the Adult Services and Prevention Portfolio has benefited from Infection Control Grant to meet the cost of measures to prevent the spread of the disease. For 2022/23, the assumption is that this grant will not be available and the Council may need to curtail activity in this area as a consequence. The impact of this will depend largely on the prevalence of Covid-19 at that time.

5.31 The cost of commissioning budgets is impacted by a range of matters, not least the National Living Wage which is considered in more detail below.

Public Health and Wellbeing

5.32 As indicated above, the Public Health Grant for 2022/23 will continue to be used for public health interventions.

5.33 Leisure Centres and venues for hire continued to be impacted by the effects of the Covid-19 Pandemic. In the current year, there have been periods of lockdown when facilities have been closed to the public. Having re-opened in July 2021 following the end of most restrictions, work is underway to increase footfall. Indeed, as part of this strategy and as agreed by the Executive Board earlier this financial year, additional investment has been made available to refresh and replace the Gym Equipment at Blackburn and Witton Park Leisure Centres. This combined with significant promotional activity and reductions in Covid-19 restrictions means that Centre Users are starting to return to the facilities.

5.34 As with other areas of the Council that are dependent on increased usage of services to return income generating services to pre-Pandemic levels, this will be a key focus in 2022/23.

Children, Young People and Education

5.35 The financial position of the Children's, Young People and Education Service has seen a significant deterioration during 2021/22 when compared to the budget position for 2020/21. This is despite an additional £1.8m investment in the Service as part of the agreed budget for the year.

5.36 During 2021/22, the expenditure on Special Guardianship Orders (SGOs) has, as in previous years, continued to rise reflecting that this provides a better longer term outcome for children who would, otherwise, remain in the Council's care. Given the trajectory of expenditure on SGOs in recent years, along with a forecast of likely expenditure in 2022/23 onward given the number of Children subject to an SGO, the budget for this areas has been increased by £1m for 2022/23. This is to be funded from the additional social care grant received for 2022/23.

5.37 A further pressure in 2021/22 is the cost of placements. Whilst the budget for placements was increased in 2021/22, it is demand-led and the cost of placement depends largely on the needs of the child and also the availability of suitable places. At this stage, no additional funding has been provided to increase the budget for placements but it will be subject to closer monitoring and scrutiny during the year. And in this context, notably the Competition and Markets Authority (CMA) is undertaking a review of the Children's Social Care Sector to determine why there is a lack of available provision and why the Sector is faced with ever increasing costs.

5.38 The budget also includes support for Children's Centres reflecting that the previous plan to review and reconfigure how Children's Centres are operated has not been possible to due to the Pandemic. This matter will now be considered in the context of a review of the Early Help services provided by the Council with the prospect of additional funding being obtained from the Government's scheme to create Family Hubs.

5.39 As with Adult Social Care, the demand-led nature of Children's Services remains a key risk to the budget and will, therefore, need to be closely monitored during the year. In particular, whilst the number of Children in Our Care is relatively stable, the way in which they are cared for (whether fostering in-house, independent fostering, placement etc.) has a bearing on the Council's budget. As ever, in determining this, the needs of the child are paramount so regular monitoring of the budget is essential to manage pressures as they arise.

5.40 Finally, it is worth highlighting that as well as the CMA review referred to above, the MacAlister Review into Children's Social Care is ongoing and is a more fundamental review of the challenges facing the system and what can be done to transform how it works. It is expected the Review will conclude in the coming year and subject to the Government's response, this may have budgetary implications for the Council.

Environmental Services

5.41 As reported to the Executive Board as part of the regular budget monitoring reports, Environmental Services continues to be affected by the Covid-19 Pandemic. In particular, income from car parking, litter enforcement and taxi licencing have been significantly reduced; in part, these have been offset by additional income from recycling credits in Waste Disposal and an underspend in Grounds Maintenance.

5.42 The recovery of incomes streams is closely linked to the economic recovery of Town Centres. It is expected that, as the impact of the Pandemic starts to recede, there will be increased footfall in Town Centres (albeit with uncertainty as to whether it will return to pre-Pandemic levels). For the purposes of setting the budget for 2022/23, as in the current year, income budgets have been retained at their pre-Pandemic levels with the expectation that, whilst it is expected that some of these pressures will continue into the next financial year, they will provide a target for services to achieve.

5.43 Aside from the impact of the Pandemic, the Environment budget is subject to the normal operational pressures. Assumptions have been made about tonnages of waste expected and the inflationary impact on Waste budgets, not least the contract with Suez. An additional short term cost pressure is the net loss of income from Selective Licensing as the licences for the current schemes at Infirmary and Darwen expire but due to the pressures of the Pandemic, it has not been possible to undertake the work necessary to put in place replacement schemes; work on this matter is currently underway.

5.44 And, as previously reported to the Executive Board, it is proposed that an amount of £260k is included in the budget to support the delivery of the Climate Emergency Action Plan. Amongst a range of measures including undertaking a Citizens Inquiry on Climate Change. A further £40k will be provide to fund the cost of employing an additional Environmental Education Officer.

Growth and Development

5.45 Again, the Growth and Development Portfolio has been affected significantly by the Covid-19 Pandemic. In particular, Commercial and Markets income has been reduced due to the difficult trading conditions over the year and this is likely to remain an issue during 2022/23.

5.46 Looking ahead, a key focus for the Growth Team is the adoption of the Local Plan for the period to 2037 which, at the time of writing, is the subject of a final public consultation before submission to the Planning Inspectorate for examination later in the year. Funding of £127k (met from the Budget Strategy Reserve) has been included in the budget for 2022/23 to meet the costs of delivering this final stage of determining the Council's Development Plan.

Digital and Customer Services

5.47 The delivery of the Digital Strategy is key to the transformation of some Council Services. Implementing the Strategy requires significant capital investment, details of which can be found in the Capital Strategy and Programme report elsewhere on the Agenda for this meeting.

5.48 Underpinning this capital investment is a need to provide adequate revenue funding for changes in the way the Council's ICT systems are operating (and with it, how some services are delivered). To that end, and as approved previously by the Executive Board, funding of £285k has been included in the budget for 2022/23 to reflect the costs of MS365, the new HR Payroll System and the transition to Cloud-based networking.

Finance and Governance

5.49 The Finance and Governance Portfolio has not been immune from the impacts of Covid-19. In particular, due to the impact on the Town Centres, income in areas such as the Mall Shopping Centre and Car Park and tenanted properties has been significantly impacted. It is anticipated that these areas will be under pressure in 2022/23 but, as with other income streams, budgets have not been adjusted at this stage pending a review and realignment during the year.

Other Cost Pressures

5.50 The Council is subject to a range of other cost pressures, some of which are generic in nature (pay award, National Living Wage, non-pay inflation) and some specific.

Pay Award (and pay progression)

5.51 The Local Government Pay Award is determined in negotiations between the National Employers Organisations and the Trade Unions via the National Joint Council (NJC) for Local Government Services. At the time of writing, there has been no agreement on the pay award for 2021/22 and the Trade Unions are in the process of balloting their membership with a view to taking industrial action should that be considered necessary.

5.52 For 2022/23, provision has been made within the budget for a pay award of 2.00%. As in previous years, the proposed budget for 2022/23 also assumes that the cost of any incremental progression in pay will be absorbed within the individual Portfolio budgets.

National Living Wage

5.53 As Councillors may be aware, the Government is to increase the National Living Wage (for those aged 23 and over) by 6.6% with effect from April 2022 (with increases of between 4% and 12% for other age groups). Although not significant in the context of the Council's own workforce, the increase in the NLW has a significant impact on external providers, specifically those providing social care.

5.54 The Commissioning budgets included in the 2022/23 budget include provision for increases in Provider hourly rates arising from the increase in the NLW (and other inflationary changes) with effect from April 2022. However, the actual cost of this is the subject of negotiations between the Council and Providers which are ongoing and unlikely to be concluded by the time of Finance Council.

5.55 In view of this, and following previous practice, it is recommended that delegated authority is given to the Strategic Director for Adults and Health, in consultation with the Executive Members for Adult Services and Prevention and Finance and Governance, to agree the hourly rates and contract changes with Social Care Providers in 2022/23, payable from April 2022.

National Insurance

5.56 As Councillors will be aware, the rate of Employers National Insurance is due to increase from April 2022 by 1.25% as part of measures to provide additional funding for the health and social care system. Badged as the 'Health and Social Care' levy, provision of £411k has been included in the budget. According to the Government, the Council's financial settlement for 2022/23 includes funding to reimburse the Council for this cost.

General Inflation

5.57 Over recent years, the general rate of inflation (as measured by the Consumer Price Index (CPI)) has been relatively low; between 2017 and mid-2021, it has been well below the 2% target set by the Government for the Bank of England (BoE).

5.58 Towards the latter part of 2021, CPI has risen sharply to around 5.5% due mainly to higher fuel and energy prices. The BoE expect inflation to peak at around 6% in April 2022 but to fall back in the second half of 2022 although this is largely dependent on a positive outlook with the Covid-19 Pandemic; the emergence of the Omicron variant is an example of how that positive outlook has been affected by Covid-19.

5.59 Within the 2022/23 budget (and MTFP), provision has been made for inflation on specific areas of expenditure such as utilities, waste and for larger contracts where there are known pressures. Most other non-pay budgets are assumed to be cash limited requiring any inflation to be contained with existing budgets. That being said, this matter will remain under review as the year progresses given the difficulties of predicting rates of inflation in the current economic climate.

Debt Charges (Interest and Minimum Revenue Provision)

5.60 Elsewhere on the Agenda for this meeting is a report detailing the Council's proposed Capital Programme for 2022/23. The funding of the proposed Programme comes from a range of sources including borrowing. The costs of borrowing to the Council are known as Debt Charges and they are required to be funded from the General Fund Revenue Account.

5.61 The Council's Debt Charges (or cost of borrowing) for capital investment comprise two elements:-

a) an <u>interest cost</u> arising from either new cash borrowing or the Council choosing to redeem investments (ie interest foregone) in order to have sufficient cash to meet capital payments when they are due;

b) a <u>principal</u> repayment (otherwise known as the Minimum Revenue Provision) required to reduce the net indebtedness of the Council.

5.62 The table below shows the forecast cost of borrowing over the Medium Term Financial Plan period:-

Table 4: Estimated Borrowing Costs 2022/23 to 2024/25

	2022/23 £000	2023/24 £000	2024/25 £000
Interest Costs	12,565	12,634	12,891
Minimum Revenue Provision (Principal)	6,422	6,691	6,691
Total	**18,987**	**19,325**	**19,582**

Budget Investment 2022/23

5.63 Acknowledging that the Council has been subject to over a decade of austerity, there are some areas of service where it is now considered should be subject to investment, albeit relatively modest in the context of the funding reductions the Council has experienced. Details of these proposals, which total almost £1.5m over the period to 2023/24, are set out in Table 5 below:-

Table 5: Budget Investments 2022/23

	Base Budget 2022/23 £000	Forecast 2023/24 £000
Highways - White Lining of Roads etc.	260	-
Re:fresh – Provision of Free Access to Leisure Facilities	265	-
Increase in Library Opening Hours ((2hrs per week)	40	40
Additional Litter Bin Emptying	48	48
Litter Picking (Additional 3FTE Staff)	90	90
Introduction of Shrub Pruning Team	80	80
Introduction of Park Attendants	80	80
Increase in Gully Cleansing Capacity	95	95
Ward Waste Collections (2 times per year)	35	35
Total Budget Investments	**993**	**468**

5.64 As the table indicates, these investments comprise some one-off measures and those that are recurring (although the extent of this will depend on the future funding settlement received by the Council).

Budget Efficiencies 2022/23

5.65 As part of the process of developing a balanced budget, one which is both compliant with the Council's statutory obligations but is equally sustainable and robust, it is proposed to implement a range of budget efficiencies. A summary of the proposals by Portfolio is provided in Table 6 below with more details provided at **Appendix B**:-

Table 6: Budget Efficiencies 2022/23

	Base Budget 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000
Adults and Prevention	750	750	750
Children's and Young People	320	320	320
Environment	205	205	205
Digital and Customer Services	100	100	100
Finance and Governance	690	945	1,200
Total Savings	**2,065**	**2,320**	**2,575**

5.66 Subject to approval by the Council, the implementation of these proposals will commence in April 2022 to ensure delivery in the financial year. Delivery of the proposals will be subject to regular review as part of the normal monitoring reports considered by the Council's Executive Board.

Reserves and Balances

5.67 Details of the Council's Reserves and Balances are provided regularly in reports to the Council's Executive Board. An updated analysis of Reserves and Balances is now provided at **Appendix C** and this reflects the changes in reserves arising from this report. The strategy for the use of Reserves and Balances is as follows:-

- the **Minimum Working Balance** will be maintained at £6m. As Councillors will know, the Minimum Working Balance is held as a contingent sum to provide for unexpected and unforeseen circumstances and is part of the Council's various measures to maintain financial resilience;

- a **Budget Support Reserve** of £5m was established in 2021/22. This Reserve will be used to 'smooth' the impact of budget reduction measures over the life of the Medium Term Financial Plan. In 2022/23, an amount of £1.120m will be used to support the budget;

- an **'Invest to Save' Reserve** of £5m was also established in 2021/22. This reserve is to be used to provide funding to invest in activities specifically aimed at reducing the Council's net cost base (either by reducing expenditure, generating additional income or a combination of both). Use of the reserve will be subject to an appropriate business case. In 2022/23, an amount of £374m will be used to support the budget;

- Remaining **Specific Reserves (for discretionary use)** will only be used the purposes for which they have been set aside and will be subject to annual review. In 2022/23, it is estimated that £6.261m will be used to fund capital expenditure (as planned) and £5.471m will be used to meet the Collection Fund – Business Rates deficit in 2021/22.

5.68 In a report elsewhere on the Agenda for this meeting, the Director of Finance has provided a report on the adequacy of reserves as required by statute.

Council Tax 2022/23

Council Taxbase

5.69 The Council's Taxbase for 2022/23 for the purposes of Council Tax calculations has been agreed at 35,439.30.

Local Council Tax Support Scheme

5.70 In the light of current economic circumstances, other than reflecting normal up-rating of benefit amounts, it is not proposed to make any changes to the Council's current Local Council Tax Support Scheme for 2022/23.

Council Tax - General

5.71 As set out above, the referendum threshold for general Council Tax, set by the Government, remains at 2.0% for 2022/23; the Government's assumption in the calculation of the Council's Core Spending Power is an increase in Council Tax of 1.99%. In view of this, it is recommended that the general Council Tax be increased by 1.99% in 2022/23.

Council Tax – Adult Social Care Precept

5.72 As with the Council Tax – General, the Government's calculation of the Council's Core Spending Power for 2022/23 assumes that all Councils with a responsibility for Adult Social Care will increase their Council Tax by 1.0% in 2022/23. In addition, as Blackburn with Darwen Council did not fully use the flexibility made available by the Government to increase the Social Care Precept by 3.0% in 2021/22 – an increase of 2.0% was applied – the Government has indicated that the remaining 1.0% can be applied in 2022/23.

5.73 In view of this, it is recommended that the Social Care Precept for 2022/23 be increased by 2.0%.

Base Budget 2022/23 Summary

5.74 Taking into account all of the matters considered above, the proposed General Fund Budget for 2022/23 is set out at **Appendix D** with a summary provided in Table 7 below:-

Table 7: General Fund Budget for 2022/23

	Base Budget 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000
Portfolio Budgets	130,938	129,970	129,625
Corporate Income and Expenditure	19,065	21,036	28,215
Net Expenditure	**150,003**	**151,006**	**157,840**
Government Funding (see Table 1)	(82,626)	(84,583)	(85,490)
Collection Fund Deficit (net)	6,104	305	(765)
Contribution from Reserves/Balances (net)	(13,146)	(1,388)	(960)
Council Tax Requirement *1	(60,335)	(62,455)	(64,645)
Budget Gap	**-**	**2,885**	**5,980**

*1 – Including Town and Parish Council Precepts

5.75 For information, **Appendix E** provides a reconciliation of the budget deficit for 2022/23 as reported to Finance Council on 1st March 2021 to the balanced budget position shown in the table above.

5.76 As the Table indicates, on the basis of the proposals set out in this report, the Council's budget is balanced in 2022/23. There remains, however, a budget gap over the medium term of c£6.0m.

Capital Strategy and Capital Programme

5.77 A report on the Capital Strategy and Capital Programme for 2022/25 is provided elsewhere on the Agenda for this meeting.

The Financial Strategy (and Medium Term Financial Plan) 2022/23 to 2025/26

5.78 Agreement to the Council's General Fund Revenue Budget for 2022/23 (and the Capital Programme for 2022/23) should be considered in the context of the Council's medium term financial position. Details of this are provided in the Council's draft Financial Strategy (and Medium Term Financial Plan) 2022/23 to 2024/25 which is provided at **Appendix F** to this report.

5.79 As indicated above, whilst the proposed budget for 2022/23 is balanced, there remains a budget gap of c£6.0m to 2024/25. The purpose of the draft Financial Strategy, amongst other matters, is to provide a broad framework by which the Council can implement measures to deal with this gap. The Strategy is based around the following themes:

- ***Growing*** the Council's income using the funding mechanisms now in place for local government to increase the Borough's taxable capacity, in particular the Business Rates Retention Scheme. This means that the Council continue to consider ways in which it can increase income from business and housing growth to ensure that funding for services can be maintained and increased;

- ***Charging*** for services, raising income which will mean that it is possible to continue providing services that resident's value. This will mean continuing to review the level of fees and charges, reducing the subsidy on some services and considering the introduction of new fees and charges. It will also include reviewing the level of discretionary business rates and council tax exemptions/discounts and the local scheme of Council Tax Support;

- ***Saving*** costs by, for example, reviewing how the Council delivers services, doing things differently and more efficiently, scaling services to appropriate levels within the resources available to the Council and working with partners, including the voluntary sector, local town and parish councils to sustain local facilities and services. At the heart of this approach is a transformation programme that will consider how best to deliver services that provide the highest value for money;

- ***Stopping*** spending on lower or non-priority areas. This could mean, for example, that the Council works with other partners to deliver services that would otherwise be delivered by the Council.

5.80 Subject to Finance Council's agreement to the draft Financial Strategy, this will provide the basis of the development of the Council's financial plans in support of the delivery of the Corporate Plan and achieving a balanced and sustainable budget.

6. POLICY IMPLICATIONS

6.1 The Council's budgets (revenue and capital) support the delivery of services in pursuance of the vision, objectives and priorities set out in the Council's Corporate Plan.

7. FINANCIAL IMPLICATIONS

7.1 The financial implications are as given in the report.

8. LEGAL IMPLICATIONS

8.1 The Council must calculate and approve its Council Tax Requirement for the forthcoming financial year in accordance with s32 and s43 of the Local Government Finance Act 1992 (LGFA), annually.

8.2 Section 25 of the Local Government Finance Act 2003 also requires the Officer having responsibility for the administration of the Council's financial affairs (the Director of Finance at this Council) to report to the Council on the robustness of the budget estimates and the adequacy of financial reserves when determining its budget requirement under the LGFA 1992. This is considered in a report elsewhere on the Agenda for this meeting.

9. RESOURCE IMPLICATIONS

9.1 There are no other resources implications arising from the contents of this report.

10. EQUALITY AND HEALTH IMPLICATIONS

10.1 All proposals in this report are subject to an Equality Impact Assessment as appropriate. Other than that, there are no equality and health implications arising from the contents of this report.

11. CONSULTATIONS

11.1 The Council regularly undertakes consultation with residents, businesses, partners and stakeholders. That said, normal consultation processes have been hampered by the impact of the Covid-19 pandemic, both in terms of the capacity available to conduct such consultations but also the ways in which consultation have taken place.

11.2 Where it has been possible, consultation exercises have been conducted with our staff and residents and businesses across the borough through postal surveys and via on line surveys to find out opinions on Council Services. The most recent examples of this include the Residents Survey, consultation on the Local Plan development and, imminently, consultation on the development of the Corporate Plan.

11.3 This feedback helps to shape the Budget, the MTFS and the Capital Programme proposals.

Appendices

Appendix A -	Analysis of Blackburn with Darwen's Core Spending Power
Appendix B -	Budget Efficiency Proposals 2022/23
Appendix C -	Estimated Balances and Reserves as at 31st March 2022
Appendix D -	Draft General Fund Revenue Budget for 2022/23
Appendix E -	Reconciliation of Medium Term Financial Plan 2022/23 (March 2021 to February 2022)
Appendix F -	Draft Financial Strategy (and Medium Term Financial Plan) 2022/23 to 2024/25

VERSION:	1

CONTACT MEMBER	Councillor Vicky McGurk Executive Member – Finance and Governance
DATE:	28th February 2022

Appendix A

Blackburn with Darwen
Core Spending Power 2022/23

	Final Settlement 2022/23 £000
Core Spending Power 2021/22	133,327
Business Rates Retained (IABR *1)	20,291
Business Rates Top Up	24,275
Baseline Funding Assessment	**44,566**
Revenue Support Grant	14,016
Settlement Funding Assessment	**58,582**
Under-indexing Business Rates	4,555
Improved Better Care Fund	8,349
Social Care Grant	8,813
Market Sustainability and Fair Funding	516
New Homes Bonus	1,006
Lower Tier Services Grant	341
Services Grant	3,072
Council Tax (excl Parish Precepts) *2	59,770
Core Spending Power 2022/23	**145,004**

Change from 2021/22	**11,677**
	8.8%

*1 This is Individual Authority Business Rates (IABR) and is Government's assessment of the Council's share of business rates.
*2 This is based on the Government's assumptions of Council Taxbase and Council Tax Levels and is not reflective of the Council's decision on Council Tax.

Appendix B

Blackburn with Darwen
Budget Efficiency Proposals 2022/23

	Base Budget 2022/23	Base Budget 2023/24	Base Budget 2024/25
Adult Social Care			
Review of high cost packages funded through DP or CHC/Complex Cases.	200	200	200
Review of Supported Living and Extra Care contracts to review Core/Background commissioning arrangements and void payments	150	150	150
Extend existing demand management strategies eg review of low level support needs or packages with lower hours to deliver in an alternative way through VCFS/Volunteers	50	50	50
Income – review all areas of charging to consider increased charging or implementation of charging where this doesn't currently exist.	50	50	50
Review of Supporting People Budget	300	300	300
Total Adult Social Care	**750**	**750**	**750**
Children's Service			
Review of Early Help Service	320	320	320
Total Children's Service	**320**	**320**	**320**
Environment Services			
Review of management and staffing across the portfolio	205	205	205
Total Environmental Services	**205**	**205**	**205**
Digital Services			
Review of business support/customer services following the identification of working effiencies from the implementation of the DCP	100	100	100
Total Digital Services	**100**	**100**	**100**
Finance and Governance			
Review of Empty Homes Discount (currently 100% for 6 months), reduce to 3 months. Approx £255k saving for each month of reduction - Phase in over 3 years	255	510	765
Review of corporate building running costs to identify efficiencies in working practice and possible procurement savings	100	100	100
Additional Income from Mall Car Park	85	85	85
Delete provision for Insurance Cover in Highways (no longer necessary)	250	250	250
Total Finance and Governance	**690**	**945**	**1,200**
Total Budget Efficiency Proposals	**2,065**	**2,320**	**2,575**

Appendix C

Blackburn with Darwen
Analysis of Balances and Reserves

	Balance at 1 April 2021 £000	Proposed Change in 2021/22 £000	Forecast Balance at 31st March 2022 £000	Proposed Change in 2022/23 Total Use £000	Forecast Balance at 31st March 2023 £000
Minimum Working Balance (GF Balance)	8,373	604	8,977	-	8,977
Budget Support Reserve	-	5,000	5,000	(1,120)	3,880
Invest to Save Reserves	-	4,950	4,950	(614)	4,336
Specific (Discretionary) Reserves - Committed					
- Welfare, Council Tax and Business Rate Reforms	10,031	313	10,344	(5,507)	4,837
- Investment in Assets and Infrastructure	1,543	(236)	1,307	-	1,307
- Support for Other Resources and Transformation Projects	375	-	375	-	375
- Support for People Services	4,484	(902)	3,582	-	3,582
- Support for Place Services	920	(308)	612	-	612
- Contingent Sums	14,310	(7,086)	7,224	(581)	6,643
- Slippage from Previous Years	11,557	178	11,735	-	11,735
- Amounts unspent from Grants and Contributions		947	947	(650)	297
- Amounts committed to Future Years Budgets	426	(5)	421	-	421
- Reserves held for Specific Purposes	4,019	614	4,633	(4,674)	(41)
Total Specific (Discretionary) Reserves	**47,665**	**(6,485)**	**41,180**	**(11,412)**	**29,768**
Other Earmarked Reserves	418		418	-	418
School Related Reserves	12,660		12,660	-	12,660
Total Reserves	**69,116**	**4,069**	**73,185**	**(13,146)**	**60,039**

Appendix D

Budget Summary 2022/23

The table below identifies the changes between the Budget 2021/22 presented in the Medium Term Financial Plan to Finance Council in March 2021 and the current position presented to Finance Council on 28th February 2022.

	2021/22 Base Budget £000	2021/22 Revised Budget £000	2022/23 Base Budget £000	Variation £000
	A	B	C	D=(C-A)
Portfolio Budgets				
Adult and Prevention Services	53,747	55,456	57,311	3,564
Public Health and Wellbeing	2,239	2,239	2,900	661
Children, Young People and Education	32,194	31,795	34,211	2,017
Environmental Services	9,173	9,302	10,519	1,346
Growth and Development	8,075	8,075	9,016	941
Digital and Customer Services	5,771	6,170	6,562	791
Finance and Governance	9,691	9,691	10,419	728
Total Portfolio Budgets	**120,890**	**122,728**	**130,938**	**10,048**
Corporate Income and Expenditure				
Contingencies	8,251	6,542	8,447	196
RCCO	3,381	3,381	6,351	2,970
Debt Charges	18,287	17,782	18,987	700
Recharges to Schools	(1,357)	(1,357)	(1,274)	83
Benefit Admin Grants	(700)	(747)	(650)	50
New Homes Bonus	(825)	(825)	(1,006)	(181)
Covid-19 Grant	(5,125)	(5,125)	-	5,125
Lower Tier Services Grant	(317)	(317)	(341)	(24)
Services Grant	-	-	(3,072)	(3,072)
Business Rates s31 Grant	(5,240)	(5,240)	(8,568)	(3,328)
Council Tax Support Grant	(2,126)	(2,127)	-	2,126
Other Grants	(31)	-	-	31
Town and Parish Precepts (incl Grants)	190	190	191	1
Net Expenditure	**135,278**	**134,885**	**150,003**	**14,725**
Business Rates	(20,545)	(20,545)	(18,185)	2,360
Business Rates - Top Up	(24,275)	(24,275)	(24,275)	-
Revenue Support Grant	(13,597)	(13,597)	(14,016)	(419)
Improved Better Care Fund Grant	(8,103)	(8,103)	(8,349)	(246)
Social Care Grant	(6,551)	(6,551)	(8,813)	(2,262)
Market Sustainability and Fair Funding	-	-	(516)	(516)
BSF PFI Grant	(8,472)	(8,472)	(8,472)	-
Council Tax Income	(57,044)	(57,044)	(60,171)	(3,127)
Council Tax Income - Town and Parish Precepts	(163)	(163)	(164)	(1)
Transfer from/to Collection Fund - Council Tax	538	538	(755)	(1,293)
Transfer from/to Collection Fund - NNDR	7,345	7,345	6,859	(486)
Total Estimated Funding	**(130,867)**	**(130,867)**	**(136,857)**	**(5,990)**
(Use of)/Contribution to Specific Reserves	(4,463)	(4,463)	(13,146)	(8,683)
(Use of)/Contribution to General Fund Balance	52	445	-	(52)
Funding Gap Reamining	**-**	**-**	**-**	**-**

Appendix E

Balancing the 2022/23 Budget

The table below summarises the way in which the Budget Gap for 2022/23 (as presented in the Medium Term Financial Strategy to Finance Council on 1st March 2021) has changed over the past 12 months to produce a balanced budget as required by statute

	£000	£000
Budget Deficit for 2022/23 (as reported to the Finance Council on 1st March 2021)		**(5,630)**
Change in Resources		
Core Grant Funding		
Reduction in estimate of Business Rates income due to freeze of Multiplier	(2,552)	
Additional Revenue Support Grant	283	
		(2,269)
Other Grant Funding		
New Homes Bonus	821	
Improved Better Care Fund	246	
Social Care Grant	3,888	
Market Sustainability and Fair Funding	516	
Lower Tier Services Grant	341	
Services Grants	3,072	
Business Rates S31 grant	3,368	
Extended Rights to Free Travel	(31)	
Total Other Government Resources		**12,221**
Change in Council Tax Income (incuding Collection Fund Surplus)	2,087	
Change in NNDR Collection Fund Deficit	(6,514)	
Total Council Resources		**(4,427)**
Inflationary uplifts in costs (incl National Living Wage, Pension Contributions, Contract Costs)	(3,157)	
Revenue implications of Digital Strategy	(285)	
Dealing with Ash Dieback	(165)	
Increase in National Insurance costs due to Health and Social Care Levy	(411)	
Special Guardianship Orders	(1,000)	
Provision for dealing with Climate Change	(300)	
Budget Investment Proposals (see Main Report)	(993)	
Budget Efficiency Proposals (see Main Report and Appendix C)	2,065	
Portfolio controllable budgets		**(4,246)**
Contingencies for inflation etc.		(2,765)
Change in Revenue Contribution to Capital		(6,351)
Interest paid / received and MRP		333
Change in Revenue Contribution to Capital		(92)
Change in the use of Reserves and Balances		13,226
Budget Deficit for 2022/23 (as reported to the Finance Council on 28th February 2022)		**-**

Appendix F

Financial Strategy 2022/25

Revision Control Table

Status

This is a "read only" version controlled document with defined and limited distribution

Document Title: Financial Strategy 2022/25	
Owner: Dean Langton: Blackburn with Darwen Borough Council	
Author: Dean Langton	**Title**: Director of Finance
Version: 1.0	**Release Date**:

Change History

Date	Rev	Change Detail

Approval Tree – Version 1.0

Role	Name	Title	Initials	Date

Distribution List – Version 1.0

Name	Title	Date

Contents

Foreword

This Financial Strategy is published by Blackburn with Darwen Council and builds on the work undertaken over recent years to develop a robust Medium Term Financial (Revenue and Capital) Plan

The purpose of the Financial Strategy is to set out the financial challenges facing the Council in the period 2022 to 2025 and outline the means by which the Council will seek to address them.

At the core of the Council's Financial Strategy is the continued integration of Service and Financial Planning. The Council believes that the delivery of services to achieve its strategic objectives and corporate priorities should drive the Council's work and that resources should be distributed in such a way to achieve this as effectively as possible. Equally important is the need to ensure that council taxpayers receive value for money from the services provided by the Council.

…………………………………..	……………………………….
Cllr Mohammed Khan	Cllr Vicky McGurk
Leader of the Council	Executive Member for Finance and Governance

Executive Summary

1. The aim of this Financial Strategy is to provide a plan for establishing a sustainable budget over the medium term planning period whilst ensuring that resources are applied in the most effective, efficient and economical way to achieve the Council's Corporate Plan. The production of a Financial Strategy is recognised as good practice in the proper financial management of a local authority.

2. The financial environment in which the Council is operating, and which is reflected in the Financial Strategy continues to be extremely challenging. According to the Autumn Budget Statement 2021, public expenditure over the medium term will see steady growth, following on from over a decade of austerity. The Comprehensive Spending Review 2021, which set out spending allocations for all Government Departments including Local Authorities, indicates that there will, in real terms, an increase of 3.1% in resources available from the Government. Despite having a 3-year funding settlement, the Department for Levelling Up, Housing and Communities has only provided a 1-year funding settlement for 2022/23 to Local Authorities.

3. This is against a backcloth in which demands for improvements in service are growing. Underlying the mismatch in resources is a requirement for the Council to make service delivery more efficient as a means of bridging the gap between the ongoing cost of services and ongoing resources.

4. The Financial Strategy has been prepared within the context of the Council's corporate planning process and is based around the delivery of the Corporate Plan. It provides the broad framework for financial planning. It identifies issues and pressures impacting on the Council and how it is proposed to deal with these. The Council uses service and financial planning to turn the broad strategy objectives into achievable annual operational plans. This approach provides a direct link between the Corporate Plan and service delivery.

5. To achieve its overall aim, this Strategy has 8 objectives that will be monitored on an annual basis and will provide a mechanism to ensure that the Strategy is delivered.

6. The first stage of preparing the Financial Strategy is to understand the Council's baseline financial position. To do this, a 3 year medium term financial plan (MTFP) has been produced for the period 2022/25 and indicates that, to provide the current level of service, there is a resource deficit over this period of c£6m. The budget for 2022/23 is balanced.

Table 1: Medium Term Financial Plan

	Base Budget 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000
Portfolio Budgets	130,938	129,970	129,625
Corporate Income and Expenditure	19,065	21,036	28,215
Net Expenditure	**150,003**	**151,006**	**157,840**
Government Funding (see Table 1)	(82,626)	(84,583)	(85,490)
Collection Fund Deficit (net)	6,104	305	(765)
Contribution from Reserves/Balances (net)	(13,146)	(1,388)	(960)
Council Tax Requirement *1	(60,335)	(62,455)	(64,645)
Budget Gap	**-**	**2,885**	**5,980**

7. The baseline financial position shown in the MTFP focuses on existing services and, where identified, the resource implications arising from the work programme set out in the Council's current Corporate Plan. This Strategy needs to be aligned with the ongoing development of the Corporate Plan and reflect any new requirements when the Plan is reviewed later this year. This is a two-way process in which the availability of resources impacts upon decisions about service priorities and strategic priorities influence what we spend our money on.

8. There are a number of budget pressures and issues that will impact on the Council over the life of this Financial Strategy. These comprise external issues/pressures such as:-

   - the challenging outcome of the Comprehensive Spending Review 2021 (CSR2021) and 3 year financial settlement;
   - the continuing impact of the response to Covid-19 combined with the need to recover;
   - increasing pressure on demand-led services, particularly Adult and Children's Social Care;
   - changes in legislation including, for example, the Health and Care Bill and the Environment Act;
   - the reduced availability of external funding;
   - the continuing pressure to control Council Tax.

9. There are also local issues, not least, the delivery of the Council's Corporate Plan which is expected to set out an ambitious agenda for transformational improvement in services provided by the Council aimed at improving the lives of everybody who lives, work and visits Blackburn with Darwen. Underlying this is a need to provide services more efficiently and over the life of the plan ensuring the reliance on reserves as a means of balancing the Council's budget is controlled, moving to a more sustainable budget funded from ongoing resources.

10. Some of these local issues may impact positively on the Council's financial standing but pending confirmation of this current projections indicate that the Council is facing a potentially significant resource shortfall over the 3 year period. This will require close scrutiny of service provision and budgets in order to achieve the Strategy aim of a balanced budget over the medium term. Key to this will be a need to prioritise how the Council uses its resources to deliver services and to ensure that any such service delivery demonstrates value for money.

11. In response to this, it is proposed that the following themes will be pursued:-

    - ***Growing*** the Council's income using the funding mechanisms now in place for local government to increase the Borough's taxable capacity, in particular the Business Rates Retention Scheme. This means that the Council continue to consider ways in which it can increase income from business and housing growth to ensure that funding for services can be maintained and increased;

- ***Charging*** for services, raising income which will mean that it is possible to continue providing services that residents value. This will mean continuing to review the level of fees and charges, reducing the subsidy on some services and considering the introduction of new fees and charges. It will also include reviewing the level of discretionary business rates and council tax exemptions/discounts and the local scheme of Council Tax Support;

- ***Saving*** costs by, for example, reviewing how the Council delivers services, doing things differently and more efficiently, scaling services to appropriate levels within the resources available to the Council and working with partners, including the voluntary sector, local town and parish councils to sustain local facilities and services. At the heart of this approach will be a transformation programme that will consider how best to deliver services that provide the highest value for money;

- ***Stopping*** spending on lower or non-priority areas. This could mean, for example, that the Council works with other partners (Voluntary, Faith, Community Sector, Town/Parish Councils etc) to deliver services that would otherwise be delivered by the Council.

12. An issue related to these options is the need for the Council to demonstrate that it is using its resources effectively, efficiently and economically, i.e. it is achieving value for money. Some high level analysis of the Council’s expenditure on services has been undertaken, with comparisons made to the Council’s family group of authorities and further work is being undertaken to understand why, in some cases, costs are higher than comparator organisations.

13. Finally, as indicated above, the impact of the financial strategy will be monitored against the strategic objectives and reported as part of the Council’s Statement of Accounts each year.

1. Introduction

1.1 This document sets out the Council’s Financial Strategy for the period 2022/23 to 2024/25.

1.2 The overall aim of this Strategy is to provide for a balanced sustainable budget over the medium term planning period whilst ensuring that resources are applied in the most effective, efficient and economical way to achieve the Council’s Corporate Plan.

1.3 In order to achieve this aim, this Strategy document, amongst other things:-

a) provides an estimate of the Council’s baseline financial position over the medium term (2022/25);
b) identifies the challenges faced by the Council, the financial implications associated with them (where it is possible to do so) and how these might impact on the Council’s medium term financial position;
c) indicates what actions the Council is taking to deal with the projected shortfall on the medium term financial plan.

1.4 The scope of the Strategy covers the Medium Term Revenue Financial Plan (MTFP) for 2022/23 to 2025/25. Reference is made to the Council’s Medium Term Capital Programme 2022/23 to 2024/25; however, this is covered in more detail in the Capital Strategy 2022/25.

1.5 The development of the Financial Strategy is an iterative process insofar as it will be updated as new issues arise, for example, during the development and updating of the Council’s Corporate Plan or as new external issues that have an impact on the Council, emerge.

1.6 Whilst the MTFP includes the financial implications of the Council’s treasury management activities, this document does not consider treasury management policy or strategy. The Council’s approach to treasury management is contained in the Treasury Management Strategy which is submitted for approval to the Executive Board annually in advance of each financial year. The foundation for this is the Council’s Treasury Management Policy, approved by Council.

1.7 The budget forecasts included in this strategy document, for both the General Fund Revenue Budget and the Capital Programme, are based on the information known at the time of writing. These figures will be kept under continuous review with a formal update each year as part of the budget setting process for the Council. Likewise, it should be borne in mind that these are only forecasts and not firm budgets and, therefore, are only as accurate as the assumptions underlying them.

2. Financial Environment

About this section

This section provides an overview of the likely financial environment that the Council will be operating in over the next three years. It considers the Government's forecasts for economic growth and the impact this might have on public spending and investment in local government.

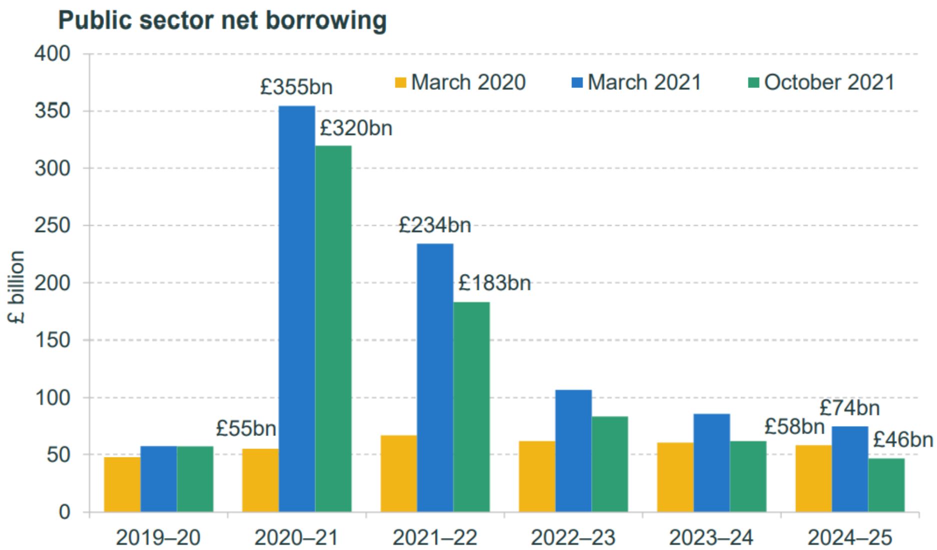
<u>Public Finances</u>

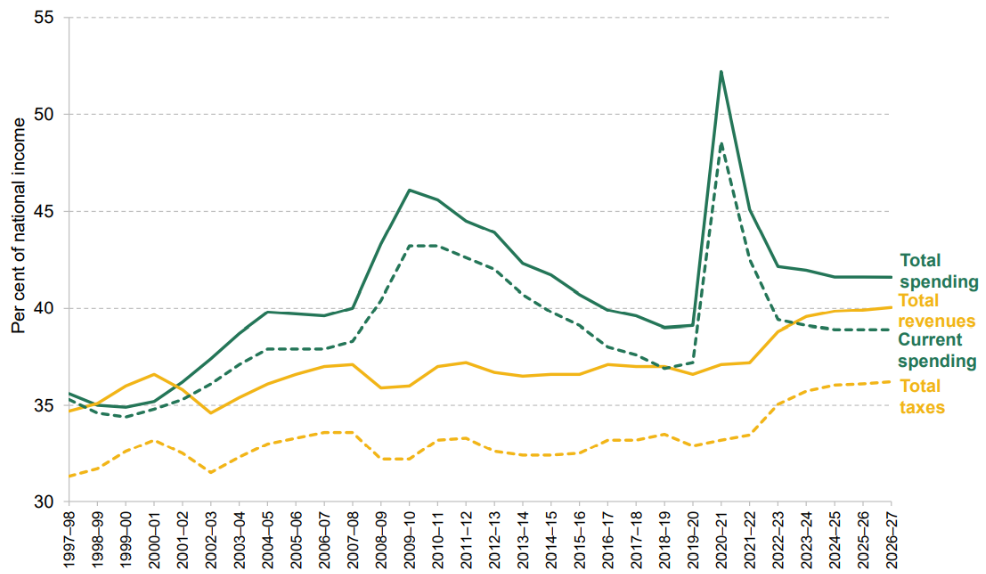
2.1 The Council's previous Medium Term Financial Strategy was developed in the midst of the Covid-19 Pandemic which, given the measures implemented by the Government both to support the economy through several periods of lockdown and to control the spread of the virus, has led to a significant deterioration in the national public finances.

2.2 The impact of the Pandemic on the public finances has been stark. Government borrowing in 2020/21 was at its highest since the Second World War and debt overall at its highest level in sixty years. This was a consequence of both increased spending and reduced income (economic output as measure by GDP), both of which were sustained into the first quarter of 2021/22. Again, borrowing in 2021/22 will be significantly higher than anticipated pre-pandemic.

2.3 The Government's initial response to this, as set out the Budget 2021 which was announced in March 2021, was both to increase taxation - changes to capital allowances, an increase in the headline rate of corporation tax from 19% to 25% from April 2023 and freezing personal allowances/the higher rate threshold for fours to 2025/26 – and to reduce Departmental spending.

2.4 In the Autumn Budget 2021, as a result of the better than expected recovery from the Covid-19 Pandemic, along with further increases in taxation (including the introduction of the Health and Social Care Levy), the Government was able to set out spending plans to 2024/25 which exceeded those that had previously been announced but still reduce the overall level of Public Sector Net Borrowing. This is illustrated in the charts below:-



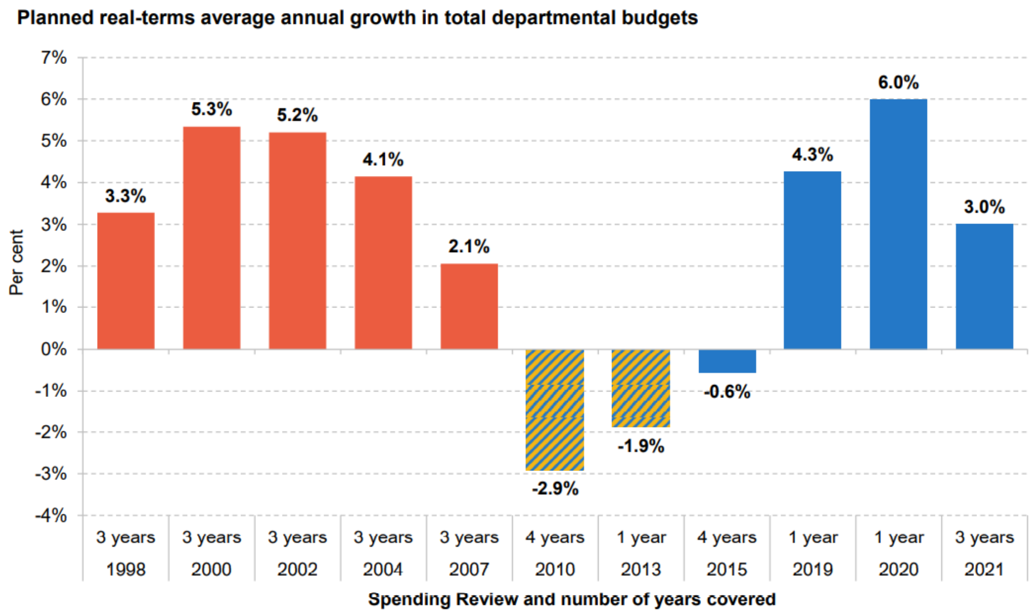


2.5 As these charts indicate, as a result of the Autumn Budget 2021, **Public Spending will be a bigger share of national income** post-Pandemic than previously planned and, with significant tax rises to cover this, borrowing will reduce below that planned pre-pandemic.

2.6 However deliverable the Autumn Budget 2021 will be depends on the continuing impact of Covid-19 and the measures the Government may need to take to support the health of the nation and the economy. This is a significant risk given the emergence of variants such as Omicron and the impact of that on the Government's plans is only likely to be known when the Government reviews the national budget in March 2022.

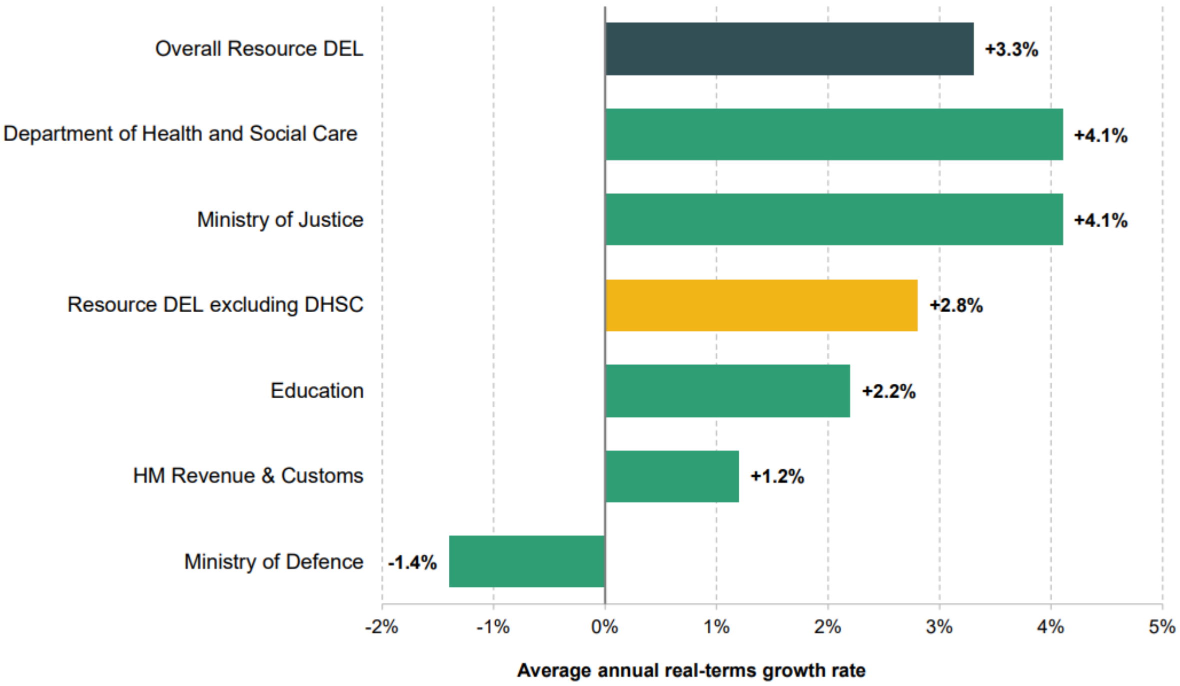
<u>Comprehensive Spending Review 2021 (CSR2021)</u>

2.7 Also in October 2021, as part of the Autumn Budget, the Government announced the outcome of the Comprehensive Spending Review 2021 (CSR2021). CSR2021 sets out Government Departmental spending plans for the period 2022/23 to 2024/25. As the chart below indicates, in comparison to previous Spending Reviews, CSR21 provides for a real term increase in funding of 3% in total Departmental budgets to between 2022/23 and 2024/25.



2.8 Whilst overall there will be average real growth in Departmental spending budgets of c3% (as indicated above), the actual real growth in Departmental spending will differ between Government Departments. This is illustrated in the graph below which indicates that both the Department of Health and Social Care and the Ministry of Justice will have growth in their budgets of 4.1% whilst most other Government Departments (including the Department for Levelling Up, Housing and Communities) will have, on average, growth of 2.8%:-

Average real % growth in resource budgets over SR 2021 period (2021–22 to 2024–25)



<u>CSR2021 – What it means for Local Government</u>

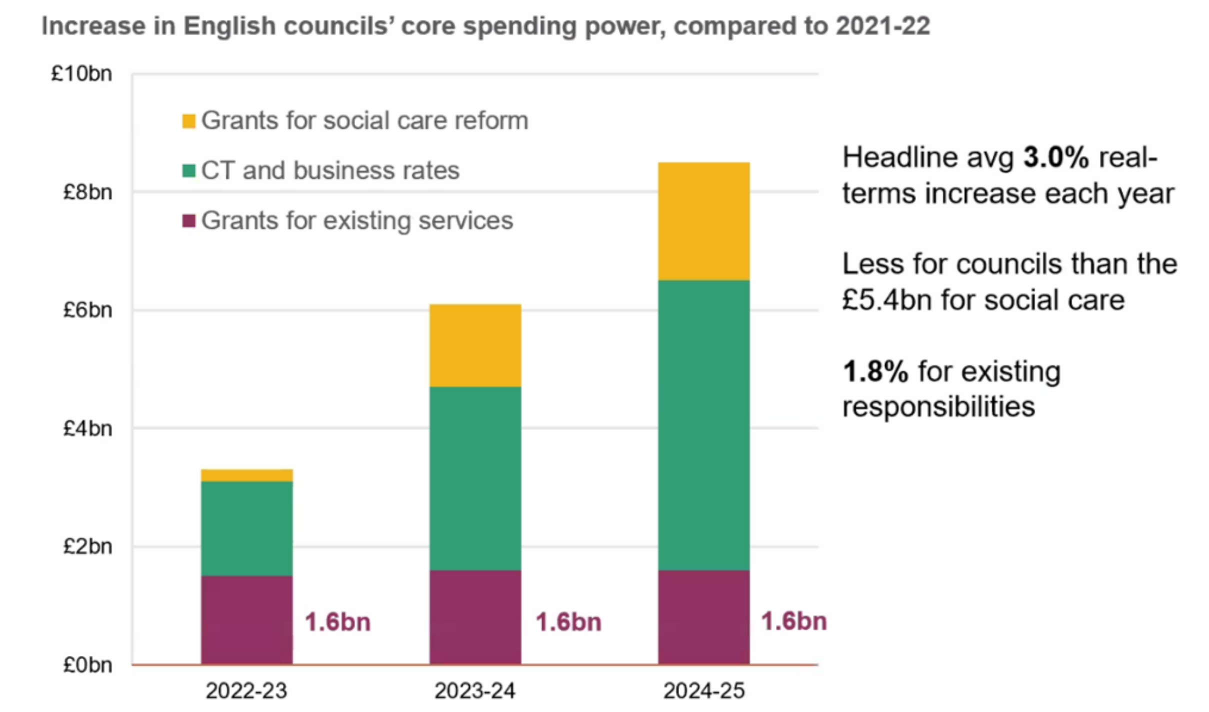
2.9 Core spending power for Local Government is estimated to increase by an average of 3% in real terms in each year over the life of CSR2021. Included within this, The Government is providing Councils with £4.8bn of new grant funding over the CSR2021 period for social care and other services. The table below sets out the CSR2021 settlement for Local Government:-

Table 2: CSR21 Settlement for Local Government

	Baseline 2021/22 £bn	Plans 2022/23 £bn	Plans 2023/24 £bn	Plans 2024/25 £bn	Real Terms Change %
Resource DEL (£bn)	9.2	10.8	12.1	12.7	9.4
Of which: Social Care Reform		*0.2*	*1.4*	*2.0*	
Core Spending Power (£bn)	50.4	53.7	56.6	58.9	3.0
Of which: Council Tax					

Source: Autumn Budget and Spending Review 2021 (Page 108)

2.10 Further analysis of the impact of CSR2021 on Local Government by the Institute of Fiscal Studies is shown in the graph below:-



2.11 This indicates the following:-

- the additional grant for general services is £1.6bn, paid in 2022/23 but unchanged thereafter, ie it is front loaded;

- the increase in core spending power comprises largely increases in income from Council Tax increases where it is assumed by the Government that Councils will increase their Council Tax by the maximum possible within the agreed Referendum thresholds (by 1.99%pa for general Council Tax and by 1%pa for the Social Care Precept);

- the funding for Social Care Reform is phased in over 3-years; excluding that funding from the increase in core spending power means that Councils with Social Care responsibilities will only receive an increase in funding of 1.8% in real terms.

2.12 In summary, whilst it appears that funding for Local Government will increase over the period to 2024/25, much of that will come from local Council Taxpayers in the form of higher Council Tax. In those areas such as Blackburn with Darwen, where the levels of deprivation are significant, this will place a significant burden on local communities that are still endeavouring to recover from the impact of the Covid-19 Pandemic.

2.13 At the same time, the pressure on Local Authorities to both meet increasing demand for and provide better services whilst ensuring value for money remains. For example, whilst the Government is to provide additional funding to support the reforms of adult social care, it is not known at this stage what those changes will mean for service delivery and therefore how much they will cost to deliver. Matters such as these present key risks to the financial sustainability of the Council.

3. Our Strategy Context

About this section

This section of the Strategy sets out broadly the Council's strategic direction. This is important because our Financial Strategy has to facilitate the achievement of the Council's strategic objectives

The section focuses on the strategies that shape the Council's strategic direction rather than the detailed actions and the financial implications associated with them.

Corporate Plan

3.1 The Council's Corporate Plan 2019/23 was published in June 2019. The full Corporate Plan can be found here: [Corporate plan | Blackburn with Darwen Borough Council](). The Council's vision and its four strategic objections are shown below:-

We believe our Corporate Plan will enable all of our residents to achieve a good quality of life in a vibrant and thriving place, with strong community values and an inclusive society.

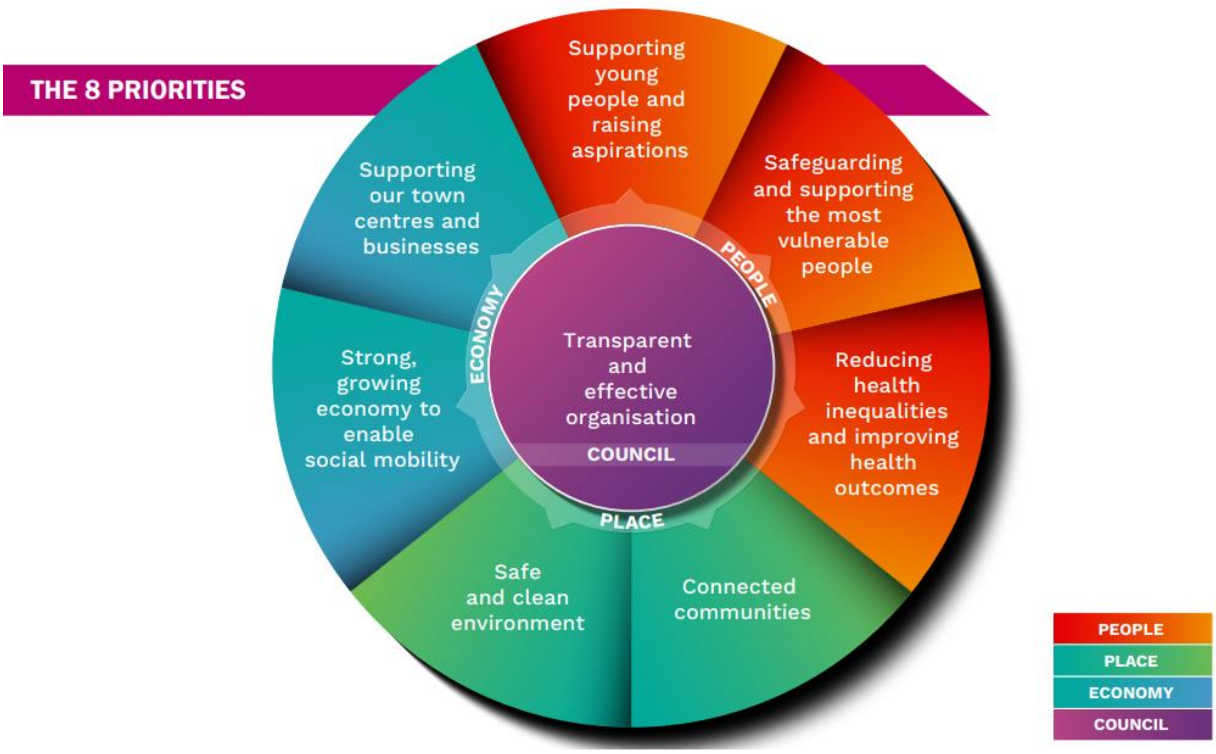
People: A good quality of life for all of our residents

Place: Community pride in a vibrant place to live and visit

Economy: A strong and inclusive economy with continued growth

Council: Delivered by a strong and resilient council

3.2 Within the four strategic objectives, the Council continues to concentrate on eight priority areas:-



3.3 At the time of writing this Strategy, the Council has embarked on a process of updating its Corporate Plan. This will involve undertaking consultation with various stakeholders before the development of a draft Strategy is considered by the Council in July 2022.

3.4 In view of the financial challenge faced by the Council, as set in this Financial Strategy, it will be important to ensure that the Council's corporate plans align to its ability to fund them. It is important, therefore, that the Corporate Plan provides a clear set of objectives that are deliverable whilst at the same time, maintaining financial sustainability.

Service and Financial Planning

3.5 In line with many local authorities, the Council has adopted an integrated process for Service and Financial Planning. The Council recognises that resources are limited and to ensure that resources are directed towards the corporate objectives and priority areas, integrating service and financial planning is essential.

3.6 Following the revision of the Council's Corporate Plan, each Service is required on an annual basis to produce a Business Plan. Business Plans provide a detailed analysis of the work of each Service for the following 12 months and are based around achieving the outcomes in the Corporate Plan.

3.7 Service and Financial Planning is essentially a mechanism for ensuring that the Council's limited resources are directed toward those activities that will ensure that the corporate priorities are achieved. Implicitly, it is also a process of redistributing resources away from those activities that are not priorities. The Service and Financial Planning Process brings together the Business Plans and the Council's budgetary process insofar they set out the resources required to deliver services aimed at achieving the corporate objectives. The purpose of Business Plans is to ensure that the Council's resources are directed towards actions that will deliver the Council's strategic priorities and therefore they are key to the service and financial planning process.

How our strategies fit together

3.8 It is vitally important that the Financial Strategy is not considered in isolation from other Council Plans and Strategies and indeed, this is not the case.

3.9 The Financial Strategy is only one of a number of strategies; it influences and is influenced by other strategies in an iterative way ensuring that the Council's financial resources are directed to the corporate priorities of the Council. Examples of the way in which the Financial Strategy influences other strategies are shown in the table below:

Strategy	Impact of the Financial Strategy
Capital Strategy	In conjunction with the Treasury Management Strategy, the Financial Strategy will consider the prudence, affordability and sustainability of the Council's Capital Programme and, therefore, the deliverability of the Capital Strategy.

Strategy	Impact of the Financial Strategy
Growth Strategy	A key element of the Financial Strategy is the growth in the Council's Taxbases, both Council Tax and Business Rates. This is fundamental to the future funding of the Council. With that, it is important for the Financial Strategy to consider the capacity to deliver the Council's Growth ambitions and where that is not possible within the Council's resources, to consider what other resources could be obtained to facilitate the delivery of the growth agenda.
Digital Strategy	Implementing the Digital Strategy will modernise the Council's ICT infrastructure, support modern methods of working and transform the use of data and service insight to drive better decision making. This transformational activity is a key part of making the Council more cost efficient but requires up-front investment to deliver future savings. This upfront investment is factored into the Council's Capital Programme.
Asset Management Strategy	The Council's Asset Management Strategy is about ensuring the Council has the right assets to deliver services, that there is adequate investment in those assets and that they are used efficiently. Equally, where assets are surplus to requirements or are used to support to the local economy that the right decisions are taken to manage those assets as appropriate. The link to the Financial Strategy is to ensure that adequate resources are provided to maintain assets for their existing use, to generate an appropriate yield on leased properties and to ensure any capital receipts from the disposal of surplus properties are used in support of the Council's capital plans.

Matching Resources to Plans

3.10 The Council recognises that it has limited resources and that in order to achieve the corporate objectives, it is necessary to direct resources to its priorities. Through this process, it is the Council's corporate objectives that drives the Council's activities and not necessarily budgetary constraints.

3.11 However, in accordance with statute, it is the Council's policy (and a statutory requirement) to have on an annual basis, a balanced General Fund Revenue Budget. In addition, it is the Council's policy that, in accordance with the Prudential Code for Local Authority Capital Finance, the Capital Programme remains affordable, prudent and sustainable.

4. Financial Strategy Objectives

> **About this section**
>
> This section sets out the objectives of this Financial Strategy. These objectives, if achieved, will ensure that the Council is able to plan its use of resources in the delivery of services and to ensure that the financial resources of the Council are managed efficiently, effectively and economically and that the Council remains financially resilient

4.1 This Financial Strategy seeks to provide a ‘route map’ for a balanced sustainable budget over the medium term planning period whilst ensuring that resources are applied in the most effective, efficient and economical way ensuring that the Council’s Strategic Plan is achieved.

4.2 In order to achieve this, the objectives of this Financial Strategy (and the supporting MTFP) are as follows:-

	Financial Strategy Objectives
1	To enable the Council to understand its medium term financial position in the context of the wider local government and public sector environment
2	To inform decision making on the distribution of resources to deliver the Council’s corporate objectives as set out in the Corporate Plan
3	To ensure that the Council can set a Council Tax level that is affordable (and within the legislative framework established by Government)
4	To enable the Council to plan and manage its spending within affordable net expenditure levels without undue reliance on balances and reserves to fund ongoing commitments
5	To maintain the strength of the Council’s balance sheet position
6	To support a prudent, affordable and sustainable level of capital expenditure
7	To maintain a corporate financial capacity to deal with unforeseen cost pressures
8	To contribute to longer term planning of the delivery of the Council’s strategic vision and objectives

4.3 By pursuing the objectives of the Financial Strategy, it should enable the Council to develop a sustainable medium term financial plan that is capable of supporting the delivery of the Council’s corporate objectives. It will ensure that:-

i. a robust Medium Term Financial Plan is developed so that the Council is aware of its current and forecast medium term financial position;

ii. a Service and Financial Planning process is maintained that ensures resources are distributed in a way that supports the delivery of the corporate objectives (and is not unduly influenced by short term spending decisions);

iii. the Council is able to set Council Tax at a level that is affordable and is within the referendum limits established by the Government allowing the Council to plan and control its own budget setting;

iv. with the use of effective forward planning, the Council’s spending plans are affordable within agreed net expenditure levels and that the use of reserves and balances to support ongoing commitments is minimised;

v. the strength of Council’s balance sheet, and in particular the amount of available reserves and balances, is maintained insofar as ensuring there is sufficient resources to meet expenditure as and when it arises;

vi. with linkages to the Capital Strategy and Asset Management Plan, the Council’s capital expenditure plans are consistent with the requirements of the Prudential Code for Capital Investment in local authority assets;

vii. sufficient working balances are maintained to ensure that the Council remains in a position to deal with unexpected and unforeseen events;

viii. there is sufficient financial intelligence to make a contribution to the Council’s corporate planning process.

4.4 Annually the Council will undertake a review to establish to what extent these objectives have been achieved. This assessment will be published with the Council’s Statement of Accounts and will be based on the matrix provided at **Appendix A**.

5. Our Current Financial Position

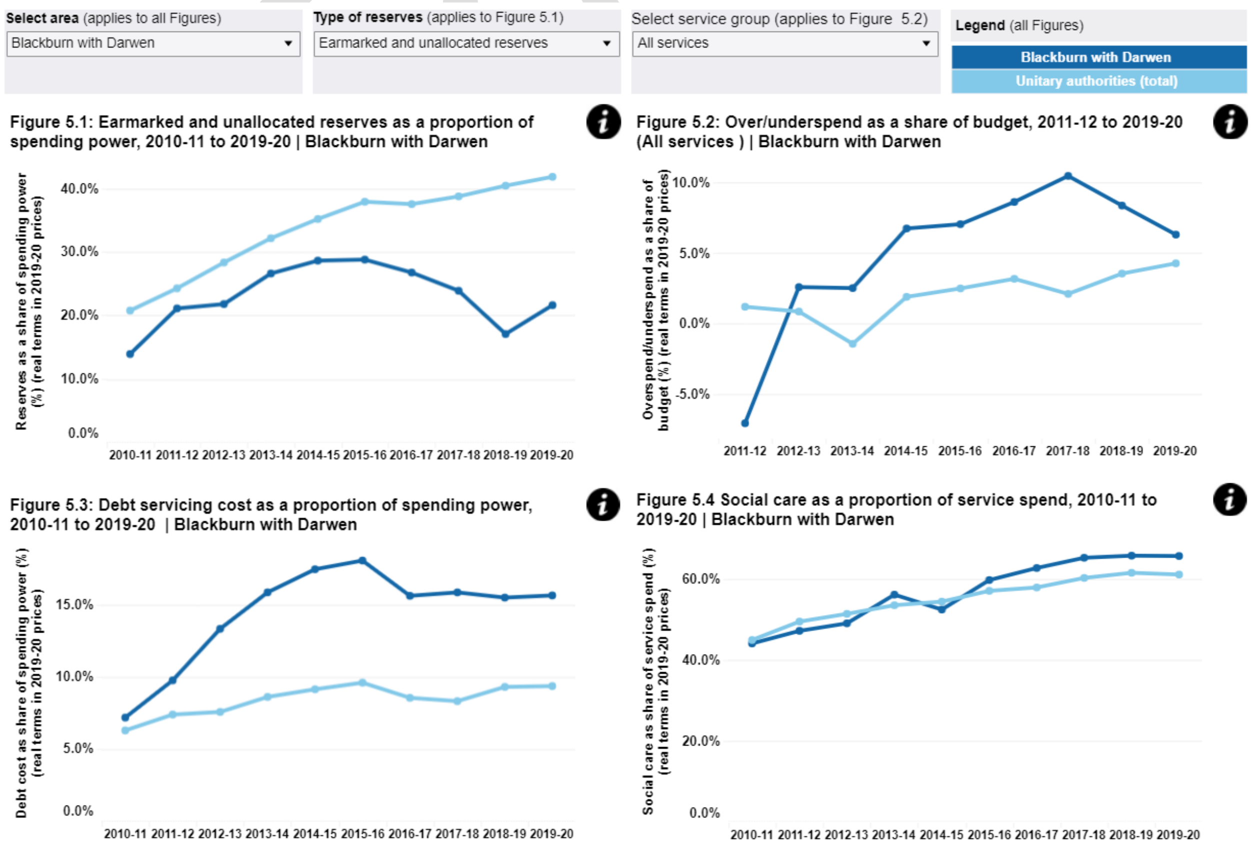
> **About this section**
>
> This section provides an overview of the Council's current financial position using comparative analysis provided by the National Audit Office and CIPFA. An assessment is also made of the strength of the Council's Balance Sheet as at 31st March 2021 along with the budget position in 2021/22 (the current financial year).

5.1 At the time of the development of this Strategy, the Council's Statement of Accounts for 2020/21 is the subject of the annual external audit. Subject to the outcome of the external audit, it is possible to undertake an assessment of the strength of the Council's financial standing using the Council's historical financial position to 2019/20 (the latest period for which comparative data is available), the Council's Balance Sheet as at 31st March 2021 and the forecast outturn for 2021/22.

5.2 This assessment of the Council's financial position here should be considered in conjunction with the Medium Term Financial Plan 2022/25. Taken together, these should provide a good understanding of the Council's overall financial sustainability.

National Audit Office – Financial Sustainability Indicators

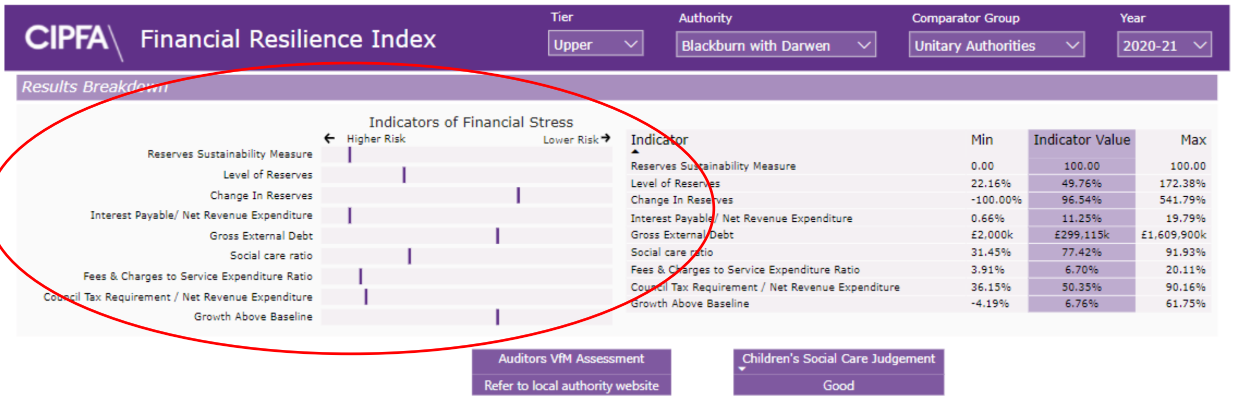
5.3 The graphs below have been taken from the National Audit Office's work on the financial sustainability of local authorities. They provide various key comparisons between Blackburn with Darwen Council and Other Local Authorities providing some insight to financial sustainability (though they do not represent a full analysis).



5.4 Figure 5.1 shows that Blackburn with Darwen's reserves have been historically lower than other Unitary Authorities; Figure 5.2 indicates that the Council generally had a higher overspend than other Unitary Authorities. Figure 5.3 shows that the Council's debt charges are higher as a proportion of its revenue income than all other Unitary Authorities and Figure 5.4 indicates that spending on Social Care is marginally higher than other Unitary Authorities.

CIPFA's Financial Resilience Index

5.5 CIPFA's Financial Resilience Index is a comparative analytical tool that can be used to show the Council's position on a range of measures associated with financial risk. In the diagram below, a comparison of the Council's position with various indicators of financial stress to other Unitary Authorities is shown using data from 2020/21 (the latest available data):-



Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	0.00	100.00	100.00
Level of Reserves	22.16%	49.76%	172.38%
Change In Reserves	-100.00%	96.54%	541.79%
Interest Payable/ Net Revenue Expenditure	0.66%	11.25%	19.79%
Gross External Debt	£2,000k	£299,115k	£1,609,900k
Social care ratio	31.45%	77.42%	91.93%
Fees & Charges to Service Expenditure Ratio	3.91%	6.70%	20.11%
Council Tax Requirement / Net Revenue Expenditure	36.15%	50.35%	90.16%
Growth Above Baseline	-4.19%	6.76%	61.75%

5.6 Of the 9 indicators provided, Blackburn with Darwen is showing higher risk in at least 6 indicators. It is not anticipated that this position will have changed materially in the period to 2022/23.

5.7 Indicators of concern at that time include the low level of reserves, the interest payable as a ratio of net revenue expenditure (both indicators that are shown in the National Audit Office analysis above), fees and charges as a ratio of service expenditure (indicating that insufficient income is being generated by the Council in comparison to other Unitary Authorities) and Council Tax Requirement as a proportion of Net Revenue Expenditure (reflecting the Council's relatively low Council Tax and Council Tax Base).

Balance Sheet as at 31st March 2021

5.8 At the time of the development of this Strategy, the Council's Statement of Accounts for 2020/21 are the subject of the annual external audit. Nevertheless, using the Council's draft unaudited Statement of Accounts, it is possible to undertake an assessment of the strength of the Council's financial position.

5.9 The Council's Balance Sheet provides a snapshot of its financial position as at 31st March 2021. The table below shows an extract of the Council's Reserves and Balances as per the Balance Sheet:-

2019/20 £000	RESERVES/BALANCES (£'000)	2020/21 £000	Change £000
	Reserves/Balances		
(7,173)	General Fund Balance	(8,373)	
(2,048)	Collection Fund Adjustment Account	10,023	
(28,631)	Earmarked Reserves	(60,743)	
-	Capital Receipts Reserve	-	
(2,547)	Provisions	(2,875)	
(5,843)	Capital Grants Unapplied	(12,690)	
(115)	Grants Received in Advance	(10,219)	
(46,357)	**Amount Available for Investment**	**(84,877)**	**(38,520)**

5.10 As the table indicates, the Council's Reserves and Balances increased significantly between 2019/20 and 2020/21. This is largely due to funding held due to the impact of Covid-19. That aside, the increase in Reserves and Balances does indicate a strengthening of the Council's financial resilience although the continuing impact of Covid-19 means that the Council needs to maintain its use of reserves and balances under constant review.

5.11 The Working Balance represents c2% of the Council's Gross Expenditure for 2021/22.

Budget (and Budget Monitoring) 2021/22

Original Budget 2021/22

5.12 On 1st March 2021, Finance Council agreed a balanced budget for 2021/22. In doing so, it was agreed that:-

- The General Fund Net Revenue Budget would be £149.642m;
- Council Tax for 2021/22 would increase by 3.99%;
- A net contribution of £4.411m was taken from Reserves and Balances to support the budget;
- The Capital Programme for 2021/22 would be £25.493m of which £13.307 would be funded from Prudential Borrowing.

5.13 In support of the approved budget, and in accordance with statutory requirements, the Director of Finance provided a statement confirming the robustness of estimates and the adequacy of reserves.

5.14 And as part of the papers considered by Finance Council in agreeing the budget, an update on the Council's Medium Term Financial Plan for the period to 2023/24 was provided. This indicated that, whilst the budget was balanced in 2021/22, there is was an estimated funding gap in 2022/23 of c£5m, rising to £8m in 2023/24. This Financial Strategy provides an update to the Medium Term Financial Plan.

Budget Monitoring 2021/22

5.15 The latest financial monitoring position for the Council is based on a budget monitoring exercise undertake at 31st December 2021 (Quarter 3). At that time, the forecast outturn position for the Council was an overspend of £3.9m reflecting significantly the impact of Covid-19 on the Council both in terms of additional costs to deal with response/recovery effort and the loss of income from key business areas.

5.16 Whilst work continues to manage budgets effectively in an effort to contain the forecast overspend, some of which will be offset by the use of funding provided for Covid-19, there is sufficient in the Council's Reserves and Balances to ensure that any residual overspend can be managed.

Financial Aspects of Corporate Governance

5.17 In support of the financial analysis provided above, the Council has in place good financial governance arrangements. For example:-

- the Council complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government. In particular, the Director of Finance sits on the Council's Corporate Leadership Team;

- the budget setting process is robust and complies with statutory requirements (for example, the budget was approved before 11th March, the Director of Finance provided a statement on the robustness of estimates and adequacy of reserves, Council Tax was set within the Referendum principles established by Government, the Capital Programme (and related borrowing) is considered prudent, affordable and sustainable);

- budget monitoring arrangements are well established, with monthly budget monitoring reports considered by Departments and quarterly budget monitoring reports (both revenue and capital) submitted to the Executive Board;

- closure of accounts procedures are effective and the Council produced its draft Statement of Accounts for 2020/21 on time for the start of the external audit. At the time of writing this Strategy, the external audit was almost completed;

- to date, the Council has received an unqualified conclusion for its value for money arrangements;

- the Councils has good governance and internal controls as set out in the Annual Governance Statement;

- the Council's has in place a Financial Strategy and Medium Term Financial Plan providing a good understanding of its estimated future financial position;

5.18 The financial aspects of corporate governance are subject to continuous review as part of the Value for Money Assessment undertaken annually by the Council's External Auditors.

General Commentary on the Council’s Financial Position

5.19 As indicated above, the Council’s current financial position is that it is managing the budget within the resources available to it, including calling on reserves and balances as required. Indeed, the Council has a reasonable track record of managing its budget in year.

5.20 As at March 2021, the Council has a good level of balances and reserves although, because of the continuing impact of Covid-19, there continue to be expenditure pressures that are out with the normal operation of services.

5.21 Underpinning the Council’s financial position are good financial corporate governance arrangements. These arrangements are under continuous review both internally and by the Council’s External Auditors.

6. Baseline Financial Position (or Base Budget Strategy)

About this section

This section sets out the baseline financial position for the Council for both revenue and capital budgets. In other words, taking into account existing commitments, in summary format, the forecast levels of revenue spending and resources for the 3 year planning cycle 2022/23 to 2024/25.

This is important because it provides an indication of the amount of spending the Council will need to finance over the life of the Financial Strategy in order to deliver existing service levels. The exception to this is where budgets were originally established on a fixed term basis and due to expire within the plan period. Where this is the case, these budgets are reflected accordingly within the relevant service.

Fundamental MTFP Strategy Aim

6.1 Notwithstanding the objectives of the Financial Strategy as set out in Section 4, the overall strategy aim for the Council's General Fund Revenue Budget is to have a balanced budget over the medium term planning period whilst ensuring that resources are applied in the most effective, efficient and economical way, supporting the achievement of the Council's Corporate Plan.

6.2 By way of background information, **Appendix B** provides a historical analysis of the Council's finances.

Forecast Revenue Income and Expenditure

6.3 Table 3 below provides a forecast of revenue income and expenditure for the three year period, 2022/23 to 2024/25:-

Table 3: Medium Term Financial Plan 2022/25

	Base Budget 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000
Portfolio Budgets	130,938	129,970	129,625
Corporate Income and Expenditure	19,065	21,036	28,215
Net Expenditure	**150,003**	**151,006**	**157,840**
Government Funding (see Table 1)	(82,626)	(84,583)	(85,490)
Collection Fund Deficit (net)	6,104	305	(765)
Contribution from Reserves/Balances (net)	(13,146)	(1,388)	(960)
Council Tax Requirement *1	(60,335)	(62,455)	(64,645)
Budget Gap	**-**	**2,885**	**5,980**
In Year Funding 'Gap'	**-**	**2,885**	**3,095**

*1 – See **Appendix C** for a more detailed Medium Term Financial Plan

6.4 The following are the key assumptions underpinning the forecast income and expenditure shown in table 3.

Forecast Revenue Income

6.5 Funding to meet net revenue expenditure (after income from fees and charges) comes primarily from the following sources:-

a) Retained Business Rates and Business Rates Top Up;
b) Revenue Support Grant;
c) Dedicated Schools Grant;
d) Social Care Grant;
e) Lower Tier Services Grant;
f) Services Grant;
g) New Homes Bonus;
h) Council Tax; and
i) Balances and Specific Reserves.

6.6 Table 4 below provides a summary of these funding streams over the life of the Medium Term Financial Plan period to 2025:-

Table 4: Funding from Government

	Estimated Funding 2022/23 £000	Forecast Funding 2023/24 £000	Forecast Funding 2024/25 £000
Business Rates Retained (IABR*1)	18,185	20,245	20,658
Business Rates Top Up	24,275	24,688	25,182
Baseline Funding Assessment	**42,460**	**44,933**	**45,840**
Revenue Support Grant	14,016	14,016	14,016
Settlement Funding Assessment	**56,476**	**58,949**	**59,856**
Improved Better Care Fund	8,349	8,349	8,349
Social Care Grant	8,813	8,813	8,813
Market Sustainability and Fair Funding	516	-	-
BSF PFI Grant	8,472	8,472	8,472
Sub-total	**82,626**	**84,583**	**85,490**
Other Government Grants			
Under-indexing Business Rates	4,340	4,340	4,340
Other Business Rates s31 Grant	4,228	2,800	2,800
New Homes Bonus	1,006	-	-
Lower Tier Services Grant	341	341	341
Services Grant	3,072	3,072	3,072
Total Government Funding	**95,613**	**95,136**	**96,043**

*1 – Individual Authority Business Rates (IABR) is the Council's own assessment of retained Business Rates
*2 – This table excludes Dedicated Schools Grant (£183.348m) and Public Health Grant (£15.486m) which are ringfenced for specific services.

<u>Retained Business Rates</u>

6.7 The amount of Retained Business Rates assumed in the Medium Term Financial Plan reflects the Council's share (49%) of the estimated net collectable Business Rates that is retained locally to support the provision of Council services. Assumptions have been made about reliefs, exemptions and both bad debt and appeals provisions.

Business Rates Top Up

6.8 In simple terms, the Business Rates Top-Up is the amount payable **to** the Council to reflect the difference in the Council's Baseline Funding Assessment (the assessment of funding needed to deliver services (last undertaken in 2013/14)) and its ability to raise income from Business Rates (the Individual Authority Business Rates Assessment).

Under-Indexing Business Rates Grant

6.9 The Under-Indexing Business Rates Grant is a s31 Grant payable to Councils to compensate them for a loss of income arising from the Government's decision to defer the normal annual inflationary increase in the Business Rates Multiplier.

Changes to Business Rates Estimates

6.10 The Government is considering various changes to the Business Rates that may impact on the amount of business rates the Council receives. These changes include:-

- ***changing the frequency of business rates revaluations*** – this is process of reassessing the rateable value of business properties. The last revaluation took place in 2017 and reduced the Borough's overall rateable vale by £10.4m Currently, this takes place every five years; the Government will like revaluations to take place every three years. It is possible for the Council's overall rateable value to change as a consequence of revaluations and so more frequent revaluations will create greater volatility in the system.

- ***additional reliefs for improvements*** – this is intended to support businesses by allowing rates relief on improvement to business properties that would ordinarily result in increased business rates; the relief will be for 1 year from when the improvement is made. It is assumed that the Government will reimburse local authorities for the loss of income from this additional relief.

Key Strategy Assumption 1
It has been assumed that there will be no growth in the Business Rates Taxbase (and that the Government will continue to abate the increase in the business rate multiplier);

Key Strategy Assumption 2
It has been assumed that there will be no change to the structure of the Business Rates Retention Scheme over the life of the life of the Medium Term Financial Plan. This means that the Council will retain 49% of the net collectable amount of Business Rates (with 1% payable to Lancashire Fire Authority and 50% to the Government);

Key Strategy Assumption 3
It is assumed that the Government will continue to reimburse the Council for abatements and reliefs given to businesses to reduce the cost of their business rates liability;

Revenue Support Grant

6.11 The Government continues to provide Councils with an amount of Revenue Support Grant towards the cost of providing services.

Key Strategy Assumption 4
It is assumed that Revenue Support Grant payments to the Council will increases by the rate of inflation over the life of the Medium Term Financial Plan.

Dedicated Schools Grant

6.12 Dedicated Schools Grants is a grant payable to the Council for the provision of The amount of grant payable is determined through the National Funding Formula and is, in simple terms, based on the number pupils in education on defined dates and nationally set rates of grant per pupil.

6.13 The Medium Term Financial Plan assumes that the use of the Dedicated Schools Grant will continue to be determined by the Council in conjunction with the Schools Forum as required.

Key Strategy Assumption 5
It is assumed that Dedicated Schools Grants Revenue Support Grant payments to the Council will remain unchanged over the life of the Medium Term Financial Plan and, given it is passport its impact on the

Social Care Grants

6.14 For a number of years, the Government has made available various ad-hoc grants to support the social care system. These are cash grants payable to local authorities for investment in Adult and Children's Social Care, either directly by the Council or as part of a pooling arrangement with the NHS. The amounts received by Blackburn with Darwen Council including the allocations for 2022/23 are shown in the table below:-

Table 5: Additional Grant Funding for Social Care (excl Social Care Precept)

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Adult Social Care	478	-	-	-	-
Improved Better Care Fund	5,901	7,339	8,104	8,104	8,349
Social Care Grant	-		4,925	6,551	8,813
Social Care Support Grant	-	1,306	-	-	
Winter Pressures Grants	764	764	-	-	-
	-	-	-	-	516
Total	**7,143**	**9,409**	**13,029**	**14,655**	**17,678**

6.15 Looking ahead, the Government's White Paper – People at the Heart of Care – sets out proposed reforms to the Adult Social Care system. At this stage, it has not been possible to assess the financial implications of the proposed changes nor has the Government given any indication of the funding that will be made available to individual Councils. This matter will have to be given consideration in the development of the 2023/24 budget.

Key Strategy Assumption 6
It is assumed that Improved Better Care Fund and Social Care Grant will be maintained at least at 2022/23 levels over the life of the Medium Term Financial Plan.

Key Strategy Assumption 7
It is assumed that the Market Sustainability and Fair Funding Grant is one-off for 2022/23 and not factored into the Medium Term Financial Plan thereafter.

Key Strategy Assumption 8
No provision has been made in the Medium Term Financial Plan for the impact of the reforms to Adult Social Care arising from the White Paper – People at the Heart of Care

6.16 The New Homes Bonus (NHB) is now in its tenth year as part of the Local Government Finance system. The original policy intention of NHB was to provide a financial incentive to local authorities to encourage the building of new homes and/or brining empty homes back into use.

6.17 Despite consulting on proposals earlier this year to amend the NHB Scheme, the Government has decided to roll-forward the present scheme for a further financial year. As a consequence, rather than just providing for legacy amounts from previous years (£185k), the Government has provided NHB to reflect new housing and empty houses brought into use in the period to October 2021. This amounts to £820k giving an overall NHB payment of £1.006m for 2022/23.

Key Strategy Assumption 9
It is assumed that, as the Government is likely to implement reforms to the New Homes Bonus System in 2022/23, there will be no New Homes Bonus payments to the Council from 2023/24.

<u>Lower Tier Services Grant</u>

6.18 Lower Tier Services Grant is payable to Councils, like Blackburn with Darwen, that has responsibility for the provision of lower tier services (such as Waste Collection, Environmental Health etc).

Key Strategy Assumption 10
It is assumed that the Lower Tier Services Grant will be maintained at least at 2022/23 levels over the life of the Medium Term Financial Plan.

<u>Services Grant</u>

6.19 The Services Grant is a new grant for 2022/23. It has been distributed to Local Authorities on the basis of their relative needs. However, the Government has indicated that, whilst the funding will be retained for the Sector, the distribution of the grant will be reviewed in consultation with the Sector during 2022/23.

Key Strategy Assumption 11
It is assumed that the Services Grant will be maintained at least at 2022/23 levels over the life of the Medium Term Financial Plan.

Council Tax

6.20 Council Tax is the main source of income available to the Council over which there is, subject to the constraints placed upon the Council by Government, a degree of local autonomy.

6.21 The Band D Council Tax for Blackburn with Darwen Services for 2021/22 is £1,632.71.

6.22 This level of Council Tax is based on a Tax Base, i.e. the taxable capacity of the Blackburn with Darwen, of 34,938 Band D Council Tax Properties. Multiplying the Band D Council Tax by the Taxbase gives an overall Council Tax yield for 2021/22 of £57.044m.

6.23 It is acknowledged as part of this Strategy that the extent to which the Council exercises control over the level of increase in Council Tax from year to year is a matter for Members with decisions on the final level of Council Tax taken by Members as part of the annual budget process. However, in order to inform the overall framework for development of the Council's budget, a planning assumption on the level of Council Tax must be made. From 2022/23, this assumption is 1.99% each year for the general Council Tax and 1.0% each year for the Social Care Precept.

Key Assumption 12
The Tax base is assumed to increase annually by 0.5 percentage points.

Key Assumption 13
The annual level of assumed Council Tax Collection will be set at a rate that results in the Collection Fund achieving break-even. For the purposes of the baseline revenue financial plan, this is 96.5%.

Key Assumption 14
The planning assumption on the annual Council Tax increase over the life of the Medium Term Revenue Financial Plan will be the maximum amount permissible by Government without invoking the need for a referendum (assumed to be 1.99% each year).

Key Assumption 15
The planning assumption on the Social Care Precept increase over the life of the Medium Term Revenue Financial Plan will be the maximum amount permissible by Government (assumed to be 1% each year).

Balances and Specific Reserves

6.24 In setting the Council's annual budget, the level of balances and specific reserves need to be considered carefully. Guidance issued by CIPFA emphasises this requirement, particularly in light of the responsibilities placed upon the Director of Finance under the Local Government Act 2003, to report on the adequacy of proposed reserves at the time of the Council setting the Council Tax for the forthcoming year on an annual basis.

6.25 The Act includes a reserve power for Government to lay down the minimum reserves local authorities must allow for when they set their budgets. It is, therefore, expected that authorities will have regard to the CIPFA guidance when considering the adequacy of balances and reserves. The Council maintains a range of balances and reserves, some of which are retained for specific purposes, others which are available for general support for the General Fund Revenue Budget.

6.26 The General Fund Balance represents an unallocated amount of resource. At 31st March 2021, the General Fund Balance is expected to be £8.3m; this represents the Council minimum working balance, the amount set aside specifically for unforeseen and unexpected expenditure. Specific Reserves are amounts of resource set aside for specific matters. Examples include the Budget Strategy Reserves and the Local Development Framework Reserve. These specific reserves are utilised in accordance with Financial Procedure Rules.

Key Assumption 16
The Minimum Working Balance will be maintained at £8m. The adequacy of this sum will be monitored annually and reported to Members during the Budget process.

Key Assumption 17
Subject to an annual review of the adequacy of the reserve and Key Assumption 7, the Budget Strategy Reserve will be used to support the General Fund Revenue Budget at a rate of £1.1m in 2022/23, £1.0m in 2023/24 and £0.5m in 2024/25.

Key Assumption 18
Specific Reserves shall only be used for the purposes for which they were established unless otherwise approved by the Council's Executive Board.

Income Generation

6.27 The Council generates approximately c£34m annually from fees and charges for services. Fees and charges budgets are reviewed on an annual basis with a view to determining whether the budgets can be achieved in the following year and the extent to which the fees/charges can be increased. Key assumption 8 below establishes a basic assumption on fee increases.

Key Assumption 19

It is assumed that income budgets will be increased by at least the change in the rate of Retail Prices Index (annual change measured from September to September) unless otherwise agreed by the relevant Officer, Executive Member or the Executive Board.

Revenue Expenditure

6.29 The Gross Revenue Expenditure can be categorised into pay and non-pay budgets. Both categories of budgets are reviewed annually and, subject to both internal and external factors, may be changed.

Pay Inflation

6.30 Pay expenditure, comprising salaries and wages, accounts for approximately % of the Council’s gross expenditure. Pay increases annually by the nationally agreed pay award and, where applicable, by salary increments. For the purposes of the Medium Term Financial Plan, the pay award has been assumed at 2% pa and salary increments are assumed per current conditions of service (albeit these are assumed to be contained with existing budgets).

6.31 The annual Salaries budget includes provision for staff turnover; this amount will be reviewed annually to ensure that it is proportionate and deliverable.

Pensions

6.32 Pension contributions are based on the latest triennial valuation of the Lancashire Council Pension Fund which was undertaken in 2019 and implemented from 1st April 2020. The outcome of the valuation has resulted in employers contribution rates’ that are applicable from the financial year 2020/21 up to and including the financial year 2022/23.

6.33 The next triennial valuation will be undertaken as at 31st March 2022 with new rates applicable from 2023/24 onwards.

Key Assumption 20
For the three years of the Medium Term Financial Plan, pay inflation shall be as assumed at 2.0% pa. Services will be expected to absorb the impact of salary increments.

Key Assumption 21
Pension Contributions for the 3-year period from 2023/24 will be as agreed following the 2022 Triennial Valuation. In the absence of that data, it is assumed that Employers Contribution Rates will increase by 1% pa in each year of the Medium Term Financial Plan.

Key Assumption 22
The amount deducted from the overall annual salaries budget for staff turnover shall be reviewed annually to determine how proportionate and reasonable it is in the context of the Council’s budget.

National Living Wage

6.34 Whilst the Council’s pay scales mean that changes in the National Living Wage have little bearing on the Council’s pay costs, they do impact significant on the pay costs of Care Providers. To that end, the Council will consider the change in the National Living Wage when considering its commissioning budgets in each year of the Medium Term Financial Plan

Key Assumption 23
The Council will consider the change in the National Living Wage when considering its commissioning budgets as part of the Medium Term Financial Plan.

Non-Pay Inflation

6.35 Generally, the majority of non-pay budgets will be cash limited. That is, they will not be increased by inflation. This will not apply to budgets for Gas (assumed to increase by 28% in 2022/23, 2% pa thereafter) and Electric (18% in 2022/23, 2% pa thereafter)

6.36 It should be stressed that the inflation factors are purely for forecasting purposes and as such are subject to change as more detailed work on the budget is undertaken.

Key Assumption 24 With the exception of the budgets referred to above, all other budgets will be cash limited, i.e. not increased by inflation.

Demand-Led Budget Pressures

6.37 It is acknowledged that some of the Council's budgets, particularly Adult and Children's Social Care are demand led. The current Medium Term Financial Plan is based on known demand.

6.38 Budget growth may arise for a variety of reasons including, for example, changes in legislation, increase in demand for services or specific growth proposals required to achieve the corporate objectives.

6.39 At this stage, the MTFP reflects the cost of ongoing service provision but includes no further provision for specific budget growth, either in the revenue or as a consequence of growth in the Capital Programme. Fundamentally, however, it is assumed that any new growth will relate specifically to the achievement of the Council's Corporate Plan.

Key Assumption 25 Revenue Expenditure Growth proposals will relate specifically to the achievement of the priority outcomes in the Council's Strategic Plan.

Scenario Forecasting (and sensitivity analysis)

6.40 It is acknowledged that some of the assumptions used to prepare the MTFP are subject to change and could, therefore, result in changes to the Medium Term Financial Plan. Changes to these assumptions can have a fundamental impact on the 'bottom-line' savings the Council may need to make over the next 3 years.

6.41 Importantly, the purpose of the scenario (or sensitivity) analysis here is not to forecast the future but to test and understand the Council's sustainability in specific circumstances given alternative plausible scenarios for key drivers of cost, service demands and resources. Such 'stress' testing is a key part of the test of financial sustainability.

6.42 Equally, the sensitivity analysis provides an indication of the likely range of the Council's deficit position bounded by realistic 'worst' and 'best' case scenarios. Whilst acknowledging there might be scenarios outside of these boundaries (as well as numerous ones within them), this is considered unlikely as the 'worst' case scenario assumes strongly negative estimates for most of the main aspects of the MTFP; likewise, the 'best' case contains only positive changes.

6.43 Some of the key variables that have been modelled include:-

A 'best case' set of variables

- The distribution of the additional Services Grant (£3.072m) is changed to compensate low taxbase local authorities like Blackburn (and increases to £4.0m);
- Council Tax and Business Rate Collection return to pre-pandemic levels;
- The New Homes Bonus Scheme continues in its present format until 2024/25;

A 'worst case' set of variables

- Covid-19 income losses are not recovered back to pre-pandemic levels over the life of the MTFP;
- the additional Services Grant (£3.072m in 2022/23) is reduced by 50% from 2023/24 onward;
- the Lower Tier Services Grant does not continue after 2022/23;
- the Pay Award for 2022/23 is agreed at 2.5% and not 2%;

6.44 The impact of the changes in these variables on the MTFP for each scenario is compared to the current MTFP in the tables at **Appendix D.** Taking into account all of the above, the 'best' case scenario shows a deficit over the MTFP of c£4.2m. The 'worst' case scenario shows a deficit over the MTFP of c£7.3m.

6.45 Recognising that the Medium Term Financial Plan is subject to change, it will continue to be reviewed on a regular basis to ensure that it accurately reflects the likely income and expenditure of the Council.

7. Capital

About this section

This section provides a brief summary of the Council's Capital Strategy. The Capital Strategy 2022/25 was approved by Finance Council in February 2022 and sets out the Council's capital investment plans and how they will be funded.

Fundamental Medium Term Capital Programme (MTCP) Aim

7.1 The fundamental aim of the Strategy for the Medium Term Capital Programme (MTCP) is to have a balanced capital programme over the plan period whilst ensuring that resources are applied in the most effective way to ensure that the Council's Capital Strategy is achieved.

Capital Strategy and Asset Management Plan

7.2 The Council has maintained a Medium Term Capital Programme for some time. The Programme is based broadly on the Council's existing Capital Strategy and the Asset Management Plan. The latest Capital Strategy for 2022/25 was considered and approved by Finance Council on 28th February 2022.

Forecast Capital Expenditure

7.3 Table 6 below provides a summary of the Council's proposed capital programme for the period 2022/23 to 2024/25:-

Table 6: Forecast Capital Programme 2022/23 to 2024/25

	Projection 2021/22 £000	Indicative 2022/23 £000	Indicative 2023/24 £000	Indicative 2024/25 £000
Health and Adult Social Care	2,424	2,890	1,867	1,867
Children, Young People, Education	6,346	6,827	2,013	263
Environment	3	334	-	-
Public Health and Wellbeing	304	-	-	-
Growth and Development	10,680	17,775	19,676	15,162
Digital and Customer Services	1,568	2,623	362	282
Finance and Governance	3,608	1,242	-	-
Portfolio Spending	**24,933**	**31,691**	**23,918**	**17,574**
Corporate ICT	268	-	-	-
Vehicles	532	1,000	1,000	1,000
Corporate Property Investment	-	3,335	2,000	-
Earmarked Schemes	**800**	**4,335**	**3,000**	**1,000**
Asset Management	-	3,000	1,500	-
Contingent Schemes	**-**	**3,000**	**1,500**	**-**
Total Capital Expenditure	**25,733**	**39,026**	**28,418**	**18,574**

7.4 The Capital Programme forecast above does not include any programme growth other than that agreed as part of the programme. Subject to the annual review of the Capital Strategy (and the Asset Management Plan), it will be necessary to re-visit the Capital Programme to determine how applicable some of the capital expenditure proposals are when compared to the revised Strategy and indeed, whether there will be a need to incur additional capital expenditure.

7.5 Notwithstanding this, any new capital expenditure proposals will be subject to review as part of the Council's capital project appraisal methodology that provides an objective mechanism for rationing the Council's scarce capital resources.

Key Assumption 26

Any capital expenditure proposals will be assessed for compatibility with the Council's Capital Strategy and Asset Management Plan by using the Council's recognised capital project appraisal methodology. All such proposals will be considered by the Council's Capital Programme and Asset Management Working Group.

Forecast Capital Resources

7.6 Table 7 below illustrates the capital resourcing position over the life of the Strategy:-

Table 7: Forecast Capital Resources 2022/23 to 2024/25

	Projection 2021/22 £000	Indicative 2022/23 £000	Indicative 2023/24 £000	Indicative 2024/25 £000
Government Grants	16,363	15,160	13,506	8,062
External Contributions	913	202	-	-
Revenue Contribution	2,329	6,351	4,020	2,380
Borrowing	6,128	16,313	9,892	7,132
Leasing	-	1,000	1,000	1,000
Total Capital Financing	**25,733**	**39,026**	**28,418**	**18,574**

7.7 As the table indicates, resources are slightly lower than the anticipated capital programme in each year recognising a degree of over-programming. However, this is considered to be manageable going forward but will need to be maintained under review.

Revenue Implications of the Capital Programme and the Prudential Code

7.8 Under the Prudential Code for Capital Investment in local authorities, there is greater flexibility for the Council to borrow to invest in capital investment. However, this is only possible if any such borrowing is affordable, prudent and sustainable.

7.9 In considering the affordability of the Capital Programme, consideration must always be given to relationship between capital investment and the potential revenue cost consequences that may arise as a result. These revenue costs can manifest themselves in a number of ways as follows:-

a) **the cost of borrowing** – the cost of borrowing for capital investment comprises two elements:-

i. an interest cost arising from either new cash borrowing or the Council choosing to redeem investments (ie interest foregone) in order to have sufficient cash to meet capital payments when they are due;

ii. a principal repayment (otherwise known as the Minimum Revenue Provision) required to reduce the net indebtedness of the Council.

The table below shows the forecast cost of borrowing over the Medium Term Financial Plan period:-

Table 8: Estimated Borrowing Costs 2022/23 to 2024/25

	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000
External Interest	12,565	12,634	12,891
Minimum Revenue Provision	6,422	6,691	6,691
Total Estimated Cost of Borrowing	**18,987**	**12,634**	**19,582**

b) **revenue contribution to capital** – the revenue contribution to capital for 2022/23 is £6.351m and is a direct charge against the Council's revenue budget (albeit this is met by receipts from Housing Pendle);

Key Assumption 15

The use of additional long term borrowing will only be undertaken where it can be demonstrated that any such borrowing is affordable, prudent and sustainable (in accordance with the Prudential Code for Capital Finance within Local Authorities).

Treasury Management (the Management of Debt and Investments)

7.10 As indicated in the Section 1 above, details of the Council's approach to the management of debt and investments are contained in the Council's Annual Treasury Management Strategy.

8. Other Budget Issues and Pressures

About this section

The purpose of this section is to highlight those issues and pressures that may affect the Council over the life of the medium term financial plan.

These issues and pressures are considered in terms of external factors, those issues that will/may impact on the Council from external sources, and internal factors, for example, specific initiatives that the Council has embarked on.

The intention is to highlight those issues/pressures and where possible assimilate the financial implications into the Council's Medium Term Financial Plan. It should be recognised that it is not always possible, however, to predict what the financial implications are at this stage. The Financial Strategy will be updated, as more details become known.

External Factors

8.1 The following narrative considers a range of external factors, not in any particular order, that are likely to impact on the Council and its financial position over the medium term strategy period.

Covid-19 Recovery

8.2 At the time of writing this strategy, the Country was averaging c67,000 new cases of Covid-19 each day along with around 200 deaths each day of someone who has tested positive for Covid-19 within the last 28 days. Nevertheless, with the roll-out of the vaccination programme, including the booster jabs for those who have had first two jabs, the impact of the disease has, arguably, lessened with less hospitalisation than experienced in earlier waves.

8.3 However, Covid-19 has impacted significantly on the health of the Borough's population and with it, the local economy. Although the Government has provided various economic packages to support individuals and businesses through the Pandemic, recovery is expected to be pro-longed. This reflects the preponderance of a number of deep-seated and structural issues in the Blackburn with Darwen Borough including significant levels of deprivation and health inequalities that are inhibiting life chances.

8.4 In response to this, as well as learning to live with the impact of Covid-19, the Council is going to have to consider how to support residents and businesses through the recovery process, targeting its limited resources to recovery activities and working with the Government, other external agencies, partners, the voluntary, community and faith sector together to provide the necessary support when and where it is most needed.

8.5 Fundamentally, unless the Government provides new funding, the Medium Term Financial Plan includes no new resources to deal with Covid-19 from 2022/23 onwards.

Levelling Up (including Devolution)

8.6 The impact of Covid-19 on local economies has been profound, more so in those areas which have been worse affected by the Pandemic because of their underlying economic weaknesses. The Pandemic has amplified these matters.

8.7 Even before the Pandemic began, however, the Government had already set out plans in the Queen's Speech made in December 2019 to *'commit to levelling up powers and investment in the regions across England and allowing each part of the country to decide its own destiny'.* At the time, the Government indicated that it *'will publish a White Paper setting out our strategy to unleash the potential of our regions, which will include plans for spending and local growth funding'.*

8.8 For a variety of reasons, including the Pandemic, changes in Secretary of State for Local Government and a general lack of clear understanding what 'levelling up' is about, the White Paper has not yet been published. The latest plan is that, despite the Government indicating it would be released at the end of 2021, the White Paper will be published in early 2022.

8.9 In the meantime, the Government has already made funding allocations and announcements in relation to what it would consider to be aspects of the 'levelling up' agenda. For example:-

- A total of 101 Towns have been chosen to benefit from a ***Town Deal***. This includes Darwen which has been allocated up to £25m to deliver a total investment package for the Town Centre of £116m;

- To date, there has been a single round of the **Community Renewal Fund (CRF)** with the expectation being that CRF is a pilot for the forthcoming Shared Prosperity Fund (see below). Blackburn with Darwen was successful in obtaining funding for 2 out 7 of its bids securing CRF of investment of c£700k;

- Again, to date there has been one round of the ***Levelling Up Fund***. The Government has prioritised every Council area (1 – high priority, 3 low priority) as a means of directing Levelling Up fund resources. Blackburn with Darwen is a Priority 1 area. In view of the short timescales for submitting for bid development, the Council did not submit a bid to the first round preferring to wait until the second round when a more developed bid for Blackburn Town Centre will be submitted. This may require the Council to provide match-funding support to ensure the bid is deliverable.

- The development of ***County Deals*** is considered to be the Government's response to providing devolution to two-tier local government areas. As with already agreed Devolution Deals, the Government is seeking a strong governance model before any devolution of powers and resources; the perceived strength of the governance model

- The ***Shared Prosperity Fund*** is described as the replacement to EU funding following the United Kingdoms exit from the European Union

8.10 What is not clear at this stage is what the White Paper will say in relation to the further devolution of powers and resources and with that how the structure of local government might be expected to change. It is clear that if the Government is to devolve more powers and resources, it will only do so to places that have strong governance.

8.11 Whilst Blackburn with Darwen would support devolution to Lancashire with a Mayoral Combined Authority, if that is required, and would support the reorganisation of local government in Lancashire (with the preference being the creation of a Pennine Lancashire Unitary Authority), the current focus is the development of a County Deal for Lancashire.

<u>Social Care Reforms (including the Health and Care Bill)</u>

8.12 In November 2021, the Government released the ***White Paper – People at the Heart of Care*** – which is intended to provide a 10 year vision for the transformation of Adult Social Care in England. The vision is set around the following objectives:-

- People have choice, control and support to live independent lives;
- People can access outstanding quality and tailored care and support;
- People find adult social care fair and accessible.

8.13 Person-centred care is key theme running through the vision. People will have a genuine choice and control about the care and support they receive. To implement the vision, the Government has set out a range of policy actions including integrating health and care strategies with a focus on new supported housing, greater adoption of technology and digitisation across social care, providing the right training and qualifications to the workforce.

8.14 In support of this, the Government has indicated that funding of £5.4bn will be made available, of which £3.7bn will be paid directly to local authorities to implement these changes. At this stage, the Council's share of this funding is not known nor is it clearly understood what the changes in policy (or what it will cost) will mean for the Council. Equally, much of the investment in this areas appears to be directed to the Health Service initially, with the suggestion from Government that some of this investment may well be redirected to Local Authorities in the future.

8.15 ***The Health and Care Bill*** is currently making its way through the Parliamentary process. However, if enacted in its current form, the Bill will also mean significant changes for Adult Social Care.

8.16 In particular, it will introduce a new legal duty for the Care Quality Commission to review and make an assessment of the performance of local authorities in discharging key adult social care functions (which will be defined in secondary legislation). This insight into the Adult Social Care functions of local authorities is intended to provide a platform from which the Department for Health and Social Care and the wider Government can work with local authorities to promote best practice, provide support and intervene in the event of substantial issues being identified.

8.17 The resource implications of this additional oversight by the CQC are not yet known nor is it clear whether the Government will provide additional funding. In view of this, no provision is made for these changes in the Medium Term Financial Plan.

MacAlister Review (Independent Review of Children’s Social Care)

8.18 The MacAlister Review is an independent review of Children’s Social Care. It is led by Josh MacAlister. It began on 1st March 2021 and is looking at how to transform the Children’s Social Care system and improve the lives of children and their families.

8.19 Following a statement setting out his early thinking about how the review will work, MacAlister has produced a ‘Case for Change’ which set out a number of questions about the current Children’s social care system, seeking feedback on the evidence and asking for ideas, views and further evidence for solutions. This was the conclusion of the ‘Diagnosis’ stage which worked on defining the issues the review needs to address as a priority.

8.20 In essence, the responses to the ‘Case for Change’ led to the conclusion of the ‘Discovery’ stage which involved analysing root causes of the issues in order to build a better understanding of the problem.

8.21 The Review is currently in the ‘Development’ stage, where tangible solutions are being identified which will help towards developing recommendations to the Government. This is likely to conclude in early 2022 with a report detailing what needs to change and how. Subject to the Government’s response, the Review will move into ‘Delivery’ where consideration will be given to the implementation of recommendations.

8.22 Given the Review is only at ‘Discovery’ stage, it is not possible to say what the implications of any changes, should they be implemented, may mean for the Council. It will be necessary to maintain a watching brief on this issue so that the Council can respond accordingly.

8.23 Running alongside the MacAlister Review is a market study into Children’s Social Care Provision by the Competition and Markets Authority (CMA). This Study is considering the supply of children’s social care placements in England, Scotland and Wales arising from concerns about the shortage of appropriate places for looked-after children and the high prices paid by local authorities.

8.24 The final report from the CMA is not due until March 2022 so it not possible to say what they will conclude and what impact, if any, it will have on the market for children’s social care places. Given the Council is spending c£7m annually on such placements and, as outlined in the report, is subject to significant price/demand variations, again there is a need to keep a watching brief on this matter.

Achieving Net Zero (responding to the Climate Emergency)

8.25 As with most other Councils, the Council has declared a Climate Emergency (at the Council Forum on 18th July 2019). The Council has committed to making Blackburn with Darwen carbon neutral by 2030, taking into account the production and consumption of emissions.

8.26 In response to this, the Council has established a Climate Emergency Working Group which is overseeing the delivery of the Climate Emergency Action Plan. In addition to direct action that the Council can take in the delivery of its own services, the Action considers both engagement with partners and residents on the broader actions that can be taken for the Borough to achieve the carbon neutral targets.

8.27 In addition to more fundamental changes in the way in the Council, residents, businesses and the wider community conduct their activities, it is inevitable, that the delivery of the Climate Emergency Action Plan will require additional investment either from the Council's own resources or from Government. In relation to the latter, one of the key parts of the resolution from the Council Forum when declaring the Climate Emergency, was the need to lobby Government to provide the additional powers and resources to meet the 2030 target.

<u>Environment Act 2021</u>

8.28 The Environment Act 2021 received royal assent in November 2021. The Act has wide ranging changes that will impact on the Council, generally in relation to environmental matters and more specifically as both waste collection and waste disposal authority. This includes, for example:-

- The collection of glass, metal, plastic and paper/card from households for recycling;
- exploring the possibility of Councils having separate food waste collections at least once a week for recycling and composting;
- separate collections for recycling or composting.
- the introduction of a Deposit Return Scheme (where consumers pay a deposit for a single-use container at the point of purchase which is then refund to the consumer when they return the container for recycling;
- the Extended Producer Responsibility which makes sure producers pay the 'full net cost of recovery' for the packaging that they produce;
- the provision of a free garden waste collection.

8.29 The implementation of measures in the Act is unlikely to take place without further consultation with local authorities, not least because of the potentially significant financial implications. Indeed, whilst acknowledging the need to increase rates of recycling, local authorities have been clear that to implement the measures in the Act will require significant additional funding from Government.

8.30 At this stage, given the lack of clarity available about the implementation of the Act and the expectation that Government will provide additional funding, no provision is included in the Medium Term Financial Plan for the impact of the Environment Act 2021 at this stage.

<u>Academisation of Schools</u>

8.31 Successive Governments in recent years have had a policy of promoting the academisation of schools (the process by which Local Authority Maintained Schools become academies). This policy shows no signs of abating and where Schools are not improving year on year, there is a probability that they will be under pressure to academise (with the likelihood that they will join a Multi-Academy Trust).

8.32 The majority of Schools in Blackburn with Darwen are local authority maintained schools and equally, most schools in the Borough have a good or better rating from Oftsed. In view of this, there appears to be little consideration of further academisation of Schools in the Borough although given the current Government's policy position, it is a matter that will need to remain under review.

Planning Reforms

8.33 In August 2020, the Government published the 'Planning for the Future' White Paper which included proposals for the long term fundamental structural changes to England's planning system. Any such changes to the existing planning system will require both primary and secondary legislation.

8.34 Following the most recent Cabinet reshuffle, and the change in Secretary of State for Local Government, the proposed changes have been put on hold pending a review of the anticipated Planning Bill. The outcome of this review is not yet known and nor is it known what the timetable is for bringing a new Bill forward.

8.35 Needless to say that any changes to the Planning system, both in terms of the broader planning policy framework and the underlying development management process(es) are likely to impact on the Council. This has the potential to be significant at any time but given the Council is on the cusp of a public inquiry into Part 2 of its Local Plan, it may be more significant for Blackburn with Darwen.

Continued Pressure on Council Tax Increases

8.36 In recent years, the Government has continued the pressure on local authorities to keep general Council Tax increases below 2%. At the same time, it has used the Adult Social Care Precept as a means of providing Councils with the capacity to generate additional Council Tax as a contribution to paying for Adult Social Care Costs.

8.37 This 'pattern' for Council Tax increases has been in place for a number of years and is unlikely to change. That said, given the Council Tax system in its present form has not been changed since 1991 (using property prices from that year to determine the banding of properties), there are growing concerns that it is an outdated system in need of reform.

Availability of External Funding Streams and Specific Grants

8.38 The Council has a good track record of obtaining external funding from a variety of sources, primarily to undertake a range of regeneration activity within the Borough. Much of the investment has been, and continues to be, capital funding and includes funding/grants from Growth Deal, Heritage Lottery Fund and latterly both the Towns Deal and the Community Renewal Fund.

8.39 Much to the consternation of Local Government, the Government continues to provide a range of small and disparate range of bid-based special and specific grants to local authorities through various Government Departments. This is likely to remain the case with funds such as the Levelling-Up Fund and the UK Shared Prosperity Fund. It is difficult to say what the Council's success will be with bids to these funds, particularly in the absence of a devolution deal of some sort.

General Legislative Changes

8.40 There is a range of legislation, some enacted and some currently being progressed through Parliament, which could have financial implications for the Council. These include, for example (these are Government Bills only):-

Table 9: General Legislative Changes

Building Safety Bill	HoC - 2nd Reading
Elections Bill	HoC – Report Stage
Environment Act 2021	Enacted
Health and Care Bill	HoL – Committee Stage
Health and Social Care Levy Act 2021	Enacted
Leasehold Reform (Ground Rent)	HoC – Report Stage
Police, Crime, Sentencing and Courts Bill	HoL – Report Stage
Public Service Pensions and Judicial Offices Bill	HoC – Second Reading
Skills and Post-16 Education Bill	HoC – Report Stage

HoC – House of Commons, HoL – House of Lords

8.41 It is not possible to say at this stage what, if any, financial implications these areas of legislation may have for the Council as details of the impact on service provision are not known in all cases.

8.42 By way of example, the Elections Bill is likely to place additional responsibilities on local authorities in the conduct of local elections. Inevitably, this will lead to additional costs which, at this stage, it is not possible to quantify either operational or financially for the Council. It is expected, however, that the Government will provide additional New Burdens funding for this and any other matters that, as a consequence of legislative changes, lead to additional cost burdens for the Council.

General

8.43 The narrative on external factors above is not exhaustive of the issues that might affect the Council and its financial position but represent the major issues currently known. As other issues arise, they will be evaluated for impact on the Council and, in the event that there are financial implications, these will be factored into the Council's Medium Term Financial Plan.

Internal Factors

8.44 In addition to the external factors impacting on the Council, there is a range of issues specific to the Council and/or the Blackburn with Darwen area that will have an impact on the Medium Term Financial Plan. To a large degree, these issues are set out in the priority actions shown in the Corporate Plan (although the Corporate Plan itself is subject to review). However, the brief narrative below considers some of the key issues:-

a) Development of a new Corporate Plan

The Council has embarked on a process of developing a new Corporate Plan for the period 2022/25. This will involve consultation with a broad range of stakeholders including the public and may result in new priorities for the Council. As indicated earlier in this Strategy, there needs to be strong link between the Council's Corporate Priorities and its ability to deliver them with the resources available. This is likely to require both an iterative approach to service and financial planning and consideration of innovative ways of delivering priority actions.

b) Stability in the Workforce

As with a number of sectors and organisations, the Council is starting to experience difficulties with the recruitment and retention of staff in a number of business areas. Whilst this is not yet impacting significantly on the delivery of services, unless actions are taken to deal with this issue, it is possible that some services will be affected.

c) Fragility of the Care Market and Workforce

The continuing impact of Covid-19 on the Care Market is significant and is exacerbating concerns about how fragile the Care Market and the Social Care workforce is. Issues such as decreased occupancy, reduced admissions, increased operating costs and difficulties in recruiting and retaining staff are becoming commonplace in parts of the Care sector leading to concerns about the financial sustainability of care providers. The extent to which the Council cannot make places and/or provide appropriate care packages is likely to have a bearing on the Council's cost base.

d) Increase in Demands for Services and Complexity of Needs

The demand for Council services continues to grow, particularly in Adult and Children's Social Care. In these areas, there are concerns that as the worst effects of Covid-19 start to reduce, the pent-up demand in the care system will start to flow leading to potentially significant pressure on the Council.

Added to this is the increasing complexity of needs of both adults and children (including, for example, multi-morbidity, mental health challenges and social deprivation) is also creating additional pressure in the care system given the need to ensure that care packages and support are tailored appropriate to the needs of the adult/child.

e) Local Plan 2021-2037

The Council is in the final stages of agreeing a new Local Plan for the period 2021 to 2037. The final statutory consultation on the final pre-submission publication version of the Plan will start in February 2022. Comments on this version will form part of the package of documents that will be submitted to the Planning Inspectorate who will then undertake an independent examination of the Plan. The adoption of the Plan will be subject to the outcome of the examination.

f) Use of Reserves

The MTFP assumes that the Council will use c£1m of reserves annually and whilst the current position on reserves is relatively health, this is not a sustainable position over the longer term. A key element of the Financial Strategy is that the Council should seek to reduce the reliance placed on reserves and move to a position where ongoing expenditure is met from ongoing resources.

g) Capitalisation of Staffing Costs

In 2022/23, the Council will capitalise staffing costs totalling c£2.3m. These staff are actively involved in the delivery of capital projects. However, once projects are delivered, the Council will need to consider to what extent those staff employed on the projects are required and how, if they are required, their costs will be funded.

h) Education Service Level Agreements

The Council receives c£2.5m from the provision of services to Schools. This is based on a range of Service Level Agreements across a range of services. To sustain the income from the provision of these SLAs, the Council will need to continue providing services that provide value for money. Equally, expanding the scale of service provision, both of existing and new services, continues to be a focus for services.

i) Use of Public Health Grant

The Council receives c£15m of Public Health Grant annually. Of this, around £5m is used to support the General Fund Revenue Budget on activities associated with the wider determinants of health. This is a legitimate use of this funding, contributing to those areas that should lead to a reduction in health-related issues that would otherwise contribute

j) Digitisation

The Council has embarked on the delivery of a Digital Strategy that seeks to make digital the first option for the delivery of services, to enable staff to have the ability to transform services, become a data driven organisation and to have both secure and resilient technology.

The investment required to deliver the Digital Strategy is significant and consideration of this will be funded will form part of the development of the Council’s Capital Strategy. At the same, the implementation of the Digital Strategy should lead to transformation of Council services that can be delivered at a lower cost base than at present.

k) Commercial Services and Income Recovery

A commercial approach to the delivery of services has become a regular theme of Council plans in recent years. Within the bounds of both statutory and other guidance, the Council needs to consider to what extent it can derive more income from taking a more commercial approach to the delivery of services, This approach will need to be underpinned by a commercial strategy so that any actions implemented are within a strategic framework and fit with the Council's own objectives.

l) Availability External Funding

As indicated above, the Council has a good track record in obtaining external funding as a means of regeneration and/or expanding the delivery of services across Blackburn with Darwen. The hallmark of current funding streams is the need to bid for funds, generally in competition with other local authorities.
To be successful, the Council has to be in a position to develop 'oven ready' bids that are of high quality and

It is important, therefore, that the Council puts in place arrangements, such as clear exit strategies, when funding streams come to an end so that the burden of additional cost does not simply add to the ongoing budget shortfall. In doing so, however, there needs to be an holistic approach to reviewing the contribution of funded schemes to the Council's Strategic Objectives in comparison to those services/projects/schemes funded directly by the Council's base budget.

m) Strategic Developments / Projects

There are a number of significant projects that the Council is currently involved which may require additional funding (revenue/capital) or capacity to ensure delivery. Examples include:-

- Blackburn Town Centre Developments;
- Darwen Town Centre Developments (which now form the Darwen Towns Fund Programme);
- Darwen East Development Corridor;
- North East Blackburn Corridor;
- South East Blackburn Growth Zone;
- West Blackburn Development Corridor.

This list is by no means exhaustive. Work on the development/delivery of these projects is ongoing and could potentially impact on the Council's financial position.

8.45 Again, this is not an exhaustive list, but it does outline some of the major factors that may impact on the Council's financial position. There are others and the following examples illustrate this:

- updating and implementing the Asset Management Plan and ensuring asset renewal continues;
- dealing with problem sites, empty properties and 'grot spots' on a pro-active basis;

- the possible renewal of the Grounds Maintenance contract;
- the growth in the delivery of events by the Council within a limited amount of resources.

8.46 The annual compilation of Business Plans, which focus on the three-year period covered by the Financial Strategy as well as provide details of annual service targets, provides an opportunity to address these and other service pressures facing the Council both in terms of service delivery and resourcing.

9. Achieving a Balanced Budget (the Financial Strategy)

About this section

The purpose of this section is, in the light of the Medium Term Financial Plan described above, to consider options for dealing with the projected deficit.

9.1 The Medium Term Financial Plan shown in Section 6 above currently shows a deficit over the period 2022/25 of c£6m although this will be subject to variation for reasons also outlined above. This reinforces the need for the Council to consider implementing a Strategy aim of a balanced budget over the medium term period.

9.2 Following the outcome of the Council's Corporate Peer Challenge in December 2018,

'The Council acknowledges that is approach to savings in the past has largely been achieved through 'salami slicing', identifying a percentage reduction to be achieved across portfolios and constituent service areas based on Member agreed priorities and recognises that a more transformational approach is now needed. This should be strategic and corporate, cutting across Departmental silos to ensure that savings are sustainable in the medium to longer term'

9.3 The Financial Strategy being pursued by the Council is:-

- ***Growing*** the Council's income using the funding mechanisms now in place for local government to increase the Borough's taxable capacity, in particular the Business Rates Retention Scheme. This means that the Council continue to consider ways in which it can increase income from business and housing growth to ensure that funding for services can be maintained and increased;

- ***Charging*** for services, raising income which will mean that it is possible to continue providing services that residents value. This will mean continuing to review the level of fees and charges, reducing the subsidy on some services and considering the introduction of new fees and charges. It will also include reviewing the level of discretionary business rates and council tax exemptions/discounts and the local scheme of Council Tax Support;

- ***Saving*** costs by, for example, reviewing how the Council delivers services, doing things differently and more efficiently, scaling services to appropriate levels within the resources available to the Council and working with partners, including the voluntary sector, town and parish councils to sustain local facilities and services;

- ***Stopping*** spending on lower or non-priority areas. This could also mean, for example, that the Council works with other partners (Voluntary, Faith, Community Sector, Town/Parish Councils etc) and residents to deliver aligned to the 'Your Call' Initiative.

9.4 More details of these strands of the Financial Strategy are provided below.

Growing

Growth in Retained Business Rates Income

9.5 The current Business Rates Retention Scheme continues to offer the opportunity to increase the Council's income by increasing the amount of retained business rates. This does, however, require growth in the Business Rates Tax Base, ie more business rateable properties to be provided in the Borough. This needs to be over and above the level at which the Taxbase is reduced each year as a result of, for example, demolition of properties, appeals against rateable value etc.

9.6 To put this into context, the Council's Business Rates Tax Base is currently £120.964m. In broad terms, for every £1m growth in the Taxbase (equivalent to, say, an additional retail superstore), the Council's income would increase by c£250k (using the current standard NNDR multiplier of 49.9p and assuming no other changes such as the award of reliefs). There is, therefore, a clear link here with a strategic approach to economic growth and regeneration within the Borough.

9.7 Aside from the Growth of the Taxbase, of which more is discussed below, reviews will be undertaken on the collection of business rates – to ensure it is as efficient and productive as possible – and the range of discretionary reliefs – to ensure they remain affordable to the Council.

Growth in Council Tax Income

9.8 The amount of Council Tax income collected by the Council is the function of the rate of Council Tax, the taxable capacity of the Borough and the rate of collection.

9.9 The rate of Council Tax, within the bounds of the Government's Referendum Principles for Local Authorities, is a matter for Councillors to determine although the Medium Term Financial Plan set out in this Strategy assumes that Council Tax will be increased by the maximum amount possible within the Referendum Limits (a position which is reflective of the assumption made by Government in the determination of the Council's Core Spending Power).

9.10 Increasing the taxable capacity of the Borough is dependent on a range of matters, not least the provision of new housing. As well as seeking to develop residential schemes using Council-owned land and assets, there needs to be a continuous process of reviewing extant planning consents for other developments to determine to what extent the Council might be able to facilitate delivery of these schemes.

9.11 The target Collection Rate for Council Tax for 2021/22 is 95.5% of in-year Council Tax due. As indicated above, given the impact Covid-19 is continuing to have on local residents, achieving the collection rate is proving to be a challenge. Looking ahead, consideration will need to be given to the level of collection as part of the Council Tax Setting process and what measures can be implemented to improve overall collection.

9.12 At the same, both the affordability and administration of the Local Council Tax Support Scheme will be reviewed to ensure the Council is getting best value and delivering the Scheme as efficiently as possible.

Growth Strategy/Programme

9.13 The Council's Growth Strategy/Programme is led by the Growth Team and is focussed on the economic growth and regeneration of the Borough, both to increase business growth and to develop new homes, whether for market sale or affordable homes. The Growth Strategy/Programme comprises a range of initiatives including:-

- a programme and pipeline dashboard with key programmes of work covering c200 projects across employment, housing, infrastructure, empty homes and town centres;
- creation of Joint Venture Partnerships to secure the future of challenging sites;
- using a Growth Framework for selection of local contractors for delivering a variety of projects covering construction, civil engineering and developments;
- implementation of robust Section 106 procedures to test Developer's viability appraisals. This ensures that the Council receives the correct amount of funding to support infrastructure such as education, provision of affordable homes, green infrastructure and highways;
- a programme of disposing of key strategic housing sites and employment land;
- applying for public sector grants through preparing business cases and funding bids; and
- developing key infrastructure to support the delivery of growth in the Borough, including education and highways schemes.

9.14 Key programmes are currently divided into two programme themes: Place and Thematic across employment, housing and town centres. These include the following:-

Place
- Blackburn Town Centre Developments;
- Darwen Town Centre Developments (which now form the Darwen Towns Fund Programme);
- Darwen East Development Corridor;
- North East Blackburn Corridor;
- South East Blackburn Growth Zone;
- Carl Fogarty Way Commercial Units;
- Wainwright Way Commercial Units
- West Blackburn Development Corridor.

Thematic
- Affordable housing;
- Empty Homes (including proposals for a new Local Housing Company);
- Infill Commercial Sites
- Infill Housing Sites

9.15 Across these thematic areas are a range of projects which are expected to deliver c2,300 new homes and additional floorspace/commercial units each of which should lead to an increase in the Council's taxbase.

9.16 Inevitably, the implementation of this Growth Strategy is, amongst other matters, largely dependent on external funding. Examples of this include the Towns Deal, Levelling Up Fund, Community Renewal Fund and more traditional sources of funding such as the Local Transport Plan Funds. The extent to which the Council can 'leverage' this funding depends, in part, on providing some match funding from the Council's own resources or funding streams such as s106 payments.

Charging

9.17 The 'Charging' strand focuses on the extent to which the Council can, and should, charge for services and, within the bounds of Government restrictions and the Council's own risk appetite, the extent to which the Council should take a 'commercial' approach to service delivery (where this is possible with current guidance and legislation).

9.18 The Council reviews its fees and charges annually although the current process is ad hoc rather than driven by any specific strategy. In view of this, it is proposed there is a clear strategic framework for setting and changing fees and charges.

9.19 Equally, there is currently no overarching strategy that articulates how the Council might deliver more income from commercial activities although recent changes in the Prudential Framework for Capital Investment have introduced significant restrictions on Councils' activities in this area. Nevertheless, a review of the scope to expand commercial activities within the bounds of the current guidance and legislation is necessary to consider whether it is possible to expand the Council's involvement in this area.

Saving

9.20 Whilst both the Business Rates Retention Scheme and Council Tax do offer some opportunity to increase the Council's income from increasing the Borough's taxbases, any growth in the near term is unlikely to deliver the scale of additional income required to offset the reduction in core funding experienced by the Council over the last 10 years. Any measures considered now as a means of increasing income in the above areas could equally take a significant time to implement before additional income flows are generated.

9.21 Equally, the Council's ability to charge for service or reduce the extent of discounts is unlikely, in isolation, to generate sufficient additional income to make up for the funding shortfall faced by the Council. In view of this, the Council must continue to identify ways in which it can reduce expenditure in other ways to ensure that it maintains a balanced sustainable budget over the medium term.

Strategy for Budget Savings in 2022/23 to 2024/25

9.22 Acknowledging the findings of the LGA Peer Review, there is a need to consider a more transformational approach to the delivery of savings. This should be strategic and corporate, cutting across Departmental silos to ensure that savings are sustainable in the medium to longer term.

9.23 In particular, as set out in the LGA's report, there should be 'a whole Council approach to the budget process across different services and portfolio areas to ensure resources align to key priorities and desired outcomes'. Equally, given the work on the development of the Digital Strategy, 'the approach to transformation and public service reform, integrated with the digital agenda, with a clear road map for delivery and pursue this at pace'.

9.24 The development of a broader programme of transformation activity is underway along with the necessary governance arrangements to ensure that it delivers real, tangible service improvements and savings. This work will seek to build on the implementation of the Digital Strategy which comprises the following workstreams:-

- Workstream 1 is ***'Digital First'*** for our Services – This is about driving consistency of the digital interfaces with the council and targeting 90% of interactions with us are online. Also ensuring these services are, by their digital nature, available 24/7 ultimately this is aiming at reducing a need for traditional in hour services;

- Workstream 2 is around ***'Enabling transformation For our staff'*** – Really about upskilling in order to then design more effective and efficient services, increasing quality, achieving savings and delivering value for money;

- Workstream 3 is about becoming a 'Data Driven Organisation'. This means providing:-

    - improved insights from data so our services are enabled to make more informed decisions, more predictability and effective management of services leading to improved outcomes for our residents; and
    - increased interventions as a result of deeper insights that improve and reduce demand on services

- Workstream 4 – is to ensure ***'Secure and resilient technology'*** – providing more cost-effective technology infrastructure and also maintaining security to minimise risks of cyber which can incur substantial costs in resolution.

9.25 Alongside the development of the transformation programme, the Council needs to continue exploring ways of reducing its net cost of services whilst ensuring that it continues to deliver good services offering value for money. To do this, activity will be based around the following themes:-

a) maintaining the Council's staffing structure under review to ensure it remains lean but sufficiently resilient and with the capacity to cope with the changes in the delivery of services, the impact of new policy and legislative requirements and the demands of service changes;

b) reviewing the funding for discretionary services to ensure that sufficient resources are available to fund the Council’s statutory obligations and front-line, street level services;

c) establishing whether any of the changes made in response to the Covid-19 Pandemic can be maintained thereby reducing the cost of running the Council. Already, the move to blended working is becoming the norm for the delivery of some services and this, amongst other changes, is likely to contribute to cost efficiencies;

d) continuing to review the way in which residents access Council services with a continued emphasis on self-service/automated processing of transactional type of activity including the development of a policy of ‘Digital First’. Again, this Covid-19 Pandemic has accelerated some of the work of the Council on this matter and the opportunity needs to be taken to retain this where possible;

e) reviewing the efficiency, scope and delivery of key frontline services such as Refuse Collection and Disposal, Street Cleansing and Grounds Maintenance and associated vehicle requirements. This will become increasingly important in the context of the potential changes arising from the Environment Act 2021;

f) reviewing Council Tax collection rates, discounts and exemptions to determine what scope there is to increase the Council Tax yield. This will also include a review of the Local Council Tax Support Scheme;

g) work in partnership with other organisations to develop options for sharing costs of service delivery where there are mutual benefits of doing so;

h) developing the use of data and insight into services, focusing on reducing the cost of services that are shown to have high(er) costs in comparison to, say, the Council’s family group of ‘like’ authorities;

i) continue to consider the scope and appetite for asset transfers to the voluntary and community sector;

j) disposal of capital assets resulting in capital receipts that can be used to reduce the Council’s underlying debt and/or need to borrow for capital investment;

9.26 This is not an exhaustive list of actions and it should be stressed that these are matters that require further consideration and development to produce firm proposals.

Stop

9.27 At the centre of this strategy options is consideration of whether the Council can encourage the delivery of some services by other bodies so that the Council can consider not providing them. A prime example of this is transfer of assets to community and voluntary groups.

9.28 At this stage, this part of the Strategy is less well developed and will need further consideration of those areas of Council activity that fall within scope.

Value for Money

9.29 Annually, the Council's External Auditors are required to assess the adequacy of the Council's arrangements to secure economy, efficiency and effectiveness in the delivery of services. The most recent assessment of the Council's arrangements by the External Auditors resulted in an unqualified opinion on those arrangements.

9.30 The current Value for Money Assessment considers the following matters:

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

9.31 The External Auditors have yet to conclude their assessment of the Council's arrangement under the current assessment criteria but, subject to that, the Council's arrangements are considered to be reasonably sound.

Appendices

Appendix A: Financial Strategy – How the achievement of the Strategy Objectives will be measured

	Financial Strategy Objective	How will achievement be measured ?
1	To enable the Council to understand its medium term financial position in the context of the wider local government and public sector environment	▪ Approval of the Council's Financial Strategy and Medium Term Financial Plan (and the underlying assumptions)
2	To inform decision making on the distribution of resources to deliver the Council's strategic themes and corporate priorities	▪ A balanced budget approved by Finance Council that provides adequate resources contributing to the delivery of the Council's Corporate Plan objectives
3	To ensure that the Council can set a Council Tax level that avoids the intervention of Central Government	▪ Approval of the Council's Financial Strategy and Medium Term Financial Plan (and the underlying assumptions) ▪ Approval of an annual Council Tax increase that avoids intervention by Central Government
4	To enable the Council to plan and manage its spending within affordable net expenditure levels without undue reliance on balances and reserves to fund ongoing commitments	▪ Approval of the Medium Term Financial Plan (and underlying assumptions) ▪ Approval of the annual report to Council on the robustness of the Council's Estimates and Balances/Reserves

	Financial Strategy Objective	How will achievement be measured ?
5	To strengthen the Council's balance sheet position	▪ Approval of the annual report to Council on the robustness of the Council's Estimates and Balances/Reserves ▪ A year on year reduction in arrears (Council Tax, NNDR, Rents and Sundry Debts) with a consequent reduction in Provision for Doubtful Debts.
6	To support a prudent, affordable and sustainable level of capital expenditure	▪ Approval of a Capital Strategy and Medium Term Capital Programme (with expenditure commitments linked directly to the Capital Strategy and Asset Management Plan)
7	To create a corporate financial capacity to deal with unforeseen cost pressures	▪ Maintenance of a minimum working balance of £6m ▪ Approval of the annual report to Council on the robustness of the Council's Estimates and Balances/Reserves
8	To contribute to longer term planning of the delivery of the Council's strategic vision and objectives	▪ An unqualified opinion from External Audit on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Appendix B: Financial Background

About this Appendix

This appendix briefly gives details of the Council's current and historic levels of resources and the way in which they have been utilised. Also provided are historical levels of revenue and capital expenditure.

These facts are important because in some cases historical levels of funding and the reasons for them can provide pointers for the future. In addition, current and post spending patterns can illustrate the degree of linkages between spending and policy priorities.

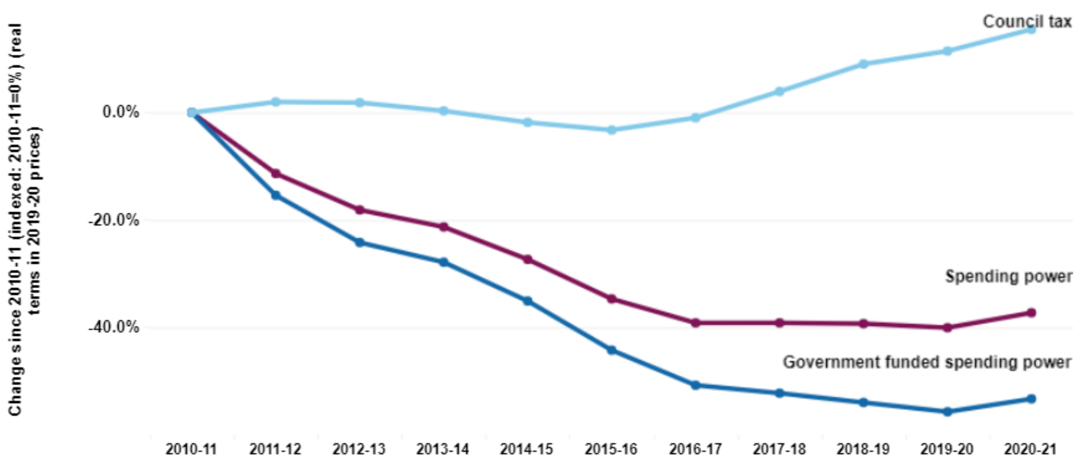
Historical Funding for Blackburn with Darwen Borough Council

1. This appendix focuses on the funding of the net cost of the delivery of the Council's services since 2010/11 and uses information provided by the National Audit Office in their work on the financial sustainability of local authorities.

Change in Spending Power

2. Spending Power is a measure used by the Government to assess the relative spending capacity of individual local authorities. The graph below shows the change in Blackburn with Darwen's spending power since 2010/11 (to 2020/21).

3.

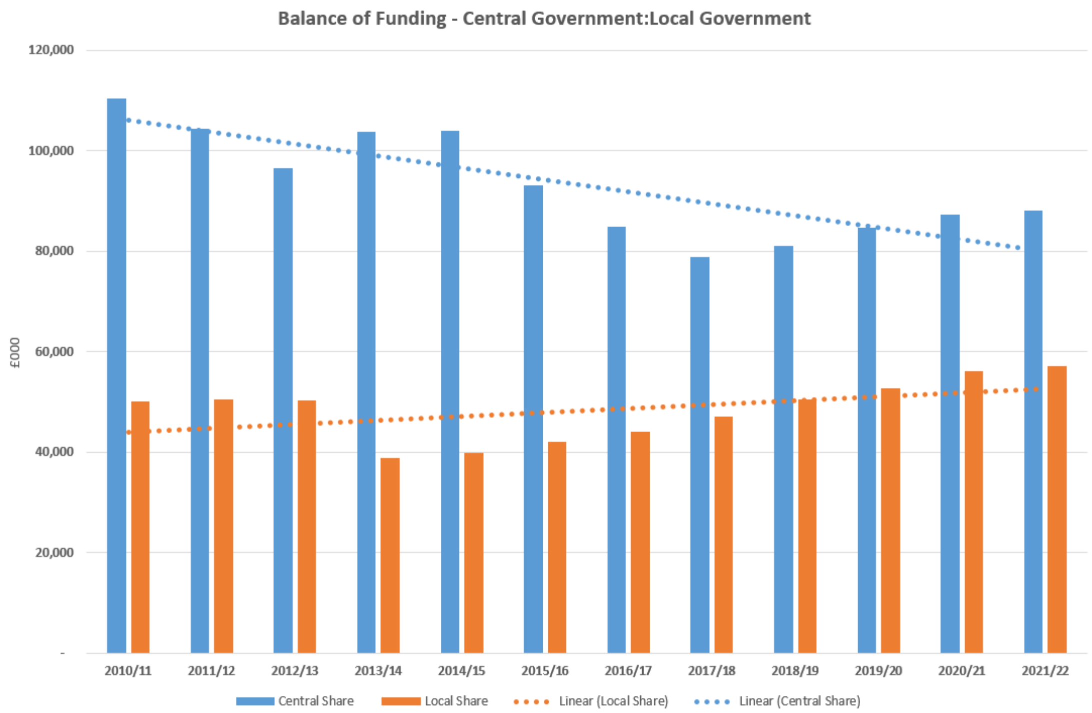


4. As the graph indications, the Council's Spending Power since 2010/11 has reduced by almost 40%, reflecting the significant reduction in funding from Government. The graph also shows that the funding reduction has been dampened by increases in Council Tax income reflecting

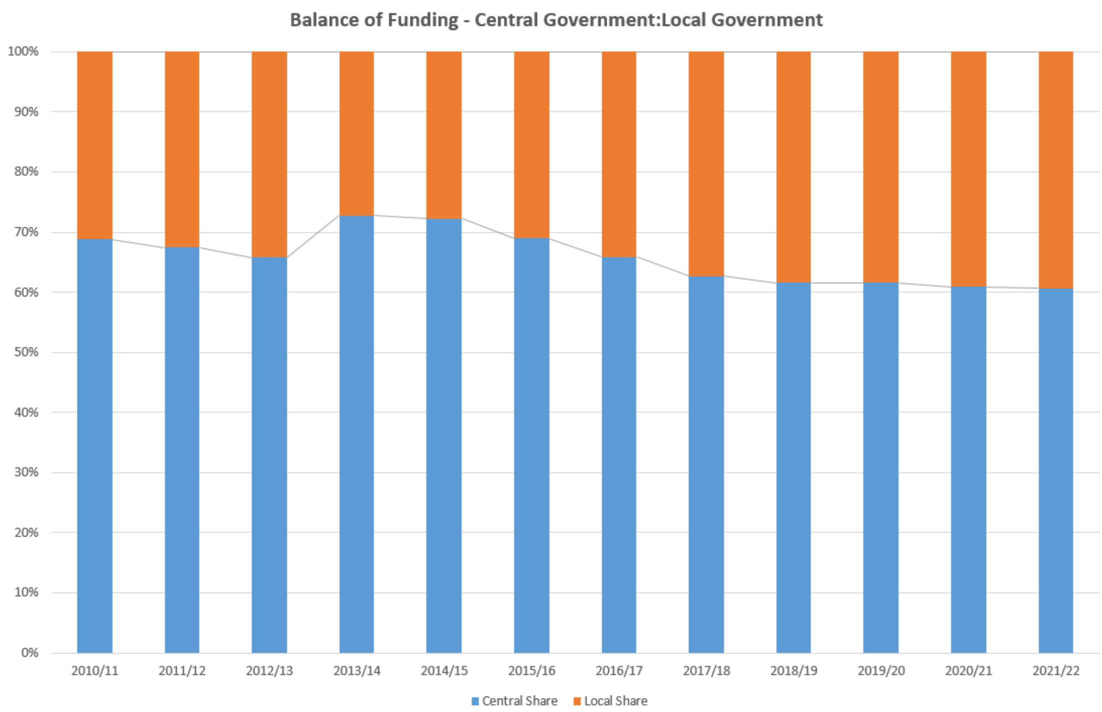
5. The Council is funded primarily from the following sources:-

   a) Redistributed Business Rates
   b) Business Rates Top-Up Grant;
   c) Revenue Support Grant;
   d) Various Other Service related grants (including, for example, Social Care Grant, Lower Tier Services Grant, Services Grant etc)
   e) New Homes Bonus; and
   f) Council Tax.

6. The graph below shows the amount of cash grant received (Central Government share) by the Council since 2010/11 compared to the amount of funding raised from Council Tax (Local Government share). This indicates that the trend in the cash grant from 2010/11 onwards is reducing whilst the trend in Council Tax income is rising, albeit not at the same rate as grant reduction.



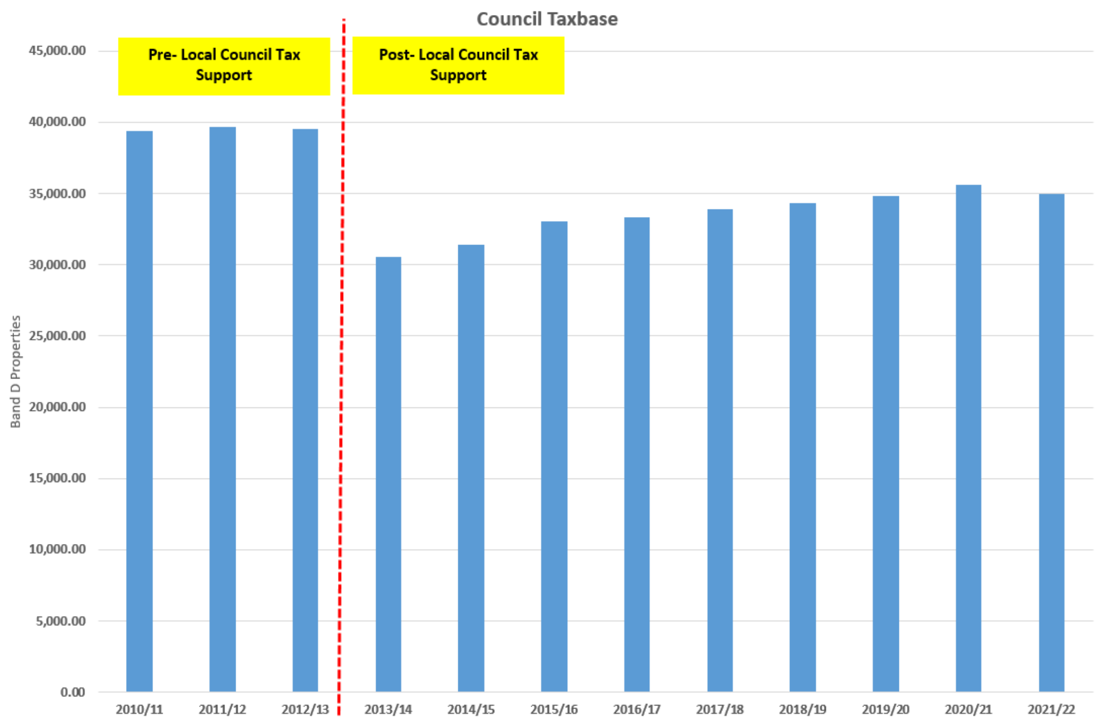
7. To demonstrate the shift in funding over the years, the graph below shows in percentage terms, what proportion of the Council's net revenue expenditure has been funded by Government Grant and what proportion by Council Tax. As the graph indicates, the Council's net revenue expenditure in 2010/11 was funded on a broadly 70:30 ratio of central government funding and Council Tax; in 2021/22, that had changed to 60:40 with more Council services funded by Council Tax.



<u>Council Tax</u>

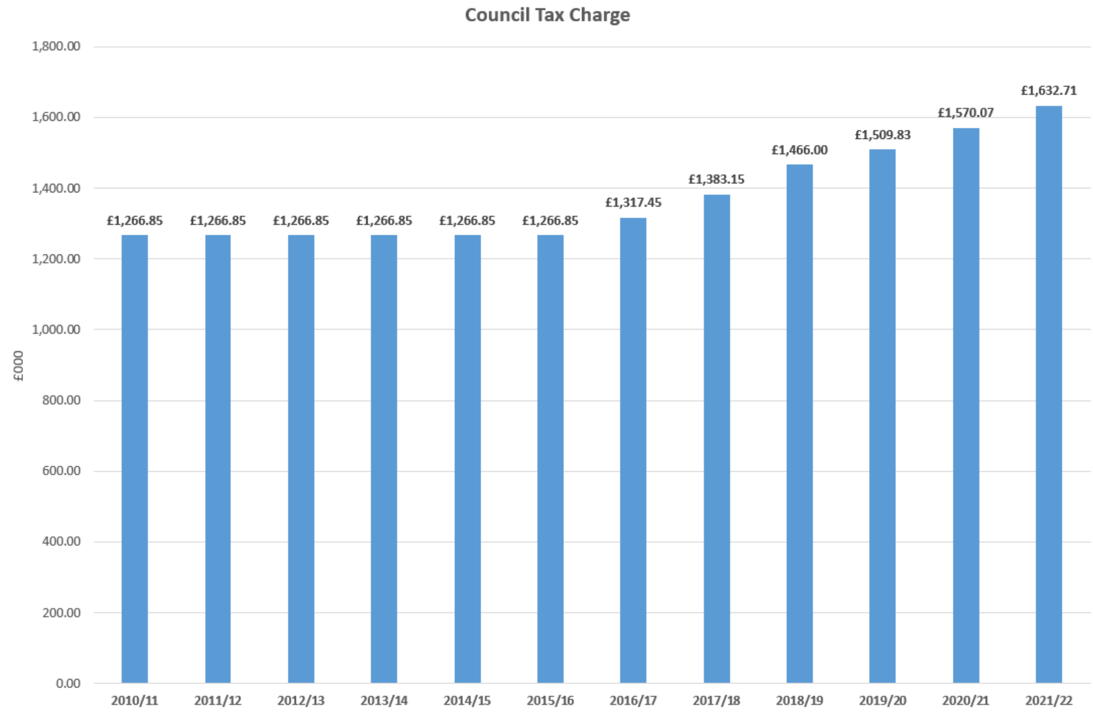
8. The graph above shows that, as a proportion of overall income, the amount of Council Tax income is increasing. Income from Council Tax is a function of the Council's Tax Base, the amount of taxable properties expressed as Band D equivalents, and the Band D Council Tax agreed annual by Council.

9. The graph below shows the change in the Council's tax base, i.e. the number of equivalent Band D properties. Since 2013/14 (the first year in which Local Council Tax Support was accounted for as part of the Council Taxbase), the Council's Tax base has increased by c14%. Average annual growth is c1.70%.



10. The assumption used in the MTFP 2022/23 for tax base increase is 0.5%.

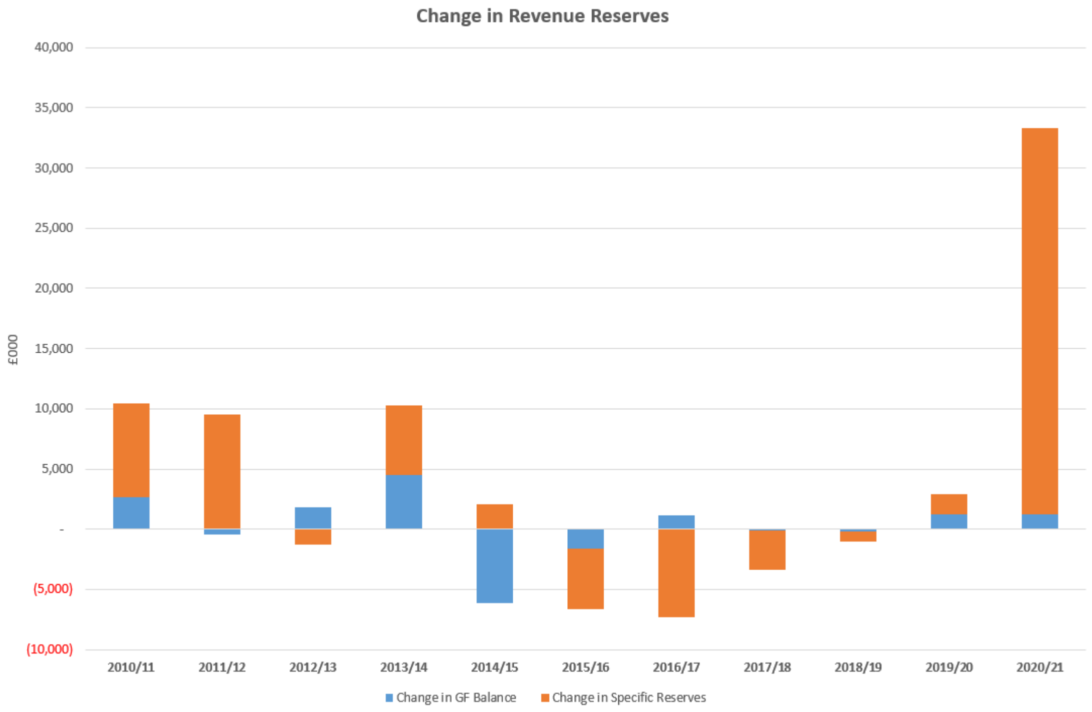
11. As indicated above, the amount of income from Council is determined by both the taxable capacity of the District, ie the taxbase, and the Band D Council Tax. The graph below provides a historical analysis of Band D Council Tax levels for the Council since the introduction of Council Tax in 1993/94.



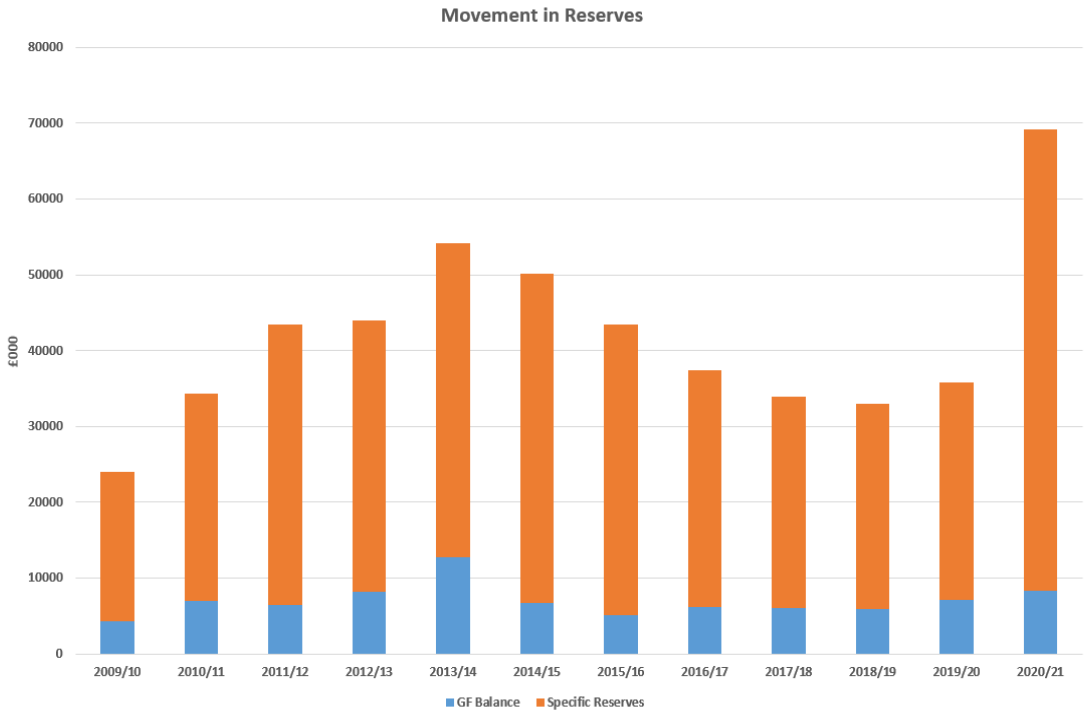
Historical Revenue Spending

12. The Council's historical revenue spending is measured the change in its Usable Revenue Reserves. The graph below shows the change in the General Fund Balance (blue) and Specific Reserves (Orange) since 2010/11.

13. As the graph shows, the Council underspent in 2010/11 leading to an increase in both the General Fund Balance and Specific Reserves. In the financial year 2020/21, there was a significant increase in Specific Reserves due primarily to the additional Covid-19 funding received by the Council.



14. The graph below shows how the quantum of usable revenue reserves has changed since 2009/10. This indicates that the General Fund Balance has remained broadly unchanged whereas the amount of specific rweAs the graph indicates, the Council has historically underspent against budget although in 2006/07 and 2007/08, the extent of the underspend is lower than in previous years. However, it is worth noting that in recent years, this underspend has been primarily due to the late payment of income from the Local Authority Business Growth Incentive Scheme, introduced in 2005/06.



Appendix C: Medium Term Financial Plan

	2022/23 Base Budget £000	2023/24 Base Budget £000	2024/25 Base Budget £000
Estimated Funding			
Business Rates	(18,185)	(20,245)	(20,658)
Business Rates - Top Up	(24,275)	(24,688)	(25,182)
Revenue Support Grant	(14,016)	(14,016)	(14,016)
Improved Better Care Fund Grant	(8,349)	(8,349)	(8,349)
Social Care Grant	(8,813)	(8,813)	(8,813)
Market Sustainability and Fair Funding	(516)	-	-
BSF PFI Grant	(8,472)	(8,472)	(8,472)
Council Tax Income (incl Social Care Precept)	(60,171)	(62,291)	(64,481)
Council Tax Income - Town and Parish Precepts	(164)	(164)	(164)
Transfer from/to Collection Fund - Council Tax	(755)	(39)	(765)
Transfer from/to Collection Fund - NNDR	6,859	344	-
Total Estimated Funding	**(136,857)**	**(146,733)**	**(150,900)**
Forecast Expenditure			
Portfolios	130,938	129,970	129,625
Corporate Income and Expenditure			
Contingencies	8,447	13,880	20,699
RCCO	6,351	-	-
Debt Charges	18,987	19,325	19,582
Recharges to Schools	(1,274)	(1,207)	(1,154)
Benefit Admin Grants	(650)	(600)	(550)
New Homes Bonus	(1,006)	-	-
Lower Tier Services Grant	(341)	(341)	(341)
Services Grant	(3,072)	(3,072)	(3,072)
Business Rates s31 Grant	(8,568)	(7,140)	(7,140)
Town and Parish Precepts (incl Grants)	191	191	191
Net Expenditure	**150,003**	**151,006**	**157,840**
Contributions to/(from) Reserves			
R&M Sinking Fund	80	80	80
NNDR Reserve	(5,471)	-	-
Other Reserves (to fund RCCO)	(6,261)	-	-
Invest to Save Reserve	(374)	-	-
Use of Budget Strategy Reserve	(1,120)	(1,468)	(1,040)
Budget Requirement (excl GF Balance)	**136,857**	**149,618**	**156,880**
Contribution to/from GF Balance	-	-	-
Budget Requirement	**136,857**	**149,618**	**156,880**
Net Shortfall/(Surplus)	**-**	**2,885**	**5,980**
Net Shortfall/(Surplus) - In Year	**-**	**2,885**	**3,095**

Appendix D: Scenario Forecasting

Scenario Planning – Medium Term Financial Plan 2021/25

Current Position

	Forecast 2022/23 £	Forecast 2023/24 £	Forecast 2024/25 £
BUDGET REQUIREMENT	136,857	149,618	156,880
Funding	(136,857)	(146,733)	(150,900)
Net Shortfall / (Surplus)	**-**	**2,885**	**5,980**
Cumulative Net Shortfall / (Surplus)	**-**	**2,885**	**3,095**

Scenario 1 – A ‘Best’ Case Scenario

Variables
- The distribution of the additional Services Grant (£3.072m) is changed to compensate low taxbase local authorities like Blackburn (and increases to £4.0m);
- Council Tax and Business Rate Collection return to pre-pandemic levels;
- The New Homes Bonus Scheme continues in its present format until 2024/25;

	Forecast 2022/23 £	Forecast 2023/24 £	Forecast 2024/25 £
BUDGET REQUIREMENT	136,857	147,870	155,132
Funding	(136,857)	(146,733)	(150,900)
Net Shortfall / (Surplus)	**-**	**1,137**	**4,232**
Cumulative Net Shortfall / (Surplus)	**-**	**1,137**	**3,095**

Scenario 2 – A ‘Worst’ Case Scenario

- Covid-19 income losses are not recovered back to pre-pandemic levels over the life of the MTFP;
- the additional Services Grant (£3.072m in 2022/23) is reduced by 50% from 2023/24 onward;
- 2.5% pay award and not 2%
- the Lower Tier Services Grant does not continue after 2022/23;

	Forecast 2022/23 £	Forecast 2023/24 £	Forecast 2024/25 £
BUDGET REQUIREMENT	136,857	150,895	158,157
Funding	(136,857)	(146,733)	(150,900)
Net Shortfall / (Surplus)	**-**	**4,162**	**7,257**
Cumulative Net Shortfall / (Surplus)	**-**	**4,162**	**3,095**

Appendix E: Risk Assessment of the Financial Strategy

The risk assessment below considers the risks to the Council's financial position arising out of matters considered in this Financial Strategy. The risk scores are based on the matrix of risk scoring used in the development of the Council's Strategic Register. The risk assessment here needs to be considered in conjunction with the matters raised on the Council's Strategic Risk Register

Risk	Inherent Risk Score	Management of Risk	Residual Risk Score
Insufficient financial resources will be available to deliver the corporate priorities as set out in the Corporate Plan.	15	In the main, the Council's Strategic Plan includes goals which are either to be resourced from within existing budgets or do not require additional resources. Where resources are required, these are factored into the Medium Term Financial Plan.	15
The Service Planning process will identify a range of additional budget pressures over and above those currently considered in this Financial Strategy.	16	The Council's Service and Financial Planning process incorporates a mechanism of ensuring only relevant projects are put forward for consideration as part of the budget.	12
The Financial Strategy does not reflect in financial terms the objectives set out in other plans of the Council.	8	The Financial Strategy attempts to take a holistic view of the Council and by recognising costs pressures arising out of the Corporate Plan, should reflect the financial commitments required to achieve over strategic plans. Equally, the Financial Strategy will develop by iteration and therefore will need to be updated as the Council's other strategies are updated.	2

Risk	Inherent Risk Score	Management of Risk	Residual Risk Score
Local Government Finance Settlement is worse than anticipated.	12	With only a 1-year settlement for 2022/23 there remains significant uncertainty with the future funding of the Council from 2023/24 onwards. On the basis of the information known to date, it is difficult to predict what level of funding the Council will receive.	12
Changes in the distribution of funding will have an adverse impact on the Council's financial settlement.	3	As above	12
The Council sets Council Tax at a level which is considered excessive by Government	12	Members are informed of the Governments expectations on Council Tax and are advised accordingly of the implications of setting excessive Council Tax increases.	4
Members agree a Council Tax increase of less than the maximum allowable increase	9	Members are clearly informed of the implications of setting a Council Tax less than the maximum allowable by Government but ultimately the decision is for Members to take. Any increase less than that assumed in the MTFP would have to be managed within the annual service and financial planning framework.	6
Council Tax collection is less than 96.5%	3	Historically, Council Tax collection has been at, or around, 97% although collection has been significantly impacted by however, collection rates are monitored throughout the year.	1

Risk	Inherent Risk Score	Management of Risk	Residual Risk Score
Income Budgets not achieved or become unsustainable	5	Heads of Service are consulted on proposed increases in income budgets/fees and charges and have the opportunity to raise concerns about the scope to sustain such budgets. Equally, income budgets are monitored throughout the financial year and where a shortfall in income is anticipated, this is highlighted in reports to Committee. However, a number of significant income budgets, for example, Planning Fees, Local Land Charges and Building Control Fees, are demand led and it is difficult for forecast accurately what income will be received from year to year.	5
Pay Award and/or inflation vary from those assumed in the Medium Term Financial Plan	7	The pay award for 2021/22 has not yet been agreed and no discussions have started on the pay award for 2022/23. However, present provision with the Council's budget (and over the life of the Medium Term Financial Plan) is considered to be sufficient to meet the cost of the agreed pay awards. However, as and when agreement on the pay award for each year is agreed, a review of these assumptions will take place.	5
The cost of demand-led services exceeds budget due to unexpected increases in demand for services, Adult and Children's Social Care.	16	Demand for Adult and Children's Social Care is difficult to predict in the current climate, not least because of the impact of Covid-19. Even before Covid-19, demand for services was volatile and increasing. With the reforms of Adult Social Care and potential reforms of Children's Social Care arising from the Independent Review of the Sector, there may be increased pressure on these services.	12

Risk	Inherent Risk Score	Management of Risk	Residual Risk Score
An inadequate Ofsted Judgement on Children's Services which leads to the need for investment to deliver rapid improvements	15	The Children's Service is currently rated as Good overall following an Inspection in 2017. Since, there have been two Focused Visits by Oftsed which have commented on the improvements the Council continues to make. However, Covid-19 continues to impact on the delivery of the service	10
The Council has insufficient capital resources to sustain capital commitments	12	Development of the Capital Strategy should provide the framework for ensuring that the Council is in a position to manage its assets and capital resources in a way to ensure that there are sufficient resources to maintain a capital programme to meet the Council's Corporate Priorities.	6
There is a reduction or cessation of external funding	12	Regular reviews take place of the external funding received by the Council and how it is used. Where there is a prospect that external funding is not going to continued, consideration is given to the sustainability of activities and what it means for the Council's budget.	12
There is a reduction in specific grants	15	The Medium Term Financial Plan incorporates prudent assumptions on Specific Grants.	12
Legislative Changes are not anticipated and therefore not costed into the Council's financial plans	12	Strategic Directors, Directors and Heads of Services will be required to highlight legislative changes through the Service Planning process and should therefore indicate what, if any, resources requirements will be so that, where there are resources implications, these can be factored into the Council's Medium Term Financial Plan.	4

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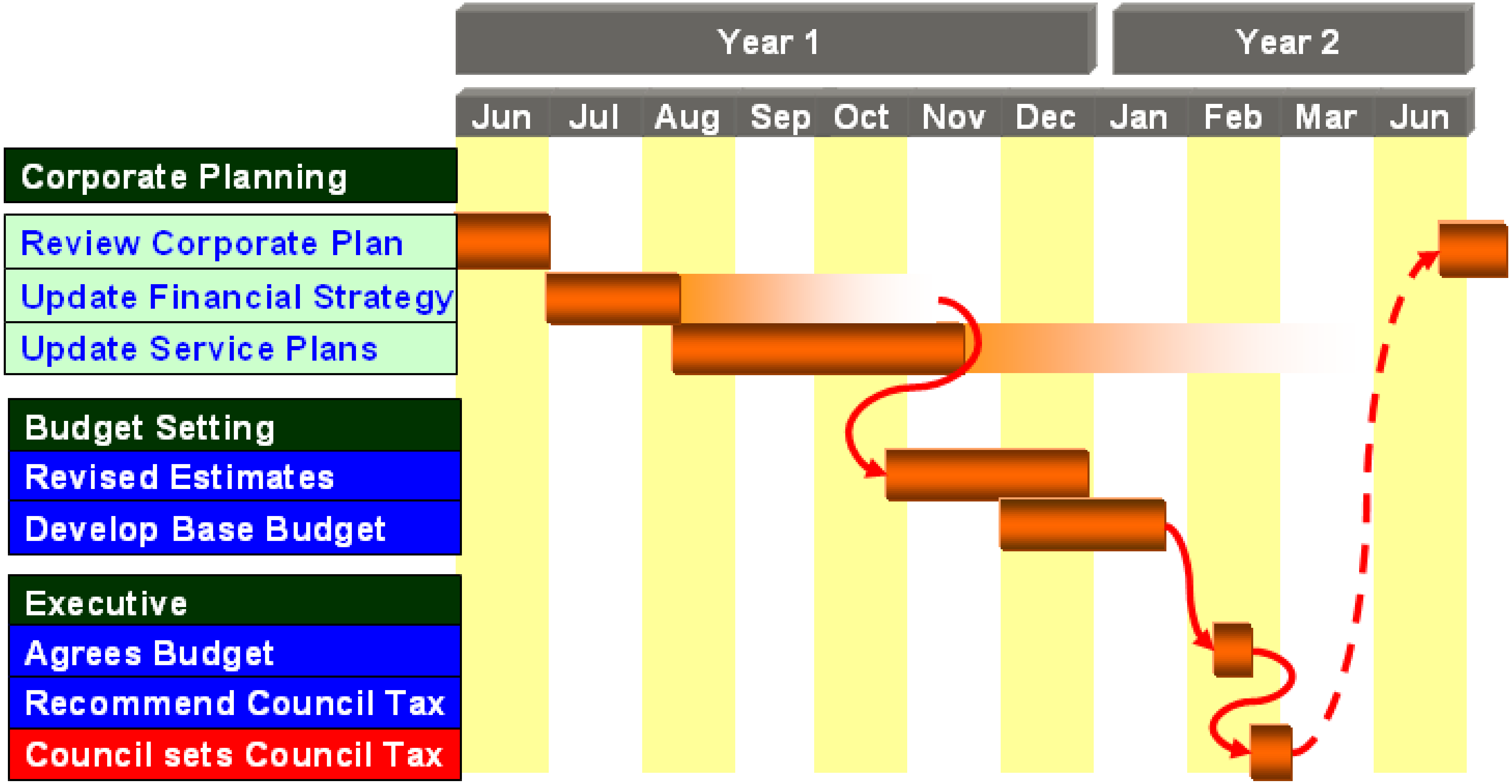
Appendix F: Budget Setting Timetable



REPORT OF:	**DIRECTOR OF FINANCE**
TO:	**FINANCE COUNCIL**
DATE:	**28th FEBRUARY 2022**

SUBJECT : COUNCIL TAX FOR 2022/23

1. PURPOSE OF THE REPORT

1.1 The Council, in its role as billing authority, is required to set amounts of Council Tax before 11 March in the financial year preceding that for which it is set.

2. RECOMMENDATIONS

2.1 The Council is recommended to approve the draft resolution setting the Council Tax for 2022/23, as set out in Appendix 1, or as amended at the meeting.

3. BACKGROUND

3.1 The Council, as billing authority, is required to calculate a Council Tax requirement for the forthcoming year in accordance with regulations made under Section 31A of the Local Government Finance Act 1992, as amended (the Act). In setting its Council Tax requirement, the Council takes into account any funding from reserves, income it expects to raise and general funding it will receive from Government as part of the Local Government Finance Settlement.

3.2 The Council is also required to set a basic amount of Council Tax for the financial year 2022/23. The Council Tax is set on the basis of:

(a) The precept on the Collection Fund issued by the Police and Crime Commissioner for Lancashire.

(b) The precept on the Collection Fund issued by the Lancashire Combined Fire Authority.

(c) The Borough Council's precept on the Collection Fund, which is dependent on two factors:

(i) its council tax requirement, and
(ii) the precepts issued by the seven Parish / Town Councils.

These are discussed in more detail later in the report.

4. RATIONALE

4.1 To ensure that sufficient Council Tax is generated to meet all precepts.

5. KEY ISSUES

5.1 The Council Tax Requirement for 2022/23, together with the basic amount of Council Tax in relation to Band D properties for that part of the Borough having no Parish Councils are calculated as follows:

	£M
Council's proposed net expenditure	150.330
Less: Council's share of estimated surplus on the Council Tax Collection Fund	- 0.755
	149.575
Less: General government grant funding	- 78.077
Retained business rates income	- 11.327
Borough Council's Council Tax Requirement	60.171
Council Tax Base:	**35,439.30**
Council Tax at Band D	**£1,697.85**

5.2 Parish / Town Council's Precepts

From 1 April 2013 local council tax support schemes replaced council tax benefit in England. As a result the council tax base is reduced where a dwelling is in receipt of council tax support in a similar manner to other council tax discounts. This reduction in the tax base reduces the amount of council tax income that can be raised for the Borough as a whole, and for each parish area. In order to mitigate the effects of any reduction in tax base, the Council will again make a grant payment to make up the shortfall.

The Parish / Town Councils have each submitted their funding requirement, as detailed in Appendix 2. Members should be aware that the Parish Council precepts form part of the Council's expenditure for the purposes of the Council Tax i.e. the Parish Precepts are added to the Council's Council Tax requirement and the payments to Parishes are met from the General Fund. Consequently, there is no adjustment to it, even though the Council may collect more or less from the Parish by way of Council Tax.

The average of the Parishes element of the Council Tax is calculated as follows:

Total Parish Requirement	£191,720.52
Less: Grants paid by Borough Council	£27,336.50
Total Parish Precepts	£164,384.02
Council Tax Base:	**35,439.30**
Average Parish Council Tax at Band D	**£4.64**

In accordance with Section 31B of the Act, the basic amount of Council Tax for the year, including Parish precepts, is £1,702.49 (i.e. £1,697.85 + £4.64).

5.3 Collection Fund

Members will note from the calculation shown in paragraph 5.1 above, that Blackburn's share of the deficit on the Council Tax Collection Fund is £755,007. Legislation requires that any such surplus or deficit must be reflected in the Council Tax calculation and, therefore, represents a reduction in funds for the year 2022/23.

5.4 Major Precepting Authorities

At the time of writing this report, the recommendation in respect of the amount of precept due from Blackburn with Darwen Council for 2022/23 has yet to be agreed by the Police and Crime Commissioner (PCC) for Lancashire. The PCC's budget decision was signed on 17th February, and includes a recommended precept due from Blackburn with Darwen Council of £8,379,622, after an adjustment of £106,312 in respect of the precepting authority's share of the estimated Collection Fund surplus. This results in a Band D Council Tax of £236.45, an increase of £10 per year for a Band D property.

At the time of writing this report, the recommendation in respect of the amount of precept due from Blackburn with Darwen Council has yet to go to the Lancashire Fire Authority meeting (scheduled for Monday 21st February). The paper produced for the Fire Authority meeting has incorporated a recommended precept of £2,738,395, after an adjustment of £32,917 in respect of the precepting authority's share of the estimated Collection Fund surplus, which results in a Band D Council Tax of £77.27, an increase of £5 per year for a Band D property

The aggregate Council Tax calculation in relation to Band D properties for that part of the Borough having no Parish Councils, is as follows:

	£M
Borough Council's Council Tax Requirement	60.171
Lancashire Police Authority Precept	8.380
Lancashire Combined Fire Authority Precept	2.738
Total Council Tax requirement	**71.289**
Council Tax Base:	**35,439.30**
Aggregate Council Tax at Band D	**£2,011.57**

5.5 Having calculated the basic amount of Council Tax for a Band D property, the Council is then required to convert it into amounts for all Bands by applying the following proportions:

Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9

The Borough element of the Council Tax, together with the amount calculated for each band by the major precepting authorities, forms the aggregate Council Tax for each band.

For those parts of the Borough which have a Parish or Town Council, a higher tax is levied to finance the Parish or Town Council Precept as well. It follows therefore that the Borough will have 64 different Tax Rates i.e. 8 bands for 8 areas (7 Parish or Town Councils and the area of the Borough having no Parish), and these are shown in detail on the attached draft resolution.

5.6 Draft Resolution

The draft resolution for setting the Council Tax is set out in Appendix 1 to this report. The elements which form the Council Tax calculation, as detailed in paragraphs 5.1 to 5.5 above, are:

- the “basic amount” of Blackburn’s element of the Council Tax for 2022/23 is £1,702.49.
- the average of the Parishes element (£4.64) is then deducted to give the Council Tax at Band D for those parts of the Borough not having a Parish Council (£1,697.85).
- the calculation for all other Bands then follows e.g. Band A is 6/9ths (66.67%) of Band D, Band H is 18/9ths (200%) of Band D.

6. POLICY IMPLICATIONS

The policy implications from this report are contained within the Budget Strategy.

7. FINANCIAL IMPLICATIONS

The financial implication arising from the proposed recommendations of this report have been incorporated into the Budget Strategy.

8. LEGAL IMPLICATIONS

Section 30 of the Local Government Finance Act 1992 provides that the amounts set for each band will be the aggregate of the Borough element for each band calculated under Section 36 and the amount calculated for each band by the major precepting authorities. The Council Tax must be set before 11 March in the financial preceding that for which it is set.

Under the Local Government (Standing Orders) (England) (Amendment) Regulations 2014, which came into force on 25 February 2014, the Council is required to record in the minutes of a budget decision meeting the names of persons who cast a vote for or against the decision or who abstained from voting.

9. RESOURCE IMPLICATIONS

None as a direct consequence of this report.

10. EQUALITY IMPLICATIONS

The decisions to be taken do not change policy and do not require any further consideration in respect of equality issues.

11. CONSULTATIONS

The Council has consulted with its residents, business community, partners and other stakeholders throughout the Council Tax setting process.

Chief Officer/Member	Dean Langton, Director of Finance (01254 666703)
Contact Officer:	Karen Moore, Senior Finance Officer (01254 585929)
Date:	18th February 2022
Background Papers:	Budget documentation and reports previously issued

Appendix 1

Blackburn with Darwen Borough Council

Draft Council Tax Resolution 2022/23 – Finance Council 28th February 2022

The Council is recommended to resolve as follows:

1. That it be noted that on 12th January 2022, the Council calculated the Council Tax Base for the year 2022/23 in accordance with regulations made under Section 31B(3) of the Local Government Finance Act 1992, as amended (the Act):

    a) 35,439.30 being the Council Tax Base for the whole of the Council area (Item T in the formula in Section 31B of the Act); and

    b) for dwellings in those parts of its area to which a Parish precept relates, as detailed in Appendix 2.

2. That the following amounts be calculated for the year 2022/23 in accordance with Sections 31 to 36 of the Act:

a)	£402,794,112	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act taking into account all precepts issued to it by Parish Councils.
b)	£342,458,926	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act.
c)	£60,335,186	being the amount by which the aggregate at 2 (a) above exceeds the aggregate at 2 (b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).
d)	£1,702.49	being the amount at 2 (c) above (Item R) divided by the amount at 1(a) above (Item T), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
e)	£164,384.02	being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (see Appendix 2).
f)	£1,697.85	Being the amount at 2 (d) above less the result given by dividing the amount at 2 (e) above by Item T (1 (a) above), calculated by the Council, in accordance with Section 34 (2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

3. That it be noted that for the year 2022/23 the Police and Crime Commissioner (PCC) for Lancashire has issued a precept to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, as indicated in the tables below.

4. That it be noted that for the year 2022/23 the Lancashire Combined Fire Authority has issued a precept to the Council in accordance with Section 40 of the Local Government Finance Act 1992, as indicated in the tables below, however at the time of writing this report, the precept had yet to be presented to the Lancashire Fire Authority meeting (held on Monday 21st February 2022).

5. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for the year 2022/23 for each part of its area and for each of the categories of dwellings.

a) Blackburn with Darwen Borough Council

Part of the Council's Area	Valuation Bands A	B	C	D	E	F	G	H
Eccleshill Parish	£1,149.24	£1,340.78	£1,532.32	£1,723.86	£2,106.94	£2,490.02	£2,873.10	£3,447.72
Livesey Parish	£1,137.41	£1,326.97	£1,516.54	£1,706.11	£2,085.25	£2,464.38	£2,843.52	£3,412.22
North Turton Parish	£1,144.00	£1,334.67	£1,525.33	£1,716.00	£2,097.33	£2,478.67	£2,860.00	£3,432.00
Pleasington Parish	£1,135.65	£1,324.92	£1,514.20	£1,703.47	£2,082.02	£2,460.57	£2,839.12	£3,406.94
Tockholes Parish	£1,159.34	£1,352.56	£1,545.79	£1,739.01	£2,125.46	£2,511.90	£2,898.35	£3,478.02
Yate and Pickup Bank Parish	£1,146.65	£1,337.76	£1,528.87	£1,719.98	£2,102.20	£2,484.42	£2,866.63	£3,439.96
Darwen Town Council	£1,140.55	£1,330.64	£1,520.73	£1,710.82	£2,091.00	£2,471.18	£2,851.37	£3,421.64
All other parts of the Council's area	£1,131.90	£1,320.55	£1,509.20	£1,697.85	£2,075.15	£2,452.45	£2,829.75	£3,395.70

b) Major Precepting Authorities

Precepting Authority	Valuation Bands A	B	C	D	E	F	G	H
Lancashire Police Authority	£157.63	£183.91	£210.18	£236.45	£288.99	£341.54	£394.08	£472.90
Lancashire Combined Fire Authority	£51.51	£60.10	£68.68	£77.27	£94.44	£111.61	£128.78	£154.54

c) Aggregate Council Tax

Part of the Council's Area	Valuation Bands A	B	C	D	E	F	G	H
Eccleshill Parish	£1,358.38	£1,584.79	£1,811.18	£2,037.58	£2,490.37	£2,943.17	£3,395.96	£4,075.16
Livesey Parish	£1,346.55	£1,570.98	£1,795.40	£2,019.83	£2,468.68	£2,917.53	£3,366.38	£4,039.66
North Turton Parish	£1,353.14	£1,578.68	£1,804.19	£2,029.72	£2,480.76	£2,931.82	£3,382.86	£4,059.44
Pleasington Parish	£1,344.79	£1,568.93	£1,793.06	£2,017.19	£2,465.45	£2,913.72	£3,361.98	£4,034.38
Tockholes Parish	£1,368.48	£1,596.57	£1,824.65	£2,052.73	£2,508.89	£2,965.05	£3,421.21	£4,105.46
Yate and Pickup Bank Parish	£1,355.79	£1,581.77	£1,807.73	£2,033.70	£2,485.63	£2,937.57	£3,389.49	£4,067.40
Darwen Town Council	£1,349.69	£1,574.65	£1,799.59	£2,024.54	£2,474.43	£2,924.33	£3,374.23	£4,049.08
All other parts of the Council’s area	£1,341.04	£1,564.56	£1,788.06	£2,011.57	£2,458.58	£2,905.60	£3,352.61	£4,023.14

Appendix 2

Town and Parish Council Precepts

	2021/22				2022/23				Council Tax Increase / (Reduction)
Parish / Town Council	Tax Base	Precepts £	Grant £	Council Tax Band D £	Tax Base	Precepts £	Grant £	Council Tax Band D £	Council Tax Band D 2022/23 less 2021/22 £
Eccleshill Parish	93.38	2,429.00	413.50	26.01	94.66	2,462.11	413.50	26.01	0.00
Livesey Parish	2,086.29	17,233.00	1,371.00	8.26	2,235.21	18,463.00	1,371.00	8.26	0.00
North Turton Parish	1,756.24	32,159.00	1,241.00	18.31	1,771.66	32,159.00	1,241.00	18.15	(0.16)
Pleasington Parish	256.55	1,450.00	0.00	5.65	257.93	1,450.00	0.00	5.62	(0.03)
Tockholes Parish	204.40	8,159.63	146.00	39.92	208.33	8,574.91	146.00	41.16	1.24
Yate and Pickup Bank Parish	141.60	3,133.00	260.00	22.13	143.68	3,180.00	260.00	22.13	0.00
Darwen Town Council	7,281.78	98,095.00	23,905.00	13.47	7,560.39	98,095.00	23,905.00	12.97	(0.50)
TOTAL / AVERAGE	**11,820.24**	**162,658.63**	**27,336.50**	**4.66**	**12,271.86**	**164,384.02**	**27,336.50**	**4.64**	**(0.02)**