Public Document Pack

Finance Council

Monday, 26th February, 2024
6.00 pm,
Council Chamber,
Blackburn Town Hall
Link to Webcast

AGENDA

In respect of Item 6, technical questions on the contents of the report should have been raised directly with Dean Langton, Strategic Director, Finance and Resources, by 12 noon on Friday 23rd February 2024.

In respect of Items 7, 8 and 9 below, under the Local Government

(Standing Orders) (England) (Amendment) Regulations 2014, which came into force on 25th 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 7, 8 and 9, Council is reminded that under Section 25 of the Local Government Act 2003, Members have a duty to have regard to the Robustness report of the Strategic Director, Finance and Resources, the Council's Section 151 Officer. As such, the Mayor will only accept amendments that have a robustness report from the Strategic Director, Finance and Resources, attached. Members are requested to discuss any such amendments with the Strategic Director, Finance and Resources, 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.

Finally, Items 7 and 8 will be taken together as one item in terms of discussion and a recorded vote.

Date Published: 16th February 2024
Denise Park, Chief Executive

COUNCIL FORUM
Thursday 25th January 2024

PRESENT – *The Mayor Councillor Parwaiz Akhtar, Akhtar H, Ali, Casey, Connor, Desai S, Fazal, Fielding, Floyd, Gee, Gibson, Gunn, Hardman, Humphrys, Hussain I, Hussain M, Hussain S, Irfan, Imtiaz, Jackson, Khan Z, Khonat, Liddle, Mahmood, Marrow, McCaughran, McGurk, Patel Alt, Patel S, Raja, Rigby, Riley, Russell, Shaw, Shorrock, Sidat, Slater Jacq, Slater Jo, Slater Ju, Slater N, Smith D, Smith J, Talbot, Taylor and Whittingham.*

RESOLUTIONS

45 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 Baldwin, Brookfield, Desai M, Harling, Khan S, and Patel Ab.

46 Minutes Of The Previous Meeting

The Minutes of the Policy Council Meeting held on 30th November 2023 were submitted for approval.

Councillor Dave Smith referred to the change of date of the Council Forum to 14th March 2024 and Planning & Highways Committee to 13th March 2024 under Minute Number 39, and requested that the Planning & Highways Committee be instead held on 21st March 2024, which was the original date of Council Forum. This change was agreed by Council Forum.

RESOLVED –That the Minutes of the Council Forum Meeting held on 30th November 2023 were agreed as a correct record.

47 Declarations of Interest

Councillor Vicky McGurk declared an interest in Agenda Item 6. Motion on Foster Carer payments, as she is a registered Foster Carer.

Councillor Damian Talbot declared an interest in Agenda Item 11.4 – Digital & Customer Services update, which included reference to MP Complaints, as he is employed by the MP for Blackburn.

48 Mayoral Communications

The Mayor reported on events and activities he had attended since the last meeting, particularly the ones over the busy Christmas period.

The Mayor reminded Members and Officers about the Mayor's Ball on Saturday 2nd March 2024, and indicated that he hoped as many people could attend as possible.

49 Council Forum

The Chief Executive reported that two questions had been received under Procedure Rule 10 as follows:

To the Executive Member for Growth & Development:

1. *From Jackie Copley, CPRE*

How can the Council adopt a local plan with this strategic employment allocation (E179) when there are standing objections from statutory consultees meaning site is unsuitable in NPPF terms (deliverable and developable)?

Background

Representatives from Guide and Belthorn group and CPRE evidenced before, during and after (as part of the modifications stage) the examination that the data before the inspectors for traffic relied on surveys carried out during the Covid lock down (July 2021) and under-recorded traffic movements. It was flawed. This gives rise to a potential Judicial Review.

The land promotor is seeking approval for employment use and updated the traffic analysis (Nov 2023). This has led to the highways authorities raising a holding objection due to outstanding issues.

The B6232 road linking to Haslingden has a high accident and fatality record. The proposed employment land use would casus high traffic volumes. The local road cannot cope. Proposed transport management and mitigations are not understood, less costed.

Of note, the community commissioned an independent traffic count, by Iceni projects, which gave baseline figures of a different magnitude.

In addition to standing objections of the highways authorities who seek information to clarify the situation, Natural England has also raised objection *due to impact from the proposal on the West Pennine Moors SSSI (Site of Special Scientific Interest).*

How can it be stated that the B6232 road can stay as it is with simply a traffic light junction or roundabout installed near entrance to Site 1? If the data of the local group applies the same level of % growth as used by developer (11%ish) by 2026, there will be 26,000 road users of the moorland B6232. It cannot remain as it is. Most vehicles are travelling away from Blackburn (nearly double), which will be unaffected by the proposed M65 improvements. Natural England would object to a dualling of the carriageway due to harm to Peat and the SSSI. Despite the local community seeking reassurance, it has not had queries satisfactorily addressed and it remains there is incomplete information.

CPRE is aware the allocation of this parcel of Green Belt will make defending surrounding Green Belt exceedingly difficult and there are a number of other harms identified by the Examination Panel in its report, not least landscape and biodiversity. In CPRE views although new jobs are needed the harms arising at this site are multiple and are not outweighed by the benefits, especially as the benefits are uncertain.

At the current time there are too many unknowns.

2. *From Calista Mullin:*

How do the council intend to address the following concerns raised before the greenbelt is released?

i) By the Highways Agency, with regards to the cumulative impact of all three parcels on the surrounding highway infrastructure?
ii) By the community, in terms of the elevated count data that has been collected in an independent survey facilitated by Iceni projects. This shows that incorrect baseline figures have been used when determining mitigation and planning, particularly in terms of traffic heading East on the B6232 (which has little to no mitigation planned)?
iii) By Natural England, with regards to their concerns about the amount of traffic using the B6232 and the impact that it will have on West Pennine Moor peatlands and also the SSSI (Site of Special Scientific Interest)? (note that they were objecting to developer's figures in outline planning, our count is significantly higher)
iv) If the greenbelt is to be released without addressing the above, on what legal basis are the council proceeding when so much remains in issue with the feasibility of the site itself?

The Executive Member for Growth and Development, Councillor Quesir Mahmood, provided detailed responses to both the questions submitted, and advised that these would be shared with both people asking questions after the meeting. Both Jackie Copley and Calista Mullin had the opportunity to ask a Supplementary Question, and Jackie Copley used the opportunity to make some additional comments, with Calista Mullin choosing not to ask a Supplementary Question.

As part of his detailed response, Councillor Mahmood indicated that the Council was fully justified in adopting the Local Plan at this meeting, adding that a significant amount of time and money had been invested in preparing and examining the Plan and failure to adopt it upon recommendation of Planning Inspectors would generate local and national reputational damage to the Council and jeopardise investor confidence and growth in the Borough.

50 Motions

(Having disclosed a Pecuniary Interest in the following item, Councillor McGurk left the meeting and took no part in the debate or vote.)

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

Foster Carers and Council Tax

Council acknowledges the importance of Foster Carers in providing a safe, loving home to children who are unable to live with their birth parents. In recent years, we have become concerned that the recruitment of Foster Carers by the Council has stagnated. We are of the view that the Council must do more to both reward existing Foster Carers for their brilliant work and to attract new Foster Carers into the sector. By doing so, children in need will continue to receive the same or better care at a fraction of the cost of other placements.

Accordingly, in addition to paying Foster Care fees, Council resolves to consider providing existing and new Foster Carers with an exemption from the payment of Council Tax with effect from the next financial year. It is our view that the cost of this will, in time, be met from reduced costs for Children who, otherwise, would be put in expensive placements often out of the Borough.

Moved by Councillor John Slater
Seconded by Councillor Denise Gee

Following debate and discussion, Council Forum moved to the Vote.

RESOLVED – Upon being put to the vote, the Motion was LOST.

(Councillor Vicky McGurk returned to the Meeting).

51 Council Appointments Update

Members received a report which provided an update on the composition, the political balance of the Council and the allocation of Committee seats following a change in membership to one of the Council's Political Groups.

Since the last report on this matter to Policy Council in November 2023, Cllr Mohammed Irfan had resigned from the 4BWD Independent Group and would sit as an Independent Councillor.

The updated proportionality and allocation of seats on Council Committees to Political Groups as a result was attached at Appendix 1 and 2.

RESOLVED – That Council notes the current composition, political balance and the updated allocation of seats on the Council as referred to in Appendix 1 and 2.

52 Council Tax Support Scheme 2024/25

Council Forum received a report which outlined changes to the Council Tax Support scheme and sought approval for its adoption for 2024/25.

In accordance with the legislation, the Council was obliged to formally adopt a new scheme and make any adjustments prior to the 31st March 2024. The report submitted sought to fulfil the necessary legal requirements and to confirm Blackburn with Darwen's Council Tax Support scheme for 2024/25.

Incorporated into the new scheme was the increase in non-dependent deductions for working age claims from £7 per week to £8 per week from April 2024, the reduction in the maximum award, and the uprating of Applicable amounts, Premiums, and Disregards in line with Department of Work and Pensions A1/2024 circular.

The full Council Tax Support scheme was detailed in Appendix A.

RESOLVED – That Council Forum:

i. Notes the contents of the report, and;
ii. Approves the Council Tax Support Scheme for the financial year 2024/25.

53 Adoption of the Blackburn with Darwen Local Plan 2021-2037

Council Forum received a report which presented the Local Plan 2021-2037 for adoption, incorporating the changes set out by the Planning Inspectors following independent public examination.

The Council currently had a two-part Local Plan made up of the Core Strategy (adopted 2011) and Local Plan Part 2: Site Allocations and Development Management Policies (adopted 2015). Together these documents set out the land use planning strategy for the Borough up to 2026.

Local Plans were now required to be reviewed every five years from the date of their adoption. The Council first approved a new Local Development Scheme in 2018, subsequently updated, setting out the intention to develop a single new Local Plan to replace the Core Strategy and Local Plan Part 2.

Since then, extensive work had been undertaken in preparing the new Local Plan for the Borough, which covered the period 2021 to 2037. A portfolio of evidence base documents to support the policies set out in the new Local Plan had been publicly available on the Council's website. A number of widely promoted statutory consultations have also taken place.

At all stages of preparation and consultation, the Council had engaged with members of the community in line with, or over and above, its commitments set out in the published Statement of Community Involvement. The Regulation 22 Consultation Statement summarised for each stage of statutory consultation who had been consulted, how, and a summary of the key/common issues raised. At the Regulation 18 Consultation Draft Local Plan stage, every single residential and commercial property in the Borough was directly informed of the consultation via a letter and leaflet drop (around 70,000 address points). In addition to the statutory consultation periods, more informal consultation had also taken place on a regular basis with key stakeholders.

At the Council Forum meeting of the 28th July 2022, approval was granted for submission of the Local Plan and its accompanying documents to the Secretary of State for independent examination. The Planning Inspectorate appointed two Planning Inspectors who conducted public hearings which took place between 31st January and 2nd March 2023. This was followed by a further consultation period on a series of draft Main Modifications to the submission version Local Plan, held between August and October 2023. The

Examination process had now concluded with the issuing of the Inspectors' report on 11th December 2023.

The recommended modifications (included as an appendix to the Inspectors' Final Report – Background Paper 2) predominantly related to matters discussed at the examination hearings and did not alter the overall strategy or the scale of development proposed to secure delivery of the Council's corporate ambitions for economic growth and transformation.

The Inspectors had also concluded that the Council had engaged constructively, actively and on an ongoing basis in the preparation of the Plan and that the Duty to Cooperate had therefore been met, and that the Plan was legally compliant. The Inspectors considered that with the recommended main modifications set out in the appendix to their report, the Local Plan 2021-2037 was sound, legally compliant and capable of adoption.

The Blackburn with Darwen Local Plan 2021-2037 was therefore presented to Council Forum for adoption under Section 23(3) of the Planning and Compulsory Purchase Act 2004 (as amended).

The Local Plan documents (the Written Statement and the Policies Maps) incorporating all the main modifications had made available to view on a separate weblink circulated to Members in advance of the meeting.

RESOLVED – That the Blackburn with Darwen Local Plan 2021-2037, incorporating the recommended main modifications set out in the appendix to the Inspectors' report dated 11th December 2023 (attached as Background Papers 1 and 2) be adopted.

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54 <u>Updates from Other Committees</u>

Council Forum received an update from the Chairs of the Overview and Scrutiny Committees on the progress of their work.

RESOLVED –

1. That the updates from the Overview and Scrutiny Committees be noted.

55 <u>Reports of the Executive Members with Portfolios</u>

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

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

56 Questions from Members

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

57 Year Planner 2024/25

The final version of the Year Planner for 2024/25 was submitted for approval, following submission of the draft version to Policy Council in November.

RESOLVED – That the Year Planner 2024/25 be approved.

At the close of the Meeting, Councillor Phil Riley thanked the Mayor for his Chairing of the Meeting.

Signed at a meeting of the Finance Council

On 26th February 2024

(being the ensuing meeting of 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: **26th FEBRUARY 2024**

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: **Director, Chief Executive's** **TO:** **Finance Council** **ON:** **26 February 2024**

SUBJECT – Pay Policy Statement 2024-2025

1. PURPOSE

The purpose of this report is to update the Finance Council and share information relating to salary payments made to employees in Blackburn with Darwen Borough Council's employment during 2023-2024.

The report also includes details of the Chief Executive and Chief Officers pay scales and the range of salaries across the whole organisation during this period of time. The data was extracted and collated on 31 December 2023.

2. RECOMMENDATIONS

That Finance Council approve the Pay Policy Statement for 2024-25 as set out in Appendix A.

3. BACKGROUND

There is a legal requirement for the Council to report annually on information relating to its employees. The pay terms and conditions referenced within this report include: Green Book, Chief Officers and Chief Executive. The Council is committed to reporting annually on pay ranges for all staff as well as including clear information relating to Chief Officer pay details. By adhering to the aforementioned terms and conditions, the Council demonstrates its commitment to ensuring employees are paid equally in line with their roles and responsibilities.

4. RATIONALE

All job roles have been subject to a thorough job evaluation process through either Gauge or Hay, likewise any newly created roles undergo evaluation before being assigned against a pay grade. By following this process, there can be assurance that roles are fairly and equitably paid. Failure to follow this process could result in equal pay and / or discrimination claims against the Council.

5. POLICY IMPLICATIONS

The policy implications from this report are contained within the Equality Watch Report which was published on 31 January 2024.

6. FINANCIAL IMPLICATIONS

The financial implications of the Pay Policy Statement are reflected in the Council's budget for 2024/25 as set out in a report elsewhere on the agenda for this meeting.

There are currently no vacant posts at chief officer level and all positions are occupied with permanent employees.

7. LEGAL IMPLICATIONS

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.

8. RESOURCE IMPLICATIONS

None as a direct consequence of this report.

9. EQUALITY IMPLICATIONS

As part of the Equality Watch Report 2024, the Council published its workforce profile and its gender pay gap.

We are aspiring to our workforce representing our local demographics and the communities that we serve.

11. CONSULTATIONS

None required as a direct consequence of this report.

Chief Officer	Corinne McMillan, Director, Chief Executives
Contact Officer:	Jill Readfern, HR Operations Manager
Date:	26 February 2024
Background Papers:	Pay Policy Statement 2024/25

Blackburn with Darwen Borough Council Pay Policy Statement for the Year 2024/25

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 2024 /2025 unless replaced or varied by the full Council.

1.4 Once approved by the full Council, this policy statement will come into immediate 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 2023.

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.

5. Chief Executive and Chief Officer Pay Scales 2024/2025

(Last national pay award increase applied from 01/04/2023).

Designation	Grade / Salary	Number of Posts
Chief Executive Officer	£158,641 – £173,158	1
Strategic Director 1	£118,601 – £128,686	3
Strategic Director 2	£108,096 – £117,761	2
Director 1	£98,384 – £107,655	2
Director 2	£85,930 – £94,384	5

5.1 **Notes**

Information is based on the Chief Officer structure as agreed by the Chief Officer Employment

Committee.

i) 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, which is assessed on an annual basis, 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 under 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. The Council is committed to adhering to Statutory Guidance as set out in the Statutory Guidance on Making and Disclosure of Special Severance Payments by Local Authorities in England.

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 2023, this was £22,366 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 August 2023.

Year 1 – £6.83 per hour
Year 2 (aged 20 & under) – £7.49 per hour
Year 2 (aged 21 – 22) – £10.18 per hour
Year 2 (aged 23 & over) – £10.42 per hour

Apprentice Information

Reporting Period – 1st April 2023 to 31st March 2024 – *data to be updated after 31 March 2024.*

The data detailed below relates to 1st April 2022 to 31st March 2023.

Figure		
A	The number of employees whose employment in England by the body began during the reporting period	52
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)	22
C	The number of employees employed in England that the body has at the end of the reporting period (31 March)	2262
D	The number of apprentices who work for the body at the end of the reporting period (31 March)	45
E	Figure B expressed as a percentage of figure A	42.31%
F	Figure D expressed as a percentage of figure C	1.99%
G	The number of apprentices who worked for the body immediately before the reporting period started (1 April)	52
H	Headcount on the day before the first day of each reporting period in the target period	2207
I	Figure B expressed as a percentage of figure H	1.00%

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 2023-2024.

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 7.7:1, and is therefore well within this recommended range.

12.4 The summary workforce data is shown below.

Highest Pay Grade	£158,641 – £173,158
Highest Pay	£173,158
Lowest pay	£22,366
Average Pay (per annum) – mean	£33,526
Average Pay (per annum) – median	£31,364
Pay Difference (between average & highest pay) – mean	£139,632
Pay Difference (between average & highest pay) – median	£141,794
Pay Multiple (ratio between average & highest pay) - mean	5.2:1
Pay Multiple (ratio between average & highest pay) – median	6.3:1

Pay Multiple (ratio between the lowest and the highest pay)	7.7:1
Data based on pay as at	31 December 2023

Notes

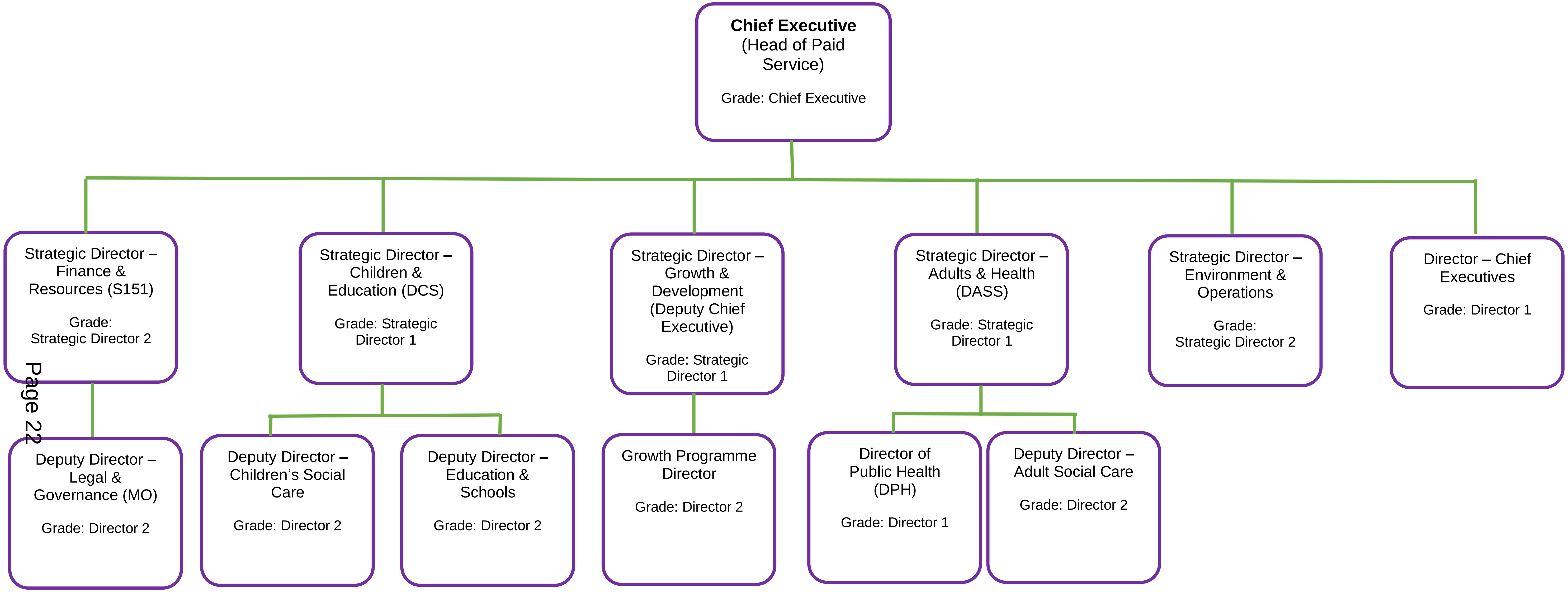
- The data is based on pay as at 31st December 2023.

13. Trade Union Facility Time

This will be completed at the end of the 2023/2024 financial year and published accordingly in July 2024.

14. Publication

14.1 Upon approval by the full Council, this statement will be published on the Council's Website. The Policy will be updated and re-published at least annually.


Chief Executive
(Head of Paid Service)
Grade: Chief Executive
Strategic Director – Finance & Resources (S151)
Grade: Strategic Director 2
Strategic Director – Children & Education (DCS)
Grade: Strategic Director 1
Strategic Director – Growth & Development (Deputy Chief Executive)
Grade: Strategic Director 1
Strategic Director – Adults & Health (DASS)
Grade: Strategic Director 1
Strategic Director – Environment & Operations
Grade: Strategic Director 2
Director – Chief Executives
Grade: Director 1
Deputy Director – Legal & Governance (MO)
Grade: Director 2
Deputy Director – Children's Social Care
Grade: Director 2
Deputy Director – Education & Schools
Grade: Director 2
Growth Programme Director
Grade: Director 2
Director of Public Health (DPH)
Grade: Director 1
Deputy Director – Adult Social Care
Grade: Director 2

TO:	Finance Council
FROM:	Strategic Director Finance and Resources (the Council's designated s151 Officer)
DATE:	26th February 2024

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Statement on the Robustness of the Council's Budget Calculations for 2024/25 and the Adequacy of Financial Reserves

1. PURPOSE

1.1 The purpose of this report is to report on the robustness of the Council's budget estimates for 2024/25 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 2024/25 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 Strategic Director Finance and Resources (as the Council's statutory finance officer) as provided at ***Appendix A and B*** when determining the budget (Revenue Budget and Capital Programme) and the level of Council Tax for 2024/25.

3. BACKGROUND

3.1 In accordance with Section 25 of the Local Government Act 2003, the Strategic Director Finance and Resources 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.

3.2 In light of the financial challenges faced by many local authorities, leading some Statutory Finance Officers to issue reports under s114 of the Local Government Finance Act 1988, it is important that the Council is cognisant of the basis on which the Council's budget has been prepared, the risks – financial and otherwise – faced by the Council and the adequacy of the Council's reserves. This report provides that information and should be considered when determining the Council's budget for the next financial year.

4. RATIONALE

4.1 To inform Finance Council of the Strategic Director Finance and Resource's assessment of the robustness of estimates for 2024/25 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 Strategic Director Finance and Resources as the Council's officer designated under s151 of the Local Government Act 1972 has a personal 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 2024/25, 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 Strategic Director Finance and Resources are provided at **Appendix A and B**.

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 Strategic Director of Finance and Resources to amend the statements provided at **Appendix A and B** 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 – Strategic Director of Finance and Resources
DATE:	February 2024
BACKGROUND PAPERS:	None

Appendix A

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 Strategic Director Finance and Resources (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 2024/25.

2. Finance Council is asked to consider these statements when considering the budget for 2024/25.

Statement on the Robustness of the Council's Budget Calculations

3. In respect of the proposed General Fund Revenue Budget and Capital Programme for 2024/25, Finance Council is asked to consider the following statement from the Strategic Director Finance and Resources acting in his capacity as the Council's Statutory Financial Officer when considering the budgets for 2024/25:-

"This statement is given only in respect of the 2024/25 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 2024/25. Whilst the narrative below explains some of these in more detail, **Appendix A** *summarises other factors that have been considered.*

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 its control (e.g. appeals, collection etc). This is within an environment where economic growth in the Blackburn with Darwen area continues to be difficult given a range of structural issues, eg connectivity, adequacy of land supply for economic development and lack of available funding for business expansion and support.

Estimating the Council's share of income from business rates for 2024/25 remains a challenge for several reasons. Forecasting growth in business rates is dependent on changes to rateable values and these can be influenced by a range of issue such as new builds, demolition and appeals. In relation to the latter, there remain a substantial number of outstanding appeals on the 2017 Valuation List (which is now closed to new appeals) and an increasing number of appeals against the 2023 Valuation List. Whilst an assessment has been made of the financial risk posed by these appeals, and the impact of this factored into the determination of the Council's provision for appeals, until the appeals have been considered by the Valuation Office Agency, it is not possible to say with certainty whether the provision made will be adequate. This is a matter that remains under review and the appeals provision will be adjusted accordingly where it is considered necessary to do so.

As well as local factors such as the payment of business rates, appeals, uptake of exemptions and reliefs, growth and decline in business rates payable as new businesses are established and existing businesses close, the quantum of business rates collectable can be affected by both the national and global economic conditions. Where it is possible to do so, the estimates of business rates collectable have been adjusted to reflect that the economy is not expected to grow significantly during the year. Looking ahead, as has been set out in previous reports, the sustainability of the Business Rates system has been the subject of much discussion over recent years not least because of its impact on High Street businesses (and the change in the structural nature of the business base which is seeing more businesses go online), the frequency of revaluations, its lack of flexibility in periods of economic downturn. Indeed, regardless of the outcome of the next General Election, there is likely to be a substantial overall of Business Rates and its part in the funding of services provided by Local Government.

To inform the estimate of funding available to support Council spending in 2024/25, estimates have been made regarding the value of business rates that will be collected in both 2023/24 (for the estimate of the estimated Collection Fund Surplus) and 2024/25 (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 matters mentioned above.*** *For this reason, in the determination of the Business Rates to be collected in 2024/25, I have assumed no growth in the Business Rates Taxbase and provided for an additional amount totaling c£1.8m to deal with the 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 well-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 2024/25.

At the same time, the level and extent of reliefs being made available by the Government to cushion the impact of business rates on businesses may have a bearing on the amount of business rates to collect. In the current year, substantial reliefs were given to retail properties and, to reduce the burden of business rates in 2024/25, the Government will maintain this relief at the same time as continuing to freeze the small business rates multiplier which benefits around half of the Council's business base; the standard business rates multiplier will increase by the rate of inflation.

Council Tax

The estimates for Council Tax receipts included in the budget for 2024/25 are based on increasing the Council Tax (including the Adult Social Care Precept) by the maximum allowable within the Government's Referendum Principles for the 2024/25 financial year. Should the Council resolve not to increase Council Tax by the maximum permissible, for every 1% variation from the maximum allowable rate, the loss of income would be c£661k; this income would be lost in perpetuity.

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. On 25th January 2024, Council Forum agreed to a revised Local Council Tax Scheme for 2024/25. 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 despite the impact of Covid-19 and latterly the cost-of-living crisis.

During the year, there will be a continued focus on the collection of debt to ensure that collection targets are achieved. There will also be a review of Single Persons Discounts to ensure that all those that are eligible for this discount, receive it. 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.

Development of Budgets

The estimates of income and expenditure forming the Council's general fund revenue budget and capital programme for 2024/25 have been prepared based on existing plans, known current and future commitments and the financial implications of the proposals for service efficiencies/reductions. Where it has been necessary to do so, they have been prepared in conjunction with the Strategic Directors, Heads of Service and Budget Holders. The base budget for 2024/25 is, in the main, consistent with the delivery of current and expected levels of service required to achieve the missions set out in the Corporate Plan that was approved by the Council in December 2022 and subsequently reviewed at Policy Council in December 2023.

Where it has been necessary, in the case of certain budgets (e.g. pay, utility costs, investment income and income from fees and charges, waste disposal), assumptions have been used for inflation, interest rates and service take-up that, on the basis of current and predicted levels of activity, are 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 of pay awards, turnover and, more recently, difficulties in recruitment and retention of staff requiring the use of temporary cover from Employment Agencies to maintain service provision. In particular, the pay award has been estimated based on the best information possible but is subject to national negotiations that are out with the control of the Council;*

- *continuing upward pressure with demand for Adult Social Care Services. The underlying pressures of an ageing population and increasing complexity of health needs remains a constant issue. Combined with pressure on costs due, for example, to increases in the Real and 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 charging reforms as set out by the Government have in part been delayed until in October 2025 the Council will, nevertheless, need to continue with its preparation for those changes. At the same time, there remains the possibly of CQC Inspection of the Service which is likely to also consider the extent to which the broader health and social care system is operating. In this respect, the integration of health and social care services is gathering pace with the development of the Place-based partnership approach supported by the Lancashire and South Cumbria Integrated Care Board (ICB). This is, however, against the backdrop of a significant financial challenge for the ICB. What this means specifically for the services provided by the Council and the impact on residents is still to be determined but has the potential to both increase costs and provide opportunities for efficiencies;*

- *similarly, demand for Children's Services continues to be an issue, again due to the complexity of needs and the growth in the numbers. Substantial additional investment has been made in the Service following the Ofsted Inspection in February 2022 and this will continue into 2024/25 with further funding of c£5.0m added to the budget. Whilst the number of Children in our Care remains relatively stable, the mix of permanence provision is weighted (in cost terms) towards Out of Borough Residential and Fostering placements leading to higher costs. Activity to redress this balance, to have a clearer understanding of the sufficiency strategy and commissioning is well underway but this will take time to deliver. Acknowledging that the demand for commissioned placements is volatile from one year to the next, a specific reserve has been created (funded by de-committing funds allocated for income shortfalls) to provide financial capacity to deal with additional costs should they arise;*

- *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 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 the demand for the services. Where it has been considered necessary to do so, budgets have been realigned to realistic levels reflecting the best information known at the time of setting the budget. The extent to which these budgets are deliverable 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;*

- *The budget for Temporary Accommodation has been increased to reflect both the increase in the number of people presenting themselves as homeless and the dearth of available accommodation in the Borough. This budget will require close monitoring and work will be needed, with Partners, to determine what medium to longer term solutions are required to ensure there is an appropriate supply of good quality accommodation;*

- *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. The budget has been adjusted to reflect this loss of subsidy but this will require close monitoring during the year combined with the actions necessary to ensure that benefit (and support) claims are legitimate and reasonable.*

These examples illustrate the potential volatility in budgets, made even more volatile because of the uncertainty the general economic challenges faced both nationally and internationally, 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 impact of inflation on both revenue and capital budgets. At the time of writing, the Consumer Price Index for the year to December 2023 had increased to 4.0% (following a steady reduction in the rate up to November 2023). It is not clear whether this is a 'blip' or the return of sustained increases in costs although the Bank of England continues to forecast a return to 2% in 2024/25;*

- *the effect of changes to legislation and government policy which may create additional cost burdens. Examples include the impact of the Environment Act 2021, where there are proposals around the collection and recycling of waste, including food waste, and the Elections Act 2022 which is changing the way people can vote. More recently, the Levelling Up and Regeneration Act 2023 has been enacted which, subject to enabling legislations, includes a range of legislation on matters such as devolution, planning and housing which may have significant implications for the Council;*

- *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. A key concern for the Council is the dire financial position of the Lancashire and South Cumbria ICB and the impact that that will have on areas such as the health and care integration in Blackburn, the quality of healthcare and therefore impact on social care in the Borough and possibility of lower contributions toward complex and continuing healthcare packages;*

- *more specifically, the Council has embarked on the delivery of a number of substantial economic development and regeneration projects. These include, for example, the Darwen Town Investment Plan (TIP) as part of the Town Deal arrangements supported by Government, the Levelling Up Funded schemes for J5 of the M65 and the Town Centre regeneration of Blackburn. Aside from ensuring that the schemes are delivered in line with agreed funding and budgets – which will require good project management governance - the continued affordability of these schemes in the context of the Council's Medium Term Financial Plan will need to be reviewed on a regular basis to ensure that the relevant business cases remain sound;*

- *the development and agreement of a devolution deal and the creation of the Lancashire County Combined Authority (CCA) presents a significant opportunity for the Council, with the prospect of providing significant funding and additional powers that can be used to accelerate work to improve the economic prosperity of the Borough.*

Alongside these issues will be the success, or otherwise, of implementing the savings proposals which Councillors agree to accept as part of the current budget process. The proposals set out in the General Fund Revenue Budget report total £4.2m; 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. Some provision is held in the Council's reserves for this purpose.

It is important, therefore, to review actual performance against budget on a regular basis 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 2024/25 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 2024/25, ***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 2027/28 shows a deficit of c£13.2m. This is based on assumptions of Government funding which cannot be confirmed with any certainty at this stage not least because of the forthcoming General Election. As Councillors will be aware, the Settlement for 2024/25 is for one-year only.

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 remain 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 required 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. The Council has a good foundation on which to build the necessary delivery models to achieve these savings.

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, 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 2025/26. 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.

<u>Statement on the Adequacy of Financial Reserves</u>

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 2023/24, budget for 2024/25 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 conducted.

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 2024 following the preparation of the Council's accounts for 2023/24.

Appendix A

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 the Corporate Plan. The Council's Corporate Plan for the period to 2027 was approved by Policy Council in December 2022. A further update on progress on missions set out in the Corporate Plan was provided to Policy Council in December 2023. The budget estimates and key budget assumptions have, where it is possible to do so, been aligned to the Council's corporate objectives. As the Corporate Plan extends over a number of years, and given the Council's financial plans are subject to review annually in line with the single-year funding settlements provided by Government, there will be a need to constantly review the alignment of the Corporate Plan with the Council's Medium Term Financial Plan.
Financial Strategy (and Medium Term Financial Planning)	In preparing the Council's budget estimate for 2024/25, 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 2024/25 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 a 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 2024/25 to 2026/27 are, on the basis of current information, considered robust, they are unaffordable given the projected levels of income and action will need to be taken to bring the budget into balance. That action underpins the Financial Strategy. The Financial Strategy is based on the following themes:- • ***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);

Factors	Commentary

	• ***Charging*** for services where is it considered appropriate to do so in line with the Fees and Charges Framework. 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 and, where possible, seeking 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 and facilitating housing development within the Borough thereby boosting our access to additional funding which the Government may distribute to reward the supply of housing growth and increasing the Council's Taxbase which, in turn, increases the yield from Council Tax;
	
	• increasing the Council Tax in 2024/25 and subsequent years, to the extent this is possible without triggering a referendum. The proposal for 2024/25 is that Council Tax charge be increased by 2.99% 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;
	
	• 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). The Savings Strategy is based on a range of strategic Workstreams:
	
	    • Workstream 1 – Organisational Review
	
	    • Workstream 2 – Asset Review and Rationalisation
	
	    • Workstream 3 – Alternative Delivery Models
	
	    • Workstream 4 – Adult Social Care Operating Model
	
	    • Workstream 5 – Children's Services Operating Model

Factors	Commentary
	• Workstream 6 – Income/Commercial Activity • Workstream 7 – Back Office Efficiencies • Workstream 8 – Procurement • no avoidable budget growth without compensating savings; • the planned use of the Budget Support Reserve in the period 2024/25 to 2026/27 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. 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	For 2024/25, the Government has again provided Local Government with a 1-year funding settlement year. Given the General Election later in 2024, and the prospect of a change in Government, there is no indication at this stage of the likely funding level beyond 2024/25. For 2024/25, 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 2024/25. For 2024/25, the Council’s core Revenue Support Grant (RSG) will be £16.734m which is an increase of £1.039m when compared to the current financial year. This reflects an inflationary increase of 6.6%. As indicated above, a 1-year Settlement for 2024/25 provides little 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 2024, will not now be undertaken in the life of the current Parliament. Consequently, given this and the uncertainty with the outcome of the forthcoming General Election, it is not possible to say with any certainty what Government funding the Council will receive after 2024/25. Forecasts of funding included in the Medium Term Financial Plan are based on prudent estimates for 2024/25 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 2024/25 is 37,069.75 (36,292.84 in 2022/23), an increase of 2.14% when compared to the previous year.

Factors	Commentary
	The Tax Base reflects a rate of collection of Council Tax for 2024/25 of 96.50%, no change when compared to the current financial year to reflect the expected level of collection given the ongoing cost of living crisis. 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 2024/25, the Government has indicated that for Councils like Blackburn with Darwen, the maximum allowable increase in Council Tax is 2.99% for the general Council Tax and 2% for the Social Care Precept. 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.
The Prudential Code and its impact on capital planning (including the Corporate Capital Strategy)	The Council has a Capital Strategy (supported by a detailed Asset Management Plan) 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 2024/25 which is 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.
Policy on the Minimum Revenue Provision	The Council's Policy on the Minimum Revenue Provision was approved by October 2022. It was subject to review as part of the approval of the Treasury Management for 2023/24 and will be subject to a further review as part of the approval of the Council's Treasury Management Strategy for 2024/25 by the Executive Board in March 2024. The Policy on MRP is compliant with current statutory and other guidance (although it should be noted that, at the time of writing, the Government is currently consulting on matters related to MRP).
Financial Standing (including adequacy of reserves)	Based on the third quarter budget monitoring exercise, the General Fund Revenue Budget for 2023/24 is estimated to be overspent by £932k. Any variations that have an ongoing impact on the Council's budget in the current year have been factored into the budget for 2024/25 where it is applicable to do so. The Medium Term Financial Plan for the period 2024/25 to 2026/27 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 or increases in income to balance spending within available resources.

Factors	Commentary
	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 gave an unqualified opinion on the Statement of Accounts for 2020/21. The audit of the Statement of Accounts for 2021/22 has not yet concluded largely due to issues with the valuation of the Council's Plant, Property and Equipment (PPE). This delay in the completion of the audit for 2021/22 means also that it has not been possible for the Council to publish the Statement of Accounts for 2022/23 for audit. In the meantime, given concerns about the backlog of unpublished and unaudited Statement of Accounts nationally, the Government and the various bodies involved in the regulation of local government finance (for example, Financial Reporting Council, National Audit Office, the Chartered Institute of Public Finance and Accountancy) are consulting on proposals for the introduction of a backstop date by which all audits will be concluded. This is currently proposed to b3 30th September 2024 at which point External Auditors will be required to either give an opinion (unqualified or qualified) or issue a disclaimer of opinion on the Statement of Accounts for the Authorities within their remit. Given this Council's position and the possibility that there is insufficient time to conclude their audit work before the Government introduces the backstop date, it is likely that the External Auditor will give an unqualified opinion on the Council's Statement of Accounts for 2021/22 but will either issue a qualified opinion or a disclaimer of opinion on the Council's Statement of Accounts for 2022/23. Given a change in the Council's External Auditors – from Grant Thornton to Mazars - with effect from the financial year 2023/24, it is probable that Mazars will need to undertake additional work on the opening balances of the Council's Statement of Accounts for 2023/24 (in essence, the closing balances for 2022/23) so that they can provide an appropriate opinion for the Statement of Accounts 2023/24. In the context of our Financial Standing, our arrangements for ensuring value for money for 2020/21 were reviewed by the External Auditor. A report on this matter was considered by the Audit and Governance Committee in June 2022. In conclusion, the External Auditors commented that:- *'Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risk to its oversight in ensuring economy, efficiency and effectiveness in its use of resources'.*

Factors	Commentary
	Since then, External Audit have not issued any further reports on the Council's arrangement for securing value for money. This is largely due to the delays with the audit of the Council's Statement of Accounts. That said, given work in recent months, the External Auditors are near to completing their report on the Council's arrangements, which will cover both 2021/22 and 2022/23 financial years, and this is expected to be presented to the meeting of the Audit and Government Committee in March 2024.
Financial Management	The Council's financial information and reporting arrangements are sound and the end of year procedures in relation to budget management and the closure of accounts are currently considered fit for purpose. The exception to this relates to the valuation of the Council's Property, Plant and Equipment where the External Auditors have raised concerns about the robustness of the Council's valuation process. In response to this, the Council has outsourced the valuation of assets for 2022/23 and 2023/24. As indicated above, the Council's External Auditors are likely to give an unqualified opinion on the Statement of Accounts for 2021/22 but may not have enough time to conclude the audit of the Statement of Accounts for 2022/23. Work is still underway on the Council's arrangements for ensuring value for money in 2021/22 and 2022/23 and this will be the subject of a further report to the Audit and Governance Committee. As in 2020/21, no significant issues are expected to be raised. 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. Work to update the Council's Asset Management Plan has been completed and this was approved by the Executive Board in March 2023. Implementation of the Plan is now underway including a review and rationalisation of the Council's asset base. Collection performance of both NNDR and Council Tax is broadly as expected in 2023/24 acknowledging that the cost of living crisis continues to impact on collection. Collection performance continues to be managed closely by the Head of Revenues and Benefits in conjunction with the Strategic Director Finance and Resources and the Executive Member for Finance and Governance. The Council has previously undertaken a review of its Financial Management Arrangements against CIPFA's Financial Management Code. This was subsequently subject to internal audit review which found that the Council's arrangements are adequate. There are no changes to the Council's arrangements.

Factors	Commentary
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 the Council's Statutory Officers Group including Chief Executive, Strategic Director Finance and Resources and Deputy Director, Legal and Governance. 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 was undertaken in 2022. There are regular reports on risk management to the Audit and Governance Committee.
The adequacy of the Council's Insurance Arrangements	The Council implemented a new contract of insurance with Zurich Municipal from April 2023 following the completion of compliant procurement exercise. As part of this process, the Council's insurance arrangements are reviewed annually as part of the review of premiums paid and levels of cover obtained. The Council obtains advice from an Insurance Broker to assist with this work. During the last year, the contract for the Brokerage was let to Gallaghers. 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. The Council has a Corporate Business Continuity Plan (BCP) which is supported by a suite of Service-specific Business Continuity Plans. These are reviewed and updated regularly. 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 for 2020/21 have been assessed and the External Auditor concluded that the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.

Factors	Commentary
	The External Auditor is undertaking their work on this assessment for 2021/22 and 2022/23 and is expected to report on this in the first quarter of 2024 to the meeting of the Audit and Governance Committee in March 2024. It is not expected there will be any significant issues arising.
Interest Rates	At the time of writing, the bank base rate is currently 5.25%. Whilst there is an expectation that the Bank Rate will start to fall during 2024, this will depend on the rate by which inflation falls. At the time of writing, inflation (CPI) was at 4% at the end of December, a slight increase from 3.9% in November. Changes in the Bank Rate tend to have a direct impact on the levels of investment returns the Council expects to receive. Looking ahead, interest returns have been set at 4.6% for 2024/25, 3.88% for 2025/26 and 3% for 2026/27 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 start to reduce over the medium term as inflation begins to reduce. Interest rates on long term debt are fixed at the rate at which the debt was taken. The Council's present debt which consists of Market Loans, loans from the Public Works Loan Board and Managed Debt from Lancashire County Council. The average cost of this debt is 3.6% (excluding PFI debt). Annually, the Council agrees a Treasury Management Strategy which sets out how both borrowing and investments will be managed throughout the year. For 2024/25, this will be reported to the Executive Board in March 2024. 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 6% has been assumed in the budget for the Local Government pay award in 2024/25. There is no indication yet what the pay claim from the Unions will be for the year. Generally, other budgets are cash limited (i.e. not increased by general inflation) apart from certain costs, e.g. utilities, waste inflation, where budgets have been increased to reflect anticipated inflationary increases. Consumer Price Index at December 2023 was 4.0% (10.5% for December 2022) and the Retail Price Index was 5.3% (13.4% for December 2022).
Fees and Charges	Annually, the Council reviews its fees and charges. In September 2022, the Council agreed a Fees and Charges Framework to guide the setting of fees and charges.

Factors	Commentary
	Where necessary, income budgets have been adjusted both to reflect price and volume changes. In relation to the latter, it is notable that some budgets for fees and charges have been slow to recover from the impact of the Pandemic and the cost of living crisis and therefore, adjustments have been made to those budgets to more reflect realistic expectations of performance. 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 able 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 2024/25 consider 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. 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 (particularly the cost of Temporary Accommodation) and the extent to which the Council maintains service provision will need to be monitored carefully. In considering the budget for 2024/25 to Council, it should be noted that budgets will be cash limited and therefore 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. 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; • ensuring continued sustainability of the **Adult Social Care** market combined with reforms that may require additional investment from the Council; • continuing the improvement journey in **Children's Services**; • implementing any measures that arise out of the Government's plan to transform **Children's Services**; • The **devolution agenda** including any requirements of the Levelling Up and Regeneration Act and/or matters such as

Factors	Commentary
	Lancashire Combined County Deal where, at this stage, it is uncertain exactly what they will mean for the Council; • Dealing with measures in the **Environment Act** including potential changes to the arrangements for waste collection and disposal arising out of the Act that may have significant financial implications for the Council. Details of these are included in the report on the General Fund Budget elsewhere on the Agenda for this meeting; • 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. These actions are captured in the Climate Change Emergency Plan; • Delivering the **various significant regeneration projects** for Blackburn and Darwen including, for example, Darwen Town Deal, a Levelling Up Fund Projects for Blackburn and Junction 5 of the M65, projects funded by the Shared Prosperity fund that 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 changes 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 Strategic Director Finance and Resources 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 2024/25, 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 c4% of the Council's net expenditure.

Table 1: Risk Assessment for General Fund Working Balance – 2024/25

Minimum £000	Desirable £000	Area of expenditure / Explanation of risk / Justification for Reserves
500	1,000	**Pay** – the MTFP includes annual provision for a 6% 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 £500k Medium £1.0m High £1.5m** **Likelihood of risk occurring : Low** **Minimum reserve needed : £500k**
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). During 2023./24, general inflation as measured by CPI has gradually reduced as the price of energy and imported goods has fallen and the impact of Bank Rate increases have taken effect. It is expected that inflation will remain at its present level for the rest of the year before gradually falling to the Bank of England's target rate of 2% in each 2025. **Assessment: Degree of risk / reserve needed:** **Low £750k Medium £1.0m High £2.0m** **Likelihood of risk occurring : Low** **Minimum reserve needed : £1.0m**
500	1,000	**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 £500k Medium £1.0m High £2.0m** **Likelihood of risk occurring : Low** **Minimum reserve needed : £500k**
1,000	2,000	**Income from Fees and Charges** – With the continuing impact of the cost of living crisis combined with a relatively benign outlook for economic growth, the Council's income streams may continue to be impacted. Whilst some budgets have been reduced to reflect more realistic income levels, it is the case that 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 £500k Medium £1.0m High £2.0m** **Likelihood of risk occurring : Medium** **Minimum reserve needed : £1.0m**

Minimum £000	Desirable £000	Area of expenditure / Explanation of risk / Justification for Reserves
2,000	**3,000**	**Demand Led Pressures on Services** 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 post Covid-19 'bounce', the cost of living crisis and the continuing backlog of pressures in the Health Service. Both Housing and Council Tax Support may also come under pressure given the prevailing economy and associated risk of increasing unemployment due to both the cost of living crisis and the potential for a downturn in the economy. 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, the use of temporary accommodation and supported/exempt services resulting in a lower rate of subsidy 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 £2.0m Medium £2.5m High £3.0m** **Likelihood of risk occurring : Medium** **Minimum reserve needed : £2.0m**
500	**1,500**	**Non-achievement of Savings** – the level of savings required for over the medium term significant 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. 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 £500k Medium £1.0m High £1.5m** **Likelihood of risk occurring : Low** **Minimum reserve needed : £500k**

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**
0	**1,000**	**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 sometimes 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 £0k Medium £500k High £1.0m** **Likelihood of risk occurring : Low** **Minimum reserve needed : £0k**
250	**1,500**	**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. 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 2024/25. **Assessment: Degree of risk / reserve needed:** **Low £250k Medium £750k High £1.5m** **Likelihood of risk occurring : Low** **Minimum reserve needed : £250k**
6,000	**13,500**	**Total**

TO:	FINANCE COUNCIL
FROM:	EXECUTIVE MEMBER FOR FINANCE AND GOVERNANCE ON BEHALF OF THE LABOUR GROUP
DATE:	26th February 2024

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: General Fund Revenue Budget 2024/25 (and update to 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 2024/25 together with an update to the Financial Strategy for 2022/25. A report elsewhere on the Agenda for this meeting considers proposals for the Capital Programme for 2024/25.

2. RECOMMENDATIONS

2.1 Finance Council is recommended to:-

a) Note the requirement for the Council to produce a Productivity Plan for publication on the Council's website by July 2024;

b) acknowledge the impact of the increase in the Real/National Living Wage as set out below and note that a report on the impact of this on the hourly rates and contract changes for Social Care Providers for 2024/25 will be submitted to the Executive Board in due course;

c) approve the use of the High Needs Dedicated Schools Grant (DSG) Funding block in 2024/25 as set out at **Appendix B**;

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

e) approve the savings proposals as set out at **Appendix C**;

f) note the estimated balance of reserves as at 31st March 2025 as shown at **Appendix D**;

g) approve the General Fund Budget Requirement for 2024/25 as set out at **Appendix E** to this report;

h) require each Portfolio to operate within the individual Portfolio Controllable Budgets for 2024/25 as set out at **Appendix E** and that these be cash limited and subject to regular monitoring and control;

i) approve an increase in the general Council Tax of 2.99% (reflecting a weekly increase of £1.02p for Band D Council Tax payers and of £0.68p for Band A Council Tax payers);

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

k) note the update to the Financial Strategy and Medium Term Financial Plan for 2022/25 as set out **Appendix G** and note that a further report on the implementation of the Strategy will be submitted to the Executive Board in June 2024.

3. BACKGROUND

3.1 This report sets out the proposed General Fund Revenue Budget for 2024/25. A report elsewhere on the Agenda for this meeting provides details of the proposed Capital Programme for 2024/25. For context, the report sets out details of the Autumn Statement, the Local Government Finance Policy Statement 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 5th February 2024.

3.2 Consideration of the Council's Revenue Budget (and the Capital Programme) must be undertaken in the context of the Council's Corporate Plan. The Corporate Plan for 2023/27 was agreed by Policy Council in December 2022 and set out a range of missions aimed at *'changing people's lives for the better'.* During the Corporate Peer Review undertaken in the last year, the Peer Team commented that the Corporate Plan provided a clear strategic vision for the Council and the associated missions provide a strong blueprint for where the Council is going.

3.3 An update on progress with the implementation of the Corporate Plan was presented to Policy Council in November 2023. As part of this update, details of the Council's commitment to delivering on the four core missions and two supporting missions were provided and each Portfolio Holder set out their priorities for the forthcoming financial year. In conjunction with this work, the budget process is a key part 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 deliver the missions set out in the Corporate Plan and the priorities of Portfolio Holders.

3.4 The development of the Council's budget for 2024/25 has been undertaken in a period of continuing challenge for most local authorities. The national public finances continue to be in a weak position and around the time of the Autumn Statement, the Office of Budget Responsibility (OBR) downgraded the UK's forecasts for growth. Despite the extent of the tax burden, this along with the surging cost of servicing the national debt means that funding for public services is being squeezed. The corollary of this is that funding settlements for Local Government in recent years (including 2024/25), whilst improved compared to the early years of austerity, continue to be tight and are set against rising demand for services and increased costs as consequence of higher than expected inflation.

3.5 Looking ahead over the medium term, the Government's existing commitments on Health, Schools and Defence etc. do, according to the Institute of Fiscal Studies, suggest that the funding for other *'unprotected'* budgets such as Further Education, Courts, Prison, Local Government etc. will be subject to reductions of up to 3.4% (or £20bn) between 2024/25 and 2028/29. This follows on from substantial funding reduction for Local Government over the last 14 years.

3.6 The scale of the financial challenge for Local Government remains stark. As Councillors will be aware, there has been an increasing number of Councils where a report under s114 of the Local Government Finance Act 1988, which signals that a Council is in serious financial difficulties and must take action, has either been issued by the Chief Finance Officer or is being openly considered. An analysis of the reasons for taking this action would suggest that these have mainly been a result of underlying management and governance issues. However, some Councils are now citing rising demand, cost pressures and funding levels that have not kept pace with inflation as reasons for their acute financial difficulties and in all likelihood, without more investment in the Sector, there are likely to be more s114 reports in the future.

3.7 As has been reported previously, the Council has experienced one of the highest funding reductions of Unitary Councils across the Country since austerity began. This is despite being amongst the most deprived Boroughs according to the Indices of Multiple Deprivation, a position that was compounded by the deep impact of Covid-19 with Blackburn with Darwen experiencing some of the worst and enduring effects of the Pandemic. Equally, the Council remains heavily dependent on government funding to both provide services and to invest in economic growth and regeneration. To the extent that this remains constrained and there continues to be limits on the Council's ability to raise income locally, either imposed by Government or because of the nature of the local economy, the Council will continue to experience difficulties in achieving a balanced budget.

3.8 Against this backdrop, however, the Council has a good track record of managing its budget effectively. Indeed, the Peer Team that conducted the Corporate Peer Challenge last year commented that '*the Council has an impressive track record of managing significant challenge including the ongoing reductions spending power since 2010'*. The Council has a clear Financial Strategy which balances the need to grow the prosperity of the local economy with the need to take action, as necessary, to identify and deliver savings and efficiencies to achieve a balanced budget. And whilst this includes increases in Council Tax and fees and charges, it also includes investment in 'street level' issues that matter most to the residents of the Borough. The Council's General Fund Revenue Budget and Capital Programme for 2024/25 as presented here continues this approach.

Spring and Autumn Statements 2023

3.9 Various updates on the development of the Council's Budget for 2024/25 (and the Medium Term Financial Plan) have been provided to the Executive Board during the year. In the report considered by the Executive Board in June 2023, details of the Spring Statement 2023 were provided. As set out then, despite the considerable financial challenge outlined above, this provided no new funding announcements for Local Government of substance.

3.10 Indeed, subsequent analysis by the Institute for Fiscal Studies (IFS) indicated that, even with reasonably strong economic growth (something which is not currently being achieved), Government Departments with *'unprotected'* budgets (including Further Education, HM Courts Services, HM Revenues and Customers ***and Local Government***) would be subject to a real terms funding reduction over the period 2024/25 to 2027/28 of 3.2% (this has since been updated as set out above).

3.11 Towards the end of November 2023, the Government published its Autumn Statement. Again, the Statement contained little information on the finances for Local Government, in essence confirming previous funding allocations (aside from additional funding to provide business rate reliefs).

Local Government Finance Policy Statement 2024/25

3.12 As in 2023/24, as part of the Autumn Statement announcement, the Government did commit to provide Local Authorities with an updated Local Government Finance Policy Statement. The Policy Statement was released on 5th December 2023 and provided headline details of funding for Local Government, all of which has subsequently been confirmed in the Local Government Finance Settlement.

3.13 Unlike in 2023/24, the Policy Statement only provided headlines for 2024/25. As has become the norm in recent years, there was no indication of likely levels of funding beyond the next financial year.

Local Government Finance Settlement 2024/25

3.14 The provisional Local Government Finance Settlement (LGFS) for 2024/25 was released for consultation by the Government on 18th December 2023. The details of the provisional Settlement and the Council's response to the consultation on the proposed Settlement were provided in a report to the Executive Board in January 2024.

3.15 The final Settlement was confirmed on 5th February 2024. As in the last six years, it is another single year settlement making it incredibly difficult to plan and take actions to deal with the Council's future financial position. As indicated previously, Local Government has lobbied consistently for a multi-year funding settlement to aid service and financial planning but to no avail.

3.16 Details of the Council's settlement are provided below but in summary, the Council's Core Spending Power for 2024/25 will rise by 7.9% (compared to an average increase of 7.5% for Local Government overall). This is predicated on the following assumptions:-

- an increase in the Council's Settlement Funding Assessment of 4.6%. 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 6.6% to £16.734m reflecting an uplift by the Consumer Price Index (CPI) inflation;

- net estimated additional grant funding of c£7.273m (or 17.1%) when compared to the Council's Core Spending Power in 2023/24;

- included in the additional grant funding are - £4.283m additional Social Care grant (including £995k for the Equalisation of the Adult Social Care Precept) and £780k for the Social Care Discharge Fund. Additional funding of £1.554m has also been provided for Market Sustainability and Fair Funding (for Adult Social Care);

- a further reduction in the Services Grant of £1.491m which is being used mainly to meet the cost of inflationary increases in other grant funding. The Services Grant for 2024/25 will be £311k (a marginal increase of £27k when compared to the provisional Settlement);

- an increase in funding from the New Homes Bonus from £401k in 2023/24 to £830k in 2024/25 reflecting the Council's success in building new homes and bringing empty properties back into use;

- the Government's assumption that there will be an increase in the general rate of Council Tax of 2.99% and the Adult Social Care Precept of 2.0% (an overall increase in Council Tax assumed to 4.99%).

3.17 Unlike previous years, additional funding has been allocated to Local Government in the period between the provisional and final settlements in recognition of the significant cost pressures associated with both Adult's and Children's Social Care. Overall, this amounted to £600m (of which £500m relates to Social Care) nationally of which the Council's share will be £1.621m (of which £1.593m is for Social Care).

3.18 A full analysis of the Council's change in Core Spending Power for 2024/25 (when compared to 2023/24) is provided at **Appendix A**.

Productivity Plan

3.19 A further change in the final Local Government Finance Settlement is the Government's request for Councils to develop Productivity Plans.

3.20 According to the Government, the plans should be '*short and draw on work that Councils have already done, identifying ways to unlock productivity improvements and setting out the key implementation milestones'.* Productivity Plans are required to cover four main areas:

i) transformation of services to make better use of resources;

ii) opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design;

iii) ways to reduce wasteful spend within systems, including specific consideration of expenditure on consultants and staff Equality, Diversity and Inclusion programmes (not including programmes designed to promote integration and civic pride, and counter extremism); and

iv) barriers preventing activity that Government can help to reduce or remove.

3.21 The Productivity Plan must be agreed by the Council's Leaders and Members (this has not been defined any more clearly but is assumed to mean the Executive Board) and published on the Council's website (together with updates on progress).

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

3.22 As indicated in the legal implications section below, Section 25 of the Local Government Act 2003 requires the Council's Strategic Director Finance and Resources, 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.

3.23 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 the Council's deliberations on the budget at this meeting, the Statement confirms that the budget presented here (and the Capital Programme for 2024/25 which is elsewhere on the Agenda) is considered to be robust.

3.24 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.

3.25 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 2024/25 by 11th March 2024.

5. KEY ISSUES

Funding Allocations 2024/25

5.1 On the basis of the Local Government Finance Settlement 2024/25 and the Council's own assessment of Retained Business Rates, Table 1 below summarises the estimate of Government funding for Blackburn with Darwen for 2024/25:-

Table 1: Estimate of Government Funding 2024/25 (and forecast to 2024/27)

	Actual Funding 2023/24 £000	Estimated Funding 2024/25 £000	Forecast Funding 2025/26 £000	Forecast Funding 2026/27 £000
Business Rates Retained (IABR*1)	19,794	22,428	22,877	23,335
Business Rates Top Up	25,117	26,289	26,815	27,351
Baseline Funding Assessment	**44,911**	**48,717**	**49,692**	**50,686**
Revenue Support Grant	15,695	16,734	16,734	16,734
Settlement Funding Assessment	**60,606**	**65,451**	**66,426**	**67,420**
Improved Better Care Fund	8,349	8,349	8,349	8,349
Social Care Grant	8,813	8,813	8,813	8,813
Equalisation of 2% ASC Precept	995	1,990	1,990	1,990
Additional Social Care Grant	3,774	7,062	5,469	5,469
Independent Living Fund	386	386	386	386
Market Sustainability and Fair Funding	1,790	3,344	3,344	3,344
Discharge Fund	1,171	1,951	1,951	1,951
BSF PFI Grant	8,472	8,472	8,472	8,472
Sub Total (see Table 7)	**94,356**	**105,818**	**105,200**	**106,194**
Other Government Grants				
Business Rates s31 Grant	13,199	14,486	14,776	15,071
New Homes Bonus	401	830	-	-
Services Grant	1,802	311	311	311
Total Government Funding	**109,758**	**121,445**	**120,287**	**121,576**

*1 – Individual Authority Business Rates (IABR)

Business Rates Retained

5.2 The estimate of Business Rates Retained for 2024/25 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.

Business Rates Top Up

5.3 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 2024/25 will be £26.289m (£25.177m in 2023/24).

Revenue Support Grant

5.4 Revenue Support Grant (RSG) is a general cash grant payable to the Council. Compared to the current financial year, for 2024/25 RSG has been increased by c6.6% and will be £16.734m (£15.695m in 2023/24).

Funding for Social Care

5.5 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 to be received by Blackburn with Darwen Council including the allocations for 2024/25 are shown in the table below:-

Table 2: Additional Grant Funding for Social Care (excl Social Care Precept)

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Improved Better Care Fund	7,339	8,104	8,104	8,349	8,349	8,349
Social Care Grant		4,925	6,551	8,813	8,813	8,813
Social Care Support Grant	1,306	-	-	-	-	-
Winter Pressures Grants	764	-	-	-	-	-
Market Sust/Fair Funding	-	-	-	516	1,790	3,344
Independent Living Funding	-	-	-	386	386	386
Equal of 2% ASC Precept	-	-	-	-	995	1,990
Additional Social Care Grant	-	-	-	-	3,774	7,062
Discharge Fund	-	-	-	-	1,171	1,951
Total	**9,409**	**13,029**	**14,655**	**18,064**	**25,278**	**31,895**

5.6 Table 2 above shows that additional funding of £6.617m has been provided for Social Care in 2024/25. This includes an additional £3.288m for Social Care (either Adults or Childrens). There is also an additional £1.554m Market Sustainability and Improvement Grant and an additional £780k for a Discharge Fund. At this stage, no detail has been provided on any conditions related to the use of this funding but it is anticipated that those conditions that have applied in 2023/24 will be unchanged. The Independent Living Fund Grant of £386k is the same as in the current year but aside from being shown separately here has been rolled-into the Social Care Grant.

Business Rates Section 31 Grants

5.7 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.

New Homes Bonus

5.8 The New Homes Bonus (NHB) is now in its twelfth 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 bringing empty homes back into use.

5.9 Despite consulting on proposals in 2021 to amend the NHB Scheme, the Government has decided again to retain the present scheme for a further financial year. As has become the norm in recent years, allocations are for one year only with no payment of legacy amounts from previous years (as has previously been the case). For 2024/25, the Government will provide NHB to reflect new housing and empty houses brought into use in the year up to October 2023. This amounts to £830k (compared to £401k in 2023/24).

5.10 As has been the case in previous year, it has been assumed that there will be no further NHB payments after 2024/25

Services Grant

5.11 For 2024/25, the Government has again reduced the overall amount of the Service Grant funding available for Councils to £87.4m. Although not explicitly stated, it does appear the reduction in the grant in being used to fund the changes in other grants (such as Revenue Support Grant and New Homes Bonus).

5.12 The Council's allocation of Services Grant will be £311k (compared to £1.802m in 2023/24).

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 2024/25, DSG totals £209.328m and is shown, by block and in comparison to 2023/24, in the table below:-

Table 3: Dedicated Schools Grant 2024/25

	2023/24 £000	2024/25 £000	Change £000
Schools Block	148,763	156,159	7,396
Central Services Block	1,770	1,642	(128)
High Needs Block	32,336	33,758	1,422
Early Years Block	11,899	17,769	5,870
Total	**194,768**	**209,328**	**14,560**

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 based within the NFF ranges;

- 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 continuing gradual (20%) reduction in funding for historic commitments as in previous years;

- the increase in the High Needs Block reflects an uplift in the historical allocation when compared to 2023/24 (£1.405m) and, due to an increase in the number of pupils, an increase (£298k) in the 'per pupil' funding;

- the Early Years Block has increased significantly (by c49%). For 2024/25, in additional to uprating hourly rates for existing provision, the Government has provided additional funding to meet the cost of providing an additional 15 hours of free childcare for 2 year olds and 15 hours of free childcare for under 2 year olds (starting in September 2024). As is standard practice, the allocation of Block Funding to each School as appropriate has been agreed by the Schools Forum and any changes that impact on the Council have been reflected in the General Fund Budget for 2024/25 and the Medium Term Financial Plan to 2027.

5.16 A report on the Early Years Block funding will be submitted to the Executive Board in March 2024 for consideration. As outlined in previous years, it is for the Council to agree the use of the High Needs Block allocation (albeit in consultation with the Schools Forum). To that end, the proposed use of the High Needs Block in 2024/25 is set out in detail at ***Appendix B*** for approval.

Public Health Grant

5.17 Indicative allocations of the Public Health Grant for 2024/25 were released by the Government in March 2023 (along with the 2023/24 allocations). The actual allocations of funding were announced on 5th February 2024 and show that the Council will receive £16.264m in 2024/25 (a 1.7% increase when compared to the amount for 2023/24).

5.18 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)

5.19 The Government has assumed that the Council will raise £68.627m in Council Tax in 2024/25 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 2019/20 and 2023/24 to project growth in the tax base for 2024/25; 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 2024/25. That is 2.99% for general Council Tax and 2% for the Adult Social Care Precept.

5.20 As indicated, these are the Government's assumptions. Proposals for Blackburn with Darwen's Council Tax for 2024/25 are set out elsewhere in this report.

Forecast General Fund Outturn 2023/24

5.21 At the meeting of the Executive Board on 8th February 2024, a report on the Council's budget position for the current financial year was considered. This indicated a forecast overspend of £0.932m for the year which, if sustained, will need to be met from an additional contribution from the Council's reserves and balances to ensure a balanced budget.

5.22 Monitoring of the Council's Budget for 2023/24 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 2024/25

5.23 As outlined above, the development of the General Fund Revenue Budget for 2024/25 has been undertaken in the context of the Corporate Plan for 2023/27. The Corporate Plan has four core missions:-

- to have a more prosperous Borough where no one is left behind;
- every child and young person will have the opportunities to fulfil their potential;
- to deliver our Climate Emergency Action Plan; and
- to build happier, healthier and safer communities.

5.24 In support of these core missions, and to ensure the Council is an effective and efficient organisation, there are the following supporting missions:-

- Being an innovative and forward thinking Council; and
- Tackling the budget challenge.

5.25 Details of the Council's budget challenge and the work being undertaken to address it have been reported regularly to the Executive Board. In particular, a range of activity is being progressed to deliver the Council's Financial Strategy based around the themes – *'Grow, Charge, Save and Stop'*. This activity includes:-

- the continuing delivery of the Council's Economic Growth Strategy. This comprises a range of programmes and projects aimed at increasing the amount of new housing and encouraging business growth in the Borough. In turn, this is expected to lead to an increase in the taxbases for both Council Tax and Business Rates which will increase the Council's income;

- the implementation of the Fees and Charges Framework agreed by the Executive as a means of reviewing, revising and changing how the Council's charges for services. Again, the objective here is to maximise income generation for the Council;

- taking a strategic approach to the delivery of savings over the medium term through a series of workstreams. Amongst other matters, these are considering the structure of the organisation, how the Council delivers services, the operating models in both Adult and Children's social care and how we exploit technology through the transformation of frontline and back office services.

5.26 As in previous years, work continues to review and realign budgets to service activity. Where it is considered necessary, adjustments have been made to Portfolio Budgets to reflect this. More details of what this means for individual Portfolios are provided below.

Adult Social Care and Health

5.27 In 2023/24, the Adult Social Care and Health Portfolio is forecasting an overall underspend of £510k; this comprises a forecast overspend on external commissioning budgets of c£588k which is offset by a forecast underspend of £953k on non-commissioning budgets. The latter variance has arisen largely as a consequence of delays in the remodelling of the Adults Social Care service (including a number of vacant posts that have been difficult to recruit).

5.28 As has previously been set out, the Government's reform of Adult Social Care was set out in the *'People at the Heart of Care White Paper'* in December 2021. This is a 10-year vision created for the people who draw on, work in and provide care and support. The vision revolves around the following objectives:-

- People have choice, control and support to live independent lives;
- People can access outstanding quality and tailored care support; and
- People find adult social care fair and accessible.

5.29 During the last year, the Government issued various Policy Papers in support of their vision and plan above. The last Policy Paper was issued in November 2023 which reiterated the vision and policy objectives set out above. In support of the delivery of this vision is a range of activity aimed at improving access to care and support, recognising the skills required for careers in social care, digital transformation to improve the quality, safety and personalisation of care, personalising care through the use of data and local authority assurance and supporting people to remain independent at home. Unpinning these activities is a drive to innovate and improve how local authorities address operational challenges and overcome barriers to adopting and scaling new approaches to delivery.

5.30 With these matters in mind, the development of the Portfolio budget for 2024/25 has been undertaken in the context the Council's complementary vision for Adults and Health – to build healthier, happier, safer communities enabling people to be independent and in control of their life. To deliver this vision, the Service has adopted a Target Operating Model which aims to:-

- promote independence, with early intervention and support (Getting More Help and Support);
- promote health and prevent ill health (Staying Healthy and Well); and
- maintain long term conditions and quality of life (Support for the Longer Term).

5.31 Underpinning this is a range of work to both transform the delivery of Adult Social Care services and to ensure that the Council (and the broader health and care system within which it operates) is as prepared as possible for the assessment by the Care Quality Commission (CQC) of its ability to meet its Care Act duties.

5.32 Underlying the work set out above, there remain continuing demands on the Service. These demand pressures are expected to persist and have a consequent impact on the Council given its responsibilities, particularly for those people who are discharged from hospital settings. In particular, the demand on the external commissioning budgets, as in the current financial year, is expected to be sustained with the cost of individual care packages increasing due to higher charges (driven by the rate of inflation) and complexity of needs.

5.33 As indicated earlier this report, additional funding has been made available by the Government for investment in Social Care in 2024/25. This totals £6.617m (as shown in Table 3 above) which, subject to negotiations with Providers, will be used as contribution towards the hourly rates and contract uplifts for commissioned Providers (this matter is considered further below) and to support the effective discharge of people from hospital.

5.34 As in the current year, the Council will receive £8.349m for the Improved Better Care Fund. This funding, along with the capital grant for Disabled Facilities Grants and Discharge Funding, is pooled under the Better Care Fund (BCF) Policy Framework with the National Health Service (NHS) and governed by an Agreement under s75 of the NHS Act 2006. In 2023/24, the BCF provided for a combined pool of funding totalling c£30.2m and the funding for 2024/25 is expected to be similar. It should be noted that the Integrated Care Board has commissioned a review of the use of the Better Care Fund which may have a bearing on how it is used in 2024/25.

5.35 Given the nature of Adult Social Care, the development of the budget reflects known and anticipated demand levels. Inevitably, it is difficult to be precise about how demand will change, not least because of the pressures on the National Health Service and how these relate to Social Care, that people are living longer and that there is increasing complexity in care needs. To that end, the Council maintains a Future Demands Reserve which, in the event of unexpected increases in costs, could be drawn down if necessary.

Public Health, Prevention and Wellbeing

5.36 In 2023/24, the Portfolio is forecasting an underspend of £65k. This is primarily the result of additional income in Leisure Services reflecting the work undertaken to increase footfall through the Council's Leisure facilities and an underspend on utility costs.

5.37 The development of the budget for 2024/25 assumes that footfall into the Leisure Centres continues to be maintained. As has previously been reported, given the cost of operating the Leisure Centres has increased significantly over the last 12 months, it has been necessary to review fees and charges across a range of activities provided by the Council. This is expected to generate an additional £125k in 2024/25. As with other budgets, achievement of income targets is key and, therefore, the impact of this change will need to be monitored during the year to ensure that, where necessary, corrective action can be taken if is considered that income budgets will not be achieved.

5.38 And reflecting an increase in the demand for temporary accommodation (including Bed and Breakfast provision), to deal with rising levels of homelessness which is a nationwide issue, an additional amount of £250k has been included in the budget for Homelessness/Housing Needs to ensure there is adequate provision of suitable accommodation and to discharge the Council's statutory obligations to those who present as homeless.

5.39 As indicated above, the Public Health Grant for 2024/25 will continue to be used for public health interventions. These include, for example, the 0-19 Healthy Child Programme, Sexual Health Service, Substance Misuse. The grant is also used to both fund the contributions made by Council Services towards social determinants of health and to meet the cost of the Public Health function.

Children, Young People and Education

5.40 The Government's strategy for the reform of Children's Social Care, set out in their *'Stable Homes, Built on Love'* Plan was released in early 2023. According to the Government, the Plan will be backed by funding of £200m over the 2 years to 2024/25. In December 2023, the Government published a Policy Paper – Children's Social Care: reform statement – outlining various announcements on the following matters:-

- a ***National Kinship Strategy*** – which recognises the value that Kinship carers provide, often achieving better outcomes than those in other types of non-parental care. The Strategy, *Championing Kinship Care*, outlines the practical and financial support to be provided and required all Councils to review their existing offer for Kinship carers;
- a ***National framework for Children's Social Care*** aimed at improving the quality and consistency of social work practice across Councils;
- ***Working together to safeguard children*** which is updated statutory guidance for local authorities and safeguarding partners to embed new child protection standards for practitioners and for partners to deploy multi-disciplinary workforce to provide direct support that meets the needs of children and families;
- ***Transforming Data*** which is focused on a data strategy that will transform data and digital services in Children's Social Care. This will include publishing a Children's Social Care dashboard bringing data together in one place to understand progress towards the outcomes set out in the national framework above;
- ***Further investment in fostering reforms*** being an additional investment to support a fostering recruitment and retention programme.

5.41 As announcements such as these are made, the Council will need to consider carefully what they mean for current and future service delivery. As an example, in relation to Fostering and as reported to the Executive Board in November 2023, the Council is the lead authority for a Regional Fostering and Recruitment Hub in the North West (covering Blackpool, Lancashire, Cumbria and Blackburn) which is seeking to improve fostering recruitment and retention. Whilst funding has been provided to support the development of the Hub in its inception, it is not clear what funding will be available on an ongoing basis to support the project.

5.42 Whilst the improvement journey of the Children's Social Care Services continues, the financial position of the Children's, Young People and Education Service has continued to present significant challenges during 2023/24 when compared to the budget. These challenges stem largely from the demands on the service (and associated costs) on a range of matters, for example, placements and Home to School Transport, which are affecting most Councils in England with similar responsibilities.

5.43 Overall, the Portfolio is forecast to overspend by £4.768m. Of this amount, c£2.5m relates to the reallocation of High Needs Dedicated Schools Grant (DSG) funding following a review of costs eligible for this funding. This change in the allocation of funding is ongoing and, as consequence, this impact of this has had to be factored into the Council's budget for 2024/25 and in the Medium Term Financial Plan. It should be stressed, however, that whilst this has resulted in additional costs to the Council's General Fund Revenue Budget, it does mean that there is additional funding for investment in High Needs provision. The High Needs DSG Budget for 2024/25 is considered elsewhere in the report.

5.44 The Children's Social Care budget is forecast to overspend by £1.771m in the current year. This is primarily the result of a forecast overspend on the budget for Commissioned Out of Borough Placements which is expected to be overspent by £1.5m. This is due mainly to the increase in the cost of placements. There are also overspends in the Adoption Service, Education Transport and the Assessment and Safeguarding although these are, in part, offset by forecast underspends in areas such as Foster Care, Early Years and Leaving Care.

5.45 Acknowledging these pressures, the proposed budget for 2024/25 includes additional investment of £5.630m in the Portfolio. This additional funding will be used to:-

- meet the cost of services that were previously funded by the High Needs DSG funding allocation (£2.450m);

- provide more funding for Commissioned Placements both to reflect the anticipated inflationary uplift in the cost of these placements and to recognise the significant increase in costs in the current financial year (£2.3m);

- meet the additional cost to provide Home to School transport for children with special educational needs (which is driven both by the demands and increased costs of services) (£580k);

- provide an increase in fees paid to In-House Foster Carers to ensure that they are uplifted in line with the National Minimum Allowances (£300k).

5.46 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. Indeed, as in the current year, whilst the budget for commissioned placements will be increased in 2024/25, delivering the budget as agreed will require the Council to review the range of permanence options (In-house Fostering, Independent Fostering etc) to ensure that, acknowledging that placements need to be right for the child/young person, the mix of placements provides good value for money for the Council.

5.47 In this context, given the quantum of costs associated with residential placements, consideration may need to be given to alternative ways of delivering this provision. In particular, a number of local authorities in England have or are considering in-borough provision of placements (what were previously Children's Homes) both as a means of providing the quality of care necessary in a way that provides better value for money to the Council. This will require detailed business case making and a firmer understanding of the likely demand levels and would be subject to further consideration by the Executive Board in due course should it be a viable consideration.

5.48 At the same time, as part of a process of 'policy and finance' deep dives and reflecting the significant additional costs being experienced by the Council in the current financial year, work is underway to review the Council's delivery of Home to School Transport. This work is at its very early stages but it is being undertaken with a view to identifying policy options for the Council to consider in relation to the efficiency and effectiveness of the service.

Environment and Operations

5.49 As reported to the Executive Board as part of the regular budget monitoring reports, the Environment and Operations Portfolio is forecast to overspend by £568k in the current financial year.

5.50 Income from car parking and taxi licencing has been significantly reduced as footfall (particularly in Town Centres) continues to be below pre-pandemic levels. Income has been lower than expected at the Crematorium as a result of the fire damage at the site. At the same time, as indicated below, work on the implementation of a new Selective Licensing Scheme has been delayed due to staff shortages.

5.51 Looking ahead to the next financial year, the Environment and Operations budget is subject to the normal operational cost and demand pressures. Assumptions have been made about tonnages of waste expected and given the continuing impact of inflation, it has been necessary to include an additional £0.650m in the budget for the increasing cost of Waste Contracts.

5.52 Work is underway on the development of a new Selective Licensing Scheme which is expected to be implemented during 2024/25. At this stage, it is not anticipated that the Scheme will be as expansive as the previous scheme and is, therefore, expected to generate less income than is currently included in the Council's budget. As a consequence, an adjustment has been made to the budget pending confirmation of the Scheme.

5.53 In line with the 'charging' strand of the Council's Financial Strategy, a range of other fees and charges within the Environment and Operations Portfolio have been reviewed and budget adjustments made to reflect recent decisions. These include charges for Green Waste Collection, Parking charges in Blackburn and Cemetery and Crematorium charges. Taken together, these changes in charges are expected to generate an additional c£361k income towards the cost of sustaining service delivery.

5.54 During the last year, and following on from the Environment Act 2021, the Government has outlined proposed changes to waste (and recycling) collection which, as well as impacting directly on residents and businesses, are likely to have a significant service and cost impact on the Council. These include:-

- **Simpler Recycling** – in September 2023, the Government issued its response to the Simpler Recycling consultation (formerly known as Consistency in Household and Business Recycling in England). In summary this set out that:-

    - By 31 March 2025, non-household municipal premises (such as hospitals, schools, and businesses), except micro-firms, will be required to recycle all recyclable waste streams (including Food Waste subject to the following bullet point), excluding garden waste and plastic film;

    - By 31 March 2026, local authorities will be required to collect all recyclable waste streams, excluding plastic film, from all households in England, including a weekly food collection for every household, unless transitional arrangements are agreed;

    - By 31 March 2027, micro-firms (businesses with fewer than 10 full-time equivalent employees) will be required to recycle all recyclable waste streams, excluding garden waste. Plastic film collections from all properties will also begin.

- **Weekly Food Waste Collections** – as set out above, the Government has set the implementation date for separate weekly food waste collections to 31st March 2026 unless transitional arrangements are agreed. For this Council, the implementation date is June 2026. More recently, the Government has provided the Council with indicative capital funding allocations to implement weekly food waste collections but has yet to provide any indication of what additional revenue funding (for development, implementation and communications) will be made available to meet the cost of collecting food waste;

- **Residual Waste** – the Government expects minimum service frequencies for residual waste collections of at least fortnightly. This is consistent with the Council's current collection frequency;

- **Extended Producer Responsibility(EPR)/Deposit Return Scheme (DRS)** – With effect from October 2025, the EPR scheme will require producers of packaged goods to pay towards the cost of recycling the packaging. The fees for EPR are expected to be set by Government and will be collected by a National Agency but ultimately will be redistributed to local authorities. The basis of redistribution is still to be determined by Government with a suggestion that it may be dependent on the recycling performance (both quantity and quality) of each local authority.

  The DRS works by placing a small cash deposit on single-use drinks containers thereby giving them an incentive to recycle their drinks bottles and cans, reducing litter and plastic pollution. It is the Government's aim to have these schemes in place by 2025.

5.55 As Councillors will appreciate, these are potentially significant changes in the way the Council operates and are likely to have both capital and revenue cost implications for the Council. The Government has indicated that, under the New Burdens Doctrine, funding will be provided to the Council to support the development and implementation of these changes although, as yet, other than the indicative capital allocations for the Weekly Food Waste Collection Scheme, there has been no indication of the likely funding available and, more importantly, how that compares to the actual cost of development and implementation.

5.56 At the same time, consideration will need to be given to the impact that implementing these schemes will have on the Council's existing arrangements for both waste collection and disposal. For example, there remains uncertainty as to what is defined as plastic film packaging – if this was from ready meals, then the waste industry as a Materials Recovery Facilitator (MRF) operator, including Suez, has concerns about food left on the film as this would stop the MRF from working and, if the film was in a co-mingled bin, it would contaminate the rest of the recycling items.

Growth and Development

5.57 The Growth and Development Portfolio is forecasting an overspend of £381k in 2023/24. This is mainly due to a shortfall in income from the profit-sharing arrangement with the Mall, less income than expected from the Commercial Investment/Tenanted Estate and reduced charges to the capital programme for Highways works and Building works and. On the latter, work will be undertaken in 2024/25 to review the recharging of Highways and Building works to ensure that costs are being recovered as appropriate from the various funding streams available to the Council.

5.58 The recent decision by the Government to increase Planning Fees by 35% has been reflected in the budgeted income for Development Control. This is expected to generate additional income of £235k subject to demand being maintained.

5.59 As with all Portfolios, an opportunity has been taken to review and realign budgets in the Growth and Development Portfolio. In particular, this has necessitated a reduction in some of the income budgets. These budgets will remain under review as part of the Council's normal budget monitoring procedures.

Digital and Customer Services

5.60 During the current year, this Portfolio is forecast to underspend by £374k. This comprises a forecast overspend on the Coroners Service of £65k offset by an underspend on staffing in IT and Business Support due to turnover and vacancy management of £439k.

5.61 It is anticipated that the increased cost of the Coroners Services (due to higher than expected pay award and more inquests than expected) is likely to be sustained into the new financial year hence the Council's budget for this contribution to costs has been increased accordingly.

5.62 The delivery of the Information Technology and Digital Strategy remains 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. A fundamental part of the approach being taken is to ensure the Council's network, infrastructure and devices are as robust and resilient as possible and that the Council has the right staffing resources to match the Council's ambitions for digital transformation.

Finance and Governance

5.63 The Finance and Governance Portfolio is forecast to overspend in the current financial year by £479k. This forecast overspend is being largely driven by the estimated loss of Housing Benefit Subsidy. As Councillors may be aware, the Council is responsible for administering Housing Benefit payments to residents. Ordinarily, the Government reimburses (otherwise known as subsidy) the Council for Housing Benefit payments made. However, in certain circumstances, the Council receives a reduced level of subsidy. This is the case for:-

- The provision of Temporary Accommodation provided by the Council, which is necessary so that there is sufficient housing for individuals who present as homeless. In these cases, the Council is unable to recover Housing Benefit through subsidy;

- Exempt/Supported Accommodation provided by Private Landlords. In these cases, the Council is only able to recover 60% of Housing Benefit payments through subsidy.

5.64 In recent years, there has been a growth in the amount of Exempt/Supported Accommodation provided by Private Landlords in the Borough which, in turn, has led to more Housing Benefit claims for both rent and support (and loss of subsidy) hence the increasing cost to the Council. This is largely because this provision is unregulated (although the Supported Housing (Regulatory Oversight) Act 2023, which came into force in August 2023, will provide some measures to regulate the sector once commencement provisions are put in place.

5.65 The Council has in place robust arrangements to ensure that only legitimate housing benefits claims are paid and is participating in the Supported Housing Improvement Programme which is aimed at ensuring that any such housing and support provision meets appropriate standards. In the meantime, looking ahead to the budget for 2024/25, the key variance in the budget for the Portfolio relates to Housing Benefit Subsidy where it is estimated the additional cost will be c£560k.

Other Cost Pressures/Income

5.66 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)

5.67 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, the Trade Unions have yet to submit their pay claim to the NJC for 2024/25.

5.68 Councillors may be aware that in recent years, the pay award has comprised a flat lump sum increase of £1,925 on each spinal column point (SCP) on the pay spine between the lowest SCP and SCP43 (above SCP43, the pay award has been a fixed percentage). The impact of a flat lump sum payment across the pay spine has meant a higher percentage increase in pay for lower grades and has been implemented in this way to ensure that the lowest pay grade remains above the National Living Wage. The extent to which the current pay spine is sustainable, given the annual increase in the National Living Wage, is increasingly a concern for the National Employers Organisation and one which may only be resolved by a fundamental review of the pay spine which would potentially have a significant impact on Local Government pay.

5.69 In the meantime, for 2024/25, provision has been made within the budget for a pay award of 6.0%. As in previous years, the proposed budget for 2024/25 also assumes that the cost of any incremental progression in pay will be absorbed within the individual Portfolio budgets.

Real and National Living Wage

5.70 As Councillors may be aware, the Government is to increase the National Living Wage (for those aged 23 and over) by 9.8% (from £10.42 per hour to £11.44 per hour) with effect from April 2024 (with increases of between 9.7% and 10.9% 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.

5.71 The NLW provides a reference point for the Real Living Wage which was adopted by the Council in the current financial year as the basis on which it would set Provider hourly rates for the provision of social care. This was implemented in recognition of the recruitment and retention issues experienced by the Council.

5.72 Social Care commissioning budgets included in the 2024/25 budget include provision for increases in these hourly rates arising from the estimated increase in the Real Living Wage (and other inflationary changes) with effect from April 2024. 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. In view of this, a further report on this matter is being prepared and will be submitted for consideration by the Executive Board in due course.

General Inflation

5.73 When setting the Council's budget at this time last year, the rate of inflation (as measured by the Consumer Price Index (CPI)) was 10.4%. Since then, the rate of inflation has gradually fallen and was 4.0% at the time of writing. At the most recent Monetary Policy Committee meeting on 1st February 2024, the Bank of England voted to leave the Bank Rate unchanged at 5.25%. This reflected the Committee's view that, as set out above, growth in the economy remains weak and that inflation is likely to remain at its present level before gradually reducing to the 2% target at the end of 2025.

5.74 Within the 2023/24 budget (and MTFP), provision has been made for inflation on specific areas of expenditure such as utilities, waste and for contracts where there are known pressures (IT contracts, Adults and Children's commissioning). Most other non-pay budgets are assumed to be cash limited requiring any inflation to be contained with existing budgets. That being said, as in the current year, 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)

5.75 Elsewhere on the Agenda for this meeting is a report detailing the Council's proposed Capital Programme for 2024/25. 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.

5.76 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.

5.77 The table below shows the forecast cost of borrowing over the Medium Term Financial Plan period:-

Table 4: Estimated Borrowing Costs 2024/25 to 2026/27

	2024/25 £000	2025/26 £000	2026/27 £000
Interest Costs – Council	6,416	7,249	6,980
Interest Costs – PFI Debt	5,479	5,267	5,020
Minimum Revenue Provision (Principal)	6,638	6,782	7,097
Total	**18,533**	**19,298**	**19,097**

Investment Income

5.78 As well as the amount of cash available for investment, the interest rate of return on the Council's investments tends to be closely linked to the Bank Rate set by the Bank of England (BoE). When the Council set its budget for the current year, the Bank Rate was at 4.0%. As part of the actions taken by the BoE to bring down the rate of inflation, it has increased the Bank Rate a number of times; the current Bank Rate is 5.25%.

5.79 Whilst the Council continues to follow in order the principles of security (of capital), liquidity (capital) and yield (ie return on investment), given estimates of interest rates for the next financial year, it is prudently estimated that investment income in 2024/25 will be £2.990m.

Invest to Save Projects

5.80 As outlined below, whilst the Council may well have a balanced budget for 2024/25, there remains a medium term funding deficit.

5.81 It is likely that to undertake the work necessary on these projects and, accepting that they may require up-front investment before any savings are achieved, funding will be required. To that end, a budget of £1m has been established, funded from the Invest to Save Reserve, and will be allocated to projects on submission of a business case setting out proposals.

Budget Investment 2024/25

5.82 Despite the significant financial challenges being experienced by the Council, there continue to be some areas of service provision where continued investment is considered necessary. Details of these proposals, albeit relatively modest in the context of the funding reductions the Council has experienced, are shown in the table below and total c£1.7m over the next two years and are as set out in Table 5 below:-

Table 5: Budget Investments 2024/25

	Base Budget 2024/25 £000	Forecast 2025/26 £000
Increase in Library Opening Hours ((2hrs per week)	40	40
Street Cleansing		
- Additional Street Cleansing Investment	130	130
- Additional Litter Bin Emptying	98	-
- Litter Picking (3 FTE)	40	-
Green Spaces (continuation of)		
- Shrub Pruning Team	80	-
- Park Attendants	80	-
- Gully Cleansing Capacity	95	-
- Ward Waste Collection (2 times per year)	35	-
Refresh: Free Swimming for Children	150	-
Highways - White Lining of Roads etc.	150	-
Climate Change Action Plan	300	300
Total Budget Investments	**1,198**	**470**

5.83 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 Savings and Efficiencies 2024/25

5.84 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 C**:-

Table 6: Budget Efficiencies 2024/25

	Base Budget 2024/25 £000	Forecast 2025/26 £000	Forecast 2026/27 £000
Adults Social Care and Health	1,363	1,767	1,767
Children, Young People and Education	262	262	262
Public Health, Prevention and Wellbeing	233	318	403
Environmental and Operations	361	708	970
Growth and Development	839	842	845
Digital and Customer Services	42	48	68
Finance and Governance	1,040	1,254	1,433
Total Savings	**4,140**	**5,199**	**5,748**

*1 – These are cumulative savings

5.85 Subject to approval by the Council, the implementation of these proposals will commence in April 2024 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

5.86 Details of the Council's Reserves and Balances are provided regularly in reports to the Council's Executive Board. An updated summary analysis of Reserves and Balances is now provided at **Appendix D** 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 is being used to 'smooth' the impact of budget reduction measures over the life of the Medium Term Financial Plan. In 2024/25, an amount of £1.540m will be used to support the budget;

- an **'Invest to Save' Reserve** of £5m was also established in 2021/22. This reserve is being 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. An amount of £1m will be used in 2024/25 in support of the Council's Invest-to-Save Project, details of which are set out above;

- 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.

5.87 In a report elsewhere on the Agenda for this meeting, the Strategic Director Finance and Resources has provided a report on the adequacy of reserves as required by statute.

Council Tax 2024/25

Council Taxbase

5.88 The Council's Taxbase for 2024/25 for the purposes of Council Tax calculations has been agreed at 37,069.75 (and compares to 36,282.84 in 2023/24).

Local Council Tax Support Scheme

5.89 At the meeting of Council Forum on 25th January 2024, approval was given to the Local Council Tax Support Scheme for 2024/25.

Council Tax - General

5.90 As set out above, the referendum threshold for general Council Tax, set by the Government, remains at 3.0% for 2024/25; the Government's assumption in the calculation of the Council's Core Spending Power is an increase in Council Tax of 2.99%. In view of this, it is recommended that the general Council Tax be increased by 2.99% in 2024/25.

Council Tax – Adult Social Care Precept

5.91 As with the Council Tax – General, the Government's calculation of the Council's Core Spending Power for 2024/25 assumes that all Councils with a responsibility for Adult Social Care will increase their Council Tax by 2.0% in 2024/25. In view of this, it is recommended that the Social Care Precept for 2024/25 be increased by 2.0%.

Base Budget 2024/25 Summary

5.92 Taking into account all of the matters considered above, the proposed General Fund Budget for 2024/25 is set out at **Appendix E** with a summary provided in Table 7 below:-

Table 7: General Fund Budget for 2024/25

	Base Budget 2024/25 £000	Forecast 2025/26 £000	Forecast 2026/27 £000
Portfolio Budgets	170,143	168,419	167,915
Corporate Income and Expenditure	18,429	20,994	30,192
Net Expenditure	**188,572**	**189,413**	**198,107**
Government Funding (see Table 1)	(105,818)	(105,200)	(106,194)
Collection Fund Deficit (net)	(2,751)	(400)	(400)
Contribution from Reserves/Balances (net)	(10,440)	(1,036)	(536)
Council Tax Requirement *1	(69,563)	(73,662)	(77,778)
Budget Gap	**-**	**9,115**	**13,199**

*1 – Including Town and Parish Council Precepts

5.93 For information, **Appendix F** provides a reconciliation of the budget deficit for 2024/25 as reported to Finance Council on 27th February 2023 to the balanced budget position shown in the table above.

5.94 As the Table indicates, on the basis of the proposals set out in this report, the Council's budget is balanced in 2024/25. There remains, however, a budget gap over the medium term of c£13.2m.

Capital Strategy and Capital Programme

5.95 A report on the Capital Strategy and Capital Programme for 2024/25 is provided elsewhere on the Agenda for this meeting.

The Financial Strategy (and Medium Term Financial Plan)

5.96 Agreement to the Council's General Fund Revenue Budget for 2024/25 (and the Capital Programme for 2024/25) should be considered in the context of the Council's medium term financial position. Details of this are provided in an Addendum to the Financial Strategy (and Medium Term Financial Plan) 2023/24 to 2025/26 which is provided at **Appendix G** to this report.

5.97 As indicated above, whilst the proposed budget for 2024/25 is balanced, there remains a budget gap of c£13.2m to 2026/27. The purpose of the 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.

5.98 The Financial Strategy (with the Addendum provided at ***Appendix G***) provides 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. The current Financial Strategy covers the period to 2024/25. In view of this, work will be undertaken early in the new financial year to develop a new Financial Strategy.

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. 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 online surveys to find out opinions on Council Services.

11.2 To inform the development of the budget for 2024/25, the Council launched a survey for six weeks from Friday, October 20th to ask residents, businesses and partners their views on what they feel spending priorities should be in the next financial year. The consultation comprised both an online survey and some face to face interviews with residents.

11.3 The online survey and programme of face-to-face engagement at key locations across the Borough had a self-selecting sample size and was designed as a snapshot at a point in time. It was open to every resident of the Borough aged 16 and over. Questions covered each of the four core missions in the Council's corporate plan – how important each is and which priorities will help the Council deliver each one. People were also asked to identify which discretionary services are most important to them, options for balancing the budget and some questions about how cost of living is affecting them.

11.4 The survey received 858 responses overall, 493 from the online survey and 365 via the face-to-face engagement. Over 90% of respondents found three of the four core missions important with only the mission around delivering the climate emergency action plan receiving a slightly lower rating at 69% important. The top priorities for each core mission were creating more skills/employment opportunities; continuing to support our schools to maintain the high quality in the borough; improve green spaces across the borough including planting more trees and cracking down on fly tipping, littering and dog fouling.

11.5 The top three priorities for people around discretionary services were: parks play areas and green spaces; street cleansing; sports and leisure services. With balancing the budget, the top priority was reducing discretionary services followed by increase fees and charges (eg car parking, leisure) and reduce statutory services to a statutory minimum.

11.6 When it came to the cost of living, the largest majority of 36% of people said they were doing alright when asked how they were managing financially; 64% said they'd reduced their spending on eating out and entertainment above other cutbacks and 53% weren't aware of the cost of living support available on the Council's website.

11.7 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 - High Needs DSG Budget 2024/25
Appendix C - Budget Efficiency and Savings Proposals 2024/25
Appendix D - Estimated Balances and Reserves as at 31st March 2024
Appendix E - Draft General Fund Revenue Budget for 2024/25
Appendix F - Reconciliation of Medium Term Financial Plan 2024/25 (March 20 to February 2022)
Appendix G - Addendum to the 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:	26th February 2024

Blackburn with Darwen
Core Spending Power 2024/25

	Provisional Settlement 2024/25 £000	Final Settlement 2024/25 £000	Change £000
Core Spending Power 2023/24	163,142	163,142	-
Business Rates Retained (IABR *1)	21,725	21,725	-
Business Rates Top Up	26,289	26,289	-
Baseline Funding Assessment	**48,014**	**48,014**	**-**
Revenue Support Grant	16,734	16,734	-
Settlement Funding Assessment	**64,748**	**64,748**	**-**
Under-indexing Business Rates	9,593	9,593	-
Improved Better Care Fund	8,349	8,349	-
Social Care Grant	16,658	18,251	1,593
Market Sustainability and Fair Funding	3,344	3,344	-
Discharge Fund	1,951	1,951	-
New Homes Bonus	830	830	-
Services Grant	283	311	28
Council Tax (excl Parish Precepts) *2	68,627	68,627	-
Core Spending Power 2024/25	**174,383**	**176,004**	**1,621**
Change from 2023/24	**11,240**	**12,861**	**1,621**
	6.9%	**7.9%**	

*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
High Needs DSG Budget 2024/25

	2023/24 Budget	2023/24 Forecast Expenditure	2023/24 Forecast Pressure / Saving	Proposed 2024/25 Budget	Movement from 2023/24	Numbers 2023/24	Numbers 2024/25	National Rate	Local Rate or determined by provider
Place Funding									
Maintained Special Special Schools place funding - pre 16	2,175,000	2,175,000	-	2,200,000	25,000	220	220	£10,000	
Maintained Special Schools place funding - post-16	200,000	200,000	-	200,000	-	20	20	£10,000	
Special academies / free schools place funding - pre 16	1,341,667	1,341,667	-	1,400,000	58,333	126	140	£10,000	
Additional Place Funding for Special/ Free School Academies	118,333	118,333	-	450,000	331,667	20	45	£10,000	
Special academies / free schools place funding - post 16	200,000	200,000	-	200,000	-	20	20	£10,000	
					-	**406**	**445**		
Top Up Funding					-				
Maintained Special Schools top-up funding	3,225,968	3,177,213	(48,755)	3,190,613	13,400				Local Banding Rate
TPG,TPECG for Maintained Special Schools	132,322	132,322	-	132,322	-			Amounts determined	
Academy Special Schools top-up funding	1,587,119	1,498,699	(88,420)	1,645,409	146,710				Local Banding Rate
TPG,TPECG for Academy Special Schools	105,367	105,367		130,122	24,755	166	205	Amounts determined	
Element 3 top-up funding for mainstream schools	4,797,808	5,703,042	905,234	6,273,346	570,304				Local Banding Rate
Element 2 top-up funding for mainstream schools	214,000	214,000	-	180,000	(34,000)			£6,000	
SALT contract at Newfield	39,000	39,000	-	39,000	-				Fixed Amount set by LA
Mainstream additional grant - Special Schools	96,311	96,311		96,311	-			Amounts determined	
PRU					-				
					-				
Alternative provision place funding	1,650,000	1,650,000	-	1,650,000	-	165	165	£10,000	
Alterative provision top-up funding	196,550	196,550	-	196,550	-				Fixed Amount set by LA
AP additional 1:1 support	172,604	222,604	50,000	222,604	-				Direct Costs
Home & Hospital funding	530,000	530,000	-	490,000	(40,000)				Fixed Amount set by LA
PRU Elective Home Education commission			-		-				
TPG,TPECG and HCL for PRU	108,890	108,890	-	108,900	10			Amounts determined	
Mainstream Additional Grant PRU	26,614	26,614	-	26,614					
					-				
Alternative Provision									
AP academies / free schools place funding	10,000	10,000	-	10,000	-			£10,000	
TPG,TPECG AP providers	92,400	92,400	-	92,400	-			Amounts determined	
Mainstream Additional Grant AP	90,306	90,306		90,306					
					-				
Resource Provisions					-				
Resource Provision - Element 2 Funding	258,000	314,000	56,000	346,167	32,167	35	49	£6,000 Filled place/	
Element 2 top-up funding for Resourced Provision in academies	12,000	12,000	-	12,000	-	2	2		
Element 3 top-up funding for Resourced Provision in academies	28,645	4,192	(24,453)	4,192	-				

Appendix B

Blackburn with Darwen
High Needs DSG Budget 2024/25

	2023/24 Budget	2023/24 Forecast Expenditure	2023/24 Forecast Pressure / Saving	Proposed 2024/25 Budget	Movement from 2023/24	Numbers 2023/24	Numbers 2024/25	National Rate	Local Rate or determined by provider
Out of Borough Provision									
Independent Special Schools Placements	4,086,628	5,281,700	1,195,072	6,933,943	1,652,244	70 start of year	107		ave £80K per pupil - each
Independent Special Schools Transport	550,204	878,288	328,084		(878,288)				
Element 3 top-up funding for pupils placed out of area in other LA provision	431,217	431,217	-	452,778	21,561				Detemined by other LA
Post 16									
Place funding for Post-16 college placements	840,000	840,000	-	840,000	-	140	140	£6,000	
Place funding for Post-16 college placements	35,000	35,000	-	60,000	25,000	-	10	£6,000	
Element 3 top-up funding for Post-16 college placements	445,714	445,714	-	445,714	0				Local Banding Rate
Other SEN Costs									
Equipment and Adaptations	125,000	125,000	-	125,000	-				
SEN Escorts for Transport	850,000		(850,000)	-	-				
Early Years Send Advisory Teacher Service	1,739,544	1,292,826	(446,718)	1,377,696	84,870				
School and Post 16 Advisory Teacher Service	1,364,946	1,328,549	(36,397)	1,311,052	(17,497)				
Lead Teachers and Management of Advisory Service	194,962	583,107	388,145	611,246	28,139				
SEN Support and Inclusion Posts within Childrens Services	1,722,713	903,791	(818,922)	1,236,678	332,887				
SENDIASS contract	56,000	-	(56,000)		-				
SEND Implementation Manager & website maintenance	96,895	96,895	-	96,895	-				
Occupational Therapy	160,000	153,242	(6,758)	199,941	46,699				
Apple Trees and Seeds Support for CYP E&L	534,200	400,000	(134,200)	400,000	-				
Therapies and other health related services	183,855	183,855	-	193,310	9,455				
Contribution to Trade Union Duties	13,400	-	(13,400)		-				
Corporate Recharges	316,090	316,090	-	316,090	-				
SEN Inclusion Fund	145,000	145,000	-	200,000	55,000				
Emergency HN Panel									
New SEN Panel allocation	485,574	485,574	-	351,941	(133,633)				
Growth contingency	750,000	-	(750,000)		-				
Forecast surplus / (shortfall)	-	-	-	-	-				
	32,535,846	32,184,357	(351,489)	34,539,140	2,354,783				

	2023/24 Budget	Proposed 2024/25 Budget	Movement from 2023/24
High Needs Budget per DfE allocations	28,636,190	31,008,846	*2,372,656*
Additional Allocations for High Needs from the spending review	1,295,717	-	*(1,295,717)*
Transfer from Schools Block	200,272	780,793	*580,521*
High Needs Budget After Recoupment	30,132,179	31,789,639	*1,657,460*
Place funding to be stripped out and passed to providers directly	2,322,000	2,462,000	*140,000*
Place funding already stripped out		-	*-*
Additional funding to be stripped out when allocations are updated for the Place Change retu	81,667	287,500	*205,833*
Available High Needs Budget	**32,535,846**	**34,539,139**	*2,003,293*

Appendix C

Blackburn with Darwen
Budget Efficiency and Savings Proposals 2024/25

	Base Budget 2024/25	Base Budget 2025/26	Base Budget 2026/27
Adult Social Care (Strategic Workstream 5)			
Maximise grant income	450,000	450,000	450,000
Demand Management measures	350,000	350,000	350,000
Create an income budget for Deferred Payments Income recovered	200,000	200,000	200,000
Introduce Brokerage charge for Self Funder commissions	88,000	88,000	88,000
Review of Community Centre Provision	80,000	80,000	80,000
Review of VCFS Commissions	60,000	60,000	60,000
Increase DIR / sickness and unpaid leave provisions across services	50,000	50,000	50,000
Staffing restructure	50,000	50,000	50,000
De-Commission Crisis flat	25,000	25,000	25,000
Increase income for CAD functions	10,000	10,000	10,000
Review of 2:1 packages	-	69,000	69,000
Reinvigorate PIR Activity across Teams	-	15,000	15,000
Review of Direct Payments	-	20,000	20,000
Review of Equipment contracts	-	50,000	50,000
'Reablement First' offer to all new/increased packages of care	-	50,000	50,000
Implementation of Imosphere RAS	-	200,000	200,000
Total Adult Social Care	**1,363,000**	**1,767,000**	**1,767,000**
Children, Young People and Education (Strategic Workstream 4)			
Services charged to DSG Schools Block	182,000	182,000	182,000
Cease Commissions with Youth Zone and BRFC	80,000	80,000	80,000
Total Children's Service	**262,000**	**262,000**	**262,000**
Public Health, Prevention and Wellbeing (Strategic Workstream 5)			
Increases to Fees & Charges in Leisure	122,500	207,500	292,500
Review of Tier 4 Substance Misuse services	100,000	100,000	100,000
Spending review	10,000	10,000	10,000
Total Public Health, Prevention and Wellbeing	**232,500**	**317,500**	**402,500**
Environment and Operations Service			
Increases to Fees & Charges in Environmental Services	196,000	362,000	528,000
Increase parking charges & staff parking charges	159,852	255,831	351,810
KGH Till System Upgrade	5,000	10,000	10,000
Ticketing booking fees	-	80,000	80,000
Total Environment and Operations	**360,852**	**707,831**	**969,810**
Growth and Development			
Asset Review – Phase 1 (see Capital Strategy)	250,000	250,000	250,000
Review of Fees and Charges (Building Control and Development Control)	235,000	235,000	235,000
Generating cost reductions through decarbonisation programme	235,000	235,000	235,000
Utilisation of Grant Funding for project staff costs	119,000	122,000	125,000
Total Growth and Development	**839,000**	**842,000**	**845,000**
Digital and Customer Services			
Customer Service savings	36,000	36,000	50,000
Non-renewal of Idox Grant-finder platform	6,000	12,000	18,000
Total Digital Services	**42,000**	**48,000**	**68,000**
Finance and Governance			
Review of Utilities budgets	250,000	250,000	250,000
Review of delay in recruitment targets	200,000	200,000	200,000
More effective use of training & development monies	166,488	312,288	432,288
Increase in Court Costs	111,303	129,864	139,154
Review budgets for childcare case costs	100,000	100,000	100,000
Reduction in Revenues and Benefits FTE / salary costs	59,025	59,025	59,025
Reduction in overtime payments	50,000	100,000	150,000
Staffing restructure - Democratic Services (Scrutiny)	40,000	40,000	40,000
Increase in income target - Insurance, Procurement	25,300	25,300	25,300
Increase income targets - Communications	20,000	20,000	20,000
Delete Finance Assistant post	11,000	11,000	11,000
Reduction in Hired Services Budget (Insurance Broker Annual Core Fee)	4,000	4,000	4,000
Reduction in Hired Services (Risk Management element)	2,500	2,500	2,500
Total Finance and Governance	**1,039,616**	**1,253,977**	**1,433,267**
Total Budget Efficiency Proposals	**4,138,968**	**5,198,308**	**5,747,577**

Appendix D

Blackburn with Darwen
Analysis of Balances and Reserves

	Balance at 31st December 2023 *1 £000	Redistribution of Reserves 2023/24 £000	Forecast Balance of Reserves 31st March 2024 £000	Budgeted Use of Reserves 2024/25 £000	Forecast Balance of Reserves 31st March 2025 £000	Budgeted Use of Reserves 2025/26 £000	Forecast Balance of Reserves 31st March 2026 £000	Budgeted Use of Reserves 2026/27 £000	Forecast Balance of Reserves 31st March 2027 £000
Minimum Working Balance (GF Balance)	6,009	-	6,009	-	6,009	-	6,009	-	6,009
Budget Support Reserve	1,985	1,185	3,170	(1,540)	1,630	(1,000)	630	(500)	130
Invest to Save Reserves	4,266	-	4,266	(1,410)	2,856	-	2,856	-	2,856
Insurance Reserve	-	4,000	4,000	-	4,000	-	4,000	-	4,000
Specific (Discretionary) Reserves - Committed									
- Welfare, Council Tax and Business Rate Reforms	6,204	(1,000)	5,204	(36)	5,168	(36)	5,132	(36)	5,096
- Investment in Assets and Infrastructure	4,143	-	4,143	(3,245)	898	-	898	-	898
- Support for Other Resources and Transformation Projects	375	-	375	-	375	-	375	-	375
- Support for People Services	6,897	(1,000)	5,897	1,593	7,490	-	7,490	-	7,490
- Support for Place Services	920	-	920	-	920	-	920	-	920
- Contingent Sums	7,438	(687)	6,751	(506)	6,245	-	6,245	-	6,245
- Slippage from Previous Years	4,441	(2,498)	1,943	-	1,943	-	1,943	-	1,943
- Amounts unspent from Grants and Contributions	648	-	648	-	648	-	648	-	648
- Amounts committed to Future Years Budgets	931	-	931	-	931	-	931	-	931
- Reserves held for Specific Purposes	6,374	-	6,374	(5,296)	1,078	-	1,078	-	1,078
Total Specific (Discretionary) Reserves	**38,371**	**(5,185)**	**33,186**	**(7,490)**	**25,696**	**(36)**	**25,660**	**(36)**	**25,624**
Other Earmarked Reserves	117	-	117	-	117	-	117	-	117
School Related Reserves	11,446	-	11,446	-	11,446	-	11,446	-	11,446
Total Reserves	**62,194**	**-**	**62,194**	**(10,440)**	**51,754**	**(1,036)**	**50,718**	**(536)**	**50,182**

*1 - As reported to the Executive Board on 8th February 2024

Appendix E

Budget Summary 2024/25

The table below identifies the changes between the Budget 2023/24 presented in the Medium Term Financial Plan to Finance Council in March 2023 and the current position presented to Finance Council on 26th February 2024

	2023/24 Base Budget £000	2023/24 Revised Budget £000	2024/25 Base Budget £000	Variation £000
	A	B	C	D=(C-A)
Portfolio Budgets				
Adult and Prevention Services	68,341	70,392	75,862	7,521
Public Health and Wellbeing	2,627	5,343	2,039	(588)
Children, Young People and Education	40,392	42,329	47,042	6,650
Environment and Operations	15,365	12,084	11,828	(3,537)
Growth and Development	9,380	15,993	12,811	3,431
Digital and Customer Services	7,289	12,522	7,535	246
Finance and Governance	11,584	7,677	13,026	1,442
Total Portfolio Budgets	**154,978**	**166,340**	**170,143**	**15,165**
Corporate Income and Expenditure				
Contingencies	8,053	2,457	10,563	2,510
RCCO	6,956	1,771	9,537	2,581
Debt Charges	19,325	19,325	18,533	(792)
Investment Income	(1,300)	(1,300)	(2,990)	(1,690)
Recharges to Schools	(1,207)	(952)	(1,383)	(176)
Benefit Admin Grants	(467)	(467)	(417)	50
New Homes Bonus	(401)	(401)	(830)	(429)
Services Grant	(1,802)	(1,802)	(311)	1,491
Business Rates s31 Grant	(13,199)	(13,199)	(14,486)	(1,287)
Town and Parish Precepts (incl Grants)	193	193	213	20
Net Revenue Expenditure	**171,129**	**171,965**	**188,572**	**17,443**
Funded by:-				
Business Rates	(19,794)	(19,794)	(22,428)	(2,634)
Business Rates - Top Up	(25,117)	(25,117)	(26,289)	(1,172)
Revenue Support Grant	(15,695)	(15,695)	(16,734)	(1,039)
Improved Better Care Fund Grant	(8,349)	(8,349)	(8,349)	-
Social Care Grant	(13,968)	(13,968)	(18,251)	(4,283)
Market Sustainability and Fair Funding	(1,790)	(1,790)	(3,344)	(1,554)
Discharge Fund	(1,171)	(1,171)	(1,951)	(780)
BSF PFI Grant	(8,472)	(8,472)	(8,472)	-
	(94,356)	(94,356)	(105,818)	(11,462)
Council Tax Income	(64,695)	(64,695)	(69,377)	(4,682)
Council Tax Income - Town and Parish Precepts	(166)	(166)	(186)	(20)
Transfer from/to Collection Fund - Council Tax	(1,210)	(1,210)	(1,073)	137
Transfer from/to Collection Fund - NNDR	(452)	(448)	(1,678)	(1,226)
Total Estimated Funding	**(160,879)**	**(160,875)**	**(178,132)**	**(17,253)**
Use of Reserves				
(Use of)/Contribution to Specific Reserves	(10,250)	(11,090)	(10,440)	(190)
(Use of)/Contribution to General Fund Balance	-	-	-	-
Funding Gap Reamining	-	-	-	-

Appendix F

Balancing the 2024/25 Budget *1

The table below summarises the way in which the Budget Gap for 2024/25 (as presented in the Medium Term Financial Strategy to Finance Council on 27th February 2023) has changed over the past 12 months to produce a balanced budget as required by statute

Budget Deficit for 2024/25 (as reported to Finance Council on 27th February 2023)		**6,406**
Changes in Core Grant Funding		
Additional Business Rates (Retained and from 'Top Up')	(2,908)	
Additional Revenue Support Grant (RSG)	(1,039)	
Total Changes in Core Grant Funding		**(3,947)**
Change in Other Grant Funding		
Change in Underindexing of Business Rates	(1,261)	
Additional Social Care Grants	(6,617)	
Additional New Homes Bonus	(830)	
Reduction in Services Grant	1,491	
Total Changes in Other Grant Funding		**(7,217)**
Change in Assumed Income from Council Tax	(446)	
Change in Assumed Income from change in Council Taxbase	(657)	
Collection Fund Surplus - Council Tax	(308)	
Collection Fund Surplus - Business Rates	(1,178)	
Total Change in Council Resources		**(2,589)**
Change in Pay related inflation	1,995	
Change in Waste related inflation	650	
Other Inflationary uplift in costs	2,126	
Change in additional investment in Social Care	6,492	
Realignment of Income Budgets	538	
Change in assumption for Investment Income	(2,240)	
Change in assumption for Debt Charges	(2,346)	
Chage in Revenue Contribution to Capital	9,537	
Invest to Save Projects	1,000	
Net effect of Investment Package	728	
Transfer of High Needs DSG	2,450	
Budget Efficiency Proposals	(4,139)	
Change in the Assumed Use of Reserves	(9,444)	
Total Change in Assumed Budgeted Costs/Income		**7,347**
Budget Deficit for 2024/25 (as reported to the Finance Council on 26th February 2024)		**-**

*1 This analysis shows the changes in the range of assumptions underpinning the development of the budget for 2023/24

Addendum to Financial Strategy 2022/25 and Update to Medium Term Financial Plan 2024/27

Introduction

1. At the Finance Council on 28th February 2022, the Council approved the Financial Strategy and Medium Term Financial Plan for 2022/25. A copy of the final document can be found at Financial Strategy 2022/23.

2. This Addendum provides an update to the Financial Strategy 2022/25 and sets out the Medium Term Financial Plan 2024/27 reflecting the proposals set out in the main report. A further update on the Strategy will be provided to the Executive Board in June 2024.

3. As the current Financial Strategy will expire at the end of March 2025, work will be undertaken in the coming year to develop a new Financial Strategy.

Financial Environment

4. Since the last Addendum to the Financial Strategy 2022/26 was produced last year, the national public finances have stabilised but remain weak. UK inflation rates have started to decline, mirroring the sharp but earlier drop seen in the Eurozone and US. Despite the fall, the Consumer Price Index (CPI) remained in excess in the Bank of England's (BoE) 2% target, at 4.0% for December 2023. Market expectations for further rises in Bank Rate fell from October through to year end, indicating that the 5.25% level reached in August 2023 was indeed the peak for Bank Rate.

5. Economic growth in the UK has remained weak over the last year, edging into recessionary territory. In Q3 2023, the economy contracted by 0.1%, following no change in Q2. Monthly GDP data showed a 0.3% contraction in October, following a 0.2% rise in September. While other indicators have suggested a pickup in activity in the subsequent months, Q4 GDP growth is likely to continue the weak trend.

6. July data showed the unemployment rate increased to 4.2% (3mth/year) while the employment rate rose to 75.7%. Pay growth edged lower as the previous strong pay rates waned; total pay (including bonuses) growth was 7.2% over the three months to October 2023, while regular pay growth was 7.3%. Adjusting for inflation, pay growth in real terms were positive at 1.3% and 1.4% for total pay and regular pay respectively.

7. According to analysis by the Institute for Fiscal Studies, the impact of high inflation on Local Government has been to erode the value of government funding increases in recent years; cost inflation for the delivery of services has outstripped the funding made available and there has been no top-up funding from Government to reflect this.

8. Looking ahead, and based on analysis in the Autumn Statement 2023, the deepest funding reductions for public services are penciled in from 2025/26. Whilst day to day public spending is set to increase by 0.9% in real terms on average each year from 2025/26 to 2028/29, the Institute for Fiscal Studies estimates that given existing commitments on Health, Defence, Overseas Aid, Schools and Childcare, there is an implied real terms reduction in funding of 3.4% each year for 'unprotected' Departments – **which includes Local Government** – in England.

9. However, with a General Election expected in the coming months, there is inevitably a great deal of uncertainty about the future funding of public services, including Local Government.

Our Strategy Context

10. The Council's Corporate Plan provides the strategic framework and objectives that guide what the Council does and how it will do it. Since agreeing the Financial Strategy, the Council has updated its Corporate Plan. The Corporate Plan 2023-27 was approved by Policy Council in December 2022 and includes four core missions as follows:-

- to have a more prosperous Borough where no one is left behind;
- every child and young person will have the opportunities to fulfil their potential;
- to deliver our Climate Emergency Action Plan; and
- to build happier, healthier and safer communities.

11. In support of these core missions, and to ensure the Council is an effective and efficient organisation, there are the following supporting missions:-

- Being an innovative and forward thinking Council; and
- Tackling the budget challenge.

12. Details of the Council's budget challenge and the work being undertaken to address it have been reported regularly to the Executive Board. A range of activity is being progressed to deliver the Council's Financial Strategy based around the themes – *'Grow, Charge, Save and Stop'* – more of which is provided below.

Our Current Financial Health

13. The assessment of the Council's financial position here should be considered in conjunction with the Medium Term Financial Plan for 2024/27 which is considered below. Taken together, these should provide a good understanding of the Council's overall financial sustainability in the medium term.

14. At the time of writing, the audit of the Council's Statement of Accounts for 2021/22 has yet to conclude and, because of this, it has not yet been possible to publish the draft Statement of Accounts for 2022/23 for audit. This is due primarily to additional work required on the valuation of the Council's Property, Plant and Equipment. It is anticipated the audited Statement of Accounts for 2021/22 will be presented to the Audit and Governance Committee in March 2024; likewise, it is expected that the Statement of Accounts for 2022/23 will be published for audit in April 2024. However, it is not possible to say at this stage whether the External Auditors will have sufficient time to conclude their audit of the Statement of Accounts for 2022/23 before the Government introduces a statutory backstop date for the conclusion of audits for outstanding Statement of Accounts up to and including 2022/23. The current proposed backstop date is 30th September 2024 but this is subject to consultation.

15. Acknowledging this, the assessment of the Council's financial health here is based on the assessment of the Council's value for money arrangements, CIPFA's Financial Resilience Index, the Draft unaudited Statement of Accounts for 2022/23, the latest Management Accounts (being Quarter 3 Budget Monitoring as reported to the Executive Board in February 2024) and the agreed budgets for 2024/25 (both revenue and capital programme) which are set out in detail in reports elsewhere on the Agenda,

Value for Money Arrangements

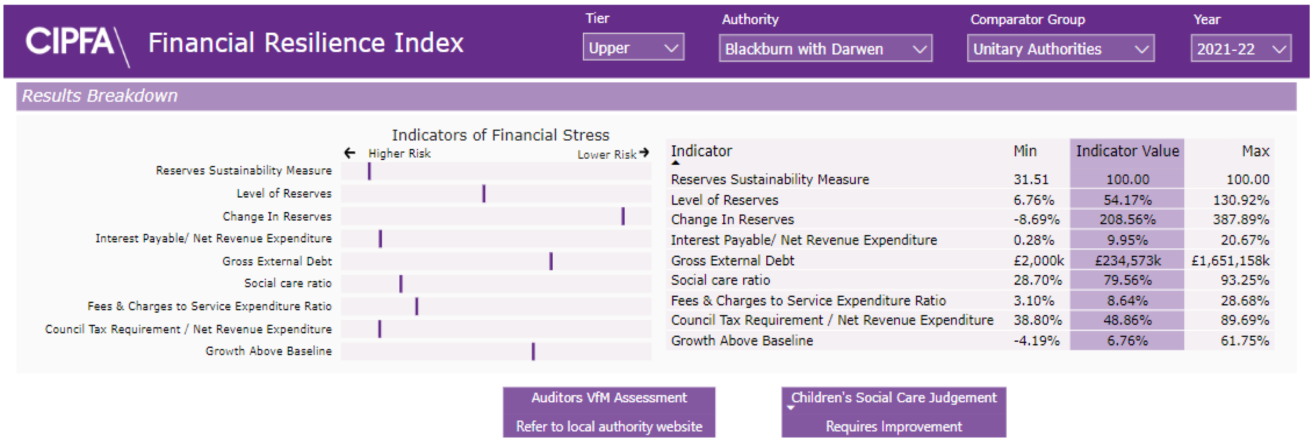
16. For 2020/21, the External Auditors have provided their narrative report on the Council's arrangements for delivery value for money. No significant issues were raised.

17. Given the backlog of audit work, the External Auditor's work on the Council's arrangements for delivery value for money in 2021/22 and 2022/23 will be reported in a combined report to the Audit and Governance Committee in March 2024. Discussions with the External Auditors indicate that there are no significant matters arising from the assessment of the Council's arrangements.

CIPFA's Financial Resilience Index

18. 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. CIPFA have not updated the Financial Resilience Index so the information below is what was presented to Finance Council in the last financial year.

19. In the diagram below, a comparison of the Council's position with various indicators of financial stress to other Unitary Authorities is showing using data from 2021/22 (the latest available data):-

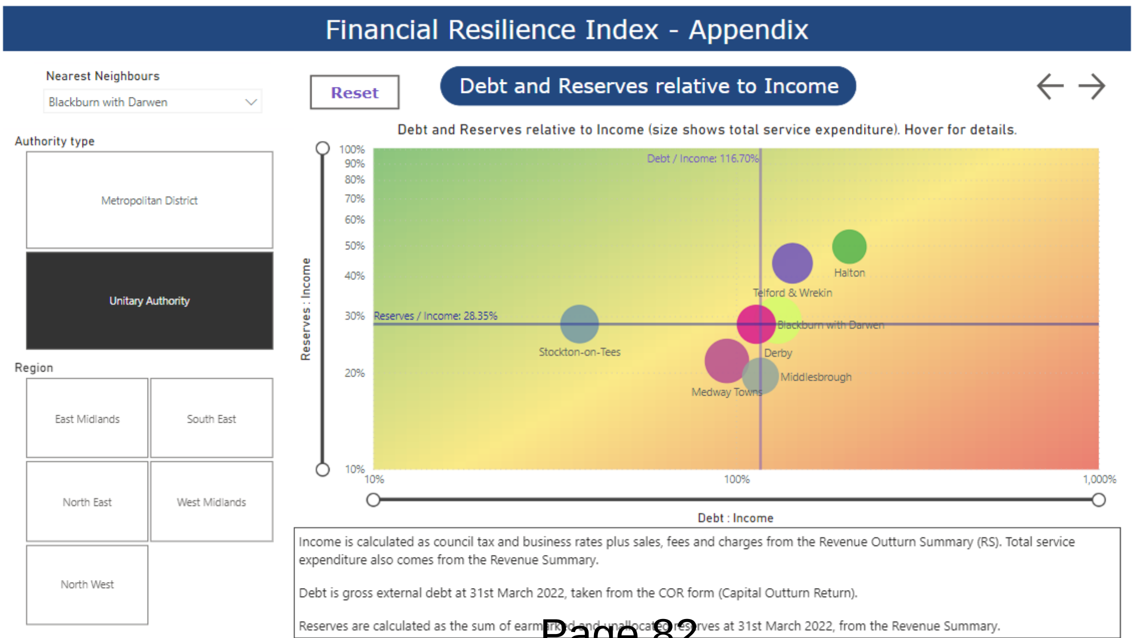


Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	31.51	100.00	100.00
Level of Reserves	6.76%	54.17%	130.92%
Change In Reserves	-8.69%	208.56%	387.89%
Interest Payable/ Net Revenue Expenditure	0.28%	9.95%	20.67%
Gross External Debt	£2,000k	£234,573k	£1,651,158k
Social care ratio	28.70%	79.56%	93.25%
Fees & Charges to Service Expenditure Ratio	3.10%	8.64%	28.68%
Council Tax Requirement / Net Revenue Expenditure	38.80%	48.86%	89.69%
Growth Above Baseline	-4.19%	6.76%	61.75%

20. Of the nine indicators provided, Blackburn with Darwen is showing higher risk in five indicators, one less than the six indicators when the Resilience Index was last reviewed. The indicator that has improved is the level of reserves which, as indicated in the Balance Sheet analysis below, has improved due to the amount of residual Covid-19 funding held by the Council.

21. Indicators of concern in the analysis above include the reserves sustainability measure (the Council does have relative low level of reserves), interest payable as ratio of net revenue expenditure (whilst debt is comparable to other Councils, the cost of debt is amongst the highest which is reflective of historic borrowing decisions), fees and charges as a ratio of service expenditure (indicating insufficient income is being generated by the Council in comparison to other Unitary Councils) and Council Tax Requirement as a proportion of Net Revenue Expenditure (reflecting the Council's relatively low Council Tax and Council Tax base).

22. The illustration below is an Appendix to the Financial Resilience Index which shows the Council's Debt and Reserves relative to income compared to other similar Unitary Councils. As this indicates, Blackburn with Darwen's position is comparative to other Councils and it is not an outlier.



Draft (Unaudited) Balance Sheet as at 31st March 2023

23. As indicated above, the Council's Statement of Accounts for 2022/23 has yet to be published. The outstanding issue preventing publication relates to the valuation of the Council's Property, Plant and Equipment as presented in the Statement. 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. The Council's Balance Sheet provides a snapshot of its financial position as at 31st March 2023. The table below shows an extract of the Council's usable Reserves and Balances (31st March 2022 compared to 31st March 2023):-

Table 1: Balances and Reserves as at 31st March 2023

2021/22 £000	RESERVES/BALANCES AND INVESTMENTS (£'000)	2022/23 £000	Change £000
	Reserves/Balances		
(7,718)	General Fund Balance	(6,943)	
5,167	Collection Fund Adjustment Account	(2,206)	
(70,604)	Earmarked Reserves	(67,274)	
(164)	Capital Receipts Reserve	(91)	
(4,386)	Provisions	(2,998)	
(13,335)	Capital Grants Unapplied	(29,718)	
(3,678)	Grants Received in Advance	-	
(94,718)	**Amount Available for Investment**	**(109,230)**	**(14,512)**

24. As the table indicates, the Council Reserves and Balances increased between 2021/22 and 2022/23. This is due to an increase in Capital Grants Unapplied and reflects advance payment of grants for various capital schemes.

Budget (and Budget Monitoring) 2024/25

25. On 26th February 2024, Finance Council agreed a balanced budget for 2024/25. In doing so, it agreed that:-

- The General Fund Net Revenue Budget would be £188.552m;
- Council Tax for 2024/25 would increase by 4.99% (including 2% for the Adult Social Care Precept);
- A net contribution of £10.440m from Reserves and Balances to support the budget;
- The Capital Programme for 2024/25 would be £75.198m of which £23.216m would be funded from Prudential Borrowing.

26. In support of the approved budget, and in accordance with statutory requirements, the Strategic Director Finance and Resources provided a statement confirming the robustness of estimates and the adequacy of reserves.

27. 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 2026/27 was provided. This indicated that, whilst the budget was balanced for 2024/25, there was an estimated funding gap in 2025/26 of c£9.1m rising to c£13.2m in 2026/27. This Addendum to the Financial Strategy provides an update to the Medium Term Financial Plan (as set out below).

28. As required by s28 of the Local Government Act 2003, the Council is required to monitor its budget on a regular basis throughout the financial year. According to the latest budget monitoring exercise undertaken at 31st December 2023 (Quarter 3), it is forecast that the Council will overspend its General Fund Revenue Budget by £932k.

29. Assuming this position persists to the year, there is sufficient funding in the Council's Reserves and Balances to ensure that any overspend is funded.

Financial Aspects of Corporate Governance

30. 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 Strategic Director Finance and Resources 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 Strategic Director Finance and Resources 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 generally effective. The exception to this relates to the production of valuations for Property, Plant and Equipment which is currently being addressed using external valuers;

  Following the audit of the Council's Statement of Accounts in 2020/21, External Audit raised a recommendation in relation to this matter as part of their Audit Findings Report for 2020/21 (see Audit and Governance Committee 11th July 2023) requiring that there is a clear audit trail to support judgements used as part of the process to revalue assets. A review of the Council's arrangements for the provision of valuations has led to the decision to engage an External Valuer for the provision of valuations in 2021/22, 2022/23 and 2023/24. This work is underway and is being used to support the delivery of the Statement of Accounts.

- the latest narrative statement on the Council's value for money arrangements included no adverse comments of significance. The audit work on the Council's value for money arrangements has been significantly affected by the backlog of audit work. As indicated above, it is likely that an updated position on the Council's value for money arrangements will be presented to the meeting of the Audit and Governance Committee in March 2024;

- the Councils has good governance and internal controls as set out in the Annual Governance Statement;

- the Council is compliant with the CIPFA Financial Management Code (and this was subject to Internal Audit review in 2022/23 and will, again, be reviewed in 2024/25);

- the Council has in place a Financial Strategy and Medium Term Financial Plan providing a good understanding of its estimated future financial position.

31. The financial aspects of corporate governance are subject to continuous review by management with oversight from the Audit and Governance Committee. These arrangements are also considered by the External Auditors as part of the Value for Money Assessment undertaken annually.

General Commentary on the Council's Financial Position

32. 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 as recognised by the Peer Team that conducted the Council's Corporate Peer Challenge in 2023/24.

33. As at March 2024, the Council is forecast to have a reasonable level of balances and reserves. However, it is important to consider the rate at which reserves are being used to ensure the Council does not become reliant on reserves and balances to achieve a balanced budget. This is a key factor when considering how the Council achieves a balanced budget annually.

34. Finally, 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.

Baseline Revenue Position (Medium Term Financial Plan)

35. Table 2 below provides a forecast of revenue income and expenditure for the three year period, 2024/25 to 2026/27. This is the Council's Medium Term (Revenue) Financial Plan:-

Table 2: Medium Term (Revenue) Financial Plan

	Base Budget 2024/25 £000	Forecast 2025/26 £000	Forecast 2026/27 £000
Portfolio Budgets	170,143	168,419	167,915
Corporate Income and Expenditure	18,429	20,994	30,192
Net Expenditure	**188,572**	**189,413**	**198,107**
Government Funding	(105,818)	(105,200)	(106,194)
Collection Fund Deficit (net)	(2,751)	(400)	(400)
Contribution from Reserves/Balances (net)	(10,440)	(1,036)	(536)
Council Tax Requirement	(69,563)	(73,662)	(77,778)
Budget Gap	**-**	**9,115**	**13,199**

36. The development of the Medium Term (Revenue) Financial Plan is based on a range of key assumptions as set out in the Financial Strategy. The key changes to assumptions are as follows (the numbering of assumptions below is based on those set out in the Financial Strategy 2022/23):-

Key Strategy Assumption 4

It is assumed that the Revenue Support Grant payments to the Council will be increased by inflation but that any such increase will be funded by way of a reduction in the Services Grant (see Key Assumption 10 below);

Key Strategy Assumption 7

It has been assumed that the Market Sustainability and Fair Funding Grant will continue at the 2024/25 level over the life of the Medium Term Financial Plan;

Key Strategy Assumption 8

The Additional Social Care Grant received in 2024/25 is assumed to be consolidated into the Social Grant received by the Council and will be ongoing over the life of the Medium Term Financial Plan. This is except for the additional £1.593m allocated to the Council in the final Local Government Finance Settlement which is assumed to be for 2024/25 only.

Key Strategy Assumption 11

It is assumed that the Services Grant will continue to be paid to the Council but will be reduced to fund inflation on Revenue Support Grant (see Key Assumption 1 above).

Key Strategy Assumption 16

The Minimum Working Balance will be maintained at £6m. The adequacy of this sum will be monitored annually and reported to Members during the budget process.

Key Strategy Assumption 19

It is assumed that income budgets will be reviewed in line with the Fees and Charges Framework as agreed by the Executive Board.

Key Strategy Assumption 20

For the three years of the Medium Term Financial Plan, pay inflation shall be assumed at 6% in 2024/25, 3% in 2025/26 and 2% in 2026/27.

37. All other assumptions set out in the Financial Strategy 2022/23 will remain as indicated but will be subject to review as part of regular review of the Medium Term Financial Plan.

Baseline Capital Position (Medium Term Financial Plan)

38. The Council's Capital Programme is in place to deliver the objectives the Capital Strategy (which, in turn, is in place to support the delivery of the Corporate Plan):-

Table 3: Medium Term (Capital) Financial Plan

	Budget 2024/25 £000	Forecast 2025/26 £000	Forecast 2026/27 £000
Health and Adult Social Care	3,085	-	-
Children, Young People and Education	10,027	-	-
Environment	2,656	1,300	3,700
Public Health and Wellbeing	-	-	-
Growth and Development	49,504	53,148	15,500
Digital and Customer Services	4,437	312	75
Finance and Governance	785	500	500
Portfolio Spending	**70,494**	**55,260**	**19,775**
Corporate ICT	700	500	500
Vehicles	1,804	-	-
Corporate Property Investment	700	1,000	1,000
Earmarked Schemes	**3,204**	**1,500**	**1,500**
Asset Management	1,500	2,500	1,000
Contingent Schemes	**1,500**	**2,500**	**1,000**
Total Capital Expenditure	**75,198**	**59,260**	**22,275**

39. As the Table indicates, the Council's Capital Strategy is heavily focused on growth and development. This reflects both the Corporate Plan mission to create *'a more prosperous borough where no-one is left behind'* and is one of the key strands – *'Grow'* – of the Financial Strategy.

40. More detail of the Council's Capital Strategy and Capital Programme is provided in a report elsewhere on the Agenda for the Finance Council meeting on 26th February 2024.

Budget Issues/Pressures

External Factors

41. Aside from general pressures on the funding of local authorities, the following narrative considers a range of external factors, not in any order, which are likely to impact on the Council and its financial position over the medium term financial strategy period:-

a) *Cost of Living Crisis*

As the 2023/24 financial year has developed, the cost of living crisis caused by rising prices for most goods and services has continued. This is despite the rate of inflation, as measured by the Consumer Price Index, falling to 4% at December 2023.

In direct terms, the cost of living crisis is leading to increased demand for Council Services as more people find themselves in a vulnerable position requiring support. With temporary funding provided by the Government, the Council continues to provide support through measures such as the Household Support Fund and Council Tax Support Relief. However, subject to the Spring Budget expected in March 2024, both funding streams are not expected to be continued in 2024/25 and the Council does not have the financial capacity to sustain such schemes.

At the same, as residents and businesses have been increasingly struggling with rising prices, they will experience difficulty paying Council Tax and Business Rates. Whilst the Council's collection of Council Tax and Business Rates has held up well in 2022/23, the accumulated impact of price rises may affect this income. Similarly, as resident disposable incomes are reduced, their ability to pay for Council services such as those offered by Leisure Centres will be affected. The Council will, therefore, need to carefully monitor the impact of the cost of living on income streams to ensure that it is able to act as appropriate if these are at risk.

And, of course, the Council is not immune to the impact of price rises. The cost of providing services has started to increase as have the costs associated with the delivery of capital projects. This is particularly acute where such projects are funded from grants which were awarded prior to rising prices and which were based on deliverable outputs linked to the funding available. It is inevitable that the Council will have to renegotiate the delivery of schemes to avoid potential cost overruns.

b) Levelling Up and Devolution

Levelling Up and Devolution remain policies of the current Government much of which is now enshrined in the Levelling Up and Regeneration Act 2023. The Government has continued to make funding available under the banner of 'levelling up'. To the date, the Council has been successful in obtaining:-

- £25m for the Darwen Town Deal;

- £700k for 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 two out seven of its bids securing CRF of investment of c£700k;

- £6.8m from the Shared Prosperity Funding allocations; and

- £40m from the Levelling Up Fund. To date, there have been two rounds of the Levelling Up Fund. Due to the short timescales for bids, the Council did not submit a bid to the first round. In the second round, the Council submitted two bids – one for Blackburn Town Centre (£20m) and one for the Blackburn Transport Growth Axis (£20m), both of which were successful;

- Designation as a partner with DLUCH in a 'Levelling Up Partnership'. Work on this is underway at present and is likely to result in additional capital and revenue investment in the Borough;

- Additional funding of up to £20m for Darwen as part of the Government's Long Term Plan for Towns.

Since the last review of this Strategy, the Council along with Lancashire County Council and Blackpool Council (the Constituent Authorities) have made significant progress towards the development of a devolution deal with the Government which will be delivered by a newly formed County Combined Authority (CCA). A proposed deal has been the subject of consultation and the outcome of that is now being considered by the Constituent Authorities. Subject to that, it is likely that a deal proposal will be submitted to Government and, if agreed, will form the basis of the work of the newly created CCA later in the year.

The deal proposal currently being considered includes initial funding towards the operation of the County Combined Authority plus an initial funding package for capital works of £20m (of which the Council's share is expected to be in the region of £6m). Looking ahead, the development of the CCA may have significant implications for the Council, not least in supporting the delivery of the growth ambitions set out in the Corporate Plan.

c) *Adult Social Care Reforms*

In September 2021, the Government set out plans to reform adult social care in England. It said that £5.4 billion would be used to fund the reforms between 2022/23 and 2024/25:

- £3.6 billion would be used to reform how people pay for social care. This included £1.4 billion to help local authorities move towards paying a "fair cost of care" to providers.

- £1.7 billion would be used to support wider system reform.

The funding was initially planned to come from the new Health and Social Care Levy, but in September 2022 the then Government announced the levy would be cancelled. The then Health Secretary, however, said funding for social care would remain unchanged. This was followed by with a decision by the Government, announced as part of the Autumn Statement, to delay the implementation of Charging Reforms from October 2023 by two years to October 2025.

In relation to the Fair Cost of Care reforms, the Government announced prior to the Autumn Statement that these would be implemented in stages from October 2023 to April 2025 at the latest. As set out in detail elsewhere in the main report for this item, the Council did receive additional Social Care grant as part of the Local Government Finance Settlement although this was provided to deal with the current pressures in the Social Care system.

Looking ahead, the reform of Adult Social Care, the additional funding and the prospective transformation of adult social care needs to be considered in the context of the continued rising demand for the service as both the population of Blackburn ages and as the nature of complexity of needs of adults who need support changes.

d) *Children's Social Care – 'Stable Homes, Built on Love'*

In early February 2023, the Government announced a Plan to transform Children's Social Care, 'Stable Homes, Built on Love'. This plan has been developed in response to the recommendations made by three independent reviews – the MacAlister Review into Children's Social Care, the Child Safeguarding Practice Review Panel and the Competition and Markets Authority (CMA) Review of the Children's Social Care Sector. Some of the measures set out in the Plan include:-

- introducing more effective, joined-up family help for those that are struggling (including the provision of funding for twelve areas to test a new approach to Family Help);

- where a child is at risk of harm, experts will intervene swiftly and decisively to protect them (A new Child Protection Lead Practitioner will be created to join up services);

- harnessing the value of family networks by supporting the kinship care system;

- transforming the experience of children in care and care leavers by prioritising children in care living in homes close to their family, friends, communities and schools;

- expanding and strengthening the Children's Social Care workforce;

- setting clearer direction for everyone for everyone who works in the system, through a new Children's Social Care National Framework and Dashboard.

In relation to the Children's Social Care Market, the Government confirmed that it had accepted all the CMA's recommendations. As part of a wider strategy to improve the sector, the Department for Education has committed to implement the recommendations to ensure long term reform including:-

- developing regional bodies to support local authorities in obtaining suitable placements for children: These bodies will be able to engage better with placement providers, such as care homes and foster agencies, to help make sure the right placements are available when and where children need them. They will also be trialed and evaluated to make sure they are fit for purpose;

- introducing a financial oversight regime: Establish an oversight regime to assess the financial health of care home providers that are most difficult to replace, and alert authorities if a failure is likely;

- reviewing regulation relating to the placement of children: Create an expert working group to review all existing legislation and regulation regarding children's social care, and develop a common set of standards for fostering, children's homes and supported accommodation.

The delivery of the 'Stable Homes, Built on Love' Plan is being supported with additional funding of £200m over the next 2 years. What the Plan means for the Council and what share of funding, if anything, will be received by the Council is not yet entirely known. Likewise, what the implementation of the CMA's recommendations means for the Council is not yet known. In both cases, and subject to the Government's implementation of the plan/recommendations, the Council will need to consider carefully the proposals and how they might impact on current service delivery.

e) *Achieving Net Zero (responding to the Climate Emergency)*

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, considering the production and consumption of emissions.

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.

A People's Jury was convened to consider what the Council (and others) should do in response to the climate emergency. At the meeting of the Council Forum at the end of January 2023, the recommendations from the People's Jury were considered. It was resolved that a further report on the recommendations in the context of the Council's own Action Plan should be brought forward for consideration by the Executive Board. This report was considered by the Executive Board

The Council's Revenue Budget includes £300k to support the implementation of Climate Change measures. This is in addition to any funding the Council can obtain through other sources such as, for example, the Public Sector Decarbonisation Fund.

f) *Environment Act 2021*

The Environment Act 2021 received royal assent in November 2021. The Act has wide ranging changes that will impact on the Council, 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.

Since the last update the Strategy, the Government has pressed ahead with 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.

- **Simpler Recycling** – In September 2023, the Prime Minister announced new plans for simpler recycling, to make recycling as simple as possible for residents and avoiding the need for several bins. The Simpler Recycling document and Statutory Guidance was published in October 2023 and Defra led a consultation on this matter for which feedback is expected some time soon. Materials to be collected in the guidance includes pots, tubs and trays which would need to be added to the recycling stream. Plastic film and bags would need to be recycled too, which would be a new thing for most local authorities. It was not known how plastic film would be separated at the MRF and sent for re-processing. What this means for the Council's waste collection and disposal arrangements is not known at this pending further guidance.

- **Weekly Separate Food Waste Collections** – the implementation date for separate weekly food collections from all households had been put back to 31st March 2026. BwD is June 2026. The guidance included that food waste collections would include all rural rounds, flats and apartments, which would be problematic in quite a few of our locations, given the lack of storage facilities and the lack of interest in using a large communal container. It was not yet known whether local authorities would need to provide the communal bins for flats, apartments and Houses in Multiple Occupations. Details were awaited on the provision of caddy liners too for these premises but is expected to be provided for all other types of households.

- **Residual Waste** – The Government guidance expects a minimum service frequency for residual waste collections of at least fortnightly and wanted to stop three and four weekly bin collections. It should be noted that Wales has excellent recycling rates where many areas used three or four weekly collections, but of course the guidance applies only to English authorities and those English authorities that provide 3 or 4 week residual collections (e.g. Greater Manchester Councils), may find a frequency change a problem. It was not known whether those authorities who were already on three weekly collections would be expected to change back to fortnightly and, if so, how this would be funded.

  All non-household municipal premises (shops and businesses) would need to have recycling collections (including food waste collections) in place by 31st March 2025. Although this would drive up the recycling rate, it would have a big impact on local authorities, as Councils are not geared up for this in terms of outlets and funding for bin provision etc. Food waste and recycling collections for microbusinesses with ten or less FTE staff would be required from 2027.

- **Extended Producer Responsibility/Deposit Return Scheme** – Although it had been confirmed that funds would be allocated to local authorities to support collection, treatment and disposal costs, it is unclear how this funding would be calculated. In addition, it is not yet known what funding would be available to those local authorities who had been issued improvement plans. Improvement plans can be issued by the service administrator being selected by the Government some time in 2024, to incentivise poorer performing Councils to hit the arbitrary targets the administrator will set them. The funding issued for complying with EPR is predicated on how well a council performs with both quantity and quality of recycling. We are poor performing in terms of quantity and quality.

  On the introduction of a deposit return scheme, some councils have moved ahead with the Welsh government moving faster than the English government. Brecon in Powys had started a small scale scheme whereby all PET bottles, cans and cartons could be scanned either on a phone app, at some shops or purpose-built machines in the town centre, for a 10p return on each container. All UK nations aimed to have deposit return schemes in place by 2025.

- **Funding** - New burdens funding – indicative allocations of funding for capital costs (vehicles/containers) have been given to local authorities and will be paid through a Section 31 grant this financial year. Funding for resource costs for 2024/25 (vehicle re-routing, communications, project management) should be available in Summer 2024. Ongoing service costs funding (collection and disposal costs) should be available in April 2026. EPR funding – local authorities should receive this funding in March 2026 to cover 2025/26 although this kept being delayed. Payments would be based on family groupings.

g) *Academisation of Schools*

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). Despite the Government no longer progressing the Schools Bill through Parliament, 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).

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 Ofsted. 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.

h) *Planning Reforms*

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. To that end, the Levelling Up and Regeneration

Following a change in Secretary of State for Local Government, the proposed changes were put on hold pending a review of the anticipated Planning Bill. The outcome of this review was that the Bill did not progress. However, the since the last update to the Strategy, a range of planning reforms in the Levelling and Regeneration Act 2023 which the Government considers are central to delivering a sufficient supply of homes ensuring that 'the right homes will be built in the right places'.

The Levelling and Regeneration Act 2023 Act:-

- establishes a new category of national planning policies: national development management policies (NDMPs). NDMPs will sit alongside local plans in decision-making on planning applications.

- creates a statutory requirement for Local Planning Authorities (LPAs) to produce a single local plan and update it every five years. Separate to the Act, the government said it would introduce reforms to require LPAs to produce local plans within a 30-month timeframe.

- abolishes the 'duty to cooperate', which requires LPAs to cooperate with each other and with certain other bodies in preparing their local plan. A new 'flexible alignment policy' will replace the duty to cooperate;

- introduces a statutory requirement for LPAs to prepare design codes, setting design requirements for developments in their local area.

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 although the recent adoption of the Local Plan 2021/2037 at the Council Forum meeting in January 2024 does mean the Council has a sound basis on which to deal with any proposed changes.

i) *Continued Pressure on Council Tax Increases*

In recent years, the Government has continued the pressure on local authorities to keep general Council Tax increases below 2% although, given the funding challenges experienced by Councils, this has now been increased to 3%. 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.

This 'pattern' for Council Tax increases has been in place for several years and is unlikely to change (although the financial challenges at some Councils has meant the Government has, in recent years, varied the referendum thresholds at some Councils). 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 remain concerns that it is an outdated system in need of reform.

j) *Availability of External Funding Streams and Specific Grants*

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 the Towns Deal, UK Shared Prosperity Funding the Levelling Up Fund and the Levelling Up Partnership.

Given the consternation of Local Government about the 'competitive' nature of these funds, there are some signs that the Government is moving away from bid-based special and specific grants. The *'Simplifying the funding landscape for local authorities'* guidance (Simplifying the funding landscape for local authorities - GOV.UK (www.gov.uk) considers, for example, streamlining the application and reporting process, subsequent monitoring/evaluation of funded projects guidance issued by Government in January 2024. An example of this is the Levelling Up Partnership where the Government is seeking to work in partnership with the Council on investments to change some of the underlying structural issues to do with the Borough.

The extent to which this kind of approach will continue remains to be seen, not least because of the forthcoming General Election which may see a change in Government.

k) General Legislative Changes

The following legislation, currently being progressed through Parliament, could have financial implications for the Council (these are Government Bills only):-

Table 4: General Legislative Changes

Data Protection and Digital Information Bill Leasehold and Freehold Reform Bill	HoC – Committee Stage HoC – Report Stage

HoC – House of Commons

It is not possible to say at this stage what the financial implications of these areas of legislation will be for the Council as details of the impact on service provision are not known in all cases.

l) General

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, if there are financial implications, these will be factored into the Council's Medium Term Financial Plan.

Internal Factors

42. 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. However, the brief narrative below considers some of the key issues:-

a) Implementing the Corporate Plan

The Council has agreed a Corporate Plan for the period 2023/27. This sets out a range of missions that will provide a framework for the Council's activities. As indicated earlier in this Strategy, there needs to be strong link between the Council's Corporate missions 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.

At the meeting of Policy Council in November 2023, an update on the Corporate Plan was provided where the Council's missions were reaffirmed and each Portfolio Holder set out their priorities for 2024/25.

b) Stability in the Workforce

As with several sectors and organisations, the Council continues to experience difficulties with the recruitment and retention of staff in several business areas. This is starting to impact significantly on the delivery of services with remedial actions being taken to deal with this issue where it is possible to do so. However, this is a broader sectoral issue and not necessarily unique to Blackburn with Darwen hence it is a matter that it also being considered by the Local Government Association to determine whether there is national response to this matter.

c) 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, and homelessness. 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) which 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.

d) Local Plan 2021-2037

As indicated above, the Council adopted the Local Plan 2021-2037 at its meeting in January 2024.

e) Developing and delivering a Housing Strategy

Given the range of housing issues affecting the Borough – from the quantity of existing and new housing and quality of some of the existing housing stock, the growth of Houses of Multiple Occupation (HMO), the extent of homelessness and, with that, the general housing needs, the impact of housing on vulnerable people and so on, a need has been identified to review and refresh the Council's approach to housing.

Some initial work has been undertaken on this matter which has concluded that the Council's Housing Strategy needs to be reviewed and updated to reflect the aspirations of the Council (considering legislation, changes in policy etc). At the same time, consideration is being to the various housing functions across the Council (Housing Growth, Housing Standards, Housing Needs etc) and how they may be better organised and coordinated to support the delivery of the Housing Strategy. This work is in its formative stages but will be developed in more detail in 2024/25.

f) Use of Reserves

The MTFP assumes that the Council will use some amount of reserves annually to support the budget and whilst the current position on reserves is relatively healthy, 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 2024/25, the Council will capitalise staffing costs totaling c£2.4m. This is in accordance with proper accounting practice given 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£2.2m 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.

With the push for greater academisation of Schools, this level of income will be at risk and will require the Council to consider what strategies it needs to employ to sustain the income or ensure that the related cost base is reduce as income reduces. An example of this is the provision of insurance services where, given the Government's Risk Protection Arrangement (RPA) Scheme which is available to all Schools at a lower cost that the Council's provision, the Council has taken the decision to withdraw the provision of most insurance services from Schools and encouraged them to buy the service from the RPA.

i) Use of Public Health Grant

The Council receives c£16m 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 to poor health outcomes.

However, the use of Public Health funding in this way needs to be constantly monitored to ensure that the investment made in Council services is legitimate and delivering improvements in health outcomes. This monitoring is undertaken collaboratively by the Director of Public Health and the Strategic Director Finance and Resources who are required annually to jointly certify that the Public Health grant has been used in line with the approved guidance.

j) *Digitisation*

The Council has embarked on the delivery of an Information Technology and 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 Strategy is significant and consideration of how this will be funded will continue to form part of the development of the Council's Capital Strategy. At the same time, the implementation of the Strategy should lead to transformation of Council services that can be delivered at a lower cost base than at present.

An equivalent priority, however, is the significant amount of work required to ensure the Council's IT networks, infrastructure and devices remain up to date, operational and resilient from cyber and other related attacks. This will require investment which, given the importance of this work, will be essential to ensure Council services can continue to operate effectively, efficiently and safely.

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 of obtaining external funding as a means of regeneration and/or expanding the delivery of services across Blackburn with Darwen. The hallmark of most current funding streams is the need to bid for funds, generally in competition with other local authorities (although, as indicated above, the Government appears to be changing its approach to be provide more targeted 'needs' based investment).

To be successful, the Council must be able to develop 'oven ready' bids that are of high quality, capable of being successful and can be delivered. 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 a 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 Corridor;
- Carl Fogarty Way Commercial Units;

- Wainwright Way Commercial Units;
- 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.

At the same time, and acknowledging the work of the Peer Team who undertook the Corporate Peer Challenge, there is a need to ensure these growth and regeneration schemes are inclusive, considering the impact and benefit to the residents of the Borough as well as the physical regeneration of the place.

43. 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:

    - implementing the Strategic Asset Management Plan, ensuring asset renewal continues, that disposal of surplus properties are progresses and that the Council continues to maintain effectively those assets that remain;
    - dealing with problem sites, empty properties and 'grot spots' on a pro-active basis;
    - managing effectively the growth in the delivery of events by the Council (and others) within a limited amount of resources.

44. The annual compilation of Business Plans, which focus on the three-year period covered by the Financial Strategy as well as providing 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.

Achieving a Balanced Budget (the Financial Strategy)

Overview of Financial Strategy

45. The Financial Strategy being implemented 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, particularly 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.

46. More details of these strands is provided in the Financial Strategy 2022/23. Since agreeing the Strategy, the 'saving' and 'stopping' strands have been expanded into a series of Strategic Workstreams, more details of which are provided below.

47. Acknowledging that the Financial Strategy covered the period to March 2025, during the coming year work will be undertaken to review and refresh the Strategy.

Strategic Workstreams

48. Acknowledging the need for a strategic approach to the development of budget options, the following eight strategic workstreams have been developed to guide activity to reduce the Council's net revenue expenditure:-

- ***Workstream 1 - Organisational Review*** – in line with the Corporate Plan, there is a need to consider the robustness of the Council's existing target operating model (and with it the organisational structure, governance and processes) to determine how best to deliver key policies and transformational change. Given the need to consider how better to co-ordinate the development and delivery of a Housing Strategy, and how best to organize the various housing functions across the Council, there is the potential to review the Council's organisational and management arrangements to determine what structures are most appropriate to achieve the Council's objectives. This work is likely to take place in the coming financial year and may present opportunities for efficiencies;

- ***Workstream 2 - Asset Review*** – Following approval of the Strategic Asset Management Plan by the Executive Board, Phase 1 of the Asset Review has been completed and the outcome of that will be reported through the appropriate decision making processes in due course.

  Phase 2 of the Asset Review will consider, amongst other matters, the Council's Accommodation needs as well as the sufficiency of the Council's broader operational assets. This may highlight opportunities for further rationalisation of Council assets. Again, where it is necessary to do, the outcome of this work will be reported through the appropriate decision making processes as required.

- ***Workstream 3 - Alternative Models of Service Delivery*** – the Council has a good track record of considering alternative models for service delivery in a range of functions. The proposal here is to consider whether alternative models of service delivery for frontline services such as Waste Collection, Grounds Maintenance, Highways Maintenance, Building Cleaning and Building Maintenance might be possible whilst at the same time being provided at lower cost. Likewise, there are different operating models for Leisure, Culture and Arts Services and the proposal here would be to evaluate the options for future delivery with a focus on cost reductions/income generation;

  However, given work on other matters, it has not been possible to make any progress with this workstream in the run up to the budget for 2024/25. The extent to which it is possible to make progress will depend on the appetite to consider alternative options, whether there are changes in the operational environment that would warrant consideration and the capacity available within the Council to undertake the necessary feasibility to work to establish whether there is any merit in pursuing options. This matter will be picked up as part of the refresh of the Financial Strategy and Medium Term Financial Plan later in the year.

- ***Workstream 4 - Review of the Children's Services Operating Model*** – As Councillors are aware, the Children's Social Care Service is on an improvement journey following the outcome of the Ofsted Inspection in February 2022. This work is being overseen by an Improvement Board chaired by an independent person. Despite this, there remains a need to ensure that, whilst ensuring that the caring for children and young people remains at the heart of the Council's approach, every consideration is given the value for money arising from the Council's investment in the Service. This may require consideration of the way the Council undertakes functions, how it prioritises investment, the scope for budget efficiencies and how it obtains best value in the delivery of services throughout the spectrum of Children's Services;

- ***Workstream 5 - Review of Adult Social Care Operating Model*** – as indicated in the main report, a significant amount of work is being undertaken to transform the Council's Adult Social Care Service. This has involved, for example, a refresh of the Adult Social Care Target Operating Model, a thorough review of the Commissiong function and the improved use of data and insight to inform decision making. A considerable amount of work has also been undertaken to prepare the Council (and its partners) for assessment by the Care Quality Commission of the Council's compliance with the Care Act;

- ***Workstream 7 - Review of Back-Office Efficiency*** – the Council has already conducted efficiency reviews of back-office functions. However, opportunities may arise following the Organisational Review (Workstream 1 above) to undertake further efficiency reviews of the Council's back-office functions. Areas of consideration may include, for example the Council's procurement/commissioning functions, Finance (including Revenue and Benefits) and Business Support. Consideration of this matter needs to be cognisant of the work on the Accommodation Strategy which may present opportunities to co-locate services to achieve better collaboration and co-ordination of service delivery as a consequence;

- ***Workstream 8 – Procurement (reduction in Contract and Third Party Spend)*** – beyond the strategic review of alternative delivery models (Workstream 3 above), driving value from the Council's procurement of goods and services must be key part of the Council's approach to managing the budget deficit. As a benchmark, with any new tender for goods/services funded from the Council's Revenue Account, ***a reduction of 10% in the contract value was* introduced last year; this target remains in place and should be achieved from better pricing, value engineering or changes in contract specification**.

49. Underpinning these strategic reviews will need to be a reinvigorated transformative approach to service delivery that will seek to use ***data and insight*** to better inform decision making and ***service re-design (or transformation)*** that will exploit new technologies such as automation and (eventually) artificial intelligence. Both matters, along with a more disciplined approach to 'Digital First' for the delivery of services, are central to the Council's agreed Digital Strategy and need to be integral to the strategic reviews above.

50. To complement this, a process of ***'Policy and Finance' Deep Dives*** has been introduced. This work comprises a thorough review of the Council's existing policy and investment in specific areas to challenge *'what is done, why it is done, whether the existing delivery model is right, how to achieve better value for money etc.'*. Pilot areas for review include Education Transport SEN and Highways Planned and Reactive HAMIS.

51. In addition to this, and as set out in the main report, it is proposed to undertake a range of ***'Invest to Save'*** Reviews. These reviews are aimed at considering areas of activity which when reviewed, and with some seed investment, it is possible to reduce the cost of the Council's operational activity. Examples include considering the feasibility for using Children's homes in place of expensive out of borough places, in house residential provision for adults and the digital transformation of activities.

52. Similarly, a number of the workstreams and reviews set out above are likely to require a review and refresh of the Council's ***Human Resources Strategy*** and related policies and procedures, not least around the approach to hybrid working, co-location of staff and related terms and conditions. That said, fundamentally, to achieve the savings above, there will need to be a reduction in staff numbers and this will need to be managed effectively. It should be noted that this work is in addition to the current programme of activity around Organisational Development.

REPORT OF:	EXECUTIVE MEMBER FOR FINANCE AND GOVERNANCE, ON BEHALF OF THE LABOUR GROUP
TO:	FINANCE COUNCIL
ON:	26th February 2024

PORTFOLIOS AFFECTED: ALL

WARDS AFFECTED: ALL

SUBJECT : CAPITAL PROGRAMME AND CAPITAL STRATEGY REPORT 2024/27

1. PURPOSE

1.1 This report seeks approval for the 2024/25 – 2026/27 Capital Strategy, set out in **Appendix 1** and Capital Programme, set out in **Appendix 6**.

1.2 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.

1.3 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 2024/27 (**Appendix 1**), including:

a) agree to the Asset Review (Phase 1) interventions as set out in the Strategy;

b) delegate authority to the Growth Programme Director, in consultation with the Deputy Director Legal and Governance, to implement the interventions referred to in 2.1(a) above;

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

d) the Minimum Revenue Provision (MRP) Statement, which determines the Council's policy for repayment of debt, noting that the policy is subject to the outcome of a current Government consultation. A further report will be presented if required following the consultation outcome. (**Appendix 3**);

e) the proposed Prudential Indicators for the forthcoming year (**Appendix 4**);

f) the proposed Investment Strategy for 2024/25, as outlined in **Appendix 5**; and

2.2. Approve the proposed Capital Programme for 2024/25, as outlined in **Appendix 6** and **Appendix 6A**.

2.3. Note the indicative programmes for 2025/26 to 2026/27 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 Strategic Director Finance and Resources to determine the most appropriate method of financing the capital programme.

3. BACKGROUND

3.1 The *Prudential Code for Capital Finance in Local Authorities* was updated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2021. The framework provided by the Prudential Code supports local strategic planning, local asset management and proper option appraisal.

3.2 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 prudent, affordable and sustainable;
- 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.

3.3 To demonstrate that these objectives have been fulfilled, the Council must 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

4.1 The updated Capital Strategy for the period 2024/25 to 2026/27 is provided at **Appendix 1**. Amongst other matters, the Strategy outlines the Council's main capital investment priorities, asset management strategy, capital financing, treasury management strategy, and the revenue budget implications of the Capital Strategy.

4.2 Further details on the Council's borrowing and treasury investments can be found in the Treasury Management Strategy which will be presented to the Executive Board in March 2024 for approval.

4.3 The Strategy is supported by the details contained within **Appendices 2 to 6** including: the Council's Capitalisation Policy, details of the Council's proposed Minimum Revenue Provision policy for 2024/25, proposed Prudential Indicators and the Council's Non-Treasury Investments Strategy.

Capital Programme

4.4 To deliver the Capital Strategy, it is recommended that Finance Council approve the proposed Capital Programme for 2024 through to 2027 of £156.733 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.

4.5 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 2024/25 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 town's residents;
   ii. the Growth Axis Transport Package and Town Centre Regeneration schemes following successful Levelling Up Fund (LUF) bids;
   iii. continuing work on improvement of highways within the Borough, as part of the Local Transport Plan;

d) support of continued investment in IT services to underpin our 'digital first' approach to delivering efficiencies and to ensure the Council's network, infrastructure and devices are resilient;

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

4.6 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 Rules.

4.7 The programme will contribute towards the achievement of the Council's priorities and those set out in the Financial Strategy (*Grow, Charge, Save, Stop*) 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.

4.8 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 and highways in the borough will be added to the programme when there is clarity of funding provided by the Department of Education and Department for Transport respectively.

5. POLICY IMPLICATIONS

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

6. FINANCIAL IMPLICATIONS

6.1 The financial implications are as given in the report.

7. LEGAL IMPLICATIONS

7.1 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.

7.2 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 4** to this report.

7.3 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

8.1 None as a direct consequence of this report.

9. EQUALITY IMPLICATIONS

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

10. CONSULTATIONS

10.1 None required as a direct consequence of this report.

Appendices

Appendix 1 - Capital Strategy 2024/25 to 2026/27
Appendix 2 - Council's Capitalisation Policy
Appendix 3 - Minimum Revenue Provision Policy Statement for 2024/25
Appendix 4 - Prudential Indicators for 2024/25
Appendix 5 - Investment Strategy for 2024/25
Appendix 6 - Capital Programme for 2024/25

VERSION:	2

CONTACT MEMBER	Councillor Vicky McGurk Executive Member – Finance and Governance
DATE:	February 2024

Appendix 1

Blackburn with Darwen Borough Council

Capital Strategy

2024/25 to 2026/27

Contents

1. Background

1.1 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.

1.2 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.

2. Aims of the Capital Strategy and its links to the Council's Corporate Plan

2.1 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 requirements, governance procedures and clarity in its risk appetite.

2.2 The Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

2.3 Capital investment plans are driven by the Council's Corporate Plan. The Corporate Plan was agreed by Elected Members in December 2022 and is the Council's key strategic document. An update on progress with the delivery of the Corporate Plan was provided to Policy Council in November 2023.

2.4 The Corporate Plan 2023-2027 sets out the Council's core priorities and ambitions for the period and contains four core missions:

- A more prosperous borough where no-one is left behind.
- Every child and young person to have the opportunities to fulfil their potential.
- Deliver our Climate Emergency Action Plan.
- Build healthier, happier and safer communities.

2.5 In support of these core missions, and to ensure the Council is an effective and efficient organisation, there are the following supporting missions:-

- Being an innovative and forward thinking Council; and
- Tackling the budget challenge.

3. Capital spending priorities and governance

3.1 The key principles for the Council's 2024-2027 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 within that, the Financial Procedure Rules and Contract Procurement Rules).

3.2 The Council prepares its capital programme on a 3-year rolling basis. Service teams enter bids each October to include projects in the Council's capital programme. Bids are collated by the Strategic Director Finance and Resources 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.

3.3 Quarterly monitoring and outturn reports are considered by Executive Board during the financial year. A Capital Assurance Group (CAG) has been established to monitor delivery of the Capital Programme in year.

3.4 In the context of both the Council's Corporate Plan and the Financial Strategy, the Council's capital spending priorities for 2024/25 include:

- Delivering the growth plan priorities of Industry and Gateways; Town Centre; and Housing;
- Creation of school places to meet the demand of pupil growth within the Borough;
- Providing adaptations to help people live in their own homes;
- 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;
- Maintaining and improving our highways to support economic growth and improve the connectivity of transport networks;
- Developing commercial floor space and priority housing sites.

Local Plan 2021 to 2037

3.5 The Council's Local Plan was updated and submitted to the Government's Planning Inspectorate on 5th August 2022 for examination to determine that it was sound and legally compliant. The Planning Inspectorate appointed two Planning Inspectors who conducted public hearings which took place between 31st January and 2nd March 2023. This was followed by a further consultation period on a series of draft Main Modifications, held between August and October 2023. The examination process concluded with the issuing of the Inspector's report on 11th December 2023, and the Local Plan was subsequently adopted by the Council at the Council Forum meeting on 25th January 2024.

The Vision: Blackburn with Darwen 2037

3.6 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 will seek to deliver social, environmental and economic gains.

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

Housing

3.8 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.

3.9 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.

3.10 Maximising the potential of the borough's existing housing stock is important. Empty properties in the Borough can have a 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 in 2024/25, and has the potential to grow over the coming years.

Economic Development

3.11 The Council's Housing and Economic Needs Assessment (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.

3.12 Regarding 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.

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

Town Centres and Commercial Development

3.14 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.

3.15 The Council has some existing town centre development projects that will be completed during 2024/25 including redevelopment of the former Thwaites site, and work is ongoing on the Darwen Town Deal scheme, which includes regeneration projects in Darwen Town Centre, and the relocation of Morrisons and subsequent development of the site in Blackburn town centre. Work is also planned to commence during the year on the Blackburn Town Centre Levelling Up scheme.

Climate Change and the Natural Environment

3.16 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.

3.17 In February 2020, the Executive Board approved 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.

3.18 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

3.19 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 in the plan recognises the important link between the natural and built environment and long-term health and wellbeing outcomes and 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

3.20 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.

3.21 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

3.22 An effective transport network is needed to support a strong economy and community and is a key part of the Borough's 'Balanced Growth' strategy. The Local Plan must ensure that new development is located in the most sustainable locations and is accessible by a choice of active travel modes, including walking, cycling and public transport.

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

3.24 The Blackburn with Darwen Local Transport Plan (LTP3) provides a long-term strategy and delivery programme of transport investment and service improvements for the borough. A number of transport schemes identified in LTP3 have been successfully delivered, and a report outlining the proposed schemes to be delivered in 2024/25, all of which directly accord with LTP3, will be presented to the Executive Borad in March.

Infrastructure and Delivery

3.25 The new housing, employment and other developments 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.

3.26 Development proposals will be expected to 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

3.27 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 Deal Fund

3.28 In September 2019, Darwen was one of the original 100 (now 101) towns across England invited by the Government to develop an innovative regeneration plan and potentially secure a Towns Fund allocation of up to £25 million, and in July 2021, the Town Deal Board were informed that they had been successful in securing the maximum allocation of £25 million.

3.29 The Darwen Town Deal is an opportunity to kick-start the transformation of Darwen and the surrounding areas, and the key elements of the delivery programme include:

<u>Darwen Town Centre</u>

3.30 This includes projects to refurbish and re-purpose Darwen's important heritage buildings, including the Market Hall and The Library Theatre, and improve the settings of their buildings and their connections within the centre. This will also include new residential development, new retail space, new cultural, learning and community opportunities, and new landscaping and environmental improvements.

<u>Employment Growth and Business Innovation</u>

3.31 A range of exciting projects which build on Darwen's proud and still strong manufacturing strengths. These will provide modern business premises to support the creation of new jobs for both existing and new businesses. The new Advanced Manufacturing Research Centre, which is part of Sheffield University, is a real coup for Darwen and will extend the town's research and development capacity in new composite technologies and play an important role in regional business growth. The relocation, retention and expansion of Perspex International to a new site in Darwen will safeguard jobs and help establish a new production centre and research facilities to support their global operation.

Destination Darwen

3.32 The town's fantastic setting as a gateway to the West Pennine Moors came through very strongly in the public consultation as something local people wanted to cherish and improve. Proposals to create new and improved connections linking the Town Centre, residential neighbourhoods, our parks and the Moors will develop into detailed plans. These trails will encourage active travel – particularly walking and cycling – and outdoor exercise options for residents as well as encouraging new visitors, boosting the Iocal economy.

East Lancashire Sports Village

3.33 This initiative will be spearheaded by new sporting facilities at Darwen Cricket Club, AFC Darwen and J4 Skatepark, with the latter capable of hosting national and international events and providing training facilities for our Olympic stars of the future which are accessible to all.

Levelling Up Fund

3.34 In January 2023, the Government announced the results of the second round of their Levelling Up Fund (LUF). Blackburn with Darwen was successful in securing £20 million for its Growth Axis Transport Package, a scheme to invest in Blackburn's infrastructure in the Southeast area of the town to tackle congestion and give local people more, better options to walk and cycle around the city.

3.35 The walking and cycling element of the scheme will provide around 18km of improved facilities throughout South East Blackburn, along six identified routes. Feasibility studies have been completed for each of the six routes and preliminary design works commenced in early 2024. These will be followed by a number of stakeholder engagement events to obtain feedback and comments about the proposed routes. Detailed design work will then follow, along with work to obtain all necessary approvals, including planning approval if required. It is anticipated construction works will commence late 2024.

3.36 The second key element of the Growth Axis Transport Package scheme will deliver highway improvement works to the M65 Junction 5 and Guide Junction. Balfour Beatty have been appointed as the Design & Build Contractor for the project, and they have recently administered a tender process to appoint the lead designer.

3.37 In his 2023 Spring budget, the Chancellor further announced that the Council had also been successful in securing an additional £20 million of LUF funding to support the creation of a skills and education campus in Blackburn Town Centre. Work is planned to commence on this scheme during 2024/25.

3.38 The Council's capital programme includes a total of £18.5 million of match funding for the two LUF schemes, £5 million of which will come from developer contributions received under S106 of the Town and Country Planning Act 1990.

Levelling Up Partnership

3.39 As part of the Spring Budget 2023, Blackburn with Darwen was identified as a place selected to form a Levelling Up Partnership (LUP) with the Department of Levelling Up, Housing and Communities (DLUCH). Since being selected as a LUP partner, the Council has been working with officials from DLUCH to develop an investment package for a range of priority areas based around the opportunities and challenges in the Borough.

3.40 The amount of available investment is still to be confirmed but is likely to comprise mainly capital funding. The detailed package of investments is currently with Government with a view to securing formal agreement. If successful, it will further support the Blackburn Town Centre cultural investment programme, as well as providing further improvements to the physical and social environment and supporting entrepreneurship and growing the local economy.

Long Term Plan for Towns

3.41 Alongside the successful bid for Town Deal funding, last October the Government announced that the Council will receive funding and support worth £20m for investment in a long term plan for Darwen. The Long Term Plan for Towns is intended to bring together community leaders, business people and local bodies to forge their Town's future together, alongside side funding needed to deliver for their communities in the long term.

3.42 The investment will be in the form of an endowment-style fund paid over a 10-year period comprising both capital and revenue funding and Towns will have the freedom to develop plans that meeting local priorities across the broad investment themes of: Safety and Security, High Street, Heritage and Regeneration and Transport and Connectivity. A Towns Taskforce will be established by DLUCH to provide assistance with the development of a Town Plan.

3.43 Towns are required to Long Term Plan to DLUCH by 1st August 2024

Other Capital Schemes

3.44 There is a requirement for the continued funding of existing programmes of capital work, including:

- 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;
- Development of the ICT and Digital Strategy;
- Progression of the Corporate Accommodation Strategy;
- Fleet Management.

3.45 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;
- Further development of the Digital Strategy.

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

4. Capital Expenditure

4.1 Capital expenditure is where the Authority spends money on assets, such as property or vehicles, which will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

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

In 2024/25, the Council is planning capital expenditure, excluding a one-off adjustment due to a change in accounting for leases, of £75.2 million, as summarised below:

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

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
Portfolio spending	15.6	36.5	71.0	56.7	19.8
Earmarked schemes	-	3.0	3.2	1.5	1.5
Contingent schemes	-	2.2	1.0	1.0	1.0
Total Capital Programme	**15.6**	**41.7**	**75.2**	**59.2**	**22.3**
Estimate of IFRS16 Adjustment *	-	-	45.0	-	-
Total Capital Programme	**15.6**	**41.7**	**120.2**	**59.2**	**22.3**

* £45.0 million of capital expenditure in 2024/25 arises from a change in the accounting for leases and does not represent cash expenditure.

4.3 On 1st April 2024 there is a change in accounting standards due to the implementation of 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).

Currently, the costs of these leases are expensed to the Revenue Account during the year in which they are 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 at the Council's incremental rate of borrowing.

On transition at 1st April 2024 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.

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

5. Capital Financing (Including MRP)

5.1 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 Initiatives). The planned financing of the above expenditure is as follows:

Table 2: Capital Financing in £ millions

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
External sources	10.4	23.8	40.7	37.0	-
Own resources	3.0	1.7	9.5	0.1	5.0
Debt	2.2	14.8	23.2	22.1	17.3
Debt - Leasing	-	1.4	46.8	-	-
Total Capital Financing	**15.6**	**41.7**	**120.2**	**59.2**	**22.3**

* £45.0 million of capital expenditure in 2024/25 arises from a change in the accounting for leases and does not represent cash expenditure.

5.2 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore reduced 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 are as follows:

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

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
Capital Receipts To Repay Debt	4.4	6.0	3.5	3.9	4.6
MRP	6.2	6.4	6.6	6.8	7.1

5.3 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.**

5.4 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 repay debt.

5.5 The table below shows that the CFR (excluding leases) is expected to increase by £13.3 million during 2024/25. 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

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
General Fund services	197.5	200.4	214.1	225.2	230.5
Debt managed by LCC	14.8	14.5	14.3	14.1	13.9
PFI projects	68.9	68.7	68.5	68.2	67.9
Total CFR **(Excluding Leases)**	**281.2**	**283.6**	**296.9**	**307.5**	**312.3**
Estimate of Leases CFR *	-	-	**45.0**	**45.0**	**45.0**
Total CFR **(Including Leases)**	**281.2**	**283.6**	**341.9**	**352.5**	**357.3**

* £45 million of the Capital Financing Requirement increase in 2024/25 arises from a change in the accounting for lease and does not represent cash expenditure.

6. Asset management

6.1 The Council adopted a new Strategic Asset Management Plan (SAMP) in 2023. Effective asset management is essential to supporting the Council's strategic priorities and outcomes, with asset rationalisation presenting emerging opportunities across the estate to reduce revenue costs and improve service efficiencies. In this context, it is essential the Council takes a strategic view of the asset base to deliver on our corporate priorities, support the growth of the Borough, and achieve best consideration and return from our assets. An approach also encouraged by Government and consistent with national guidance.

6.2 The SAMP covers a 3-year framework and sets out how the Council will manage its land and property assets, delivering on the following objectives: -

- achieve corporate objectives and improve service delivery;
- set out the scope of the Councils property assets portfolio;
- assist in maximising the beneficial use of property assets;
- promote service benefits such as accessibility, user satisfaction and comfort;
- generate carbon and budget efficiencies;
- encourage continuous review and challenge of use and ownership of property assets; and
- ensure that buildings are maintained in line with statutory requirements.

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

6.4 A Capital Assurance Group was created during financial year 2023/24. The Group brings together key Capital Scheme Managers and the Corporate Finance team in order to oversee the Capital Expenditure and Capital Receipts programmes.

Council Assets

6.5 The Council's asset base includes approximately 200 buildings, and 400 land parcels and comprises the operational estate (utilised for the delivery of Council services), the investment estate (land and buildings which generate income), and the community estate (which comprises parks, public open space, community buildings and allotments).

2023 Asset Review (Phase 1)

6.6 The Growth and Development Department, in conjunction with all other Council Departments, has progressed an Asset Review to identify opportunities for service improvement and revenue savings to help support the Council's Medium Term Financial Plan. The Review, in Phase 1, initially considered 65 of the Council's key buildings from the operational estate and assessed the assets against service needs to identify opportunities for co-location, service relocation or intensification of existing assets.

6.7 Table 5 below lists a summary of the conclusions from the Asset Review (Phase 1) and identifies the proposed interventions for each asset. Approval is now sought to allow officers to commence with more detailed engagement work, including the provision of support for service relocations, where required. Where disposal is recommended, this may be achieved via a lease or sale.

Table 5: Schedule of Asset Review (Phase 1) Interventions

No.	Asset	Recommendation
1	Kentmere Outdoor Education Centre	Alternative service provision and disposal
2	The Limes	Service relocation and disposal
3	Daisyfield Swimming Pool	Progress to demolition
4	Darwen Resource Centre	Service relocation and disposal
5	Shadsworth Leisure Centre	Surplus asset and progress to demolition
6	Davyfield Depot – Bungalow Offices	Service relocation and disposal

6.8 There will be no change to service provision arising from the implementation of these interventions.

6.9 Phase 2 of the Council's Asset Review will commence in 2024/25.

6.10 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.

6.11 The Council's current Highways Asset Management Strategy can be found at Blackburn with Darwen Asset Highways Management Strategy.

7. Asset disposals

7.1 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be used to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £3.5 million of capital receipts in the coming financial year as follows:

Table 6: Capital Receipts in £ millions

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
Asset Sales	4.4	6.0	3.5	3.9	4.6
Loans Repaid	-	-	-	-	-
Sale of Investments	-	-	-	-	-
Total Capital Receipts	**4.4**	**6.0**	**3.5**	**3.9**	**4.6**

7.2 The Council plans to continue to use 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.

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

8. Treasury management

8.1 The Council produces a Treasury Management Strategy, which is approved annually by the Executive Board, normally in March of each year.

8.2 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.

8.3 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.

8.4 At the time of writing the Council currently has £199.1 million borrowing at an average interest rate of 5.4% and £86.7 million treasury investments at an average rate of 3.7%.

Borrowing strategy:

8.5 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 short-term loans (currently available at around 5.35% to 5.75%) and long-term fixed rate loans, where the future cost is known but is higher (currently 5.67% to 6.29%).

8.6 The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.

8.7 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 7: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
Debt (including PFI, Leases and LCC debt)	208.2	196.8	235.2	245.2	256.3
Capital Financing Requirement	281.2	283.6	341.9	352.5	357.3

* £45 million of the Capital Financing Requirement and Debt increase in 2024/25 arises from a change in the accounting for leases.

8.8 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term (up to 3 years). As can be seen from Table 6, the Council expects to comply with this guidance in the medium term.

Liability benchmark:

8.9 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 and investment balances are kept to a minimum level of £10 million. This benchmark is currently £75 million and is forecast to rise to £141 million over the next 3 years.

Table 8: Borrowing and the Liability Benchmark in £ millions

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
Debt (excluding PFI, Leases and LCC debt)	138.0	129.6	126.5	140.3	155.1
Liability Benchmark	97.2	74.8	116.5	126.5	130.7

8.10 The table shows that the Authority expects to remain borrowed above its liability benchmark in the short term. The significant gap in 2022/23 and 2023/24 is due to low levels of capital expenditure offset by high value capital receipts during those years, therefore reducing the borrowing requirement. It is anticipated that capital expenditure will increase significantly from 2024/25, and that new borrowing will be required from 2025/26 onwards.

Affordable borrowing limit:

8.11 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 9: Prudential Indicators: Authorised Limit and Operational Boundary for External Debt in £ millions

	2023/24 Limit £m	2024/25 Limit £m	2025/26 Limit £m	2026/27 Limit £m
Authorised Limit – Borrowing	227.7	233.6	244.6	249.9
Authorised Limit – PFI, Leases and LCC Debt *	84.1	128.3	127.9	127.4
Authorised Limit – Total External Debt	311.8	361.9	372.5	377.3
Operational Boundary – Borrowing	217.7	223.6	234.6	239.9
Operational Boundary – PFI, Leases and LCC Debt *	84.1	128.3	127.9	127.4
Operational Boundary – Total External Debt	301.8	351.9	362.5	367.3

* From 2024/25 onwards the limits have been increased to allow for additional liabilities which will arise from a change in the accounting for leases.

8.12 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:

8.13 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.

8.14 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 10: Forecast Treasury Investments in £ millions

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
Short-Term Investments	50.8	64.8	20.0	23.8	34.4
Long-Term Investments	-	-	-	-	-
Total Investments	**50.8**	**64.8**	**20.0**	**23.8**	**34.4**

Risk management:

8.15 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.

8.16 The treasury management prudential indicators are included within the Treasury Management Strategy, which is to be presented to Executive Board for approval on 7th March 2024.

Governance:

8.17 Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Strategic Director Finance and Resources 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 to the Executive Board each quarter as part of the quarterly Corporate Budget Monitoring reports.

8.18 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 7th March 2024.

9. Other investment and long term liabilities

9.1 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 5** focuses on these other, non-treasury investments.

Service investments

9.2 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.

9.3 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:

9.4 Decisions on service investments are made by the Strategic Director Finance and Resources, 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

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

9.6 With financial return being the main objective, the Council accepts higher risk on commercial investment than on treasury investments. The principal risk exposures include vacancies, rent arrears and a decline 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:

9.7 Decisions on commercial investments are made by the Strategic Director of Growth and Development in consultation with the Strategic Director Finance and Resources, 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. The Strategic Director of Growth and Development is responsible for ensuring that adequate due diligence is conducted before investment is made.

9.8 A new indicator was added to the Prudential Code from financial year 2023/24 which compares net income from commercial and service investments to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 11: Prudential indicator: Proportion of Net income from Commercial and Service Investments to Net Revenue Stream

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
Net income from Commercial and Service Investments (£m)	1.1	0.8	0.8	0.8	0.9
Proportion of Net Revenue Stream	0.7%	0.4%	0.4%	0.4%	0.4%

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

Liabilities

9.10 In addition to the debt detailed in Table 6 above, the Council has set aside £2.998 million to cover risks in relation to:

- Backdated appeals against the rateable value of business ratepayers (£1.875 million)
- Injury and damage compensation claims (£1.123 million)

9.11 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:

9.12 Decisions on incurring new discretional liabilities are taken by Service Managers in consultation with the Strategic Director Finance and Resources. 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.

10. Revenue budget implications

10.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP repayments are charged to revenue. 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 12: Prudential Indicator: Proportion of Financing Costs to Net Revenue Stream

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
Investment Income (interest receivable)	(1.3)	(4.2)	(3.0)	(1.0)	(0.8)
Interest payable	11.7	11.5	11.9	12.5	12.0
MRP (Excluding adjustment for leases)	6.2	6.4	6.6	6.8	7.1
Total Financing Costs (Excluding leases)	**16.6**	**13.7**	**15.5**	**18.3**	**18.3**
MRP due to change in accounting for leases	-	-	2.5	2.5	2.5
Total Financing Costs (Including leases)	**16.6**	**13.7**	**18.0**	**20.8**	**20.8**
Proportion of Net Revenue Stream	10.3%	7.7%	9.4%	10.2%	9.8%

£2.5 million of the increase in financing costs in 2024/25 and future years arises from a change in the accounting for leases and does not represent additional cost to the authority.

10.2 Further details on the revenue implications of capital expenditure can be found within the General Fund Revenue Budget 2024/25 (and update to Financial Strategy 2024/25) report which is elsewhere on the Agenda for this meeting.

10.3 **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 Strategic Director Finance and Resources is satisfied that the proposed capital programme is prudent, affordable and sustainable as set out in the Statement on Robustness of the Council's Budget Calculations for 2024/25 and the Adequacy of Financial Reserves report which is on elsewhere on the agenda of this meeting.

BLACKBURN with DARWEN BOROUGH COUNCIL

11. Knowledge and skills

11.1 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 Councillors 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.

11.2 The intention is that by building a solid knowledge base for both Officers and Councillors, 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.

12. Prudential indicators

12.1 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*.

12.2 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 and sound project management
- 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

12.3 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; or
- 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; and
- 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; or
- 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; and
- 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.

At the time of writing this Policy, the Government had just closed a period of consultation which sought views on granting wider flexibilities around the use of capital finance and borrowing. In particular, this Call for Views posed various options as follows:-

Option 1: Extend capitalisation flexibilities to include a wider set of eligible costs to allow authorities to capitalise general cost pressures and meet these with capital receipts.

Option 2: Extend the flexible use of capital receipts to allow authorities to borrow for the revenue costs of invest-to-save projects. This would be a simple extension of the current direction to allow authorities to borrow to finance the revenue costs of eligible projects, as well as use capital receipts.

Option 3: Allow additional flexibilities for the use of the proceeds of selling investment assets.

It is not known at this stage what the outcome of the Call for Views is and whether the Government will implement any of these options. However, subject to the outcome, it may be necessary to provide an update to this Capitalisation Policy.

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 DLUCH Guidance") most recently issued in 2018.

The broad aim of the DLUCH 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 Government is currently consulting on changes to the statutory guidance and regulations regarding MRP. The Government is '*aware that some local authorities employ practices which result in the underpayment of MRP'*. As the Council does not engage in the practices the Government are trying to prohibit, the introduction of these proposed changes are unlikely to affect the policy statement below.

The DLUCH 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 DLUCH Guidance, along with some locally determined and prudent modifications.

Proposed MRP Policy Statement for 2024/25

The following MRP Policy is proposed:

(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 2021/22 over 38 years (from 2022/23 through to 2059/60), but to use the annuity variant, based on the average Public Works Loan Board (PWLB) annuity rates prevailing at 28 July 2022. **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 due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, 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 on 28 July 2022, over 38 years (up to 2059/60), 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, the Authority will make nil MRP unless (a) the loan is an investment for commercial purposes and no repayment was received in year or (b) an expected credit loss was recognised or increased in-year, 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 on loans that are investments for commercial purposes, 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. Sufficient MRP will be charged to ensure that the outstanding capital financing requirement (CFR) on the loan is no higher than the principal amount outstanding less the expected credit loss. This option was proposed by the Government in its recent MRP consultation and in the Authority's view is consistent with the current regulations.

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 2024/25 will not be subject to a MRP charge until 2025/26.

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 2024, the budget for MRP has been set as follows:

	31 March 2024 Estimated CFR £m	2024/25 Forecast MRP £m
Capital Expenditure	200.4	6.2
Private Finance Initiatives	14.5	0.2
Transferred Debt	68.7	0.2
Total	**283.6**	**6.6**

The table above excludes a £2.5 million increase in the 2024/25 MRP charge arising from a change in the accounting for leases

Supported Borrowing Minimum Revenue Provision Profile

Year	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	1,145.5	1,187.3	1,230.7	1,275.6	1,322.1	1,370.4	1,420.4	1,472.3	1,526.0	1,581.7

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
Annual MRP Charge	1,639.4	1,699.3	1,761.3	1,825.6	1,892.2	1,961.3	2,032.9	2,107.1	2,184.0	2,263.7

Year	2042/43 £'000	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
Annual MRP Charge	2,346.3	2,431.9	2,520.7	2,612.7	2,708.1	2,806.9	2,909.4	3,015.6	3,125.6	3,239.7

Year	2052/53 £'000	2053/54 £'000	2054/55 £'000	2055/56 £'000	2056/57 £'000	2057/58 £'000	2058/59 £'000	2059/60 £'000	2060/61 £'000	Total £'000
Annual MRP Charge	3,358.0	3,480.5	3,607.6	3,739.3	3,875.7	4,017.2	4,163.8	4,315.8	-	91,173.6

PRUDENTIAL INDICATORS FOR 2024/25

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 Public 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

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
Portfolio spending	15.6	36.5	71.0	56.7	19.8
Earmarked schemes	-	3.0	3.2	1.5	1.5
Contingent schemes	-	2.2	1.0	1.0	1.0
Total Capital Programme	**15.6**	**41.7**	**75.2**	**59.2**	**22.3**
Estimate of IFRS16 Adjustment *	-	-	45.0	-	-
Total Capital Programme	**15.6**	**41.7**	**120.2**	**59.2**	**22.3**

* £45.0 million of capital expenditure in 2024/25 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

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
General Fund services	197.5	200.4	214.1	225.2	230.5
Debt managed by LCC	14.8	14.5	14.3	14.1	13.9
PFI projects	68.9	68.7	68.5	68.2	67.9
Total CFR (Excluding Leases)	**281.2**	**283.6**	**296.9**	**307.5**	**312.3**
Estimate of Leases CFR *	-	-	**45.0**	**45.0**	**45.0**
Total CFR (Including Leases)	**281.2**	**283.6**	**341.9**	**352.5**	**357.3**

* £45 million of the Capital Financing Requirement increase in 2024/25 arises from a change in the accounting for leases and does not represent cash expenditure.

The Council must make reasonable estimates of the total Capital Financing Requirement (CFR) – 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 (BSF) programme.

Authorised Limit and Operational Boundary for External Debt in £ millions

	2023/24 Limit £m	2024/25 Limit £m	2025/26 Limit £m	2026/27 Limit £m
Authorised Limit – Borrowing	227.7	233.6	244.6	249.9
Authorised Limit – PFI, Leases and LCC Debt *	84.1	128.3	127.9	127.4
Authorised Limit – Total External Debt	311.8	361.9	372.5	377.3
Operational Boundary – Borrowing	217.7	223.6	234.6	239.9
Operational Boundary – PFI, Leases and LCC Debt *	84.1	128.3	127.9	127.4
Operational Boundary – Total External Debt	301.8	351.9	362.5	367.3

* From 2024/25 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

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
Debt (including PFI, Leases and LCC debt)	208.2	196.8	235.2	245.2	256.3
Capital Financing Requirement	281.2	283.6	341.9	352.5	357.3

* £45 million of the Capital Financing Requirement and Debt increase in 2024/25 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. As can be seen from the table above, the Council expects to comply with this guidance 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 2024/25 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 Net Income from Commercial and Service Investments to Net Revenue Stream

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

The Indicator below demonstrates the financial exposure of the authority to the loss of such income.

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
Net income from Commercial and Service Investments (£m)	1.1	0.8	0.8	0.8	0.9
Proportion of Net Revenue Stream	0.7%	0.4%	0.4%	0.4%	0.4%

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. 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 Settlement Funding Assessment (SFA) when projecting the future Net Revenue Stream beyond 2024/25. However, given the Council has been provided with no indication of future funding beyond the next financial year, it is inevitable that these estimates will change.

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
Financing Costs (£m)	16.6	13.7	18.0	20.8	20.8
Proportion of Net Revenue Stream	10.3%	7.7%	9.4%	10.2%	9.8%

£2.5 million of the increase in financing costs in 2024/25 and future years arises from a change in the accounting for leases and does not represent additional cost to the authority.

As the table indicates, Financing Costs as a proportion of the Net Revenue Stream remains broadly constant at c10% over the medium term.

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 element of the Capital Programme that is funded by borrowing (also referred to as the Main Programme).

INVESTMENT STRATEGY 2024/25

Introduction

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.

The statutory guidance defines investments as '*all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios'*. The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority's definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

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, can 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 broadly fluctuate between £20M and £60M during the 2024/25 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 2024/25 for treasury management investments are covered in a separate document, the Treasury Management Strategy, to be presented to Executive Board on 7th March 2024 for consideration and approval.

Non-Treasury Management investments

The Council may also make loans and investments for service 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 may 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 currently 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 homeowners 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 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 within 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 homeowners 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. 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 2023 Actual			2024/25
	Balance Owing	Loss Allowance	Net Figure in Accounts	Approved Limit
Subsidiaries	-	-	-	2.5
Joint Ventures	1.988	-	1.988	5.0
Local Businesses	0.435	-	0.435	1.0
Local Residents	0.021	-	0.021	0.1
Total	**2.444**	**-**	**2.444**	**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 Council does not hold the knowledge. 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 had a history of stalled development activity and incidents of anti-social behaviour, vandalism and trespass. The SPV has prepared the site for development by third parties which comprises a mix of employment and residential end uses 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 site has been acquired and the SPV will prepare it for future development by third 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 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, and have therefore they have been classified as property, plant and equipment – and not Investment Properties – within the Statement of Accounts.

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; and
- 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 2023	
		Gains or (Losses)	Value in Accounts
Industrial Estates	9.4	4.3	15.3
Business Centres	4.0	0.7	2.7
Sundry Commercial Property	12.9	(4.2)	9.6
Sundry Shops	2.6	(0.2)	2.7
Agricultural Tenancy	2.6	1.5	10.3
Industrial/Commercial Development Sites	10.3	-	3.8
Residential Development Sites	15.7	(0.6)	8.4
Vacant Land	1.2	0.4	1.4
Total	**58.7**	**1.9**	**54.2**

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 is considered alongside the service benefits it will provide or the income it would generate if that were 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.

Excluding those guarantees associated with pension obligations for transferred staff, 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, who 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.

- **Investment Indicators**

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 2023 Actual	31 March 2024 Forecast	31 March 2025 Forecast
Treasury Management Investments	50.8	64.8	20.0
Service Investments: Loans	2.4	2.5	2.5
Service Investments: Shares	0.0	0.0	0.0
Commercial Investments: Property	54.2	56.9	59.8
Total Investments	**107.4**	**124.2**	**82.3**
Commitments to Lend	-	-	-
Guarantees Issued on Loans	-	-	-
Total Exposure	**107.4**	**124.2**	**82.3**

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 2023 Actual	31 March 2024 Forecast	31 March 2025 Forecast
Service Investments: Loans	1.8	1.7	1.6
Service Investments: Shares	0.0	0.0	0.0
Commercial Investments: Property	40.1	39.3	38.2
Total Funded by Borrowing	**41.9**	**41.0**	**39.8**

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)

	31 March 2023 Actual	31 March 2024 Forecast	31 March 2025 Forecast
Commercial Investments: Property	1.5%	4.5%	4.6%

CAPITAL PROGRAMME 2024/2027

Capital expenditure

In 2024/25, the Council is planning capital expenditure of £75.198 million as summarised below:

Table 1: Estimates of Capital Expenditure in £ thousands

	2022/23 Actual £'000	2023/24 Forecast £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000
Health and Adult Social Care	2,758	2,094	3,085	-	-
Children, Young People and Education	3,263	9,052	10,027	-	-
Environment	332	1,196	2,656	1,300	3,700
Public Health and Wellbeing	(17)	321	-	-	-
Growth and Development	7,524	22,457	49,504	53,148	15,500
Digital and Customer Services	892	1,342	4,437	312	75
Finance and Governance	815	86	785	500	500
Portfolio Spending	**15,567**	**36,548**	**70,494**	**55,260**	**19,775**
Corporate ICT	-	-	700	500	500
Vehicles	32	1,613	1,804	-	-
Corporate Property Investment	-	1,417	700	1,000	1,000
Earmarked Schemes*	**32**	**3,030**	**3,204**	**1,500**	**1,500**
Asset Management	-	2,174	1,500	2,500	1,000
Contingent Schemes**	**-**	**2,174**	**1,500**	**2,500**	**1,000**
Total Capital Expenditure	**15,599**	**41,752**	**75,198**	**59,260**	**22,275**

*** 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.

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 or capital receipts) or debt (borrowing, leasing or Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ thousands

	2022/23 Actual £'000	2023/24 Forecast £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000
Government Grants	10,379	23,431	40,641	37,048	-
External Contributions	56	369	-	-	-
Revenue Contribution	2,988	1,770	9,537	100	5,000
Borrowing	2,176	14,765	23,216	22,112	17,275
Leasing	-	1,417	1,804	-	-
Total Capital Financing	**15,599**	**41,752**	**75,198**	**59,260**	**22,275**

Planned asset disposals

The Asset Management Group (see Appendix 1) 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 2024/25 Budget and Medium Term Financial Strategy are based on the following estimates of capital receipts:

	2022/23 Actual £'000	2023/24 Forecast £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000
Disposal of Land and Property	4,418	5,952	3,484	3,894	4,618
Sale of Investments	-	-	-	-	-
Total Capital Receipts	**4,418**	**5,952**	**3,484**	**3,894**	**4,618**

The Council plans to continue to use 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.

	2024/25 £'000	2025/26 £'000	2026/27 £'000	Future Years £'000
1. Estimated Available Resources				
Unsupported Borrowing	23,216	22,112	17,275	1,275
- Department for Education	6,078			
- Department for Transport Grants	4,845			
- Disabled Facilities Grant	3,748			
- Towns Fund Grant	11,000	6,748		
- Levelling Up Fund	8,750	30,300		
- Other Specific Grants	6,220			
Government Grants	**40,641**	**37,048**	**-**	**-**
External Contributions	-			
Revenue Contributions	9,537	100	5,000	
Leasing	1,804			
Capital Receipts				
TOTAL ESTIMATED AVAILABLE RESOURCES	**75,198**	**59,260**	**22,275**	**1,275**
2. Approved schemes				
Adults and Prevention Services				
Disabled Facilities Grant	2,925	-	-	-
Telecare Project	160	-	-	-
	3,085	**-**	**-**	**-**
Children, Young People & Education				
Disabled Facilities Grant	663	-	-	-
St Barnabas & St Pauls	135	-	-	-
Darwen East School Places increase	3,250	-	-	-
Ashleigh Heating and Ventilation	28	-	-	-
Audley Inf & Jnr Replace Windows & Upstands to Lean-to Roof	60	-	-	-
Brookhouse Primary (Nursery) Replace Roof System	75	-	-	-
Longshaw Juniors Replace Fire Alarm System	40	-	-	-
Roe Lee Roofing, Upstandings & Windows	187	-	-	-
Roe Lee Repairs to Service Road, Ext Areas & Auto Gates	97	-	-	-
Shadsworth Juniors Replacement of Boilers	40	-	-	-
Stansfeld Centre Refurbishment	992	-	-	-
Brookhouse School - MUGA Pitch Repairs	11	-	-	-
Education Free School Meals Module	36	-	-	-
Audley Infant Culvert Works	20	-	-	-
Avondale Rebuild Steps	10	-	-	-
Belmont Reslate Roof inc Lead Work to Valleys & Bell Tower	33	-	-	-
Brookhouse Kitchen Upgrade	50	-	-	-
Brookhouse Replace Windows & Doors	10	-	-	-
Daisyfield Replace External Doors	15	-	-	-

	2024/25 £'000	2025/26 £'000	2026/27 £'000	Future Years £'000
Daisyfield SEND Works DDA Compliance	33	-	-	-
Lammack Security Fencing & Electronic Gates	220	-	-	-
Lower Darwen Send Works DDA Compliance	40	-	-	-
Lower Darwen Fire Risk Assessment Works	25	-	-	-
Lower Darwen Perimeter Fencing Repair/Replace	10	-	-	-
Meadowhead Infant Replace External Rubber Flooring	10	-	-	-
Meadowhead Junior Replace Floor Covering to Hall	7	-	-	-
Meadowhead Junior External Path Works	50	-	-	-
Meadowhead Junior Fire Risk Assessment Ceiling Works	20	-	-	-
Shadsworth Juniors Send Works DDA Compliance	57	-	-	-
Newfield School Remodel	2,100	-	-	-
Roe Lee School Fencing	100	-	-	-
QEGS Reconfiguration Layout Expand Provision	138	-	-	-
Witton Academy Reconfiguration & Refurbishment	162	-	-	-
Ashleigh Heating and Windows	18	-	-	-
Audley Infants Toilets	18	-	-	-
Audley Juniors Fencing	20	-	-	-
Avondale Remodel of Toilets Lower KS2	32	-	-	-
Avondale Remodel of Toilets Upper KS2	32	-	-	-
Avondale Rebuild Steps and Wall	25	-	-	-
Daisyfield Primary Main Entrance	150	-	-	-
Daisyfield Primary Fencing	24	-	-	-
Griffin Roofing	200	-	-	-
Griffin Fencing	12	-	-	-
Intack Heating Controls	30	-	-	-
Lammack Remedial Works from Fire Risk Assessment	50	-	-	-
Lammack Car Park Lighting	15	-	-	-
Longshaw Juniors Convert Oil Fired Boilers to Gas	60	-	-	-
Meadowhead Infants Emergency Lighting in Nursery Class	10	-	-	-
Meadowhead Infants Entrance Door, Paving and Footpaths	63	-	-	-
Newfield New Surface Drainage	25	-	-	-
Shadsworth Juniors Windows	82	-	-	-
Shadsworth Juniors New Boiler	180	-	-	-
St Michael With St John CE Primary New Boiler	60	-	-	-
St Thomas CE Fencing	40	-	-	-
St Thomas Centre / PRU Roofing	80	-	-	-
St Thomas Centre / PRU Traffic Management	10	-	-	-
Turton Edgworth Fencing	55	-	-	-
Turton Edgworth Drainage	12	-	-	-
	10,027	**-**	**-**	**-**
Environment				
Land Remediation Scheme	104	-	-	-
Blackburn and Darwen Crematorium Relining	100	-	2,000	-
Weekly Food Waste Collection - Bins and Vehicles	1,340	200	200	200
Procurement of a Software Burial or a Cremation System	77	-	-	-
Refurbishment of Play Areas	300	100	100	
Davyfield Road Depot Safety, Security and CCTV	85	-	-	-
Provision of Memorial Facilities at Pleasington Cemetery	150	-	-	-
Development of Additional Burial Space	500	1,000	1,400	-
	2,656	**1,300**	**3,700**	**200**

	2024/25 £'000	2025/26 £'000	2026/27 £'000	Future Years £'000
Growth and Development				
Bank Top and Griffin	100	-	-	-
Neighbourhood Intervention	500	-	-	-
Equity Loans/PALs Griffin	230	-	-	-
Empty Homes Cluster	350	-	-	-
Other Acquisitions	10	-	-	-
Development Investment and Acquisition Funds	1,075	-	-	-
Development Investment Fund - new funding	500	500	500	1,000
Assistance to Industry	120	-	-	-
Highways Capital Programme	4,689	-	-	-
Bus Service Improvement Fund	1,664	-	-	-
Bury Fold Brook	14	-	-	-
Reel Cinema and Jubilee Square	38	-	-	-
Land Release Fund	834	-	-	-
Maple Grove Blackburn - (Thwaites SPV)	145	-	-	-
Demolition of Shadsworth Leisure Centre	1,500	-	-	-
Greenfields CC and Mill Hill Juniors FC Grants	18	-	-	-
Darwen Towns Fund	16,500	9,498	-	-
St John's Church Refurbishment	2,970	100	-	-
Griffin Lodge/ Coach House	275	-	-	-
Imperial Mill	850	150	-	-
Blackburn Town Centre CP Acquisition and Site Enabling / Highways & Public Realm Works	3,250	5,500	2,000	
Youth Investment Fund	3,642	-	-	-
Levelling Up Projects - Town Centre	3,500	22,000	2,000	
Levelling Up Projects - Junction 5	5,250	13,800	11,000	-
Acquisition of Beehive Mill site	580	-	-	-
North East Blackburn Strategic Housing Site - Masterplan	700	300	-	-
North East Blackburn Strategic Housing Site - Whalley Old Road Junction	200	1,300	-	-
	49,504	**53,148**	**15,500**	**1,000**

	2024/25 £'000	2025/26 £'000	2026/27 £'000	Future Years £'000
Digital and Customer Services				
Corporate ICT - Core Infrastructure Programme	70	-	-	-
Corporate ICT - Legal Services	28	-	-	-
Corporate ICT - Town Hall IT Infrastructure Update	140	-	-	-
Digital Customer Portal	34	-	-	-
Replacement HR and Payroll System	200	-	-	-
Microsoft 365 and Unified Comms	450	-	-	-
Transition to the Cloud	42	42	-	-
Helpdesk for Everything	188	-	-	-
Digital Customer Portal (Phase 2)	390	-	-	-
Core Network Upgrade	390	-	-	-
Intranet/iTrent	20	-	-	-
Digital Flare Replacement	350	-	-	-
New BwD Security Operation and Recovery Capability	95	-	-	-
Replacement Door Access System	25	-	-	-
New Laptop Refresh	1,300	-	-	-
Authentication - Data Processing and Storage	75	75	-	-
PSTN Replacement	90	75	75	75
Cyber Security Monitoring and Audit Logging Tools	180	-	-	-
People's Network: Public IT Access Refresh	250	-	-	-
Council network Rolling Refresh	120	120		
	4,437	**312**	**75**	**75**
Finance and Governance				
Corporate Accommodation Strategy Phase 2	747	500	500	-
Treescapes Fund	16	-	-	-
Coronation Living Heritage Fund	22	-	-	-
	785	**500**	**500**	**-**
TOTAL Approved Schemes	**70,494**	**55,260**	**19,775**	**1,275**
3. Earmarked schemes				
Corporate ICT Investment	700	500	500	-
Corporate Property Investment	700	1,000	1,000	-
Vehicles Earmarked Scheme	1,804	-	-	-
TOTAL Earmarked capital reserves	**3,204**	**1,500**	**1,500**	**-**
4.Contingent schemes				
Asset Management Strategy	1,500	2,500	1,000	-
TOTAL Contingent capital reserves	**1,500**	**2,500**	**1,000**	**-**
TOTAL CAPITAL PROGRAMME	**75,198**	**59,260**	**22,275**	**1,275**

	REPORT OF:	**DIRECTOR OF FINANCE**
	TO:	**FINANCE COUNCIL**
	DATE:	**26th FEBRUARY 2024**

SUBJECT : COUNCIL TAX FOR 2024/25

1. PURPOSE OF THE REPORT

1.1 The Council, in its role as billing authority, is required to set amounts of Council Tax before 11th 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 2024/25, 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 2024/25. 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 2024/25, 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	192.312
Less: Council's share of estimated surplus on the Council Tax Collection Fund	- 1.073
	191.239
Less: General government grant funding	- 99.434
Retained business rates income	- 22.428
Borough Council's Council Tax Requirement	69.377
Council Tax Base:	**37,069.75**
Council Tax at Band D	**£1,871.52**

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 person 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. 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	£213,732.81
Less: Grants paid by Borough Council	£27,336.50
Total Parish Precepts	£186,396.31
Council Tax Base:	**37,069.75**
Average Parish Council Tax at Band D	**£5.03**

In accordance with Section 31B of the Act, the basic amount of Council Tax for the year, including Parish precepts, is £1,876.55 (i.e. £1,871.52 + £5.03).

5.3 Collection Fund

Members will note from the calculation shown in paragraph 5.1 above, that Blackburn's share of the surplus on the Council Tax Collection Fund is £1,073,000. Legislation requires that any such surplus or deficit must be reflected in the Council Tax calculation and, therefore, represents an increase in funds for the year 2024/25.

5.4 Major Precepting Authorities

On 13th February 2024, the Police and Crime Commissioner for Lancashire agreed a council tax increase for the year 2024/25. The amount of precept due from Blackburn with Darwen Council has been set at £9,764,172, after an adjustment of £150,969 in respect of the precepting authority's share of the estimated Collection Fund surplus. This results in a Band D Council Tax of £263.40, an increase of £11.95 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 19th February). The paper produced for the Fire Authority meeting has incorporated a recommended precept of £3,140,915, after an adjustment of £49,397 in respect of the precepting authority's share of the estimated Collection Fund surplus, which results in a Band D Council Tax of £84.73, an increase of £2.46 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	69.377
Lancashire Police Authority Precept	9.764
Lancashire Combined Fire Authority Precept	3.141
Total Council Tax requirement	**82.282**
Council Tax Base:	**37,069.75**
Aggregate Council Tax at Band D	**£2,219.65**

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 2024/25 is £1,876.55 (inclusive of the average precept for Town/Parish Councils);
- the average of the Parishes element (£5.03) is then deducted to give the Council Tax at Band D for those parts of the Borough not having a Parish Council (£1,871.52).
- 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 implications 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	Dean Langton, Strategic Director Finance and Resources (01254 666703)
Contact Officer:	Jenny Bradley, Senior Finance Manager (01254 267681)
Date:	February 2024
Background Papers:	Budget documentation and reports previously issued

Appendix 1

Blackburn with Darwen Borough Council
Draft Council Tax Resolution 2024/25 – Finance Council 26th February 2024

The Council is recommended to resolve as follows:

1. That it be noted that on 5th January 2024, the Strategic Director Finance and Resources (acting under delegated powers from the Council) calculated the Council Tax Base for the year 2024/25 in accordance with regulations made under Section 31A of the Local Government Finance Act 1992, as amended (the Act):

    a) 37,069.75 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 2024/25 in accordance with Sections 31 to 36 of the Act:

a)	£486,872,424	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)	£417,309,028	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)	£69,563,396	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)	£1,876.55	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)	£186,396.31	being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (see Appendix 2).
f)	£1,871.52	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 2024/25 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 2024/25 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 (scheduled for Monday 19th February 2024).

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 2024/25 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	£1,262.95	£1,473.45	£1,683.94	£1,894.43	£2,315.41	£2,736.40	£3,157.38	£3,788.86
Livesey Parish	£1,253.57	£1,462.50	£1,671.43	£1,880.36	£2,298.22	£2,716.08	£3,133.93	£3,760.72
North Turton Parish	£1,266.05	£1,477.06	£1,688.07	£1,899.08	£2,321.10	£2,743.12	£3,165.13	£3,798.16
Pleasington Parish	£1,251.47	£1,460.04	£1,668.62	£1,877.20	£2,294.36	£2,711.51	£3,128.67	£3,754.40
Tockholes Parish	£1,278.49	£1,491.57	£1,704.65	£1,917.73	£2,343.89	£2,770.05	£3,196.22	£3,835.46
Yate and Pickup Bank Parish	£1,262.43	£1,472.84	£1,683.24	£1,893.65	£2,314.46	£2,735.27	£3,156.08	£3,787.30
Darwen Town Council	£1,256.00	£1,465.33	£1,674.67	£1,884.00	£2,302.67	£2,721.33	£3,140.00	£3,768.00
All other parts of the Council's area	£1,247.68	£1,455.63	£1,663.57	£1,871.52	£2,287.41	£2,703.31	£3,119.20	£3,743.04

b) Major Precepting Authorities

Precepting Authority	Valuation Bands A	B	C	D	E	F	G	H
Lancashire Police Authority	£175.60	£204.87	£234.13	£263.40	£321.93	£380.47	£439.00	£526.80
Lancashire Combined Fire Authority	£56.49	£65.90	£75.32	£84.73	£103.56	£122.39	£141.22	£169.46

c) Aggregate Council Tax

Part of the Council's Area	Valuation Bands A	B	C	D	E	F	G	H
Eccleshill Parish	£1,495.04	£1,744.22	£1,993.39	£2,242.56	£2,740.90	£3,239.26	£3,737.60	£4,485.12
Livesey Parish	£1,485.66	£1,733.27	£1,980.88	£2,228.49	£2,723.71	£3,218.94	£3,714.15	£4,456.98
North Turton Parish	£1,498.14	£1,747.83	£1,997.52	£2,247.21	£2,746.59	£3,245.98	£3,745.35	£4,494.42
Pleasington Parish	£1,483.56	£1,730.81	£1,978.07	£2,225.33	£2,719.85	£3,214.37	£3,708.89	£4,450.66
Tockholes Parish	£1,510.58	£1,762.34	£2,014.10	£2,265.86	£2,769.38	£3,272.91	£3,776.44	£4,531.72
Yate and Pickup Bank Parish	£1,494.52	£1,743.61	£1,992.69	£2,241.78	£2,739.95	£3,238.13	£3,736.30	£4,483.56
Darwen Town Council	£1,488.09	£1,736.10	£1,984.12	£2,232.13	£2,728.16	£3,224.19	£3,720.22	£4,464.26
All other parts of the Council's area	£1,479.77	£1,726.40	£1,973.02	£2,219.65	£2,712.90	£3,206.17	£3,699.42	£4,439.30

Appendix 2

Town and Parish Council Precepts

	2023/24				**2024/25**				
Parish / Town Council	Tax Base	Precepts £	Grant £	Council Tax Band D £	Tax Base	Precepts £	Grant £	Council Tax Band D £	**Council Tax Increase / (Reduction)** Council Tax Band D 2024/25 less 2023/24 **£**
Eccleshill Parish	92.44	2,429.00	413.50	26.28	112.89	2,586.50	413.50	22.91	(3.37)
Livesey Parish	2,335.57	19,665.00	1,371.00	8.42	2,567.59	22,697.00	1,371.00	8.84	0.42
North Turton Parish	1,778.74	32,159.00	1,241.00	18.08	1,772.68	48,859.00	1,241.00	27.56	9.48
Pleasington Parish	259.25	1,450.00	0.00	5.59	255.06	1,450.00	0.00	5.68	(0.09)
Tockholes Parish	207.90	9,010.96	146.00	43.34	204.93	9,468.81	146.00	46.21	2.87
Yate and Pickup Bank Parish	145.82	3,227.00	260.00	22.13	146.41	3,240.00	260.00	22.13	0.00
Darwen Town Council	7,722.97	98,095.00	23,905.00	12.70	7,858.13	98,095.00	23,905.00	12.48	(0.22)
TOTAL / AVERAGE	**12,542.69**	**164,384.02**	**27,336.50**	**4.57**	**12,917.69**	**186,396.31**	**27,336.50**	**5.03**	**0.46**