



REPORT OF: Executive Member for Finance and Governance

LEAD OFFICER: Director of Finance

DATE: 13th January 2022

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Development of the General Fund Revenue Budget 2022/23 (including details of the provisional Local Government Finance Settlement 2022/23)

1. PURPOSE

- 1.1 The purpose of this report is to provide an update on the development of the Council's budget for 2022/23. In particular, an update is provided on the outcome of the provisional Local Government Finance Settlement and what this means for the Council's Medium Term Financial Plan.

2. RECOMMENDATIONS

- 2.1 It is recommended that Executive Board:-
- a) note the outcome of the provisional Local Government Finance Settlement for 2022/23 as set out in the report;
 - b) note the response to the provisional Local Government Finance Settlement for 2022/23 as set out at **Appendix A**;
 - c) note that further work is required to determine the estimate of Business Rates Retained for 2022/23 which will reflect the Council's local knowledge/circumstances and that this work has begun following the release of guidance from Government on this matter;
 - d) acknowledge that the estimates of Council Tax income presented in the report are subject to decision by Finance Council on 28th February 2022 and are, therefore, indicative at this stage;
 - e) note the updated Medium Term Financial Plan 2022/25 and this will be further updated once decisions on the Council's budget are taken at Finance Council on 28th February 2022.

3. BACKGROUND

- 3.1 Annually, the Government provides local authorities with an indication of how much funding it will provide towards the cost of delivering services. Combined with notional assessment of business rates amounts and referendum limits for Council, this is referred to as the provisional Local Government Finance Settlement.

- 3.2 This report sets out details of the provisional Local Government Finance Settlement for 2022/23 which was released on 16th December and includes the Council's response to the consultation on this matter. The report also describes what it may mean for the Council's medium term financial position although, as it is a one-year only settlement, there remains significant uncertainty about the future funding of the Council.
- 3.3 The final Local Government Finance Settlement is not expected until early February 2022. In the meantime, work on the development of the Council's budget will continue and ultimately it is a matter for Finance Council on 28th February 2022 to determine both the budget (revenue and capital) and Council Tax for the next financial year.

4. RATIONALE

- 4.1 The development of the budget is a key element of the Council's financial governance processes. Now that the Government has provisionally provided details of the Council's funding for 2022/23, the Council will need to determine its budget for the year.
- 4.2 As the Executive Board may be aware, as part of a new approach to an assessment of the Council's Value for Money arrangements, the Council's External Auditors will assess what arrangements the Council has in place to deliver a balanced budget including the adequacy of savings schemes. It is important that the Council has developed a robust and deliverable set of options for achieving a balanced and sustainable budget. This will also avoid any adverse commentary in the Auditor's report on Value for Money.

5. KEY ISSUES

Provisional Local Government Finance Settlement

- 5.1 Details of the provisional Local Government Finance Settlement for 2022/23 were announced on 16th December 2021. Releasing the provisional Settlement signals the opening of a period of consultation by the Government on the details of the Settlement for which the deadline for responses is 13th January 2021. Thereafter, the Government normally publishes the final Settlement towards the end of January/early February.
- 5.2 Contrary to what was intimated in the Comprehensive Spending Review 2021, the provisional Settlement represents the Government's view of the Council's funding position for 2022/23 only, with no information provided for subsequent years. In particular, the provisional Settlement provides the Government's assessment of the Council's Core Spending Power comprising funding such as Business Rates retained, Revenue Support Grant, Council Tax and other grants payable to the Council (examples include the Social Care Grant and the Improved Better Care Fund).
- 5.3 For both the Revenue Support Grant and other grants payable to the Council, the amounts given in the provisional Settlement reflect the actual grants that will be paid to the Council. The amount of Business Rates Retained and Council Tax reflect the Government's assessment of what the Council might raise; in both cases, the actual amounts will be subject to determination by the Council according to local assessment and/or decision making (both of which will be influenced by local factors).
- 5.4 A response to the consultation on the Provisional Settlement has been submitted to the Government as required and is provided at **Appendix A** to this report.

Change in Core Spending Power

- 5.5 Core Spending Power (CSP) is a measure used by the Government to set out the resources available to a Council to fund service delivery. It combines actual cash grants payable to Councils with estimates of Business Rates and Council Tax receipts that a local authority might receive based on Government assumptions. CSP is used by the Government to make comparisons of the resources available to different Councils. For the reasons set out below, it is not necessarily the actual funding a Council will receive to fund service delivery.
- 5.6 On the basis of the provisional Settlement, the Council's CSP for 2022/23 will increase by 8.1% when compared to CSP in 2021/22 and including an assumption by Government that Council's will increase their Council by the maximum allowable under the Council Tax Referendum Principles. This is In comparison to the average CSP for all Councils in England of 6.9% (meaning the Council has the 47th highest increase in CSP out of 364 Local Authorities (including Fire Authorities)).

Provisional Settlement compared to Medium Term Financial Plan

- 5.7 The year-on-year change in the CSP provides one measure of the change in the Council's funding position. Of more importance is how the provisional Settlement compares to what the Council has been assuming in its Medium Term Financial Plan.
- 5.8 Table 1 below provides a summary of the Council's funding position as set in the provisional Settlement compared to the position included in the Council's developing Medium Term Financial Plan for 2022/25. The table shows the calculation of the Baseline Funding Assessment, the Settlement Funding Assessment and the Core Spending Power for the Council:-

Table 1: Provisional Settlement 2022/23 (compared to MTFP as at March 2021)

	MTFP *2 2022/23 £000	Provisional Settlement 2022/23 £000	Variance £000	Variance %
Business Rates Retained (IABR*1)	20,494	20,291	(203)	(1.0%)
Business Rates Top Up	24,518	24,275	(243)	(1.0%)
Baseline Funding Assessment	45,012	44,566	(446)	(1.0%)
Revenue Support Grant	13,597	14,016	+419	3.1%
Settlement Funding Assessment	58,609	58,582	(27)	0.0%
Under-indexing Business Rates	2,400	3,662	+1,262	52.6%
Improved Better Care Fund	8,103	8,349	+246	3.0%
Social Care Grant	6,551	8,813	+2,262	34.5%
Market Sustainability and Fair Funding	0	516	+516	100.0%
New Homes Bonus	185	1,006	+821	443.7%
Lower Tier Services Grant	0	334	+334	100.0%
Services Grant	0	3,072	+3,072	100.0%
Council Tax (excl Parish Precepts)	59,632	59,770	+138	0.2%
Core Spending Power	135,480	144,104	+8,624	6.4%

*1 – Individual Authority Business Rates Assessment

*2 – As per Medium Term Financial Plan reported to Finance Council in March 2021 but with updated assumption on Social Care Grant and Adult Social Care Precept following announcement on Social Care Reforms in September 2021.

- 5.9 As the table indicates, subject to further work on Business Rates Retained, the Council's decisions on the level of Council Tax for 2022/23 and confirmation of the final Settlement, the funding position set out in the Provisional Settlement is £8.624m than was forecasted. More details of the provisional Settlement are provided below:-

Business Rates Retained

- 5.10 At this stage, the estimate of Business Rates Retained is the Government's assessment of the Council's 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 their knowledge of the Business Rates taxbase, exemptions and reliefs.
- 5.11 Work on the Council's own assessment of the estimate of Business Rates Retained will begin in the next fortnight subject to the Government releasing the necessary guidance on this matter. This will be based on the Council's knowledge of the expected growth/decline in the taxbase, exemptions, reliefs and provision for bad debts and appeals. Ordinarily, this work will conclude during late January 2021. ***The Business Rates Retained estimate for 2022/23 may therefore change.***
- 5.12 For information, for the current financial year, the Council's own assessment of Business Rates Retained was £20.545m compared to the Government's assessment of £20.291m. This means we expect to retain £254k more than assumed by the Government.

Business Rates Top Up

- 5.13 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). ***The Business Rates Top-Up is cash amount and is unlikely to change between the provisional and final Settlement.***

Revenue Support Grant

- 5.14 Revenue Support Grant is a general cash grant payable to the Council. ***This is unlikely to change between provisional and final settlement.***

Other Grants

- 5.15 As indicated in the table, the Government includes a number of other cash grants payable to the Council in the calculation of the Core Spending Power.
- ***Under-Indexing of Business Rates*** – this is a cash grant payable to the Council to reflect the Government's decision previously to not increase the national business rates multiplier by inflation (as is normally required by Business Rate legislation). The policy intention was 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. ***For the purposes of the provisional/final Settlement, this amount is unlikely to change but the actual grant payable to the Council will be based on the performance of business rates during the year;***

- **Funding for Social Care** – these are cash grants payable to the Council for investment in Adult and Children’s Social Care, either directly by the Council or as part of a pooling arrangement with the NHS. **They are unlikely to change between the provisional and final Settlement.** As the Executive Board will be aware, the grants have come in different forms over recent year, as Table 2 below illustrates:-

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

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Adult Social Care	768	478	-	-	-	-
Improved Better Care Fund	4,307	5,901	7,339	8,104	8,104	8,349
Social Care Grant	-	-	-	4,925	6,551	8,813
Social Care Support Grant	-	-	1,306	-	-	-
Winter Pressures Grants	-	764	764	-	-	-
Market Sust/Fair Funding	-	-	-	-	-	516
Total	5,075	7,143	9,409	13,029	14,655	17,678

- Table 2 above includes an additional £2.262m for Social Care and a new Market Sustainability and Fair Funding Grant with the Council’s share being £516k. It is assumed that this is a one-off grant and according to Government guidance, it is intended to be used to:-
 - conduct a cost of care exercise to determine the sustainable rates and identify how close they are to it;
 - engage with local providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market;
 - strengthen capacity to plan for, and execute, greater market oversight (as a result of increased section 18(3) commissioning) and improved market management to ensure markets are well positioned to deliver on our reform ambitions; and
 - use this additional funding to genuinely increase fee rates, as appropriate to local circumstances.

New Homes Bonus

- 5.16 The New Homes Bonus (NHB) is now in its tenth year as part of the Local Government Finance system. The original policy intention of NHB was to provide a financial incentive to local authorities to encourage the building of new homes and/or bringing empty homes back into use.
- 5.17 Despite consulting on proposals earlier this year to amend the NHB Scheme, the Government has decided to roll-forward the present scheme for a further financial year. As a consequence, rather than just providing for legacy amounts from previous years (£185k), the Government has provided NHB to reflect new housing and empty houses brought into use in the period to October 2021. This amounts to £820k giving an overall NHB payment of £1.005m for 2022/23.
- 5.18 It has been assumed that there will be no further NHB payments after 2022/23.

Lower Tier Services Grant

- 5.19 This grant was first paid in the current financial year and was, when announced, badged as one-year only. Contrary to their initial view, the Government has chosen to pay Lower Tier Services grant again in 2022/23 and the Council will receive £334k.

Services Grant

- 5.20 The Services Grant is a new grant for 2022/23. The Council will receive £3.072m (out of a total £822m) with the distribution of the grant based on the Council's Settlement Funding Assessment from 2013/14 (the last time the Council's funding was based on an assessment of its relative needs).
- 5.21 The Government has indicated that the grant is one-off and is not ringfenced. However, in doing so, it has set out a clear intention to retain the £822m allocated nationally for Local Government spending from 2023/24 and to work with the Sector on how best to use the funding from then onwards. For the purposes of the MTFP, it is assumed the Council will retain its share of this grant funding at 2022/23 levels.

Council Tax

- 5.22 The Government has assumed that the Council will raise £59.770m in Council Tax in 2022/23 as part of their assessment of the Core Spending Power. This is based on the following assumptions:-
- applying the average annual growth in the Council Tax Base between 2017/18 and 2021/22 to project growth in the tax base for 2022/23; and
 - that the Council will increase its Council Tax in line with the maximum allowable level set out by the Council Tax Referendum Principles for 2022/23. That is 1.99% for general Council Tax and 1% for the Adult Social Care Precept.
- 5.23 At this stage, the estimate of Council Tax receipts assumed in the Medium Term Financial Plan (version 3) is based on the following assumptions:-
- an increase in the Council Taxbase of c0.5% for 2022/23 (although this is subject to change once the final Taxbase has been agreed);
 - an increase in the general Council Tax of 1.99% and an increase in the Social Care Precept of 2% (comprising 1% not implemented in 2021/22 and 1% for 2022/23). Both of these reflect the maximum allowable levels set out by the Council Tax Referendum Principles for 2022/23.
- 5.24 Whilst the Executive Board should note the assumptions in the MTFP at stage, the decision to increase Council Tax is ultimately a matter for Council to take. ***It is, therefore, possible that the Council Tax yield assumed may change subject to the outcome of that decision.***

Update Medium Term Financial Plan 2022/25

- 5.25 The Provisional Settlement is one of the key building blocks of the Council's Medium Term Financial Plan (MTFP) 2022/25. Given the release of the Settlement, an opportunity has been taken to update the MTFP. The MTFP has been developed using a range of assumptions, not least those necessary to estimate the amount of funding available to the Council. In the light of the provisional Settlement, it is now possible to update the MTFP with the Council's funding allocations (accepting that both Business Rates Retained and Council Tax amounts are subject to change for the reasons set out above). A summary of the updated MTFP is provided in the Table 3 below:-

Table 3: Medium Term Financial Plan 2022/25 (as at December 2021)

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Portfolio Budgets	122,728	124,278	124,424	124,507
Other Corporate I & E	12,157	20,456	27,364	34,543
Net Revenue Expenditure	134,885	144,734	151,788	159,050
Less Core Funding	(81,543)	(84,732)	(84,974)	(85,881)
Less Council Tax	(49,324)	(58,906)	(61,553)	(64,071)
Shortfall before Reserves	4,018	1,097	5,261	9,098
Change in Specific Reserves	(4,463)	80	(920)	(920)
Change in GF Balance	445	-	-	-
Funding 'Gap'	-	1,177	4,341	8,178
In Year Funding 'Gap'	-	1,177	3,165	3,837

5.26 As the table indicates, the forecast funding gap for the period to 2024/25 is now estimated to be £8.2m. For clarity, it should be noted that the MTFP as set out above has the following items of growth included:-

- £165k to deal with the spread of Ash Dieback across the Borough. This comprises £45k to employ an additional Arboriculture Officer and £120k annual maintenance budget to deal with the disease. This is not a matter unique to Blackburn with Darwen and as a land owner that has Ash Trees in situ, the Council has a responsibility to take action in line with Government guidance;
- Budget provision of £300k to support the delivery of the Climate Change Emergency Action Plan which was the subject of a report to the last meeting of the Executive Board;
- inclusion of £1.0m additional budget provision for Special Guardianship Orders reflecting the Council's actual expenditure in this area. A forecast of the likely cost of SGOs has been undertaken in support of this additional provision although further work is required to understand the relationship between the SGO provision and other methods of permanence. To fund this, £1.0m of the additional Social Care Grant received in 2022/23 has been used.

5.27 The Executive Board is asked to note these matters.

Other Budget Changes/Policy Decisions

5.28 A review of the robustness of the Council's Base Budget has been ongoing. This is with a view to ensuring that any underlying and, arguably, unavoidable budget pressures are reflected properly in the budget. Likewise, it is being used to identify any compensating areas of budget surplus. At the same time, a range of policy matters are arising which equally need consideration. At this stage, further work is required to determine whether any of these matters should feature in the Council's budget.

5.29 It should be noted that this includes Covid-related pressures including, for example, the impact on income streams such as car parking, leisure and home-to-school transport income. Notably, there is current mention of additional Covid-19 support in the provisional Settlement for 2022/23 and it must therefore be assumed that any such costs are to be contained within the Council's own resources.

Next Steps

- 5.30 As indicated above, this report provides an update on the Provisional Local Government Finance Settlement and the Council's Medium Term Financial Plan. Now that the details of the Settlement, further work will be undertaken on the development of the budget. Subject to confirmation of the final Local Government Finance Settlement, ultimately, it is for the Finance Council on 28th February 2022 to agree the Council's budget for the next financial year.

6. POLICY IMPLICATIONS

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

7. FINANCIAL IMPLICATIONS

- 7.1 The financial implications are as given in the 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 – Response to the provisional Local Government Finance Settlement 2022/23

VERSION:	1
CONTACT OFFICER:	Dean Langton – Director of Finance
DATE:	17 th December 2021
BACKGROUND PAPERS:	None

Date:
Our Ref:
Ask for: Dean Langton
Direct Line:
E-Mail: dean.langton@blackburn.gov.uk

Local Government Finance Settlement Team
MHCLG
2nd Floor, Fry Building
2 Marsham Street
London

Sent via e-mail

Dear Sir,

**Provisional Local Government Finance Settlement 2022/23
Response to Consultation**

I am writing on behalf of Blackburn with Darwen Council in response to your consultation on the Local Government Finance Settlement for 2022/23. Responses to the specific consultation questions are provided at the end of this letter. In the meantime, I would like to make the following comments and suggestions.

I acknowledge these continue to be extraordinary times for all public services. Nevertheless, I am disappointed that details of the Provisional Settlement were only released on 17th December 2020. This is despite the recommendation of the Hudson Review (into Local Government Finance: Review of Governance and Processes) which stated that the provisional settlement should be announced around 5th December each year. As you will appreciate, delays in issuing the provisional settlement have a consequential impact on the development of our budget at a time when, after years of austerity, there is a need to consider carefully and in detail decisions which could have a significant impact on the delivery of critical services.

Returning to the provisional Settlement, we are grateful that the Government has recognised the funding needs of local authorities, particularly with the distribution of the new Services Grant. We have long held the view that funding allocations based on the relative needs of local authorities are crucial to ensuring that funding from Government is distributed to those local authorities like Blackburn with Darwen that need it the most. Indeed, it is my view that this needs to be a central tenet of the Government's Levelling Up policy.

On the other matters related to the Provisional Settlement, we have the following comments:-

- *Review of the Funding Regime and Multi-Year Settlements*

Whilst acknowledging the circumstances in which the decision was taken, a further single-year settlement for 2022/23 (following on from the single year settlement for the last three years) provides no basis on which the Council can plan effectively for the medium term, particularly given the significant reduction in resources after more than a decade of austerity.

With the announcement of the Comprehensive Spending Review earlier this year, it is my view that this presented the best opportunity to provide Local Authorities with a multi-year Settlement which would allow them to plan with certainty. It is disappointing that the Department has not taken this opportunity to provide stability in funding for Local Government.

Combined with a delayed consultation on the Fair Funding Review, if indeed that is to happen, changes to the Business Rates Retention System and the proposed reform of the New Homes Bonus Scheme, for which we have yet see the outcome of the consultation conducted earlier this year, I remain concerned that these changes will create significant turbulence and uncertainty in the funding system for local government. Each of these changes alone is potentially significant but taken together, with limited useful information on which to model future funding scenarios and the continuing pressures and uncertainty of the Covid-19 Pandemic, the ability of local authorities like Blackburn with Darwen to forecast funding levels with any accuracy from 2023/24 is incredibly difficult, if not impossible.

I believe the Fair Funding Review is necessary to bring up to date the relative needs and resources of local councils (given that it was last considered in 2013/14). I am pleased the Government has restated its commitment to ensuring that the funding allocations for Councils are based on an up-to-date assessment of their needs and resources. As that is the case, ***we would urge the Government to consider deferring the implementation of any changes in Business Rates Retention allowing the impact of any changes in funding from the updated needs/resources assessment to be bedded in.***

In the event the Government presses ahead with these reviews, we ask that the Government considers the impact carefully on each individual local authority. In particular, if delaying the implementation of one or other of the reviews is not possible, we ask that you consider including transitional arrangements such as 'floors' and 'ceilings' (as it has done with the Lower Tier Services Grant) to manage the changes in funding from one year to the next so that no individual authority suffers a disproportionate loss of funding.

- *Funding based on Needs*

We acknowledge the Government's intention to review the funding regime for local government, although note that this will not now take place until 2022 with a likely implementation from April 2023. We have previously commented that the move away from a funding regime based on the relative needs of Councils puts authorities such as Blackburn with Darwen, which has cost pressures arising from areas of high deprivation in parts of our urban areas combined with some degree of sparsity across the rest of the Borough, at a significant disadvantage in comparison to other more affluent areas.

As we have previously set out, despite our best efforts, it has not been possible for Blackburn with Darwen Council to generate sufficient resources locally to counter the cumulative loss of Revenue Support Grant. This is because some of the economic and social issues in Blackburn with Darwen – a difficult housing market, lack of inward investment due to limited connectivity, low skills levels and significant levels of worklessness – are deep seated and, as demonstrated in previous years with programmes such as Housing Market Renewal, Neighbourhood Renewal, require significant funding from Central Government to deliver the necessary step change. That funding has not been made available by Government because the policies employed, as with the New Homes Bonus Scheme, redirect such funding away from Councils like ours.

At the heart of this issue is the absolute disconnect between the Council's Taxbases and any funding received direct from Government in the form of Revenue Support Grant. Previously, Councils with a low taxbase due to the nature of their housing stock, received a higher share of Revenue Support Grant funding to compensate this inability to raise tax locally (a policy known as 'equalisation'). Since 2013/14, that method of equalisation is less prominent in the Funding Settlement and, given the Government's control on Council Tax increases through the Referendum Principles, any ability of the Council to raise Council Tax to compensate for the loss of Revenue Support Grant has been inhibited.

To that end, I urge the Government to consider whether, for those Councils that have long-standing economic and social issues that constrain their ability to be self-financing, the needs-based assessment of funding allocations should adequately reflect these matters to ensure that a basic level of service provision is possible. Given Blackburn with Darwen has a number of areas of high deprivation, this is an issue which needs to be properly factored into any formulaic approach to future funding allocations and the link between a low taxbase and the calculation of Revenue Support Grant needs to be restored.

At the same time, Government needs to provide adequate resources for investment in infrastructure in places like Blackburn with Darwen to make up for the underlying lack of investment experienced over many years that has led to the inability of the local economy to grow and compete with other places. We acknowledge investments such as the Darwen Town Deal and the Community Renewal Fund, we note our Priority 1 designation for the Levelling Up Fund and, as with the UK Shared Prosperity Fund, we are developing our capacity to bid for these funds to ensure we can receive our fair share of investment. Equally, we are also actively involved in the development of a County Deal for Lancashire which I hope will lead to the devolution of powers and resources that will transform the economy of Lancashire as it has done in other places.

However, I would urge the Government to move away from the 'hand to mouth' policy of grant funding allocations which, in my view, is too dependent on a competitive bid-based approach for a range of relatively small pots of funding. This fragmentation of the grant funding landscape combined with the high costs of, often, unsuccessful bidding is far from efficient. Given our extensive track record of delivery, the Government should trust Local Government with multi-year funding packages for capital investment covering a range of housing, infrastructure and transport matters.

- *Funding for Social Care*

I welcome the additional funding for Social Care. For Adult Social Care, I hope this is the beginning of a process that will properly fund the social care system described in the recently published White Paper. It is widely acknowledged that to deliver that system, the Government will need to provide substantially more funding than that announced to date. I am all too aware of the need to expand preventative and early help activities as a key part of demand management and this will need substantial investment if the Adult Social Care system is to cope.

On Children's Social Care, I am aware of the MacAlister Review and also the Competition and Market Authority's investigation into children's social care provision. In my view, these two reviews are vital to understanding how best to deliver Children's Social Care and, from the Government's perspective, what funding will be necessary to provide to Local Authorities to ensure they can do so effectively.

- **Public Health Grant**

Once again, it is disappointing that details of the Public Health Grant allocations (for 2022/23) have not been released as part of the provisional Settlement. As we have indicated above, late announcements of grant allocations inhibit our ability to plan the delivery of services particularly at a time when Public Health services are vital to combating the impact of Covid-19.

I do hope that the delay in the announcement of the grant allocations is to allow the Government to ensure that funding properly reflects the funding needs of places like Blackburn with Darwen where, even before the impact of Covid-19, the extent of structural health inequalities has been long standing and significant. The Pandemic has served to exacerbate these inequalities that, combined with the professionalism and dedication of our well-respected public health system, only a sustained real terms increase in funding will help to resolve.

- ***New Homes Bonus***

I appreciate the Government's decision to roll-forward the present New Homes Bonus Scheme for a further year despite indications previously that this would not be the case. However, given the intrinsic unfairness of the New Homes Bonus Scheme, which does nothing other than redistribute what was Revenue Support Grant funding in an inequitable way, notably to the South East, our preference would have been to see the Scheme abolished and the funding distributed to Councils on the basis of their Settlement Funding (even using the current figures from 2013/14).

- ***Council Tax***

I maintain the view that Councils should have the flexibility to increase Council Tax, taking account of local circumstances, without the need for a referendum. Equally, if self-funding is the Government's intended model for Local Government there should also be greater flexibility for Councils to vary council tax discounts for example. In particular, we can see no reason why Councils do not currently have the freedom to vary the level of discounts according to local circumstances should they wish to do so.

At the same time, of all Unitary Councils, Blackburn with Darwen has one of the highest number of properties in Band A. These make up almost 60% of properties in Blackburn with Darwen and, as a consequence, the Council has a low taxbase relative to other similar Councils. This means that historically, the Council has had to increase its Council Tax by more than the average in order to maintain its tax yield and overall resource level. The corollary to this is that Council Tax is now becoming increasingly unaffordable for many residents, not only those for those in Band A properties but particularly those who live in larger properties who are on middle incomes. We urge the Government to consider a review of Council Tax at the earliest opportunity to create a more progressive tax system and, if possible, as part of the Fair Funding Review to make it more equitable across the Country.

And whilst it goes without saying, increasing Council Tax bills places a significant burden on households, some of whom are suffering the impact of Covid-19 on their livelihoods. This, at a time, when the Government has chosen to withdraw the additional £20 per week payment under Universal Credit and raise National Insurance (although we acknowledge this is necessary to fund Social Care Reforms).

- *Funding for Covid-19*

We are disappointed that the Settlement does not include any specific additional funding for Covid-19. This is despite the continuing impact of the Pandemic on our residents, the business community and, indeed, Council-run services.

It is not clear at this stage how long the Pandemic will continue to impact in 2022 (or even beyond that). Whilst we are hopeful that the vaccine(s) and booster programme will provide protection against the worst effects of the disease, the emergence of new variants such as the recent Omicron variant, appears likely to mean that Covid-19 will continue to impact on local authorities.

It is disheartening that the Government has remained silent in the provisional Settlement on the impact of Covid-19; at the very least, the Government should continue to provide Contain Outbreak Management Funding (COMF) for 2022/23 so that places like Blackburn with Darwen can continue to combat the worst effects of the Pandemic. At the most, a full package of economic and financial support should be made available to support residents, businesses and the Council to deal with the impact of the Pandemic.

Finally, our responses to the specific questions set out in the consultation paper follow below and we trust that you will take these and the comments made above into consideration prior to confirming the final settlement for 2022/23.

Yours sincerely

Cllr Vicky McGurk
Executive Member for Finance and Governance
Blackburn with Darwen Council

Responses to Consultation on the Provisional Local Government Finance Settlement

Question 1: Do you agree with the Government's proposed methodology for the distribution of Revenue Support Grant in 2022/23 including the rolling in of two New Burdens grants?

Yes, in part. We acknowledge the uprating of the Revenue Support Grant for 2021-22.

We reiterate our concerns regarding the extent to which relative needs and resources are assessed and taken into account when distributing central resources for local government. Hence, we would argue that the current methodology remains sub-optimal, not least because it is based on out-of-date data.

We acknowledge that the Government is committed to reviewing the assessment of needs and resources for local authorities but believe the Government should commit to the Fair Funding Review as originally proposed. That aside, I am deeply disappointed that the implementation of this assessment will be delayed again until at least April 2023 when there is opportunity to deal with it now. Nevertheless, we will be responding to the consultation on this matter in due course given the Government's commitment to engage with the Sector because the present method of allocating Revenue Support Grant is based on outdated information associated with both the relative needs and resources of local authorities which, in our view, is depriving our local area of the resources required to sustain local services.

I remain aggrieved at the Government's response to those Councils that, as a consequence of the formulaic approach to the allocation of Revenue Support Grant, will 'suffer' negative RSG again in 2022/23 (and indeed in previous years). In our view, it is contrary to both the calculation methodology and, in relation to the current year's allocation, the acceptance of the 4-year settlement that the Government has chosen to find funding to compensate these Councils, most of which have:-

- not suffered the extent of reduction in Revenue Support Grant as Blackburn with Darwen yet are being reimbursed funding;
- by virtue of their taxable capacity, have been largely protected from funding reductions;
- received more New Homes Bonus than Blackburn with Darwen given they have functional housing markets and because the Scheme as it presently operates redistributes funding in way that favours areas of housing growth that, without New Homes Bonus funding would arguably experience housing growth in any event. .

Fundamentally, it is unfair.

Question 2: Do you agree with the proposed package of council tax referendum principles for 2022/23?

No, we fundamentally disagree with the proposal for a separate Council Tax referendum principle for all Councils. And it is incongruous that the Government is seeking to set referendum limits for Council Tax increases by local authorities yet continuing to allow the Mayoral Combined Authorities to precept without limit.

We maintain our view that Councils should have the flexibility to increase Council Tax, taking account of local circumstances, without the need for a referendum.

Equally, if self-funding of local government is the Government's intended model there should also be greater flexibility for Councils to vary council tax discounts for example. In particular, we can see no reason why Councils do not have the freedom to vary the level of discounts according to local circumstances should they consider it necessary.

At the same time, of all Unitary Councils, Blackburn with Darwen has one of the highest numbers of properties in Band A. These make up almost 60% of properties in Blackburn with Darwen and, as a consequence, the Council has a low taxbase relative to other similar Councils. This means that historically, the Council has had to increase its Council Tax by more than the average in order to maintain its tax yield and overall resource level. The corollary to this is that Council Tax is now becoming increasingly unaffordable for many residents, not only those for those in Band A properties but particularly those who live in larger properties who are on middle incomes. We urge the Government to consider a review of Council Tax at the earliest opportunity to create a more progressive tax system and, if possible, as part of the Fair Funding Review to make it more equitable across the Country.

We agree that there should not be referendum limits for Council Tax for either Mayoral Combined Authorities or Town and Parish Councils on the basis of our view that referendum principles should not apply to any local authority either. Decisions on Council Tax should be a matter for local politicians to determine.

And, as with the Government's proposals for the Adult Social Care Precept, we agree with the proposal to allow Councils that did not fully use the precepting powers in 2021/22 to carry them forward for use in 2022/23. However, I am of the view that using Council Tax as a means of bridging the funding gap for Adult Social Care is

Question 3: Do you agree with the Government's proposals for the Social Care Grant in 2022/23?

Yes, we welcome the increase in funding for Social Care, particularly at a time when the demands on both Adult and Children's Social Care are increasing.

However, whilst this additional funding is welcome, we are concerned that it will not be sufficient for the Council to invest in the development of preventative and/or early help services that are necessary to take the pressure of acute services. Equally, there are growing concerns about the fragility of the care market and the social care workforce which will inevitably create pressures on Council's social care services.

The eventual publication of the White Paper on Adult Social Care recently set out ambitious plans to deal with these and other issues. Whilst we acknowledge some funding has been made available to start preparing for the implementation of Social Care reforms in the form of the Market Sustainability and Fair Cost of Care Fund, intuitively, it is my view that more funding will be required to ensure they are implemented fully. Of course, this will only be known once we have full details of the changes, how they will be implemented and what they might mean for a place like Blackburn with Darwen. Equally, an early understanding of the full funding allocations and how they have been derived, so that we can compare them to our costs estimates, would be appreciated.

Likewise, I acknowledge that the MacAlister Review of Children's Services is in its early stages, However, it is inevitable that more funding will be required to support these essential services, particularly focused on early years and prevention and I hope the Government is prepared to make the necessary investment.

Question 4: Do you agree with the Government's proposals for iBCF in 2022/23?

Yes, I welcome the Government's intention to uplift the iBCF by inflation. I am, however, unclear why basis of the uplift used for the iBCF (CPI inflation from Oct 2020 to Oct 2021) is different to the basis of the uplift for Revenue Support Grant above.

Question 5: Do you agree with the Government's proposals for distributing the Market Sustainability and Fair Cost of Care Fund in 2022/23?

Yes, I believe the Adult Social Care RNF is a reasonable basis for the allocation of the grant although at this stage, despite the additional guidance provided by the DHSC, I am unclear whether it is sufficient funding to meet the cost of complying with the funding conditions.

Question 6: Do you agree with the Government's proposals for a one-off 2022/23 Services Grant distributed using 2013/14 shares of the Settlement Funding Assessment?

Yes, I welcome this additional funding and, subject to my comments above on the age of the data being used, agree with the way in which it has been distributed.

I also welcome the statement that the funding will be retained for Local Government but remain concerned that the distribution of the grant may change. Again, this provides unnecessary uncertainty when there are enough variables in the future funding of local authorities.

Question 7: Do you agree with the Government's proposals for New Homes Bonus in 2022/23?

No, it is my view that the funding for the New Homes Bonus should be added back to the Revenue Support Grant.

I am disappointed that the Government has yet not reformed the New Homes Bonus scheme as set out at last year's Financial Settlement for Local Government. The Scheme in its present form does nothing to incentivise the delivery of new housing or bringing empty properties back into use and is in need of reform.

I am not in favour of the top-slicing of RSG and allocating it via New Homes Bonus. We feel that the distribution of resources in this ways leads to more resources going to those Councils that already have greater spending power/resource capacity whereas the allocation of RSG does at least in some way have regard to the relative needs of councils. In our view, this compounds the unfair allocation of funding.

I am also not in favour of the 0.4% threshold for new housing/empty homes brought back into use, below which no New Homes Bonus is paid. This directly discriminates against areas of low housing growth for no apparent reason other than to distribute funding to places that are experiencing growth for reasons outside the scope of New Homes Bonus.

The Government implemented reforms to the New Homes Bonus regime two years ago as it felt that although the Bonus was successful in encouraging authorities to welcome housing growth, it did not reward those authorities who were the most open to growth. For some authorities it is not a question of being 'open to growth' but rather a reflection of the viability of the local housing market and wider local economy that inhibits the opportunities for housing growth which results in Council's like Blackburn with Darwen being penalised under the Bonus regime.

Question 8: Do you agree with the Government's proposals for Rural Services Delivery Grant in 2022/23?

The grant for rural services delivery seems to address a specific factor impacting on needs. In this case it is sparsity and whilst we recognise the additional costs that stem from this it is but only one factor amongst a number that drive funding needs. **Another factor would be deprivation which, in the past consultation on Review of Local Authorities' Relative Needs and Resources, the Government has previously acknowledged as 'an important driver for some specific services'.**

To that end, I am unclear why the Government has chosen to make available increasing amounts of additional funding for this factor but chooses to ignore other factors that impact on the costs of many other local authorities. We would strongly urge the Government to reconsider whether additional funding should be made available for Council areas recognised as being within the upper quartile of deprived areas according to the Index of Multiple Deprivation.

Question 9: Do you agree with the Government's proposal for the Lower Tier Services Grant, with a minimum funding floor so that no authority sees an annual reduction in Core Spending Power?

Yes, I welcome the continued payment of the Lower Tier Services Grant but it is no substitute for the loss of Revenue Support Grant experienced by Blackburn with Darwen over the last 10 years of austerity.

Question 10: Do you have any comments on the impact of the proposals for the 2022/23 settlement outlined in this consultation document on persons who share a protected characteristic, and on the draft equality statement published alongside the consultation document? Please provide evidence to support your comments.

None specifically.