Appendix F

Financial Strategy 2022/25

Revision Control Table

Status

This is a "read only" version controlled document with defined and limited distribution

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Author: Dean Langton	**Title**: Director of Finance
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Contents

Foreword

This Financial Strategy is published by Blackburn with Darwen Council and builds on the work undertaken over recent years to develop a robust Medium Term Financial (Revenue and Capital) Plan

The purpose of the Financial Strategy is to set out the financial challenges facing the Council in the period 2022 to 2025 and outline the means by which the Council will seek to address them.

At the core of the Council's Financial Strategy is the continued integration of Service and Financial Planning. The Council believes that the delivery of services to achieve its strategic objectives and corporate priorities should drive the Council's work and that resources should be distributed in such a way to achieve this as effectively as possible. Equally important is the need to ensure that council taxpayers receive value for money from the services provided by the Council.

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Cllr Mohammed Khan	Cllr Vicky McGurk
Leader of the Council	Executive Member for Finance and Governance

Executive Summary

1. The aim of this Financial Strategy is to provide a plan for establishing a sustainable budget over the medium term planning period whilst ensuring that resources are applied in the most effective, efficient and economical way to achieve the Council's Corporate Plan. The production of a Financial Strategy is recognised as good practice in the proper financial management of a local authority.

2. The financial environment in which the Council is operating, and which is reflected in the Financial Strategy continues to be extremely challenging. According to the Autumn Budget Statement 2021, public expenditure over the medium term will see steady growth, following on from over a decade of austerity. The Comprehensive Spending Review 2021, which set out spending allocations for all Government Departments including Local Authorities, indicates that there will, in real terms, an increase of 3.1% in resources available from the Government. Despite having a 3-year funding settlement, the Department for Levelling Up, Housing and Communities has only provided a 1-year funding settlement for 2022/23 to Local Authorities.

3. This is against a backcloth in which demands for improvements in service are growing. Underlying the mismatch in resources is a requirement for the Council to make service delivery more efficient as a means of bridging the gap between the ongoing cost of services and ongoing resources.

4. The Financial Strategy has been prepared within the context of the Council's corporate planning process and is based around the delivery of the Corporate Plan. It provides the broad framework for financial planning. It identifies issues and pressures impacting on the Council and how it is proposed to deal with these. The Council uses service and financial planning to turn the broad strategy objectives into achievable annual operational plans. This approach provides a direct link between the Corporate Plan and service delivery.

5. To achieve its overall aim, this Strategy has 8 objectives that will be monitored on an annual basis and will provide a mechanism to ensure that the Strategy is delivered.

6. The first stage of preparing the Financial Strategy is to understand the Council's baseline financial position. To do this, a 3 year medium term financial plan (MTFP) has been produced for the period 2022/25 and indicates that, to provide the current level of service, there is a resource deficit over this period of c£6m. The budget for 2022/23 is balanced.

Table 1: Medium Term Financial Plan

	Base Budget 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000
Portfolio Budgets	130,938	129,970	129,625
Corporate Income and Expenditure	19,065	21,036	28,215
Net Expenditure	**150,003**	**151,006**	**157,840**
Government Funding (see Table 1)	(82,626)	(84,583)	(85,490)
Collection Fund Deficit (net)	6,104	305	(765)
Contribution from Reserves/Balances (net)	(13,146)	(1,388)	(960)
Council Tax Requirement *1	(60,335)	(62,455)	(64,645)
Budget Gap	**-**	**2,885**	**5,980**

7. The baseline financial position shown in the MTFP focuses on existing services and, where identified, the resource implications arising from the work programme set out in the Council's current Corporate Plan. This Strategy needs to be aligned with the ongoing development of the Corporate Plan and reflect any new requirements when the Plan is reviewed later this year. This is a two-way process in which the availability of resources impacts upon decisions about service priorities and strategic priorities influence what we spend our money on.

8. There are a number of budget pressures and issues that will impact on the Council over the life of this Financial Strategy. These comprise external issues/pressures such as:-

   - the challenging outcome of the Comprehensive Spending Review 2021 (CSR2021) and 3 year financial settlement;
   - the continuing impact of the response to Covid-19 combined with the need to recover;
   - increasing pressure on demand-led services, particularly Adult and Children's Social Care;
   - changes in legislation including, for example, the Health and Care Bill and the Environment Act;
   - the reduced availability of external funding;
   - the continuing pressure to control Council Tax.

9. There are also local issues, not least, the delivery of the Council's Corporate Plan which is expected to set out an ambitious agenda for transformational improvement in services provided by the Council aimed at improving the lives of everybody who lives, work and visits Blackburn with Darwen. Underlying this is a need to provide services more efficiently and over the life of the plan ensuring the reliance on reserves as a means of balancing the Council's budget is controlled, moving to a more sustainable budget funded from ongoing resources.

10. Some of these local issues may impact positively on the Council's financial standing but pending confirmation of this current projections indicate that the Council is facing a potentially significant resource shortfall over the 3 year period. This will require close scrutiny of service provision and budgets in order to achieve the Strategy aim of a balanced budget over the medium term. Key to this will be a need to prioritise how the Council uses its resources to deliver services and to ensure that any such service delivery demonstrates value for money.

11. In response to this, it is proposed that the following themes will be pursued:-

   - ***Growing*** the Council's income using the funding mechanisms now in place for local government to increase the Borough's taxable capacity, in particular the Business Rates Retention Scheme. This means that the Council continue to consider ways in which it can increase income from business and housing growth to ensure that funding for services can be maintained and increased;

- ***Charging*** for services, raising income which will mean that it is possible to continue providing services that residents value. This will mean continuing to review the level of fees and charges, reducing the subsidy on some services and considering the introduction of new fees and charges. It will also include reviewing the level of discretionary business rates and council tax exemptions/discounts and the local scheme of Council Tax Support;

- ***Saving*** costs by, for example, reviewing how the Council delivers services, doing things differently and more efficiently, scaling services to appropriate levels within the resources available to the Council and working with partners, including the voluntary sector, local town and parish councils to sustain local facilities and services. At the heart of this approach will be a transformation programme that will consider how best to deliver services that provide the highest value for money;

- ***Stopping*** spending on lower or non-priority areas. This could mean, for example, that the Council works with other partners (Voluntary, Faith, Community Sector, Town/Parish Councils etc) to deliver services that would otherwise be delivered by the Council.

12. An issue related to these options is the need for the Council to demonstrate that it is using its resources effectively, efficiently and economically, i.e. it is achieving value for money. Some high level analysis of the Council's expenditure on services has been undertaken, with comparisons made to the Council's family group of authorities and further work is being undertaken to understand why, in some cases, costs are higher than comparator organisations.

13. Finally, as indicated above, the impact of the financial strategy will be monitored against the strategic objectives and reported as part of the Council's Statement of Accounts each year.

1. Introduction

1.1 This document sets out the Council's Financial Strategy for the period 2022/23 to 2024/25.

1.2 The overall aim of this Strategy is to provide for a balanced sustainable budget over the medium term planning period whilst ensuring that resources are applied in the most effective, efficient and economical way to achieve the Council's Corporate Plan.

1.3 In order to achieve this aim, this Strategy document, amongst other things:-

a) provides an estimate of the Council's baseline financial position over the medium term (2022/25);
b) identifies the challenges faced by the Council, the financial implications associated with them (where it is possible to do so) and how these might impact on the Council's medium term financial position;
c) indicates what actions the Council is taking to deal with the projected shortfall on the medium term financial plan.

1.4 The scope of the Strategy covers the Medium Term Revenue Financial Plan (MTFP) for 2022/23 to 2025/25. Reference is made to the Council's Medium Term Capital Programme 2022/23 to 2024/25; however, this is covered in more detail in the Capital Strategy 2022/25.

1.5 The development of the Financial Strategy is an iterative process insofar as it will be updated as new issues arise, for example, during the development and updating of the Council's Corporate Plan or as new external issues that have an impact on the Council, emerge.

1.6 Whilst the MTFP includes the financial implications of the Council's treasury management activities, this document does not consider treasury management policy or strategy. The Council's approach to treasury management is contained in the Treasury Management Strategy which is submitted for approval to the Executive Board annually in advance of each financial year. The foundation for this is the Council's Treasury Management Policy, approved by Council.

1.7 The budget forecasts included in this strategy document, for both the General Fund Revenue Budget and the Capital Programme, are based on the information known at the time of writing. These figures will be kept under continuous review with a formal update each year as part of the budget setting process for the Council. Likewise, it should be borne in mind that these are only forecasts and not firm budgets and, therefore, are only as accurate as the assumptions underlying them.

2. Financial Environment

About this section

This section provides an overview of the likely financial environment that the Council will be operating in over the next three years. It considers the Government's forecasts for economic growth and the impact this might have on public spending and investment in local government.

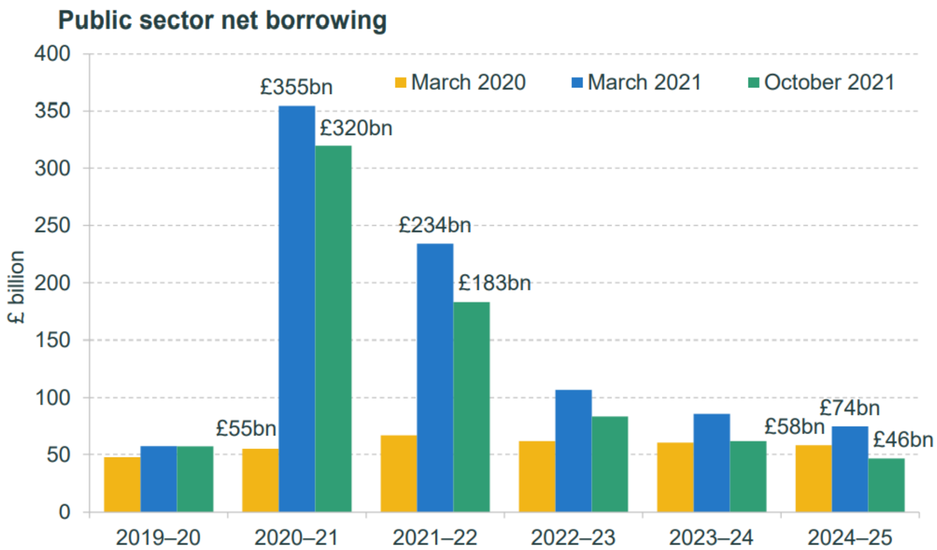
Public Finances

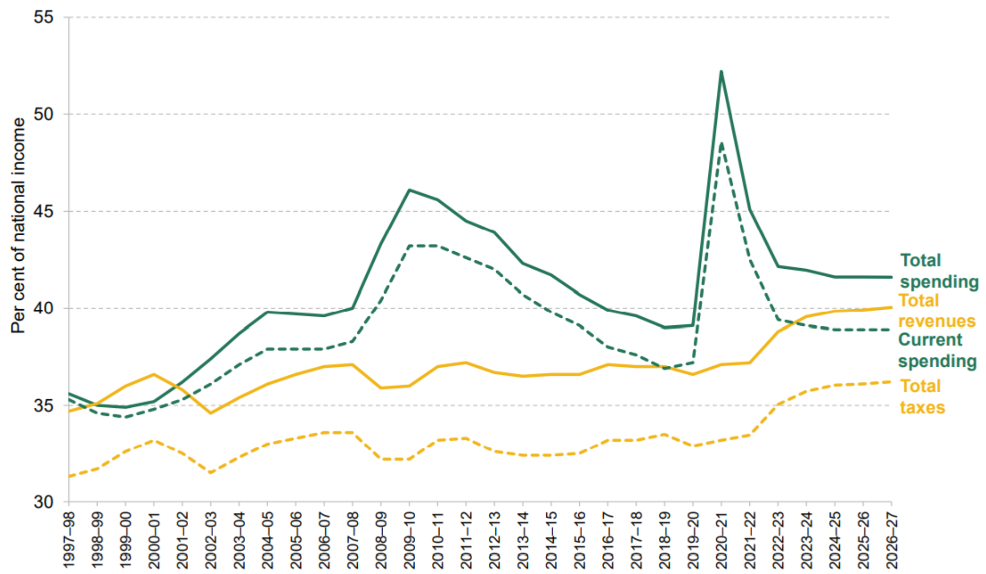
2.1 The Council's previous Medium Term Financial Strategy was developed in the midst of the Covid-19 Pandemic which, given the measures implemented by the Government both to support the economy through several periods of lockdown and to control the spread of the virus, has led to a significant deterioration in the national public finances.

2.2 The impact of the Pandemic on the public finances has been stark. Government borrowing in 2020/21 was at its highest since the Second World War and debt overall at its highest level in sixty years. This was a consequence of both increased spending and reduced income (economic output as measure by GDP), both of which were sustained into the first quarter of 2021/22. Again, borrowing in 2021/22 will be significantly higher than anticipated pre-pandemic.

2.3 The Government's initial response to this, as set out the Budget 2021 which was announced in March 2021, was both to increase taxation - changes to capital allowances, an increase in the headline rate of corporation tax from 19% to 25% from April 2023 and freezing personal allowances/the higher rate threshold for fours to 2025/26 – and to reduce Departmental spending.

2.4 In the Autumn Budget 2021, as a result of the better than expected recovery from the Covid-19 Pandemic, along with further increases in taxation (including the introduction of the Health and Social Care Levy), the Government was able to set out spending plans to 2024/25 which exceeded those that had previously been announced but still reduce the overall level of Public Sector Net Borrowing. This is illustrated in the charts below:-





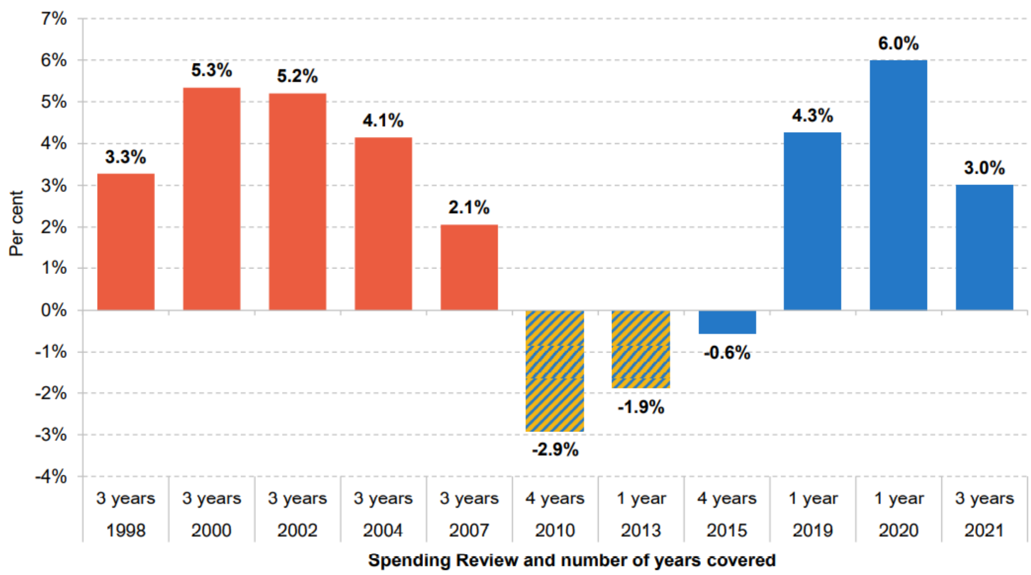
2.5 As these charts indicate, as a result of the Autumn Budget 2021, **Public Spending will be a bigger share of national income** post-Pandemic than previously planned and, with significant tax rises to cover this, borrowing will reduce below that planned pre-pandemic.

2.6 However deliverable the Autumn Budget 2021 will be depends on the continuing impact of Covid-19 and the measures the Government may need to take to support the health of the nation and the economy. This is a significant risk given the emergence of variants such as Omicron and the impact of that on the Government's plans is only likely to be known when the Government reviews the national budget in March 2022.

Comprehensive Spending Review 2021 (CSR2021)

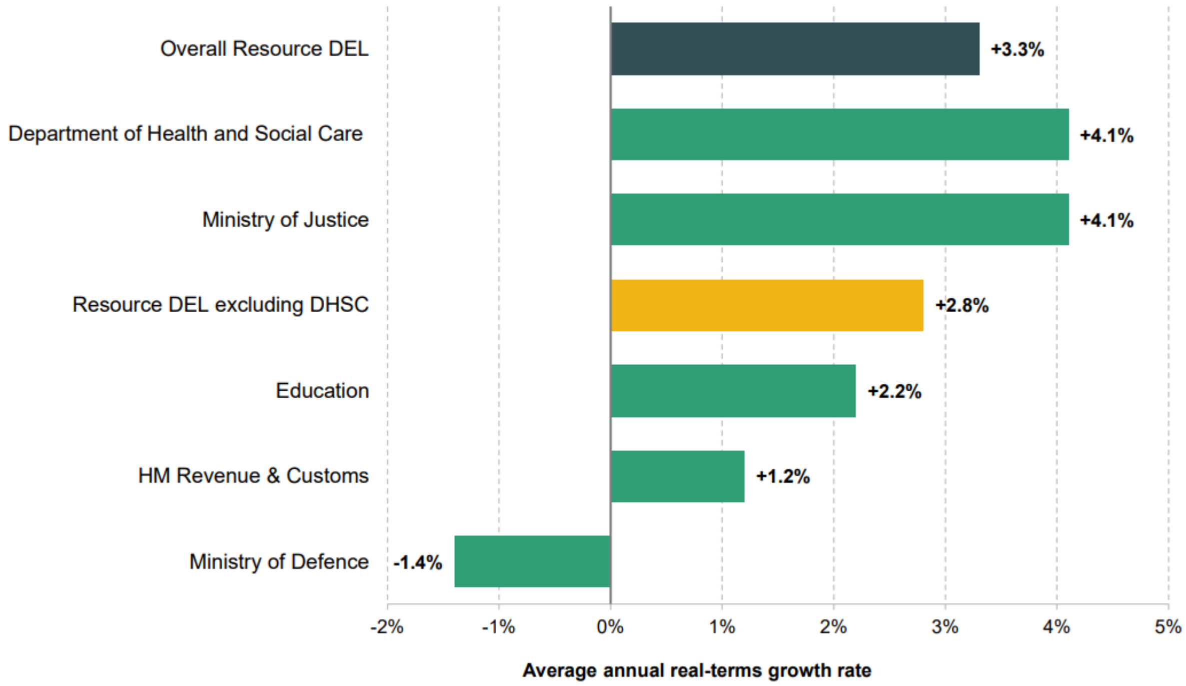
2.7 Also in October 2021, as part of the Autumn Budget, the Government announced the outcome of the Comprehensive Spending Review 2021 (CSR2021). CSR2021 sets out Government Departmental spending plans for the period 2022/23 to 2024/25. As the chart below indicates, in comparison to previous Spending Reviews, CSR21 provides for a real term increase in funding of 3% in total Departmental budgets to between 2022/23 and 2024/25.

Planned real-terms average annual growth in total departmental budgets



2.8 Whilst overall there will be average real growth in Departmental spending budgets of c3% (as indicated above), the actual real growth in Departmental spending will differ between Government Departments. This is illustrated in the graph below which indicates that both the Department of Health and Social Care and the Ministry of Justice will have growth in their budgets of 4.1% whilst most other Government Departments (including the Department for Levelling Up, Housing and Communities) will have, on average, growth of 2.8%:-

Average real % growth in resource budgets over SR 2021 period (2021–22 to 2024–25)



<u>CSR2021 – What it means for Local Government</u>

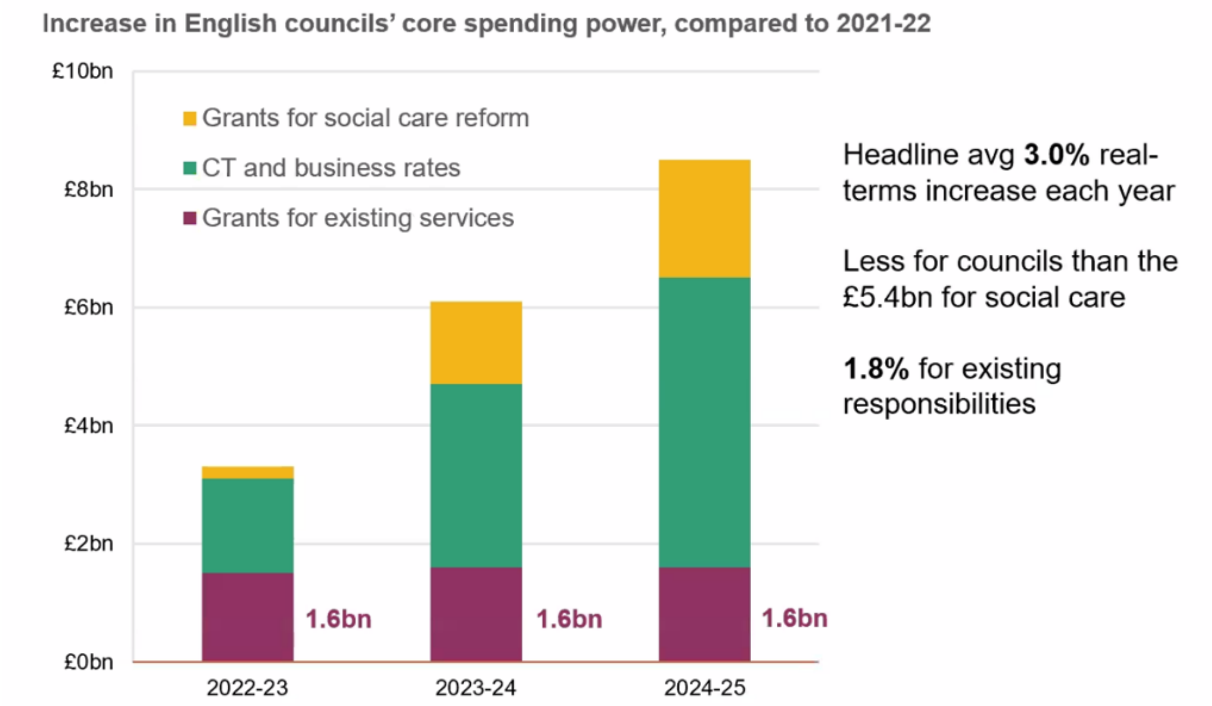
2.9 Core spending power for Local Government is estimated to increase by an average of 3% in real terms in each year over the life of CSR2021. Included within this, The Government is providing Councils with £4.8bn of new grant funding over the CSR2021 period for social care and other services. The table below sets out the CSR2021 settlement for Local Government:-

Table 2: CSR21 Settlement for Local Government

	Baseline 2021/22 £bn	Plans 2022/23 £bn	Plans 2023/24 £bn	Plans 2024/25 £bn	Real Terms Change %
Resource DEL (£bn)	9.2	10.8	12.1	12.7	9.4
Of which: Social Care Reform		*0.2*	*1.4*	*2.0*	
Core Spending Power (£bn)	50.4	53.7	56.6	58.9	3.0
Of which: Council Tax					

Source: Autumn Budget and Spending Review 2021 (Page 108)

2.10 Further analysis of the impact of CSR2021 on Local Government by the Institute of Fiscal Studies is shown in the graph below:-



2.11 This indicates the following:-

- the additional grant for general services is £1.6bn, paid in 2022/23 but unchanged thereafter, ie it is front loaded;

- the increase in core spending power comprises largely increases in income from Council Tax increases where it is assumed by the Government that Councils will increase their Council Tax by the maximum possible within the agreed Referendum thresholds (by 1.99%pa for general Council Tax and by 1%pa for the Social Care Precept);

- the funding for Social Care Reform is phased in over 3-years; excluding that funding from the increase in core spending power means that Councils with Social Care responsibilities will only receive an increase in funding of 1.8% in real terms.

2.12 In summary, whilst it appears that funding for Local Government will increase over the period to 2024/25, much of that will come from local Council Taxpayers in the form of higher Council Tax. In those areas such as Blackburn with Darwen, where the levels of deprivation are significant, this will place a significant burden on local communities that are still endeavouring to recover from the impact of the Covid-19 Pandemic.

2.13 At the same time, the pressure on Local Authorities to both meet increasing demand for and provide better services whilst ensuring value for money remains. For example, whilst the Government is to provide additional funding to support the reforms of adult social care, it is not known at this stage what those changes will mean for service delivery and therefore how much they will cost to deliver. Matters such as these present key risks to the financial sustainability of the Council.

3. Our Strategy Context

About this section

This section of the Strategy sets out broadly the Council's strategic direction. This is important because our Financial Strategy has to facilitate the achievement of the Council's strategic objectives

The section focuses on the strategies that shape the Council's strategic direction rather than the detailed actions and the financial implications associated with them.

Corporate Plan

3.1 The Council's Corporate Plan 2019/23 was published in June 2019. The full Corporate Plan can be found here: [Corporate plan | Blackburn with Darwen Borough Council](). The Council's vision and its four strategic objections are shown below:-

We believe our Corporate Plan will enable all of our residents to achieve a good quality of life in a vibrant and thriving place, with strong community values and an inclusive society.

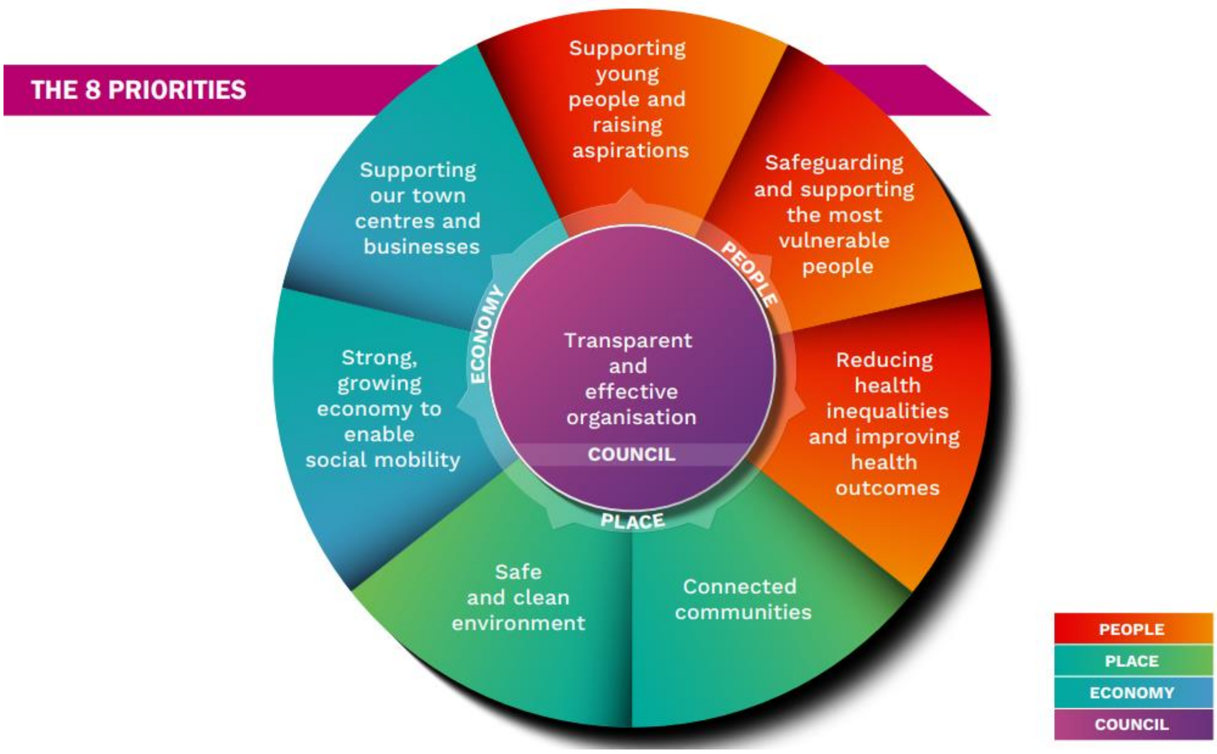
People: A good quality of life for all of our residents

Place: Community pride in a vibrant place to live and visit

Economy: A strong and inclusive economy with continued growth

Council: Delivered by a strong and resilient council

3.2 Within the four strategic objectives, the Council continues to concentrate on eight priority areas:-



3.3 At the time of writing this Strategy, the Council has embarked on a process of updating its Corporate Plan. This will involve undertaking consultation with various stakeholders before the development of a draft Strategy is considered by the Council in July 2022.

3.4 In view of the financial challenge faced by the Council, as set in this Financial Strategy, it will be important to ensure that the Council's corporate plans align to its ability to fund them. It is important, therefore, that the Corporate Plan provides a clear set of objectives that are deliverable whilst at the same time, maintaining financial sustainability.

Service and Financial Planning

3.5 In line with many local authorities, the Council has adopted an integrated process for Service and Financial Planning. The Council recognises that resources are limited and to ensure that resources are directed towards the corporate objectives and priority areas, integrating service and financial planning is essential.

3.6 Following the revision of the Council's Corporate Plan, each Service is required on an annual basis to produce a Business Plan. Business Plans provide a detailed analysis of the work of each Service for the following 12 months and are based around achieving the outcomes in the Corporate Plan.

3.7 Service and Financial Planning is essentially a mechanism for ensuring that the Council's limited resources are directed toward those activities that will ensure that the corporate priorities are achieved. Implicitly, it is also a process of redistributing resources away from those activities that are not priorities. The Service and Financial Planning Process brings together the Business Plans and the Council's budgetary process insofar they set out the resources required to deliver services aimed at achieving the corporate objectives. The purpose of Business Plans is to ensure that the Council's resources are directed towards actions that will deliver the Council's strategic priorities and therefore they are key to the service and financial planning process.

How our strategies fit together

3.8 It is vitally important that the Financial Strategy is not considered in isolation from other Council Plans and Strategies and indeed, this is not the case.

3.9 The Financial Strategy is only one of a number of strategies; it influences and is influenced by other strategies in an iterative way ensuring that the Council's financial resources are directed to the corporate priorities of the Council. Examples of the way in which the Financial Strategy influences other strategies are shown in the table below:

Strategy	Impact of the Financial Strategy
Capital Strategy	In conjunction with the Treasury Management Strategy, the Financial Strategy will consider the prudence, affordability and sustainability of the Council's Capital Programme and, therefore, the deliverability of the Capital Strategy.

Strategy	Impact of the Financial Strategy
Growth Strategy	A key element of the Financial Strategy is the growth in the Council's Taxbases, both Council Tax and Business Rates. This is fundamental to the future funding of the Council. With that, it is important for the Financial Strategy to consider the capacity to deliver the Council's Growth ambitions and where that is not possible within the Council's resources, to consider what other resources could be obtained to facilitate the delivery of the growth agenda.
Digital Strategy	Implementing the Digital Strategy will modernise the Council's ICT infrastructure, support modern methods of working and transform the use of data and service insight to drive better decision making. This transformational activity is a key part of making the Council more cost efficient but requires up-front investment to deliver future savings. This upfront investment is factored into the Council's Capital Programme.
Asset Management Strategy	The Council's Asset Management Strategy is about ensuring the Council has the right assets to deliver services, that there is adequate investment in those assets and that they are used efficiently. Equally, where assets are surplus to requirements or are used to support to the local economy that the right decisions are taken to manage those assets as appropriate. The link to the Financial Strategy is to ensure that adequate resources are provided to maintain assets for their existing use, to generate an appropriate yield on leased properties and to ensure any capital receipts from the disposal of surplus properties are used in support of the Council's capital plans.

Matching Resources to Plans

3.10 The Council recognises that it has limited resources and that in order to achieve the corporate objectives, it is necessary to direct resources to its priorities. Through this process, it is the Council's corporate objectives that drives the Council's activities and not necessarily budgetary constraints.

3.11 However, in accordance with statute, it is the Council's policy (and a statutory requirement) to have on an annual basis, a balanced General Fund Revenue Budget. In addition, it is the Council's policy that, in accordance with the Prudential Code for Local Authority Capital Finance, the Capital Programme remains affordable, prudent and sustainable.

4. Financial Strategy Objectives

About this section

This section sets out the objectives of this Financial Strategy. These objectives, if achieved, will ensure that the Council is able to plan its use of resources in the delivery of services and to ensure that the financial resources of the Council are managed efficiently, effectively and economically and that the Council remains financially resilient

4.1 This Financial Strategy seeks to provide a 'route map' for a balanced sustainable budget over the medium term planning period whilst ensuring that resources are applied in the most effective, efficient and economical way ensuring that the Council's Strategic Plan is achieved.

4.2 In order to achieve this, the objectives of this Financial Strategy (and the supporting MTFP) are as follows:-

	Financial Strategy Objectives
1	To enable the Council to understand its medium term financial position in the context of the wider local government and public sector environment
2	To inform decision making on the distribution of resources to deliver the Council's corporate objectives as set out in the Corporate Plan
3	To ensure that the Council can set a Council Tax level that is affordable (and within the legislative framework established by Government)
4	To enable the Council to plan and manage its spending within affordable net expenditure levels without undue reliance on balances and reserves to fund ongoing commitments
5	To maintain the strength of the Council's balance sheet position
6	To support a prudent, affordable and sustainable level of capital expenditure
7	To maintain a corporate financial capacity to deal with unforeseen cost pressures
8	To contribute to longer term planning of the delivery of the Council's strategic vision and objectives

4.3 By pursuing the objectives of the Financial Strategy, it should enable the Council to develop a sustainable medium term financial plan that is capable of supporting the delivery of the Council's corporate objectives. It will ensure that:-

i. a robust Medium Term Financial Plan is developed so that the Council is aware of its current and forecast medium term financial position;

ii. a Service and Financial Planning process is maintained that ensures resources are distributed in a way that supports the delivery of the corporate objectives (and is not unduly influenced by short term spending decisions);

iii. the Council is able to set Council Tax at a level that is affordable and is within the referendum limits established by the Government allowing the Council to plan and control its own budget setting;

iv. with the use of effective forward planning, the Council's spending plans are affordable within agreed net expenditure levels and that the use of reserves and balances to support ongoing commitments is minimised;

v. the strength of Council's balance sheet, and in particular the amount of available reserves and balances, is maintained insofar as ensuring there is sufficient resources to meet expenditure as and when it arises;

vi. with linkages to the Capital Strategy and Asset Management Plan, the Council's capital expenditure plans are consistent with the requirements of the Prudential Code for Capital Investment in local authority assets;

vii. sufficient working balances are maintained to ensure that the Council remains in a position to deal with unexpected and unforeseen events;

viii. there is sufficient financial intelligence to make a contribution to the Council's corporate planning process.

4.4 Annually the Council will undertake a review to establish to what extent these objectives have been achieved. This assessment will be published with the Council's Statement of Accounts and will be based on the matrix provided at **Appendix A**.

5. Our Current Financial Position

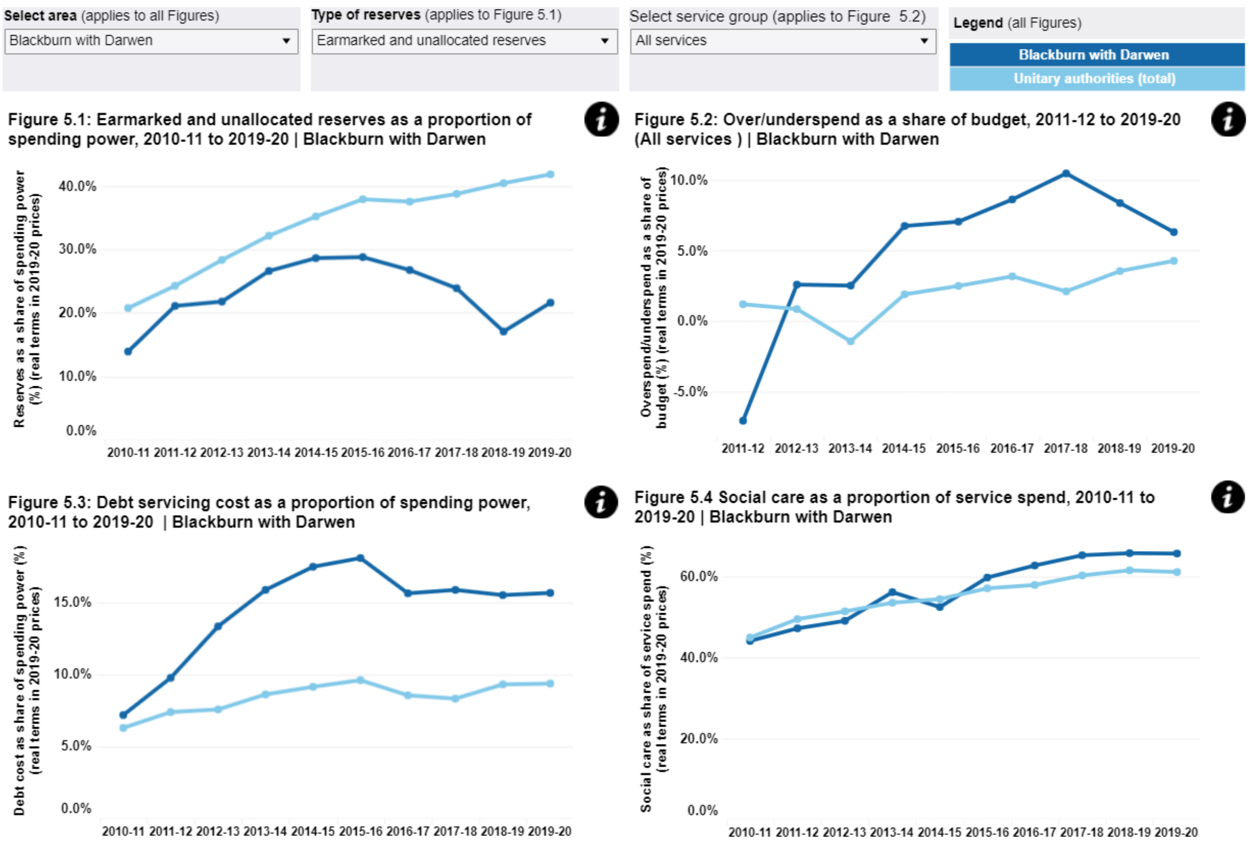
> **About this section**
>
> This section provides an overview of the Council's current financial position using comparative analysis provided by the National Audit Office and CIPFA. An assessment is also made of the strength of the Council's Balance Sheet as at 31st March 2021 along with the budget position in 2021/22 (the current financial year).

5.1 At the time of the development of this Strategy, the Council's Statement of Accounts for 2020/21 is the subject of the annual external audit. Subject to the outcome of the external audit, it is possible to undertake an assessment of the strength of the Council's financial standing using the Council's historical financial position to 2019/20 (the latest period for which comparative data is available), the Council's Balance Sheet as at 31st March 2021 and the forecast outturn for 2021/22.

5.2 This assessment of the Council's financial position here should be considered in conjunction with the Medium Term Financial Plan 2022/25. Taken together, these should provide a good understanding of the Council's overall financial sustainability.

National Audit Office – Financial Sustainability Indicators

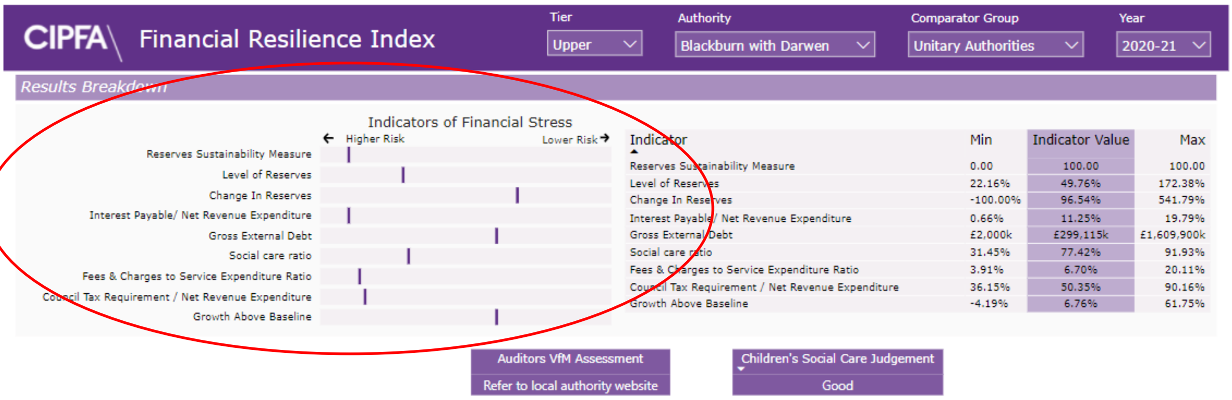
5.3 The graphs below have been taken from the National Audit Office's work on the financial sustainability of local authorities. They provide various key comparisons between Blackburn with Darwen Council and Other Local Authorities providing some insight to financial sustainability (though they do not represent a full analysis).



5.4 Figure 5.1 shows that Blackburn with Darwen's reserves have been historically lower than other Unitary Authorities; Figure 5.2 indicates that the Council generally had a higher overspend than other Unitary Authorities. Figure 5.3 shows that the Council's debt charges are higher as a proportion of its revenue income than all other Unitary Authorities and Figure 5.4 indicates that spending on Social Care is marginally higher than other Unitary Authorities.

CIPFA's Financial Resilience Index

5.5 CIPFA's Financial Resilience Index is a comparative analytical tool that can be used to show the Council's position on a range of measures associated with financial risk. In the diagram below, a comparison of the Council's position with various indicators of financial stress to other Unitary Authorities is shown using data from 2020/21 (the latest available data):-



5.6 Of the 9 indicators provided, Blackburn with Darwen is showing higher risk in at least 6 indicators. It is not anticipated that this position will have changed materially in the period to 2022/23.

5.7 Indicators of concern at that time include the low level of reserves, the interest payable as a ratio of net revenue expenditure (both indicators that are shown in the National Audit Office analysis above), fees and charges as a ratio of service expenditure (indicating that insufficient income is being generated by the Council in comparison to other Unitary Authorities) and Council Tax Requirement as a proportion of Net Revenue Expenditure (reflecting the Council's relatively low Council Tax and Council Tax Base).

Balance Sheet as at 31st March 2021

5.8 At the time of the development of this Strategy, the Council's Statement of Accounts for 2020/21 are the subject of the annual external audit. Nevertheless, using the Council's draft unaudited Statement of Accounts, it is possible to undertake an assessment of the strength of the Council's financial position.

5.9 The Council's Balance Sheet provides a snapshot of its financial position as at 31st March 2021. The table below shows an extract of the Council's Reserves and Balances as per the Balance Sheet:-

2019/20 £000	RESERVES/BALANCES (£'000)	2020/21 £000	Change £000
	Reserves/Balances		
(7,173)	General Fund Balance	(8,373)	
(2,048)	Collection Fund Adjustment Account	10,023	
(28,631)	Earmarked Reserves	(60,743)	
-	Capital Receipts Reserve	-	
(2,547)	Provisions	(2,875)	
(5,843)	Capital Grants Unapplied	(12,690)	
(115)	Grants Received in Advance	(10,219)	
(46,357)	**Amount Available for Investment**	**(84,877)**	**(38,520)**

5.10 As the table indicates, the Council's Reserves and Balances increased significantly between 2019/20 and 2020/21. This is largely due to funding held due to the impact of Covid-19. That aside, the increase in Reserves and Balances does indicate a strengthening of the Council's financial resilience although the continuing impact of Covid-19 means that the Council needs to maintain its use of reserves and balances under constant review.

5.11 The Working Balance represents c2% of the Council's Gross Expenditure for 2021/22.

Budget (and Budget Monitoring) 2021/22

Original Budget 2021/22

5.12 On 1st March 2021, Finance Council agreed a balanced budget for 2021/22. In doing so, it was agreed that:-

- The General Fund Net Revenue Budget would be £149.642m;
- Council Tax for 2021/22 would increase by 3.99%;
- A net contribution of £4.411m was taken from Reserves and Balances to support the budget;
- The Capital Programme for 2021/22 would be £25.493m of which £13.307 would be funded from Prudential Borrowing.

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

5.14 And as part of the papers considered by Finance Council in agreeing the budget, an update on the Council's Medium Term Financial Plan for the period to 2023/24 was provided. This indicated that, whilst the budget was balanced in 2021/22, there is was an estimated funding gap in 2022/23 of c£5m, rising to £8m in 2023/24. This Financial Strategy provides an update to the Medium Term Financial Plan.

Budget Monitoring 2021/22

5.15 The latest financial monitoring position for the Council is based on a budget monitoring exercise undertake at 31st December 2021 (Quarter 3). At that time, the forecast outturn position for the Council was an overspend of £3.9m reflecting significantly the impact of Covid-19 on the Council both in terms of additional costs to deal with response/recovery effort and the loss of income from key business areas.

5.16 Whilst work continues to manage budgets effectively in an effort to contain the forecast overspend, some of which will be offset by the use of funding provided for Covid-19, there is sufficient in the Council's Reserves and Balances to ensure that any residual overspend can be managed.

Financial Aspects of Corporate Governance

5.17 In support of the financial analysis provided above, the Council has in place good financial governance arrangements. For example:-

- the Council complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government. In particular, the Director of Finance sits on the Council's Corporate Leadership Team;

- the budget setting process is robust and complies with statutory requirements (for example, the budget was approved before 11th March, the Director of Finance provided a statement on the robustness of estimates and adequacy of reserves, Council Tax was set within the Referendum principles established by Government, the Capital Programme (and related borrowing) is considered prudent, affordable and sustainable);

- budget monitoring arrangements are well established, with monthly budget monitoring reports considered by Departments and quarterly budget monitoring reports (both revenue and capital) submitted to the Executive Board;

- closure of accounts procedures are effective and the Council produced its draft Statement of Accounts for 2020/21 on time for the start of the external audit. At the time of writing this Strategy, the external audit was almost completed;

- to date, the Council has received an unqualified conclusion for its value for money arrangements;

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

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

5.18 The financial aspects of corporate governance are subject to continuous review as part of the Value for Money Assessment undertaken annually by the Council's External Auditors.

General Commentary on the Council's Financial Position

5.19 As indicated above, the Council's current financial position is that it is managing the budget within the resources available to it, including calling on reserves and balances as required. Indeed, the Council has a reasonable track record of managing its budget in year.

5.20 As at March 2021, the Council has a good level of balances and reserves although, because of the continuing impact of Covid-19, there continue to be expenditure pressures that are out with the normal operation of services.

5.21 Underpinning the Council's financial position are good financial corporate governance arrangements. These arrangements are under continuous review both internally and by the Council's External Auditors.

6. Baseline Financial Position (or Base Budget Strategy)

About this section

This section sets out the baseline financial position for the Council for both revenue and capital budgets. In other words, taking into account existing commitments, in summary format, the forecast levels of revenue spending and resources for the 3 year planning cycle 2022/23 to 2024/25.

This is important because it provides an indication of the amount of spending the Council will need to finance over the life of the Financial Strategy in order to deliver existing service levels. The exception to this is where budgets were originally established on a fixed term basis and due to expire within the plan period. Where this is the case, these budgets are reflected accordingly within the relevant service.

Fundamental MTFP Strategy Aim

6.1 Notwithstanding the objectives of the Financial Strategy as set out in Section 4, the overall strategy aim for the Council's General Fund Revenue Budget is to have a balanced budget over the medium term planning period whilst ensuring that resources are applied in the most effective, efficient and economical way, supporting the achievement of the Council's Corporate Plan.

6.2 By way of background information, **Appendix B** provides a historical analysis of the Council's finances.

Forecast Revenue Income and Expenditure

6.3 Table 3 below provides a forecast of revenue income and expenditure for the three year period, 2022/23 to 2024/25:-

Table 3: Medium Term Financial Plan 2022/25

	Base Budget 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000
Portfolio Budgets	130,938	129,970	129,625
Corporate Income and Expenditure	19,065	21,036	28,215
Net Expenditure	**150,003**	**151,006**	**157,840**
Government Funding (see Table 1)	(82,626)	(84,583)	(85,490)
Collection Fund Deficit (net)	6,104	305	(765)
Contribution from Reserves/Balances (net)	(13,146)	(1,388)	(960)
Council Tax Requirement *1	(60,335)	(62,455)	(64,645)
Budget Gap	**-**	**2,885**	**5,980**
In Year Funding 'Gap'	**-**	**2,885**	**3,095**

*1 – See **Appendix C** for a more detailed Medium Term Financial Plan

6.4 The following are the key assumptions underpinning the forecast income and expenditure shown in table 3.

Forecast Revenue Income

6.5 Funding to meet net revenue expenditure (after income from fees and charges) comes primarily from the following sources:-

a) Retained Business Rates and Business Rates Top Up;
b) Revenue Support Grant;
c) Dedicated Schools Grant;
d) Social Care Grant;
e) Lower Tier Services Grant;
f) Services Grant;
g) New Homes Bonus;
h) Council Tax; and
i) Balances and Specific Reserves.

6.6 Table 4 below provides a summary of these funding streams over the life of the Medium Term Financial Plan period to 2025:-

Table 4: Funding from Government

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

*1 – Individual Authority Business Rates (IABR) is the Council's own assessment of retained Business Rates
*2 – This table excludes Dedicated Schools Grant (£183.348m) and Public Health Grant (£15.486m) which are ringfenced for specific services.

<u>Retained Business Rates</u>

6.7 The amount of Retained Business Rates assumed in the Medium Term Financial Plan reflects the Council's share (49%) of the estimated net collectable Business Rates that is retained locally to support the provision of Council services. Assumptions have been made about reliefs, exemptions and both bad debt and appeals provisions.

Business Rates Top Up

6.8 In simple terms, the Business Rates Top-Up is the amount payable **to** the Council to reflect the difference in the Council's Baseline Funding Assessment (the assessment of funding needed to deliver services (last undertaken in 2013/14)) and its ability to raise income from Business Rates (the Individual Authority Business Rates Assessment).

Under-Indexing Business Rates Grant

6.9 The Under-Indexing Business Rates Grant is a s31 Grant payable to Councils to compensate them for a loss of income arising from the Government's decision to defer the normal annual inflationary increase in the Business Rates Multiplier.

Changes to Business Rates Estimates

6.10 The Government is considering various changes to the Business Rates that may impact on the amount of business rates the Council receives. These changes include:-

- ***changing the frequency of business rates revaluations*** – this is process of reassessing the rateable value of business properties. The last revaluation took place in 2017 and reduced the Borough's overall rateable vale by £10.4m Currently, this takes place every five years; the Government will like revaluations to take place every three years. It is possible for the Council's overall rateable value to change as a consequence of revaluations and so more frequent revaluations will create greater volatility in the system.

- ***additional reliefs for improvements*** – this is intended to support businesses by allowing rates relief on improvement to business properties that would ordinarily result in increased business rates; the relief will be for 1 year from when the improvement is made. It is assumed that the Government will reimburse local authorities for the loss of income from this additional relief.

Key Strategy Assumption 1
It has been assumed that there will be no growth in the Business Rates Taxbase (and that the Government will continue to abate the increase in the business rate multiplier);

Key Strategy Assumption 2
It has been assumed that there will be no change to the structure of the Business Rates Retention Scheme over the life of the life of the Medium Term Financial Plan. This means that the Council will retain 49% of the net collectable amount of Business Rates (with 1% payable to Lancashire Fire Authority and 50% to the Government);

Key Strategy Assumption 3
It is assumed that the Government will continue to reimburse the Council for abatements and reliefs given to businesses to reduce the cost of their business rates liability;

Revenue Support Grant

6.11 The Government continues to provide Councils with an amount of Revenue Support Grant towards the cost of providing services.

> **Key Strategy Assumption 4**
> It is assumed that Revenue Support Grant payments to the Council will increases by the rate of inflation over the life of the Medium Term Financial Plan.

Dedicated Schools Grant

6.12 Dedicated Schools Grants is a grant payable to the Council for the provision of The amount of grant payable is determined through the National Funding Formula and is, in simple terms, based on the number pupils in education on defined dates and nationally set rates of grant per pupil.

6.13 The Medium Term Financial Plan assumes that the use of the Dedicated Schools Grant will continue to be determined by the Council in conjunction with the Schools Forum as required.

> **Key Strategy Assumption 5**
> It is assumed that Dedicated Schools Grants Revenue Support Grant payments to the Council will remain unchanged over the life of the Medium Term Financial Plan and, given it is passport its impact on the

Social Care Grants

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

Table 5: Additional Grant Funding for Social Care (excl Social Care Precept)

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

6.15 Looking ahead, the Government's White Paper – People at the Heart of Care – sets out proposed reforms to the Adult Social Care system. At this stage, it has not been possible to assess the financial implications of the proposed changes nor has the Government given any indication of the funding that will be made available to individual Councils. This matter will have to be given consideration in the development of the 2023/24 budget.

Key Strategy Assumption 6
It is assumed that Improved Better Care Fund and Social Care Grant will be maintained at least at 2022/23 levels over the life of the Medium Term Financial Plan.

Key Strategy Assumption 7
It is assumed that the Market Sustainability and Fair Funding Grant is one-off for 2022/23 and not factored into the Medium Term Financial Plan thereafter.

Key Strategy Assumption 8
No provision has been made in the Medium Term Financial Plan for the impact of the reforms to Adult Social Care arising from the White Paper – People at the Heart of Care

6.16 The New Homes Bonus (NHB) is now in its tenth year as part of the Local Government Finance system. The original policy intention of NHB was to provide a financial incentive to local authorities to encourage the building of new homes and/or brining empty homes back into use.

6.17 Despite consulting on proposals earlier this year to amend the NHB Scheme, the Government has decided to roll-forward the present scheme for a further financial year. As a consequence, rather than just providing for legacy amounts from previous years (£185k), the Government has provided NHB to reflect new housing and empty houses brought into use in the period to October 2021. This amounts to £820k giving an overall NHB payment of £1.006m for 2022/23.

Key Strategy Assumption 9
It is assumed that, as the Government is likely to implement reforms to the New Homes Bonus System in 2022/23, there will be no New Homes Bonus payments to the Council from 2023/24.

Lower Tier Services Grant

6.18 Lower Tier Services Grant is payable to Councils, like Blackburn with Darwen, that has responsibility for the provision of lower tier services (such as Waste Collection, Environmental Health etc).

Key Strategy Assumption 10
It is assumed that the Lower Tier Services Grant will be maintained at least at 2022/23 levels over the life of the Medium Term Financial Plan.

Services Grant

6.19 The Services Grant is a new grant for 2022/23. It has been distributed to Local Authorities on the basis of their relative needs. However, the Government has indicated that, whilst the funding will be retained for the Sector, the distribution of the grant will be reviewed in consultation with the Sector during 2022/23.

Key Strategy Assumption 11
It is assumed that the Services Grant will be maintained at least at 2022/23 levels over the life of the Medium Term Financial Plan.

Council Tax

6.20 Council Tax is the main source of income available to the Council over which there is, subject to the constraints placed upon the Council by Government, a degree of local autonomy.

6.21 The Band D Council Tax for Blackburn with Darwen Services for 2021/22 is £1,632.71.

6.22 This level of Council Tax is based on a Tax Base, i.e. the taxable capacity of the Blackburn with Darwen, of 34,938 Band D Council Tax Properties. Multiplying the Band D Council Tax by the Taxbase gives an overall Council Tax yield for 2021/22 of £57.044m.

6.23 It is acknowledged as part of this Strategy that the extent to which the Council exercises control over the level of increase in Council Tax from year to year is a matter for Members with decisions on the final level of Council Tax taken by Members as part of the annual budget process. However, in order to inform the overall framework for development of the Council's budget, a planning assumption on the level of Council Tax must be made. From 2022/23, this assumption is 1.99% each year for the general Council Tax and 1.0% each year for the Social Care Precept.

Key Assumption 12
The Tax base is assumed to increase annually by 0.5 percentage points.

Key Assumption 13
The annual level of assumed Council Tax Collection will be set at a rate that results in the Collection Fund achieving break-even. For the purposes of the baseline revenue financial plan, this is 96.5%.

Key Assumption 14
The planning assumption on the annual Council Tax increase over the life of the Medium Term Revenue Financial Plan will be the maximum amount permissible by Government without invoking the need for a referendum (assumed to be 1.99% each year).

Key Assumption 15
The planning assumption on the Social Care Precept increase over the life of the Medium Term Revenue Financial Plan will be the maximum amount permissible by Government (assumed to be 1% each year).

Balances and Specific Reserves

6.24 In setting the Council's annual budget, the level of balances and specific reserves need to be considered carefully. Guidance issued by CIPFA emphasises this requirement, particularly in light of the responsibilities placed upon the Director of Finance under the Local Government Act 2003, to report on the adequacy of proposed reserves at the time of the Council setting the Council Tax for the forthcoming year on an annual basis.

6.25 The Act includes a reserve power for Government to lay down the minimum reserves local authorities must allow for when they set their budgets. It is, therefore, expected that authorities will have regard to the CIPFA guidance when considering the adequacy of balances and reserves. The Council maintains a range of balances and reserves, some of which are retained for specific purposes, others which are available for general support for the General Fund Revenue Budget.

6.26 The General Fund Balance represents an unallocated amount of resource. At 31st March 2021, the General Fund Balance is expected to be £8.3m; this represents the Council minimum working balance, the amount set aside specifically for unforeseen and unexpected expenditure. Specific Reserves are amounts of resource set aside for specific matters. Examples include the Budget Strategy Reserves and the Local Development Framework Reserve. These specific reserves are utilised in accordance with Financial Procedure Rules.

Key Assumption 16
The Minimum Working Balance will be maintained at £8m. The adequacy of this sum will be monitored annually and reported to Members during the Budget process.

Key Assumption 17
Subject to an annual review of the adequacy of the reserve and Key Assumption 7, the Budget Strategy Reserve will be used to support the General Fund Revenue Budget at a rate of £1.1m in 2022/23, £1.0m in 2023/24 and £0.5m in 2024/25.

Key Assumption 18
Specific Reserves shall only be used for the purposes for which they were established unless otherwise approved by the Council's Executive Board.

Income Generation

6.27 The Council generates approximately c£34m annually from fees and charges for services. Fees and charges budgets are reviewed on an annual basis with a view to determining whether the budgets can be achieved in the following year and the extent to which the fees/charges can be increased. Key assumption 8 below establishes a basic assumption on fee increases.

Key Assumption 19

It is assumed that income budgets will be increased by at least the change in the rate of Retail Prices Index (annual change measured from September to September) unless otherwise agreed by the relevant Officer, Executive Member or the Executive Board.

Revenue Expenditure

6.29 The Gross Revenue Expenditure can be categorised into pay and non-pay budgets. Both categories of budgets are reviewed annually and, subject to both internal and external factors, may be changed.

Pay Inflation

6.30 Pay expenditure, comprising salaries and wages, accounts for approximately % of the Council's gross expenditure. Pay increases annually by the nationally agreed pay award and, where applicable, by salary increments. For the purposes of the Medium Term Financial Plan, the pay award has been assumed at 2% pa and salary increments are assumed per current conditions of service (albeit these are assumed to be contained with existing budgets).

6.31 The annual Salaries budget includes provision for staff turnover; this amount will be reviewed annually to ensure that it is proportionate and deliverable.

Pensions

6.32 Pension contributions are based on the latest triennial valuation of the Lancashire Council Pension Fund which was undertaken in 2019 and implemented from 1st April 2020. The outcome of the valuation has resulted in employers contribution rates' that are applicable from the financial year 2020/21 up to and including the financial year 2022/23.

6.33 The next triennial valuation will be undertaken as at 31st March 2022 with new rates applicable from 2023/24 onwards.

Key Assumption 20
For the three years of the Medium Term Financial Plan, pay inflation shall be as assumed at 2.0% pa. Services will be expected to absorb the impact of salary increments.

Key Assumption 21
Pension Contributions for the 3-year period from 2023/24 will be as agreed following the 2022 Triennial Valuation. In the absence of that data, it is assumed that Employers Contribution Rates will increase by 1% pa in each year of the Medium Term Financial Plan.

Key Assumption 22
The amount deducted from the overall annual salaries budget for staff turnover shall be reviewed annually to determine how proportionate and reasonable it is in the context of the Council's budget.

National Living Wage

6.34 Whilst the Council's pay scales mean that changes in the National Living Wage have little bearing on the Council's pay costs, they do impact significant on the pay costs of Care Providers. To that end, the Council will consider the change in the National Living Wage when considering its commissioning budgets in each year of the Medium Term Financial Plan

Key Assumption 23
The Council will consider the change in the National Living Wage when considering its commissioning budgets as part of the Medium Term Financial Plan.

Non-Pay Inflation

6.35 Generally, the majority of non-pay budgets will be cash limited. That is, they will not be increased by inflation. This will not apply to budgets for Gas (assumed to increase by 28% in 2022/23, 2% pa thereafter) and Electric (18% in 2022/23, 2% pa thereafter)

6.36 It should be stressed that the inflation factors are purely for forecasting purposes and as such are subject to change as more detailed work on the budget is undertaken.

Key Assumption 24
With the exception of the budgets referred to above, all other budgets will be cash limited, i.e. not increased by inflation.

Demand-Led Budget Pressures

6.37 It is acknowledged that some of the Council's budgets, particularly Adult and Children's Social Care are demand led. The current Medium Term Financial Plan is based on known demand.

6.38 Budget growth may arise for a variety of reasons including, for example, changes in legislation, increase in demand for services or specific growth proposals required to achieve the corporate objectives.

6.39 At this stage, the MTFP reflects the cost of ongoing service provision but includes no further provision for specific budget growth, either in the revenue or as a consequence of growth in the Capital Programme. Fundamentally, however, it is assumed that any new growth will relate specifically to the achievement of the Council's Corporate Plan.

Key Assumption 25
Revenue Expenditure Growth proposals will relate specifically to the achievement of the priority outcomes in the Council's Strategic Plan.

Scenario Forecasting (and sensitivity analysis)

6.40 It is acknowledged that some of the assumptions used to prepare the MTFP are subject to change and could, therefore, result in changes to the Medium Term Financial Plan. Changes to these assumptions can have a fundamental impact on the 'bottom-line' savings the Council may need to make over the next 3 years.

6.41 Importantly, the purpose of the scenario (or sensitivity) analysis here is not to forecast the future but to test and understand the Council's sustainability in specific circumstances given alternative plausible scenarios for key drivers of cost, service demands and resources. Such 'stress' testing is a key part of the test of financial sustainability.

6.42 Equally, the sensitivity analysis provides an indication of the likely range of the Council's deficit position bounded by realistic 'worst' and 'best' case scenarios. Whilst acknowledging there might be scenarios outside of these boundaries (as well as numerous ones within them), this is considered unlikely as the 'worst' case scenario assumes strongly negative estimates for most of the main aspects of the MTFP; likewise, the 'best' case contains only positive changes.

6.43 Some of the key variables that have been modelled include:-

A 'best case' set of variables

- The distribution of the additional Services Grant (£3.072m) is changed to compensate low taxbase local authorities like Blackburn (and increases to £4.0m);
- Council Tax and Business Rate Collection return to pre-pandemic levels;
- The New Homes Bonus Scheme continues in its present format until 2024/25;

A 'worst case' set of variables

- Covid-19 income losses are not recovered back to pre-pandemic levels over the life of the MTFP;
- the additional Services Grant (£3.072m in 2022/23) is reduced by 50% from 2023/24 onward;
- the Lower Tier Services Grant does not continue after 2022/23;
- the Pay Award for 2022/23 is agreed at 2.5% and not 2%;

6.44 The impact of the changes in these variables on the MTFP for each scenario is compared to the current MTFP in the tables at **Appendix D.** Taking into account all of the above, the 'best' case scenario shows a deficit over the MTFP of c£4.2m. The 'worst' case scenario shows a deficit over the MTFP of c£7.3m.

6.45 Recognising that the Medium Term Financial Plan is subject to change, it will continue to be reviewed on a regular basis to ensure that it accurately reflects the likely income and expenditure of the Council.

7. Capital

About this section

This section provides a brief summary of the Council's Capital Strategy. The Capital Strategy 2022/25 was approved by Finance Council in February 2022 and sets out the Council's capital investment plans and how they will be funded.

Fundamental Medium Term Capital Programme (MTCP) Aim

7.1 The fundamental aim of the Strategy for the Medium Term Capital Programme (MTCP) is to have a balanced capital programme over the plan period whilst ensuring that resources are applied in the most effective way to ensure that the Council's Capital Strategy is achieved.

Capital Strategy and Asset Management Plan

7.2 The Council has maintained a Medium Term Capital Programme for some time. The Programme is based broadly on the Council's existing Capital Strategy and the Asset Management Plan. The latest Capital Strategy for 2022/25 was considered and approved by Finance Council on 28th February 2022.

Forecast Capital Expenditure

7.3 Table 6 below provides a summary of the Council's proposed capital programme for the period 2022/23 to 2024/25:-

Table 6: Forecast Capital Programme 2022/23 to 2024/25

	Projection 2021/22 £000	Indicative 2022/23 £000	Indicative 2023/24 £000	Indicative 2024/25 £000
Health and Adult Social Care	2,424	2,890	1,867	1,867
Children, Young People, Education	6,346	6,827	2,013	263
Environment	3	334	-	-
Public Health and Wellbeing	304	-	-	-
Growth and Development	10,680	17,775	19,676	15,162
Digital and Customer Services	1,568	2,623	362	282
Finance and Governance	3,608	1,242	-	-
Portfolio Spending	**24,933**	**31,691**	**23,918**	**17,574**
Corporate ICT	268	-	-	-
Vehicles	532	1,000	1,000	1,000
Corporate Property Investment	-	3,335	2,000	-
Earmarked Schemes	**800**	**4,335**	**3,000**	**1,000**
Asset Management	-	3,000	1,500	-
Contingent Schemes	**-**	**3,000**	**1,500**	**-**
Total Capital Expenditure	**25,733**	**39,026**	**28,418**	**18,574**

7.4 The Capital Programme forecast above does not include any programme growth other than that agreed as part of the programme. Subject to the annual review of the Capital Strategy (and the Asset Management Plan), it will be necessary to re-visit the Capital Programme to determine how applicable some of the capital expenditure proposals are when compared to the revised Strategy and indeed, whether there will be a need to incur additional capital expenditure.

7.5 Notwithstanding this, any new capital expenditure proposals will be subject to review as part of the Council's capital project appraisal methodology that provides an objective mechanism for rationing the Council's scarce capital resources.

Key Assumption 26

Any capital expenditure proposals will be assessed for compatibility with the Council's Capital Strategy and Asset Management Plan by using the Council's recognised capital project appraisal methodology. All such proposals will be considered by the Council's Capital Programme and Asset Management Working Group.

Forecast Capital Resources

7.6 Table 7 below illustrates the capital resourcing position over the life of the Strategy:-

Table 7: Forecast Capital Resources 2022/23 to 2024/25

	Projection 2021/22 £000	Indicative 2022/23 £000	Indicative 2023/24 £000	Indicative 2024/25 £000
Government Grants	16,363	15,160	13,506	8,062
External Contributions	913	202	-	-
Revenue Contribution	2,329	6,351	4,020	2,380
Borrowing	6,128	16,313	9,892	7,132
Leasing	-	1,000	1,000	1,000
Total Capital Financing	**25,733**	**39,026**	**28,418**	**18,574**

7.7 As the table indicates, resources are slightly lower than the anticipated capital programme in each year recognising a degree of over-programming. However, this is considered to be manageable going forward but will need to be maintained under review.

Revenue Implications of the Capital Programme and the Prudential Code

7.8 Under the Prudential Code for Capital Investment in local authorities, there is greater flexibility for the Council to borrow to invest in capital investment. However, this is only possible if any such borrowing is affordable, prudent and sustainable.

7.9 In considering the affordability of the Capital Programme, consideration must always be given to relationship between capital investment and the potential revenue cost consequences that may arise as a result. These revenue costs can manifest themselves in a number of ways as follows:-

a) **the cost of borrowing** – the cost of borrowing for capital investment comprises two elements:-

i. an <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;

ii. a <u>principal</u> repayment (otherwise known as the Minimum Revenue Provision) required to reduce the net indebtedness of the Council.

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

Table 8: Estimated Borrowing Costs 2022/23 to 2024/25

	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000
External Interest	12,565	12,634	12,891
Minimum Revenue Provision	6,422	6,691	6,691
Total Estimated Cost of Borrowing	**18,987**	**12,634**	**19,582**

b) **revenue contribution to capital** – the revenue contribution to capital for 2022/23 is £6.351m and is a direct charge against the Council's revenue budget (albeit this is met by receipts from Housing Pendle);

Key Assumption 15

The use of additional long term borrowing will only be undertaken where it can be demonstrated that any such borrowing is affordable, prudent and sustainable (in accordance with the Prudential Code for Capital Finance within Local Authorities).

Treasury Management (the Management of Debt and Investments)

7.10 As indicated in the Section 1 above, details of the Council's approach to the management of debt and investments are contained in the Council's Annual Treasury Management Strategy.

8. Other Budget Issues and Pressures

About this section

The purpose of this section is to highlight those issues and pressures that may affect the Council over the life of the medium term financial plan.

These issues and pressures are considered in terms of external factors, those issues that will/may impact on the Council from external sources, and internal factors, for example, specific initiatives that the Council has embarked on.

The intention is to highlight those issues/pressures and where possible assimilate the financial implications into the Council's Medium Term Financial Plan. It should be recognised that it is not always possible, however, to predict what the financial implications are at this stage. The Financial Strategy will be updated, as more details become known.

External Factors

8.1 The following narrative considers a range of external factors, not in any particular order, that are likely to impact on the Council and its financial position over the medium term strategy period.

<u>Covid-19 Recovery</u>

8.2 At the time of writing this strategy, the Country was averaging c67,000 new cases of Covid-19 each day along with around 200 deaths each day of someone who has tested positive for Covid-19 within the last 28 days. Nevertheless, with the roll-out of the vaccination programme, including the booster jabs for those who have had first two jabs, the impact of the disease has, arguably, lessened with less hospitalisation than experienced in earlier waves.

8.3 However, Covid-19 has impacted significantly on the health of the Borough's population and with it, the local economy. Although the Government has provided various economic packages to support individuals and businesses through the Pandemic, recovery is expected to be pro-longed. This reflects the preponderance of a number of deep-seated and structural issues in the Blackburn with Darwen Borough including significant levels of deprivation and health inequalities that are inhibiting life chances.

8.4 In response to this, as well as learning to live with the impact of Covid-19, the Council is going to have to consider how to support residents and businesses through the recovery process, targeting its limited resources to recovery activities and working with the Government, other external agencies, partners, the voluntary, community and faith sector together to provide the necessary support when and where it is most needed.

8.5 Fundamentally, unless the Government provides new funding, the Medium Term Financial Plan includes no new resources to deal with Covid-19 from 2022/23 onwards.

Levelling Up (including Devolution)

8.6 The impact of Covid-19 on local economies has been profound, more so in those areas which have been worse affected by the Pandemic because of their underlying economic weaknesses. The Pandemic has amplified these matters.

8.7 Even before the Pandemic began, however, the Government had already set out plans in the Queen's Speech made in December 2019 to *'commit to levelling up powers and investment in the regions across England and allowing each part of the country to decide its own destiny'.* At the time, the Government indicated that it *'will publish a White Paper setting out our strategy to unleash the potential of our regions, which will include plans for spending and local growth funding'.*

8.8 For a variety of reasons, including the Pandemic, changes in Secretary of State for Local Government and a general lack of clear understanding what 'levelling up' is about, the White Paper has not yet been published. The latest plan is that, despite the Government indicating it would be released at the end of 2021, the White Paper will be published in early 2022.

8.9 In the meantime, the Government has already made funding allocations and announcements in relation to what it would consider to be aspects of the 'levelling up' agenda. For example:-

- A total of 101 Towns have been chosen to benefit from a ***Town Deal***. This includes Darwen which has been allocated up to £25m to deliver a total investment package for the Town Centre of £116m;

- To date, there has been a single round of the **Community Renewal Fund (CRF)** with the expectation being that CRF is a pilot for the forthcoming Shared Prosperity Fund (see below). Blackburn with Darwen was successful in obtaining funding for 2 out 7 of its bids securing CRF of investment of c£700k;

- Again, to date there has been one round of the ***Levelling Up Fund***. The Government has prioritised every Council area (1 – high priority, 3 low priority) as a means of directing Levelling Up fund resources. Blackburn with Darwen is a Priority 1 area. In view of the short timescales for submitting for bid development, the Council did not submit a bid to the first round preferring to wait until the second round when a more developed bid for Blackburn Town Centre will be submitted. This may require the Council to provide match-funding support to ensure the bid is deliverable.

- The development of ***County Deals*** is considered to be the Government's response to providing devolution to two-tier local government areas. As with already agreed Devolution Deals, the Government is seeking a strong governance model before any devolution of powers and resources; the perceived strength of the governance model

- The ***Shared Prosperity Fund*** is described as the replacement to EU funding following the United Kingdoms exit from the European Union

8.10 What is not clear at this stage is what the White Paper will say in relation to the further devolution of powers and resources and with that how the structure of local government might be expected to change. It is clear that if the Government is to devolve more powers and resources, it will only do so to places that have strong governance.

8.11 Whilst Blackburn with Darwen would support devolution to Lancashire with a Mayoral Combined Authority, if that is required, and would support the reorganisation of local government in Lancashire (with the preference being the creation of a Pennine Lancashire Unitary Authority), the current focus is the development of a County Deal for Lancashire.

Social Care Reforms (including the Health and Care Bill)

8.12 In November 2021, the Government released the ***White Paper – People at the Heart of Care*** – which is intended to provide a 10 year vision for the transformation of Adult Social Care in England. The vision is set around the following objectives:-

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

8.13 Person-centred care is key theme running through the vision. People will have a genuine choice and control about the care and support they receive. To implement the vision, the Government has set out a range of policy actions including integrating health and care strategies with a focus on new supported housing, greater adoption of technology and digitisation across social care, providing the right training and qualifications to the workforce.

8.14 In support of this, the Government has indicated that funding of £5.4bn will be made available, of which £3.7bn will be paid directly to local authorities to implement these changes. At this stage, the Council's share of this funding is not known nor is it clearly understood what the changes in policy (or what it will cost) will mean for the Council. Equally, much of the investment in this areas appears to be directed to the Health Service initially, with the suggestion from Government that some of this investment may well be redirected to Local Authorities in the future.

8.15 ***The Health and Care Bill*** is currently making its way through the Parliamentary process. However, if enacted in its current form, the Bill will also mean significant changes for Adult Social Care.

8.16 In particular, it will introduce a new legal duty for the Care Quality Commission to review and make an assessment of the performance of local authorities in discharging key adult social care functions (which will be defined in secondary legislation). This insight into the Adult Social Care functions of local authorities is intended to provide a platform from which the Department for Health and Social Care and the wider Government can work with local authorities to promote best practice, provide support and intervene in the event of substantial issues being identified.

8.17 The resource implications of this additional oversight by the CQC are not yet known nor is it clear whether the Government will provide additional funding. In view of this, no provision is made for these changes in the Medium Term Financial Plan.

MacAlister Review (Independent Review of Children's Social Care)

8.18 The MacAlister Review is an independent review of Children's Social Care. It is led by Josh MacAlister. It began on 1st March 2021 and is looking at how to transform the Children's Social Care system and improve the lives of children and their families.

8.19 Following a statement setting out his early thinking about how the review will work, MacAlister has produced a 'Case for Change' which set out a number of questions about the current Children's social care system, seeking feedback on the evidence and asking for ideas, views and further evidence for solutions. This was the conclusion of the 'Diagnosis' stage which worked on defining the issues the review needs to address as a priority.

8.20 In essence, the responses to the 'Case for Change' led to the conclusion of the 'Discovery' stage which involved analysing root causes of the issues in order to build a better understanding of the problem.

8.21 The Review is currently in the 'Development' stage, where tangible solutions are being identified which will help towards developing recommendations to the Government. This is likely to conclude in early 2022 with a report detailing what needs to change and how. Subject to the Government's response, the Review will move into 'Delivery' where consideration will be given to the implementation of recommendations.

8.22 Given the Review is only at 'Discovery' stage, it is not possible to say what the implications of any changes, should they be implemented, may mean for the Council. It will be necessary to maintain a watching brief on this issue so that the Council can respond accordingly.

8.23 Running alongside the MacAlister Review is a market study into Children's Social Care Provision by the Competition and Markets Authority (CMA). This Study is considering the supply of children's social care placements in England, Scotland and Wales arising from concerns about the shortage of appropriate places for looked-after children and the high prices paid by local authorities.

8.24 The final report from the CMA is not due until March 2022 so it not possible to say what they will conclude and what impact, if any, it will have on the market for children's social care places. Given the Council is spending c£7m annually on such placements and, as outlined in the report, is subject to significant price/demand variations, again there is a need to keep a watching brief on this matter.

Achieving Net Zero (responding to the Climate Emergency)

8.25 As with most other Councils, the Council has declared a Climate Emergency (at the Council Forum on 18th July 2019). The Council has committed to making Blackburn with Darwen carbon neutral by 2030, taking into account the production and consumption of emissions.

8.26 In response to this, the Council has established a Climate Emergency Working Group which is overseeing the delivery of the Climate Emergency Action Plan. In addition to direct action that the Council can take in the delivery of its own services, the Action considers both engagement with partners and residents on the broader actions that can be taken for the Borough to achieve the carbon neutral targets.

8.27 In addition to more fundamental changes in the way in the Council, residents, businesses and the wider community conduct their activities, it is inevitable, that the delivery of the Climate Emergency Action Plan will require additional investment either from the Council's own resources or from Government. In relation to the latter, one of the key parts of the resolution from the Council Forum when declaring the Climate Emergency, was the need to lobby Government to provide the additional powers and resources to meet the 2030 target.

Environment Act 2021

8.28 The Environment Act 2021 received royal assent in November 2021. The Act has wide ranging changes that will impact on the Council, generally in relation to environmental matters and more specifically as both waste collection and waste disposal authority. This includes, for example:-

- The collection of glass, metal, plastic and paper/card from households for recycling;
- exploring the possibility of Councils having separate food waste collections at least once a week for recycling and composting;
- separate collections for recycling or composting.
- the introduction of a Deposit Return Scheme (where consumers pay a deposit for a single-use container at the point of purchase which is then refund to the consumer when they return the container for recycling;
- the Extended Producer Responsibility which makes sure producers pay the 'full net cost of recovery' for the packaging that they produce;
- the provision of a free garden waste collection.

8.29 The implementation of measures in the Act is unlikely to take place without further consultation with local authorities, not least because of the potentially significant financial implications. Indeed, whilst acknowledging the need to increase rates of recycling, local authorities have been clear that to implement the measures in the Act will require significant additional funding from Government.

8.30 At this stage, given the lack of clarity available about the implementation of the Act and the expectation that Government will provide additional funding, no provision is included in the Medium Term Financial Plan for the impact of the Environment Act 2021 at this stage.

Academisation of Schools

8.31 Successive Governments in recent years have had a policy of promoting the academisation of schools (the process by which Local Authority Maintained Schools become academies). This policy shows no signs of abating and where Schools are not improving year on year, there is a probability that they will be under pressure to academise (with the likelihood that they will join a Multi-Academy Trust).

8.32 The majority of Schools in Blackburn with Darwen are local authority maintained schools and equally, most schools in the Borough have a good or better rating from Oftsed. In view of this, there appears to be little consideration of further academisation of Schools in the Borough although given the current Government's policy position, it is a matter that will need to remain under review.

Planning Reforms

8.33 In August 2020, the Government published the 'Planning for the Future' White Paper which included proposals for the long term fundamental structural changes to England's planning system. Any such changes to the existing planning system will require both primary and secondary legislation.

8.34 Following the most recent Cabinet reshuffle, and the change in Secretary of State for Local Government, the proposed changes have been put on hold pending a review of the anticipated Planning Bill. The outcome of this review is not yet known and nor is it known what the timetable is for bringing a new Bill forward.

8.35 Needless to say that any changes to the Planning system, both in terms of the broader planning policy framework and the underlying development management process(es) are likely to impact on the Council. This has the potential to be significant at any time but given the Council is on the cusp of a public inquiry into Part 2 of its Local Plan, it may be more significant for Blackburn with Darwen.

Continued Pressure on Council Tax Increases

8.36 In recent years, the Government has continued the pressure on local authorities to keep general Council Tax increases below 2%. At the same time, it has used the Adult Social Care Precept as a means of providing Councils with the capacity to generate additional Council Tax as a contribution to paying for Adult Social Care Costs.

8.37 This 'pattern' for Council Tax increases has been in place for a number of years and is unlikely to change. That said, given the Council Tax system in its present form has not been changed since 1991 (using property prices from that year to determine the banding of properties), there are growing concerns that it is an outdated system in need of reform.

Availability of External Funding Streams and Specific Grants

8.38 The Council has a good track record of obtaining external funding from a variety of sources, primarily to undertake a range of regeneration activity within the Borough. Much of the investment has been, and continues to be, capital funding and includes funding/grants from Growth Deal, Heritage Lottery Fund and latterly both the Towns Deal and the Community Renewal Fund.

8.39 Much to the consternation of Local Government, the Government continues to provide a range of small and disparate range of bid-based special and specific grants to local authorities through various Government Departments. This is likely to remain the case with funds such as the Levelling-Up Fund and the UK Shared Prosperity Fund. It is difficult to say what the Council's success will be with bids to these funds, particularly in the absence of a devolution deal of some sort.

General Legislative Changes

8.40 There is a range of legislation, some enacted and some currently being progressed through Parliament, which could have financial implications for the Council. These include, for example (these are Government Bills only):-

Table 9: General Legislative Changes

Building Safety Bill	HoC - 2nd Reading
Elections Bill	HoC – Report Stage
Environment Act 2021	Enacted
Health and Care Bill	HoL – Committee Stage
Health and Social Care Levy Act 2021	Enacted
Leasehold Reform (Ground Rent)	HoC – Report Stage
Police, Crime, Sentencing and Courts Bill	HoL – Report Stage
Public Service Pensions and Judicial Offices Bill	HoC – Second Reading
Skills and Post-16 Education Bill	HoC – Report Stage

HoC – House of Commons, HoL – House of Lords

8.41 It is not possible to say at this stage what, if any, financial implications these areas of legislation may have for the Council as details of the impact on service provision are not known in all cases.

8.42 By way of example, the Elections Bill is likely to place additional responsibilities on local authorities in the conduct of local elections. Inevitably, this will lead to additional costs which, at this stage, it is not possible to quantify either operational or financially for the Council. It is expected, however, that the Government will provide additional New Burdens funding for this and any other matters that, as a consequence of legislative changes, lead to additional cost burdens for the Council.

General

8.43 The narrative on external factors above is not exhaustive of the issues that might affect the Council and its financial position but represent the major issues currently known. As other issues arise, they will be evaluated for impact on the Council and, in the event that there are financial implications, these will be factored into the Council's Medium Term Financial Plan.

Internal Factors

8.44 In addition to the external factors impacting on the Council, there is a range of issues specific to the Council and/or the Blackburn with Darwen area that will have an impact on the Medium Term Financial Plan. To a large degree, these issues are set out in the priority actions shown in the Corporate Plan (although the Corporate Plan itself is subject to review). However, the brief narrative below considers some of the key issues:-

a) Development of a new Corporate Plan

The Council has embarked on a process of developing a new Corporate Plan for the period 2022/25. This will involve consultation with a broad range of stakeholders including the public and may result in new priorities for the Council. As indicated earlier in this Strategy, there needs to be strong link between the Council's Corporate Priorities and its ability to deliver them with the resources available. This is likely to require both an iterative approach to service and financial planning and consideration of innovative ways of delivering priority actions.

b) Stability in the Workforce

As with a number of sectors and organisations, the Council is starting to experience difficulties with the recruitment and retention of staff in a number of business areas. Whilst this is not yet impacting significantly on the delivery of services, unless actions are taken to deal with this issue, it is possible that some services will be affected.

c) Fragility of the Care Market and Workforce

The continuing impact of Covid-19 on the Care Market is significant and is exacerbating concerns about how fragile the Care Market and the Social Care workforce is. Issues such as decreased occupancy, reduced admissions, increased operating costs and difficulties in recruiting and retaining staff are becoming commonplace in parts of the Care sector leading to concerns about the financial sustainability of care providers. The extent to which the Council cannot make places and/or provide appropriate care packages is likely to have a bearing on the Council's cost base.

d) Increase in Demands for Services and Complexity of Needs

The demand for Council services continues to grow, particularly in Adult and Children's Social Care. In these areas, there are concerns that as the worst effects of Covid-19 start to reduce, the pent-up demand in the care system will start to flow leading to potentially significant pressure on the Council.

Added to this is the increasing complexity of needs of both adults and children (including, for example, multi-morbidity, mental health challenges and social deprivation) is also creating additional pressure in the care system given the need to ensure that care packages and support are tailored appropriate to the needs of the adult/child.

e) Local Plan 2021-2037

The Council is in the final stages of agreeing a new Local Plan for the period 2021 to 2037. The final statutory consultation on the final pre-submission publication version of the Plan will start in February 2022. Comments on this version will form part of the package of documents that will be submitted to the Planning Inspectorate who will then undertake an independent examination of the Plan. The adoption of the Plan will be subject to the outcome of the examination.

f) Use of Reserves

The MTFP assumes that the Council will use c£1m of reserves annually and whilst the current position on reserves is relatively health, this is not a sustainable position over the longer term. A key element of the Financial Strategy is that the Council should seek to reduce the reliance placed on reserves and move to a position where ongoing expenditure is met from ongoing resources.

g) Capitalisation of Staffing Costs

In 2022/23, the Council will capitalise staffing costs totalling c£2.3m. These staff are actively involved in the delivery of capital projects. However, once projects are delivered, the Council will need to consider to what extent those staff employed on the projects are required and how, if they are required, their costs will be funded.

h) Education Service Level Agreements

The Council receives c£2.5m from the provision of services to Schools. This is based on a range of Service Level Agreements across a range of services. To sustain the income from the provision of these SLAs, the Council will need to continue providing services that provide value for money. Equally, expanding the scale of service provision, both of existing and new services, continues to be a focus for services.

i) Use of Public Health Grant

The Council receives c£15m of Public Health Grant annually. Of this, around £5m is used to support the General Fund Revenue Budget on activities associated with the wider determinants of health. This is a legitimate use of this funding, contributing to those areas that should lead to a reduction in health-related issues that would otherwise contribute

j) Digitisation

The Council has embarked on the delivery of a Digital Strategy that seeks to make digital the first option for the delivery of services, to enable staff to have the ability to transform services, become a data driven organisation and to have both secure and resilient technology.

The investment required to deliver the Digital Strategy is significant and consideration of this will be funded will form part of the development of the Council's Capital Strategy. At the same, the implementation of the Digital Strategy should lead to transformation of Council services that can be delivered at a lower cost base than at present.

k) Commercial Services and Income Recovery

A commercial approach to the delivery of services has become a regular theme of Council plans in recent years. Within the bounds of both statutory and other guidance, the Council needs to consider to what extent it can derive more income from taking a more commercial approach to the delivery of services, This approach will need to be underpinned by a commercial strategy so that any actions implemented are within a strategic framework and fit with the Council's own objectives.

l) Availability External Funding

As indicated above, the Council has a good track record in obtaining external funding as a means of regeneration and/or expanding the delivery of services across Blackburn with Darwen. The hallmark of current funding streams is the need to bid for funds, generally in competition with other local authorities.
To be successful, the Council has to be in a position to develop 'oven ready' bids that are of high quality and

It is important, therefore, that the Council puts in place arrangements, such as clear exit strategies, when funding streams come to an end so that the burden of additional cost does not simply add to the ongoing budget shortfall. In doing so, however, there needs to be an holistic approach to reviewing the contribution of funded schemes to the Council's Strategic Objectives in comparison to those services/projects/schemes funded directly by the Council's base budget.

m) Strategic Developments / Projects

There are a number of significant projects that the Council is currently involved which may require additional funding (revenue/capital) or capacity to ensure delivery. Examples include:-

- Blackburn Town Centre Developments;
- Darwen Town Centre Developments (which now form the Darwen Towns Fund Programme);
- Darwen East Development Corridor;
- North East Blackburn Corridor;
- South East Blackburn Growth Zone;
- West Blackburn Development Corridor.

This list is by no means exhaustive. Work on the development/delivery of these projects is ongoing and could potentially impact on the Council's financial position.

8.45 Again, this is not an exhaustive list, but it does outline some of the major factors that may impact on the Council's financial position. There are others and the following examples illustrate this:

- updating and implementing the Asset Management Plan and ensuring asset renewal continues;
- dealing with problem sites, empty properties and 'grot spots' on a pro-active basis;

- the possible renewal of the Grounds Maintenance contract;
- the growth in the delivery of events by the Council within a limited amount of resources.

8.46 The annual compilation of Business Plans, which focus on the three-year period covered by the Financial Strategy as well as provide details of annual service targets, provides an opportunity to address these and other service pressures facing the Council both in terms of service delivery and resourcing.

9. Achieving a Balanced Budget (the Financial Strategy)

About this section

The purpose of this section is, in the light of the Medium Term Financial Plan described above, to consider options for dealing with the projected deficit.

9.1 The Medium Term Financial Plan shown in Section 6 above currently shows a deficit over the period 2022/25 of c£6m although this will be subject to variation for reasons also outlined above. This reinforces the need for the Council to consider implementing a Strategy aim of a balanced budget over the medium term period.

9.2 Following the outcome of the Council's Corporate Peer Challenge in December 2018,

'The Council acknowledges that is approach to savings in the past has largely been achieved through 'salami slicing', identifying a percentage reduction to be achieved across portfolios and constituent service areas based on Member agreed priorities and recognises that a more transformational approach is now needed. This should be strategic and corporate, cutting across Departmental silos to ensure that savings are sustainable in the medium to longer term'

9.3 The Financial Strategy being pursued by the Council is:-

- ***Growing*** the Council's income using the funding mechanisms now in place for local government to increase the Borough's taxable capacity, in particular the Business Rates Retention Scheme. This means that the Council continue to consider ways in which it can increase income from business and housing growth to ensure that funding for services can be maintained and increased;

- ***Charging*** for services, raising income which will mean that it is possible to continue providing services that residents value. This will mean continuing to review the level of fees and charges, reducing the subsidy on some services and considering the introduction of new fees and charges. It will also include reviewing the level of discretionary business rates and council tax exemptions/discounts and the local scheme of Council Tax Support;

- ***Saving*** costs by, for example, reviewing how the Council delivers services, doing things differently and more efficiently, scaling services to appropriate levels within the resources available to the Council and working with partners, including the voluntary sector, town and parish councils to sustain local facilities and services;

- ***Stopping*** spending on lower or non-priority areas. This could also mean, for example, that the Council works with other partners (Voluntary, Faith, Community Sector, Town/Parish Councils etc) and residents to deliver aligned to the 'Your Call' Initiative.

9.4 More details of these strands of the Financial Strategy are provided below.

Growing

Growth in Retained Business Rates Income

9.5 The current Business Rates Retention Scheme continues to offer the opportunity to increase the Council's income by increasing the amount of retained business rates. This does, however, require growth in the Business Rates Tax Base, ie more business rateable properties to be provided in the Borough. This needs to be over and above the level at which the Taxbase is reduced each year as a result of, for example, demolition of properties, appeals against rateable value etc.

9.6 To put this into context, the Council's Business Rates Tax Base is currently £120.964m. In broad terms, for every £1m growth in the Taxbase (equivalent to, say, an additional retail superstore), the Council's income would increase by c£250k (using the current standard NNDR multiplier of 49.9p and assuming no other changes such as the award of reliefs). There is, therefore, a clear link here with a strategic approach to economic growth and regeneration within the Borough.

9.7 Aside from the Growth of the Taxbase, of which more is discussed below, reviews will be undertaken on the collection of business rates – to ensure it is as efficient and productive as possible – and the range of discretionary reliefs – to ensure they remain affordable to the Council.

Growth in Council Tax Income

9.8 The amount of Council Tax income collected by the Council is the function of the rate of Council Tax, the taxable capacity of the Borough and the rate of collection.

9.9 The rate of Council Tax, within the bounds of the Government's Referendum Principles for Local Authorities, is a matter for Councillors to determine although the Medium Term Financial Plan set out in this Strategy assumes that Council Tax will be increased by the maximum amount possible within the Referendum Limits (a position which is reflective of the assumption made by Government in the determination of the Council's Core Spending Power).

9.10 Increasing the taxable capacity of the Borough is dependent on a range of matters, not least the provision of new housing. As well as seeking to develop residential schemes using Council-owned land and assets, there needs to be a continuous process of reviewing extant planning consents for other developments to determine to what extent the Council might be able to facilitate delivery of these schemes.

9.11 The target Collection Rate for Council Tax for 2021/22 is 95.5% of in-year Council Tax due. As indicated above, given the impact Covid-19 is continuing to have on local residents, achieving the collection rate is proving to be a challenge. Looking ahead, consideration will need to be given to the level of collection as part of the Council Tax Setting process and what measures can be implemented to improve overall collection.

9.12 At the same, both the affordability and administration of the Local Council Tax Support Scheme will be reviewed to ensure the Council is getting best value and delivering the Scheme as efficiently as possible.

Growth Strategy/Programme

9.13 The Council's Growth Strategy/Programme is led by the Growth Team and is focussed on the economic growth and regeneration of the Borough, both to increase business growth and to develop new homes, whether for market sale or affordable homes. The Growth Strategy/Programme comprises a range of initiatives including:-

- a programme and pipeline dashboard with key programmes of work covering c200 projects across employment, housing, infrastructure, empty homes and town centres;

- creation of Joint Venture Partnerships to secure the future of challenging sites;
- using a Growth Framework for selection of local contractors for delivering a variety of projects covering construction, civil engineering and developments;

- implementation of robust Section 106 procedures to test Developer's viability appraisals. This ensures that the Council receives the correct amount of funding to support infrastructure such as education, provision of affordable homes, green infrastructure and highways;

- a programme of disposing of key strategic housing sites and employment land;

- applying for public sector grants through preparing business cases and funding bids; and

- developing key infrastructure to support the delivery of growth in the Borough, including education and highways schemes.

9.14 Key programmes are currently divided into two programme themes: Place and Thematic across employment, housing and town centres. These include the following:-

Place
- Blackburn Town Centre Developments;
- Darwen Town Centre Developments (which now form the Darwen Towns Fund Programme);
- Darwen East Development Corridor;
- North East Blackburn Corridor;
- South East Blackburn Growth Zone;
- Carl Fogarty Way Commercial Units;
- Wainwright Way Commercial Units
- West Blackburn Development Corridor.

Thematic
- Affordable housing;
- Empty Homes (including proposals for a new Local Housing Company);
- Infill Commercial Sites
- Infill Housing Sites

9.15 Across these thematic areas are a range of projects which are expected to deliver c2,300 new homes and additional floorspace/commercial units each of which should lead to an increase in the Council's taxbase.

9.16 Inevitably, the implementation of this Growth Strategy is, amongst other matters, largely dependent on external funding. Examples of this include the Towns Deal, Levelling Up Fund, Community Renewal Fund and more traditional sources of funding such as the Local Transport Plan Funds. The extent to which the Council can 'leverage' this funding depends, in part, on providing some match funding from the Council's own resources or funding streams such as s106 payments.

Charging

9.17 The 'Charging' strand focuses on the extent to which the Council can, and should, charge for services and, within the bounds of Government restrictions and the Council's own risk appetite, the extent to which the Council should take a 'commercial' approach to service delivery (where this is possible with current guidance and legislation).

9.18 The Council reviews its fees and charges annually although the current process is ad hoc rather than driven by any specific strategy. In view of this, it is proposed there is a clear strategic framework for setting and changing fees and charges.

9.19 Equally, there is currently no overarching strategy that articulates how the Council might deliver more income from commercial activities although recent changes in the Prudential Framework for Capital Investment have introduced significant restrictions on Councils' activities in this area. Nevertheless, a review of the scope to expand commercial activities within the bounds of the current guidance and legislation is necessary to consider whether it is possible to expand the Council's involvement in this area.

Saving

9.20 Whilst both the Business Rates Retention Scheme and Council Tax do offer some opportunity to increase the Council's income from increasing the Borough's taxbases, any growth in the near term is unlikely to deliver the scale of additional income required to offset the reduction in core funding experienced by the Council over the last 10 years. Any measures considered now as a means of increasing income in the above areas could equally take a significant time to implement before additional income flows are generated.

9.21 Equally, the Council's ability to charge for service or reduce the extent of discounts is unlikely, in isolation, to generate sufficient additional income to make up for the funding shortfall faced by the Council. In view of this, the Council must continue to identify ways in which it can reduce expenditure in other ways to ensure that it maintains a balanced sustainable budget over the medium term.

Strategy for Budget Savings in 2022/23 to 2024/25

9.22 Acknowledging the findings of the LGA Peer Review, there is a need to consider a more transformational approach to the delivery of savings. This should be strategic and corporate, cutting across Departmental silos to ensure that savings are sustainable in the medium to longer term.

9.23 In particular, as set out in the LGA's report, there should be 'a whole Council approach to the budget process across different services and portfolio areas to ensure resources align to key priorities and desired outcomes'. Equally, given the work on the development of the Digital Strategy, 'the approach to transformation and public service reform, integrated with the digital agenda, with a clear road map for delivery and pursue this at pace'.

9.24 The development of a broader programme of transformation activity is underway along with the necessary governance arrangements to ensure that it delivers real, tangible service improvements and savings. This work will seek to build on the implementation of the Digital Strategy which comprises the following workstreams:-

- Workstream 1 is ***'Digital First'*** for our Services – This is about driving consistency of the digital interfaces with the council and targeting 90% of interactions with us are online. Also ensuring these services are, by their digital nature, available 24/7 ultimately this is aiming at reducing a need for traditional in hour services;

- Workstream 2 is around ***'Enabling transformation For our staff'*** – Really about upskilling in order to then design more effective and efficient services, increasing quality, achieving savings and delivering value for money;

- Workstream 3 is about becoming a 'Data Driven Organisation'. This means providing:-

  - improved insights from data so our services are enabled to make more informed decisions, more predictability and effective management of services leading to improved outcomes for our residents; and
  - increased interventions as a result of deeper insights that improve and reduce demand on services

- Workstream 4 – is to ensure ***'Secure and resilient technology'*** – providing more cost-effective technology infrastructure and also maintaining security to minimise risks of cyber which can incur substantial costs in resolution.

9.25 Alongside the development of the transformation programme, the Council needs to continue exploring ways of reducing its net cost of services whilst ensuring that it continues to deliver good services offering value for money. To do this, activity will be based around the following themes:-

a) maintaining the Council's staffing structure under review to ensure it remains lean but sufficiently resilient and with the capacity to cope with the changes in the delivery of services, the impact of new policy and legislative requirements and the demands of service changes;

b) reviewing the funding for discretionary services to ensure that sufficient resources are available to fund the Council's statutory obligations and front-line, street level services;

c) establishing whether any of the changes made in response to the Covid-19 Pandemic can be maintained thereby reducing the cost of running the Council. Already, the move to blended working is becoming the norm for the delivery of some services and this, amongst other changes, is likely to contribute to cost efficiencies;

d) continuing to review the way in which residents access Council services with a continued emphasis on self-service/automated processing of transactional type of activity including the development of a policy of 'Digital First'. Again, this Covid-19 Pandemic has accelerated some of the work of the Council on this matter and the opportunity needs to be taken to retain this where possible;

e) reviewing the efficiency, scope and delivery of key frontline services such as Refuse Collection and Disposal, Street Cleansing and Grounds Maintenance and associated vehicle requirements. This will become increasingly important in the context of the potential changes arising from the Environment Act 2021;

f) reviewing Council Tax collection rates, discounts and exemptions to determine what scope there is to increase the Council Tax yield. This will also include a review of the Local Council Tax Support Scheme;

g) work in partnership with other organisations to develop options for sharing costs of service delivery where there are mutual benefits of doing so;

h) developing the use of data and insight into services, focusing on reducing the cost of services that are shown to have high(er) costs in comparison to, say, the Council's family group of 'like' authorities;

i) continue to consider the scope and appetite for asset transfers to the voluntary and community sector;

j) disposal of capital assets resulting in capital receipts that can be used to reduce the Council's underlying debt and/or need to borrow for capital investment;

9.26 This is not an exhaustive list of actions and it should be stressed that these are matters that require further consideration and development to produce firm proposals.

Stop

9.27 At the centre of this strategy options is consideration of whether the Council can encourage the delivery of some services by other bodies so that the Council can consider not providing them. A prime example of this is transfer of assets to community and voluntary groups.

9.28 At this stage, this part of the Strategy is less well developed and will need further consideration of those areas of Council activity that fall within scope.

Value for Money

9.29 Annually, the Council's External Auditors are required to assess the adequacy of the Council's arrangements to secure economy, efficiency and effectiveness in the delivery of services. The most recent assessment of the Council's arrangements by the External Auditors resulted in an unqualified opinion on those arrangements.

9.30 The current Value for Money Assessment considers the following matters:

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

9.31 The External Auditors have yet to conclude their assessment of the Council's arrangement under the current assessment criteria but, subject to that, the Council's arrangements are considered to be reasonably sound.

Appendices

Appendix A: Financial Strategy – How the achievement of the Strategy Objectives will be measured

	Financial Strategy Objective	How will achievement be measured ?
1	To enable the Council to understand its medium term financial position in the context of the wider local government and public sector environment	▪ Approval of the Council's Financial Strategy and Medium Term Financial Plan (and the underlying assumptions)
2	To inform decision making on the distribution of resources to deliver the Council's strategic themes and corporate priorities	▪ A balanced budget approved by Finance Council that provides adequate resources contributing to the delivery of the Council's Corporate Plan objectives
3	To ensure that the Council can set a Council Tax level that avoids the intervention of Central Government	▪ Approval of the Council's Financial Strategy and Medium Term Financial Plan (and the underlying assumptions) ▪ Approval of an annual Council Tax increase that avoids intervention by Central Government
4	To enable the Council to plan and manage its spending within affordable net expenditure levels without undue reliance on balances and reserves to fund ongoing commitments	▪ Approval of the Medium Term Financial Plan (and underlying assumptions) ▪ Approval of the annual report to Council on the robustness of the Council's Estimates and Balances/Reserves

	Financial Strategy Objective	How will achievement be measured ?
5	To strengthen the Council's balance sheet position	▪ Approval of the annual report to Council on the robustness of the Council's Estimates and Balances/Reserves ▪ A year on year reduction in arrears (Council Tax, NNDR, Rents and Sundry Debts) with a consequent reduction in Provision for Doubtful Debts.
6	To support a prudent, affordable and sustainable level of capital expenditure	▪ Approval of a Capital Strategy and Medium Term Capital Programme (with expenditure commitments linked directly to the Capital Strategy and Asset Management Plan)
7	To create a corporate financial capacity to deal with unforeseen cost pressures	▪ Maintenance of a minimum working balance of £6m ▪ Approval of the annual report to Council on the robustness of the Council's Estimates and Balances/Reserves
8	To contribute to longer term planning of the delivery of the Council's strategic vision and objectives	▪ An unqualified opinion from External Audit on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Appendix B: Financial Background

About this Appendix

This appendix briefly gives details of the Council's current and historic levels of resources and the way in which they have been utilised. Also provided are historical levels of revenue and capital expenditure.

These facts are important because in some cases historical levels of funding and the reasons for them can provide pointers for the future. In addition, current and post spending patterns can illustrate the degree of linkages between spending and policy priorities.

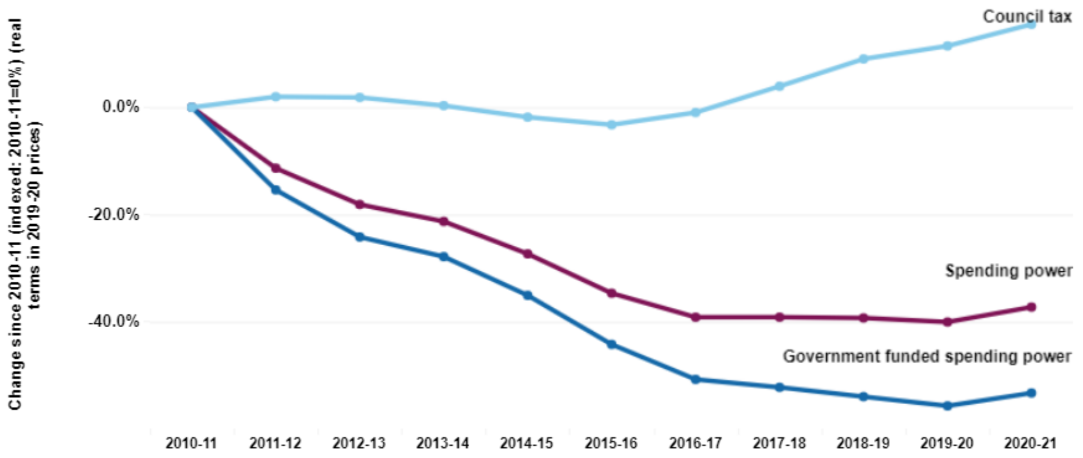
Historical Funding for Blackburn with Darwen Borough Council

1. This appendix focuses on the funding of the net cost of the delivery of the Council's services since 2010/11 and uses information provided by the National Audit Office in their work on the financial sustainability of local authorities.

<u>Change in Spending Power</u>

2. Spending Power is a measure used by the Government to assess the relative spending capacity of individual local authorities. The graph below shows the change in Blackburn with Darwen's spending power since 2010/11 (to 2020/21).

3.

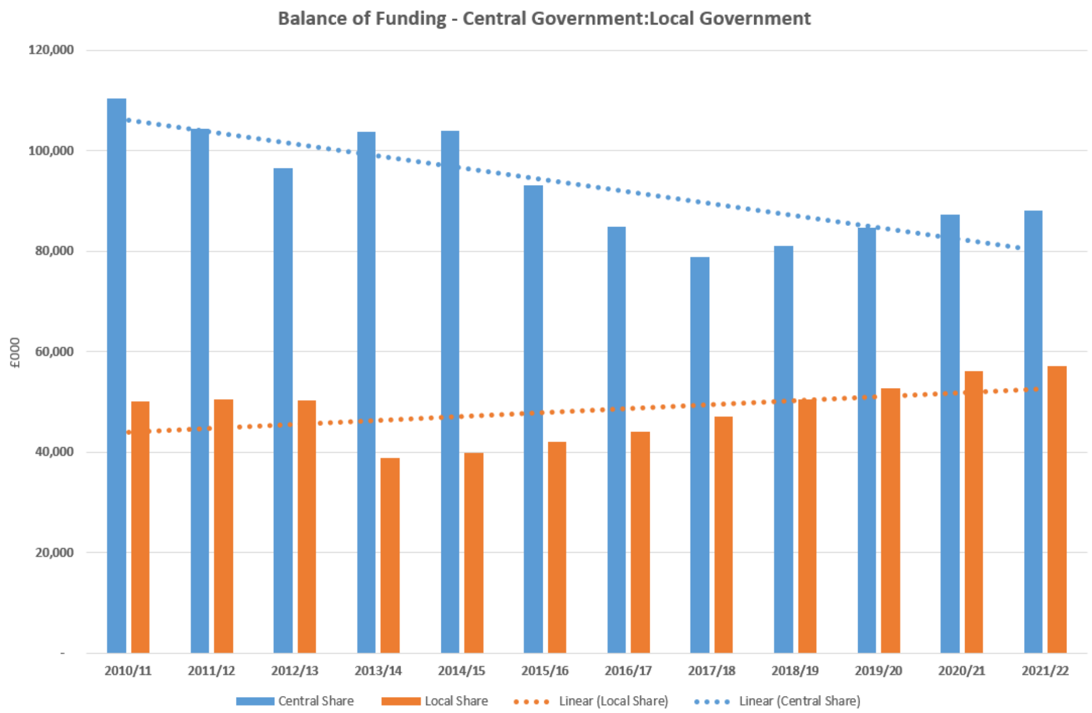


4. As the graph indications, the Council's Spending Power since 2010/11 has reduced by almost 40%, reflecting the significant reduction in funding from Government. The graph also shows that the funding reduction has been dampened by increases in Council Tax income reflecting

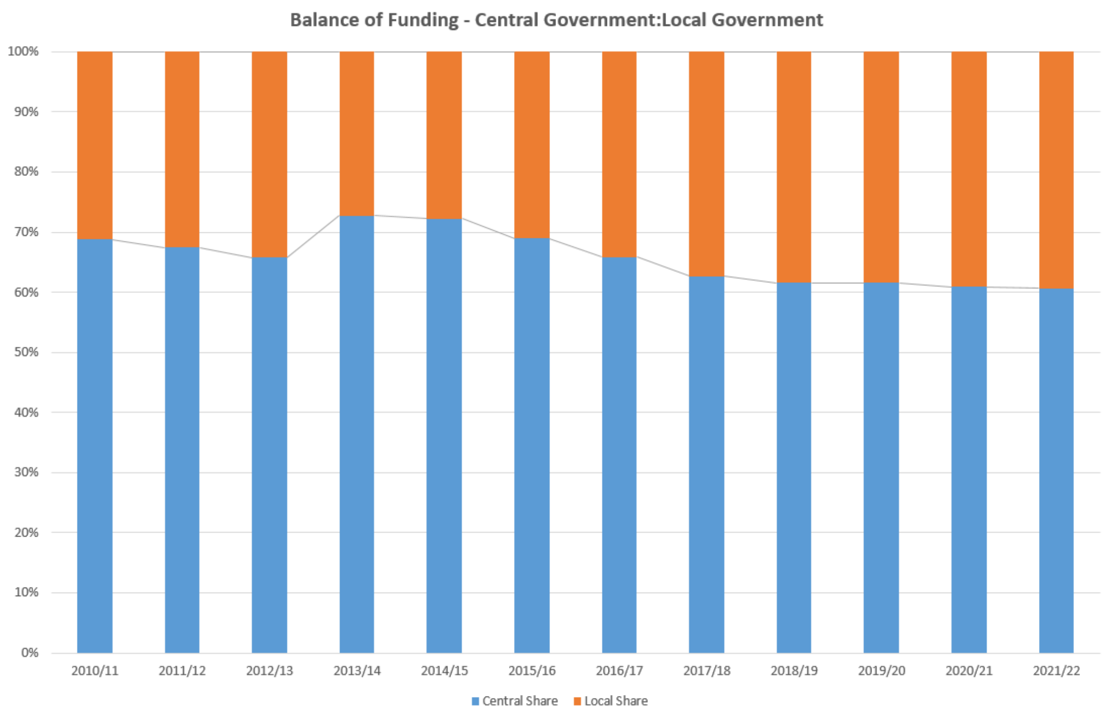
5. The Council is funded primarily from the following sources:-

   a) Redistributed Business Rates
   b) Business Rates Top-Up Grant;
   c) Revenue Support Grant;
   d) Various Other Service related grants (including, for example, Social Care Grant, Lower Tier Services Grant, Services Grant etc)
   e) New Homes Bonus; and
   f) Council Tax.

6. The graph below shows the amount of cash grant received (Central Government share) by the Council since 2010/11 compared to the amount of funding raised from Council Tax (Local Government share). This indicates that the trend in the cash grant from 2010/11 onwards is reducing whilst the trend in Council Tax income is rising, albeit not at the same rate as grant reduction.



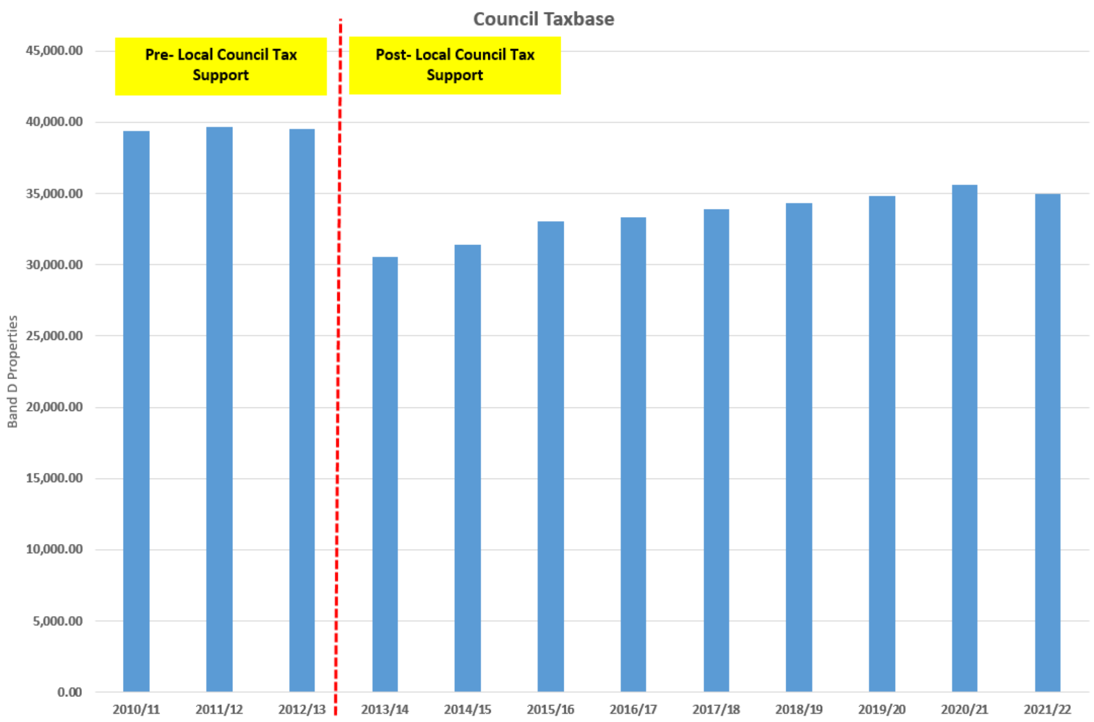
7. To demonstrate the shift in funding over the years, the graph below shows in percentage terms, what proportion of the Council's net revenue expenditure has been funded by Government Grant and what proportion by Council Tax. As the graph indicates, the Council's net revenue expenditure in 2010/11 was funded on a broadly 70:30 ratio of central government funding and Council Tax; in 2021/22, that had changed to 60:40 with more Council services funded by Council Tax.



Council Tax

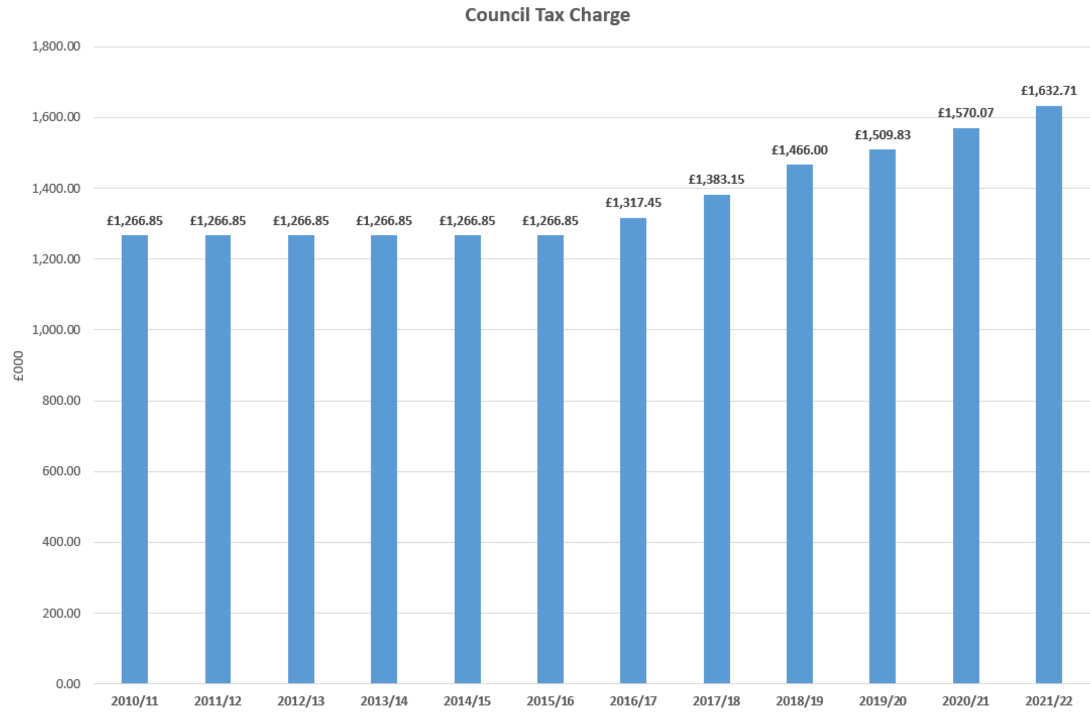
8. The graph above shows that, as a proportion of overall income, the amount of Council Tax income is increasing. Income from Council Tax is a function of the Council's Tax Base, the amount of taxable properties expressed as Band D equivalents, and the Band D Council Tax agreed annual by Council.

9. The graph below shows the change in the Council's tax base, i.e. the number of equivalent Band D properties. Since 2013/14 (the first year in which Local Council Tax Support was accounted for as part of the Council Taxbase), the Council's Tax base has increased by c14%. Average annual growth is c1.70%.



10. The assumption used in the MTFP 2022/23 for tax base increase is 0.5%.

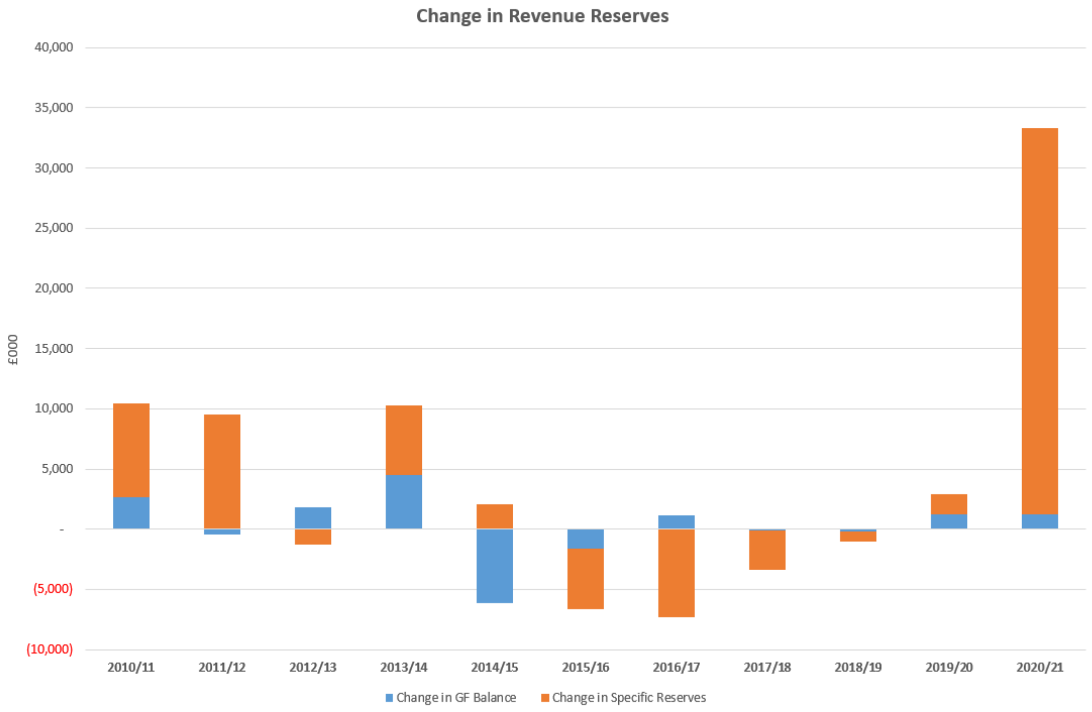
11. As indicated above, the amount of income from Council is determined by both the taxable capacity of the District, ie the taxbase, and the Band D Council Tax. The graph below provides a historical analysis of Band D Council Tax levels for the Council since the introduction of Council Tax in 1993/94.



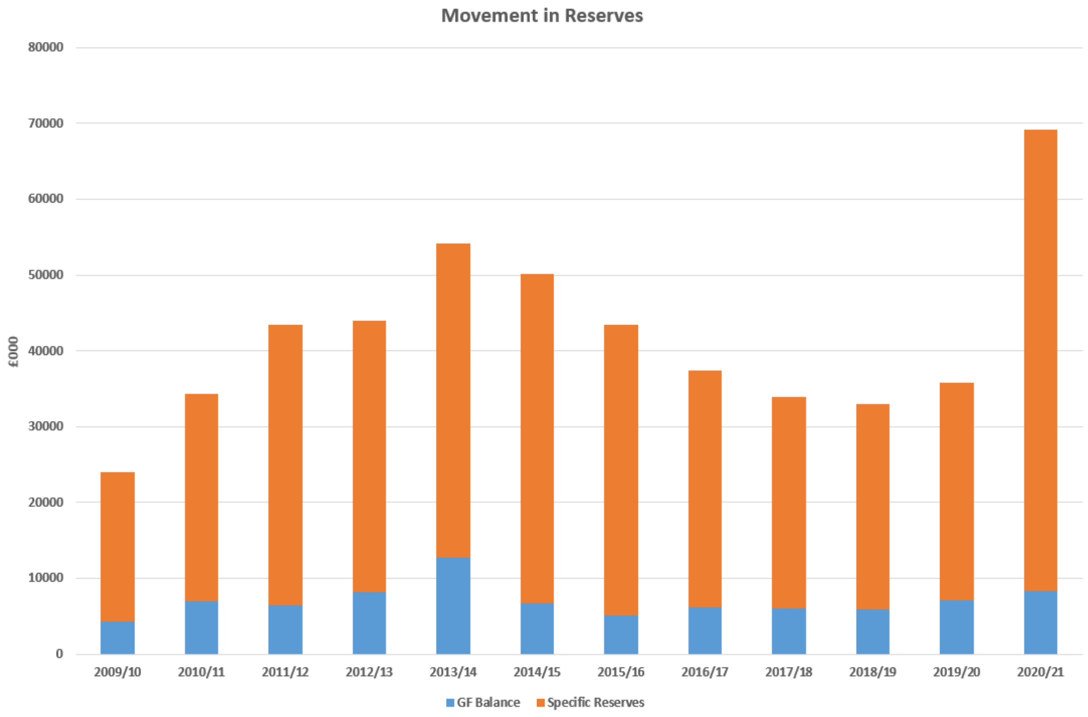
Historical Revenue Spending

12. The Council's historical revenue spending is measured the change in its Usable Revenue Reserves. The graph below shows the change in the General Fund Balance (blue) and Specific Reserves (Orange) since 2010/11.

13. As the graph shows, the Council underspent in 2010/11 leading to an increase in both the General Fund Balance and Specific Reserves. In the financial year 2020/21, there was a significant increase in Specific Reserves due primarily to the additional Covid-19 funding received by the Council.



14. The graph below shows how the quantum of usable revenue reserves has changed since 2009/10. This indicates that the General Fund Balance has remained broadly unchanged whereas the amount of specific rweAs the graph indicates, the Council has historically underspent against budget although in 2006/07 and 2007/08, the extent of the underspend is lower than in previous years. However, it is worth noting that in recent years, this underspend has been primarily due to the late payment of income from the Local Authority Business Growth Incentive Scheme, introduced in 2005/06.



Appendix C: Medium Term Financial Plan

	2022/23 Base Budget £000	2023/24 Base Budget £000	2024/25 Base Budget £000
Estimated Funding			
Business Rates	(18,185)	(20,245)	(20,658)
Business Rates - Top Up	(24,275)	(24,688)	(25,182)
Revenue Support Grant	(14,016)	(14,016)	(14,016)
Improved Better Care Fund Grant	(8,349)	(8,349)	(8,349)
Social Care Grant	(8,813)	(8,813)	(8,813)
Market Sustainability and Fair Funding	(516)	-	-
BSF PFI Grant	(8,472)	(8,472)	(8,472)
Council Tax Income (incl Social Care Precept)	(60,171)	(62,291)	(64,481)
Council Tax Income - Town and Parish Precepts	(164)	(164)	(164)
Transfer from/to Collection Fund - Council Tax	(755)	(39)	(765)
Transfer from/to Collection Fund - NNDR	6,859	344	-
Total Estimated Funding	**(136,857)**	**(146,733)**	**(150,900)**
Forecast Expenditure			
Portfolios	130,938	129,970	129,625
Corporate Income and Expenditure			
Contingencies	8,447	13,880	20,699
RCCO	6,351	-	-
Debt Charges	18,987	19,325	19,582
Recharges to Schools	(1,274)	(1,207)	(1,154)
Benefit Admin Grants	(650)	(600)	(550)
New Homes Bonus	(1,006)	-	-
Lower Tier Services Grant	(341)	(341)	(341)
Services Grant	(3,072)	(3,072)	(3,072)
Business Rates s31 Grant	(8,568)	(7,140)	(7,140)
Town and Parish Precepts (incl Grants)	191	191	191
Net Expenditure	**150,003**	**151,006**	**157,840**
Contributions to/(from) Reserves			
R&M Sinking Fund	80	80	80
NNDR Reserve	(5,471)	-	-
Other Reserves (to fund RCCO)	(6,261)	-	-
Invest to Save Reserve	(374)	-	-
Use of Budget Strategy Reserve	(1,120)	(1,468)	(1,040)
Budget Requirement (excl GF Balance)	**136,857**	**149,618**	**156,880**
Contribution to/from GF Balance	-	-	-
Budget Requirement	**136,857**	**149,618**	**156,880**
Net Shortfall/(Surplus)	**-**	**2,885**	**5,980**
Net Shortfall/(Surplus) - In Year	**-**	**2,885**	**3,095**

Appendix D: Scenario Forecasting

Scenario Planning – Medium Term Financial Plan 2021/25

Current Position

	Forecast 2022/23 £	Forecast 2023/24 £	Forecast 2024/25 £
BUDGET REQUIREMENT	136,857	149,618	156,880
Funding	(136,857)	(146,733)	(150,900)
Net Shortfall / (Surplus)	**-**	**2,885**	**5,980**
Cumulative Net Shortfall / (Surplus)	**-**	**2,885**	**3,095**

Scenario 1 – A 'Best' Case Scenario

Variables

- The distribution of the additional Services Grant (£3.072m) is changed to compensate low taxbase local authorities like Blackburn (and increases to £4.0m);
- Council Tax and Business Rate Collection return to pre-pandemic levels;
- The New Homes Bonus Scheme continues in its present format until 2024/25;

	Forecast 2022/23 £	Forecast 2023/24 £	Forecast 2024/25 £
BUDGET REQUIREMENT	136,857	147,870	155,132
Funding	(136,857)	(146,733)	(150,900)
Net Shortfall / (Surplus)	**-**	**1,137**	**4,232**
Cumulative Net Shortfall / (Surplus)	**-**	**1,137**	**3,095**

Scenario 2 – A 'Worst' Case Scenario

- Covid-19 income losses are not recovered back to pre-pandemic levels over the life of the MTFP;
- the additional Services Grant (£3.072m in 2022/23) is reduced by 50% from 2023/24 onward;
- 2.5% pay award and not 2%
- the Lower Tier Services Grant does not continue after 2022/23;

	Forecast 2022/23 £	Forecast 2023/24 £	Forecast 2024/25 £
BUDGET REQUIREMENT	136,857	150,895	158,157
Funding	(136,857)	(146,733)	(150,900)
Net Shortfall / (Surplus)	**-**	**4,162**	**7,257**
Cumulative Net Shortfall / (Surplus)	**-**	**4,162**	**3,095**

Appendix E: Risk Assessment of the Financial Strategy

The risk assessment below considers the risks to the Council's financial position arising out of matters considered in this Financial Strategy. The risk scores are based on the matrix of risk scoring used in the development of the Council's Strategic Register. The risk assessment here needs to be considered in conjunction with the matters raised on the Council's Strategic Risk Register

Risk	Inherent Risk Score	Management of Risk	Residual Risk Score
Insufficient financial resources will be available to deliver the corporate priorities as set out in the Corporate Plan.	15	In the main, the Council's Strategic Plan includes goals which are either to be resourced from within existing budgets or do not require additional resources. Where resources are required, these are factored into the Medium Term Financial Plan.	15
The Service Planning process will identify a range of additional budget pressures over and above those currently considered in this Financial Strategy.	16	The Council's Service and Financial Planning process incorporates a mechanism of ensuring only relevant projects are put forward for consideration as part of the budget.	12
The Financial Strategy does not reflect in financial terms the objectives set out in other plans of the Council.	8	The Financial Strategy attempts to take a holistic view of the Council and by recognising costs pressures arising out of the Corporate Plan, should reflect the financial commitments required to achieve over strategic plans. Equally, the Financial Strategy will develop by iteration and therefore will need to be updated as the Council's other strategies are updated.	2

Risk	Inherent Risk Score	Management of Risk	Residual Risk Score
Local Government Finance Settlement is worse than anticipated.	12	With only a 1-year settlement for 2022/23 there remains significant uncertainty with the future funding of the Council from 2023/24 onwards. On the basis of the information known to date, it is difficult to predict what level of funding the Council will receive.	12
Changes in the distribution of funding will have an adverse impact on the Council's financial settlement.	3	As above	12
The Council sets Council Tax at a level which is considered excessive by Government	12	Members are informed of the Governments expectations on Council Tax and are advised accordingly of the implications of setting excessive Council Tax increases.	4
Members agree a Council Tax increase of less than the maximum allowable increase	9	Members are clearly informed of the implications of setting a Council Tax less than the maximum allowable by Government but ultimately the decision is for Members to take. Any increase less than that assumed in the MTFP would have to be managed within the annual service and financial planning framework.	6
Council Tax collection is less than 96.5%	3	Historically, Council Tax collection has been at, or around, 97% although collection has been significantly impacted by however, collection rates are monitored throughout the year.	1

Risk	Inherent Risk Score	Management of Risk	Residual Risk Score
Income Budgets not achieved or become unsustainable	5	Heads of Service are consulted on proposed increases in income budgets/fees and charges and have the opportunity to raise concerns about the scope to sustain such budgets. Equally, income budgets are monitored throughout the financial year and where a shortfall in income is anticipated, this is highlighted in reports to Committee. However, a number of significant income budgets, for example, Planning Fees, Local Land Charges and Building Control Fees, are demand led and it is difficult for forecast accurately what income will be received from year to year.	5
Pay Award and/or inflation vary from those assumed in the Medium Term Financial Plan	7	The pay award for 2021/22 has not yet been agreed and no discussions have started on the pay award for 2022/23. However, present provision with the Council's budget (and over the life of the Medium Term Financial Plan) is considered to be sufficient to meet the cost of the agreed pay awards. However, as and when agreement on the pay award for each year is agreed, a review of these assumptions will take place.	5
The cost of demand-led services exceeds budget due to unexpected increases in demand for services, Adult and Children's Social Care.	16	Demand for Adult and Children's Social Care is difficult to predict in the current climate, not least because of the impact of Covid-19. Even before Covid-19, demand for services was volatile and increasing. With the reforms of Adult Social Care and potential reforms of Children's Social Care arising from the Independent Review of the Sector, there may be increased pressure on these services.	12

Risk	Inherent Risk Score	Management of Risk	Residual Risk Score
An inadequate Ofsted Judgement on Children's Services which leads to the need for investment to deliver rapid improvements	15	The Children's Service is currently rated as Good overall following an Inspection in 2017. Since, there have been two Focused Visits by Oftsed which have commented on the improvements the Council continues to make. However, Covid-19 continues to impact on the delivery of the service	10
The Council has insufficient capital resources to sustain capital commitments	12	Development of the Capital Strategy should provide the framework for ensuring that the Council is in a position to manage its assets and capital resources in a way to ensure that there are sufficient resources to maintain a capital programme to meet the Council's Corporate Priorities.	6
There is a reduction or cessation of external funding	12	Regular reviews take place of the external funding received by the Council and how it is used. Where there is a prospect that external funding is not going to continued, consideration is given to the sustainability of activities and what it means for the Council's budget.	12
There is a reduction in specific grants	15	The Medium Term Financial Plan incorporates prudent assumptions on Specific Grants.	12
Legislative Changes are not anticipated and therefore not costed into the Council's financial plans	12	Strategic Directors, Directors and Heads of Services will be required to highlight legislative changes through the Service Planning process and should therefore indicate what, if any, resources requirements will be so that, where there are resources implications, these can be factored into the Council's Medium Term Financial Plan.	4

Appendix F: Budget Setting Timetable