



REPORT OF: Executive Member for Finance and Governance

LEAD OFFICER: Director of Finance

DATE: 12th January 2023

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

KEY DECISION: Y

TITLE OF REPORT: Development of the General Fund Revenue Budget 2023/24 (including details of the provisional Local Government Finance Settlement 2023/24)

1. PURPOSE

1.1 The purpose of this report is to provide an update on the development of the Council's budget for 2023/24. In particular, an update is provided on the outcome of the provisional Local Government Finance Settlement and what this means for the Council's Medium Term Financial Plan.

2. RECOMMENDATIONS

2.1 It is recommended that Executive Board:-

- a) note the outcome of the provisional Local Government Finance Settlement for 2023/24 as set out in the report;
- b) note the response to the provisional Local Government Finance Settlement for 2023/24 as set out at **Appendix A**;
- c) note that further work is required to determine the estimate of Business Rates Retained for 2023/24 which will reflect the Council's local knowledge/circumstances and that this work has begun following the release of guidance from Government on this matter;
- d) acknowledge that the estimates of Council Tax income presented in the report are subject to decision by Finance Council on 27th February 2023 and are, therefore, indicative at this stage;
- e) note the updated Medium Term Financial Plan 2023/26 and this will be further updated once decisions on the Council's budget are taken at Finance Council on 27th February 2023.

3. BACKGROUND

- 3.1 Annually, the Government provides local authorities with an indication of how much funding it will provide towards the cost of delivering services. Combined with the notional assessment of business rates amounts and referendum limits for the Council, this is referred to as the provisional Local Government Finance Settlement.
- 3.2 This report sets out details of the provisional Local Government Finance Settlement for 2023/24 which was released on 19th December and includes the Council's response to the consultation on this matter. The report also describes what it may mean for the Council's medium term financial position reflecting both the details of the provisional Settlement for 2023/24 and Local Government Finance Policy Statement 2023/24 and 2024/25 which the Government released in early December 2022.
- 3.3 The final Local Government Finance Settlement is not expected until early February 2023. In the meantime, work on the development of the Council's budget will continue and ultimately it is a matter for Finance Council on 27th February 2023 to determine both the budget (revenue and capital) and Council Tax for the next financial year.

4. RATIONALE

- 4.1 The development of the budget is a key element of the Council's financial governance processes. Now that the Government has provisionally provided details of the Council's funding for 2023/24, the Council will need to determine its budget for the year.
- 4.2 As the Executive Board may be aware, as part of the assessment of the Council's Value for Money arrangements, the Council's External Auditors will assess what arrangements the Council has in place to deliver a balanced budget including the adequacy of savings schemes. It is important that the Council has developed a robust and deliverable set of options for achieving a balanced and sustainable budget. This will also avoid any adverse commentary in the Auditor's report on Value for Money.

5. KEY ISSUES

Local Government Finance Policy Statement 2023/24 and 2024/25

- 5.1 During the Summer of 2022, the Secretary of State for the Department of Levelling Up, Housing and Communities outlined his intention to provide Local Government with at least a 2-year funding settlement as part of the of the funding settlement for 2023/24. Despite the changes in Government since then, the Secretary of State has followed through on this intent by providing a Local Government Finance Policy Statement for 2023/24 and 2024/25.
- 5.2 Details of what the Policy Statement means for Councils in 2023/24, and in particular Blackburn with Darwen Council, are set out in the Provisional Local Government Finance Settlement, details of which are provided below. For 2024/25, the Policy Statement provides an indication of the Government's intentions as follows:-
 - the core Council Tax Referendum Principles for 2024/25 will be as in 2023/24; that is, the referendum limit for increases in Council Tax will remain at 3% per year and local authorities with social care responsibilities will be allowed to increase the Adult Social Care Precept by 2% (this is now reflected in the Council's Medium Term Financial Plan);

- Major grants (assumed to be the Services Grant) will continue as set out in 2023/24;
- Revenue Support Grant will continue and be uplifted in line with Baseline Funding Levels (although it has become apparent that this uplift is likely to be funded from a reduction in the Services Grant hence no net gain in resources);
- The Social Care Grant and other social care grants will increase 'as set out in the Autumn Statement';
- A new funding stream, subject to the successful delivery of the Extended Producer Responsibility for Packaging (pEPR), will become available for local authority waste disposal authorities.

5.3 Councillors will appreciate that these are broad statements of intent but, whilst providing some indication of the direction of travel, do not provide sufficient detail to make confident predictions about the funding available to the Council.

Provisional Local Government Finance Settlement

5.4 Details of the provisional Local Government Finance Settlement for 2023/24 were announced on 19th December 2022. Releasing the provisional Settlement signals the opening of a period of consultation by the Government on the details of the Settlement for which the deadline for responses is 16th January 2023. Thereafter, the Government normally publishes the final Settlement towards the end of January/early February.

5.5 The provisional Settlement represents the Government's view of the Council's funding position for 2023/24. In particular, the Settlement provides the Government's assessment of the Council's Core Spending Power comprising funding such as Business Rates retained, Revenue Support Grant, Council Tax and other grants payable to the Council (examples include the Social Care Grant and the Improved Better Care Fund).

5.6 For both the Revenue Support Grant and other grants payable to the Council, the amounts given in the provisional Settlement reflect the actual grants that will be paid to the Council. The amount of Business Rates Retained and Council Tax reflect the Government's assessment of what the Council might raise; in both cases, the actual amounts will be subject to determination by the Council according to local assessment and/or decision making (both of which will be influenced by local factors).

5.7 A response to the consultation on the Provisional Settlement has been submitted to the Government as required and is provided at **Appendix A** to this report.

Change in Core Spending Power

5.8 Core Spending Power (CSP) is a measure used by the Government to set out the resources available to a Council to fund service delivery. It combines actual cash grants payable to Councils with estimates of Business Rates and Council Tax receipts that a local authority might receive based on Government assumptions. CSP is used by the Government to make comparisons of the resources available to different Councils. For the reasons set out below, it is not necessarily the actual funding a Council will receive to fund service delivery.

- 5.9 On the basis of the provisional Settlement, the Council's CSP for 2023/24 will increase by 10.2% when compared to CSP in 2022/23 and includes an assumption by Government that Councils will increase their Council Tax by the maximum allowable under the Council Tax Referendum Principles. This is in comparison to the average CSP for all Councils in England of 9.2% (meaning the Council has the 37th highest increase in CSP out of 364 Local Authorities (including Fire Authorities)).

Provisional Settlement compared to Medium Term Financial Plan

- 5.10 The year-on-year change in the CSP provides one measure of the change in the Council's funding position. Of more importance is how the provisional Settlement compares to what the Council has been assuming in its Medium Term Financial Plan.

- 5.11 Table 1 below provides a summary of the Council's funding position as set in the provisional Settlement compared to the position included in the Council's developing Medium Term Financial Plan for 2023/26. The table shows the calculation of the Baseline Funding Assessment, the Settlement Funding Assessment and the Core Spending Power for the Council:-

Table 1: Provisional Settlement 2023/24 (compared to MTFP as at October 2022)

	MTFP *2 2023/24 £000	Provisional Settlement 2023/24 £000	Variance £000	Variance %
Business Rates Retained (IABR*1)	20,306	21,117	811	4.0
Business Rates Top Up	24,761	25,117	356	1.4
Baseline Funding Assessment	45,067	46,234	1,167	2.6
Revenue Support Grant	14,016	15,695	1,679	12.0
Settlement Funding Assessment	59,083	61,928	2,845	4.8
Under-indexing Business Rates	7,140	7,876	736	10.3
Improved Better Care Fund	8,349	8,349	-	-
Social Care Grant	8,813	8,813	-	-
Independent Living Fund	386	386	-	-
Equalisation of 2% ASC Precept	-	995	995	100.0
Additional Adult Social Care Funding	-	3,774	3,774	100.0
Market Sustainability and Fair Funding	-	1,790	1,790	100.0
Discharge Funding	-	1,171	1,171	100.0
New Homes Bonus	-	401	401	100.0
Lower Tier Services Grant	341	-	(341)	(100.0)
Services Grant	3,072	1,731	(1,341)	(43.6)
Grants Rolled into Settlement	233	-	(233)	(100.0)
Total Government Funding	87,417	97,214	9,797	11.2
Council Tax (excl Parish Precepts)	64,695	63,678	(1,017)	(1.6)
Core Spending Power	152,112	160,892	8,780	5.8

*1 – Individual Authority Business Rates Assessment

*2 – As per Medium Term Financial Plan reported to Finance Council in Oct 2022.

- 5.12 As the table indicates, subject to further work on Business Rates Retained, the Council's decisions on the level of Council Tax for 2023/24 and confirmation of the final Settlement, the funding position set out in the Provisional Settlement is £9.8m more than was forecasted. More details of the provisional Settlement are provided below.

Business Rates Retained

- 5.13 At this stage, the estimate of Business Rates Retained is the Government's assessment of the Council's amount of business rates the Council will retain from the net collectable Business Rates generated in the Borough (based on a 49% share, with the balance shared between the Lancashire Fire Authority (1%) and the Government (50%)). This is based on their knowledge of the Business Rates taxbase, exemptions and reliefs.
- 5.14 Work on the Council's own assessment of the estimate of Business Rates Retained will begin in the next fortnight. This will be based on the Council's knowledge of the expected growth/decline in the taxbase, exemptions, reliefs and provision for bad debts and appeals. Ordinarily, this work will conclude during late January 2023. And, as indicated in a report elsewhere on the Agenda for this meeting, it will take into consideration the Revaluation of Business Rates 2023. ***The Business Rates Retained estimate for 2023/24 may therefore change.***

Business Rates Top Up

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

Revenue Support Grant

- 5.16 Revenue Support Grant is a general cash grant payable to the Council. ***This is unlikely to change between provisional and final settlement.*** Revenue Support Grant for 2023/24 has increased by £1.679m when compared to 2022/23. This is for two reasons:-
- the Revenue Support Grant has been uplifted by the CPI rate of inflation (10.1%);
 - various grants (including the Local Council Tax Support Administration Grant) have been rolled-into Revenue Support Grant; this is not new funding but simply a consolidation of these grants schemes.

Other Grants

- 5.17 As indicated in the table, the Government includes a number of other cash grants payable to the Council in the calculation of the Core Spending Power.
- ***Under-Indexing of Business Rates*** – this is a cash grant payable to the Council to reflect the Government's decision previously to not increase the national business rates multiplier by inflation (as is normally required by Business Rate legislation). The policy intention was to relieve businesses of the burden of additional business rates costs and the purpose of the grant is to compensate Councils for the loss of income that they would otherwise have received. ***For the purposes of the provisional/final Settlement, this amount is unlikely to change but the actual grant payable to the Council will be based on the performance of business rates during the year;***

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

Table 2: 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	2023/24 £000
Adult Social Care	478	-	-	-	-	0
Improved Better Care Fund	5,901	7,339	8,104	8,104	8,349	8,349
Social Care Grant	-	-	4,925	6,551	8,813	8,813
Social Care Support Grant	-	1,306	-	-	-	-
Winter Pressures Grants	764	764	-	-	-	-
Market Sust/Fair Funding	-	-	-	-	516	1,790
Independent Living Funding	-	-	-	-	386	386
Equal of 2% ASC Precept	-	-	-	-	-	995
Additional Social Care Grant	-	-	-	-	-	3,774
Discharge Fund	-	-	-	-	-	1,171
Total	7,143	9,409	13,029	14,655	18,064	25,278

- Table 2 above includes an additional £4.769m for Social Care (either Adults or Childrens). There is also £1.790m for Market Sustainability and Improvement and £1.171m for a Discharge Fund; in both cases, the Government has indicated that there are conditions to the use of this funding although details of those conditions have yet to be released. The Independent Living Funding Grant of £386k is the same as in the current year but will be rolled-into the Social Care Grant.

New Homes Bonus

- 5.18 The New Homes Bonus (NHB) is now in its eleventh year as part of the Local Government Finance system. The original policy intention of NHB was to provide a financial incentive to local authorities to encourage the building of new homes and/or bringing empty homes back into use.
- 5.19 Despite consulting on proposals in 2021 to amend the NHB Scheme, the Government has decided again to retain the present scheme for a further financial year. As has become the norm in recent years, allocations are for one year only with no payment of legacy amounts from previous years (as has previously been the case). For 2023/24, the Government will provide NHB to reflect new housing and empty houses brought into use in the year up to October 2022. This amounts to £401k (compared to £1.005m in 2022/23).
- 5.20 It has been assumed that there will be no further NHB payments after 2024/25.

Lower Tier Services Grant

- 5.21 This grant was first paid in the 2021/22 financial year and was, when announced, badged as one-year only. However, whilst the Government did rollover the grant into 2022/23, there will be no grant payable from 2023/24.

Services Grant

- 5.22 The Services Grant was new grant for 2022/23 and the Council received £3.072m (out of total funding of £822m for Local Government). The Government did indicate then that whilst the funding remained for distribution to Local Government, it did not form part of the Settlement.
- 5.23 For 2023/24, the Government has reduced the overall amount of grant funding available to £464m. The reduction in funding is in part because there will no longer be an increase in National Insurance Contributions (due to the withdrawal of the Health and Social Care Levy), therefore the Government proposes not to compensate Local Government for these contributions from 2023/24. In addition, some funding will go to increase the funding for the Supporting Families programme (although it is unclear whether this is new funding) and to pay for other parts of the settlement such as increasing Revenue Support Grant.
- 5.24 The Council will receive £1.731m (out of a total £464m) in 2023/24 with the distribution of the grant based on the Council's Settlement Funding Assessment from 2013/14 (the last time the Council's funding was based on an assessment of its relative needs).

Public Health Grant

- 5.25 At the time of writing, the Government had not released details of the Public Health Grant for 2023/24. If details are released prior to the meeting, a verbal update will be provided as appropriate.

Council Tax

- 5.26 The Government has assumed that the Council will raise £63.678m in Council Tax in 2023/24 as part of their assessment of the Core Spending Power. This is based on the following assumptions:-
- applying the average annual growth in the Council Tax Base between 2018/19 and 2022/23 to project growth in the tax base for 2023/24; and
 - that the Council will increase its Council Tax in line with the maximum allowable level set out by the Council Tax Referendum Principles for 2023/24. That is 2.99% for general Council Tax and 2% for the Adult Social Care Precept.
- 5.27 At this stage, the estimate of Council Tax receipts assumed in the Medium Term Financial Plan (version 3) is based on the following assumptions:-
- a Council Taxbase for 2023/24 of 36,292.8;
 - an increase in the general Council Tax of 2.99% and an increase in the Social Care Precept of 2%. Both of these reflect the maximum allowable levels set out by the Council Tax Referendum Principles for 2023/24.
- 5.28 Whilst the Executive Board should note the assumptions in the MTFP at stage, the decision to increase Council Tax is ultimately a matter for Council to take. ***It is, therefore, possible that the Council Tax yield assumed may change subject to the outcome of that decision.***

Update Medium Term Financial Plan 2023/26

5.29 The Provisional Settlement is one of the key building blocks of the Council's Medium Term Financial Plan (MTFP) 2023/26. Given the release of the Settlement, an opportunity has been taken to update the MTFP. The MTFP has been developed using a range of assumptions, not least those necessary to estimate the amount of funding available to the Council. In the light of the provisional Settlement, it is now possible to update the MTFP with the Council's funding allocations (accepting that both Business Rates Retained and Council Tax amounts are subject to change for the reasons set out above). A summary of the updated MTFP is provided in the Table 3 below:-

Table 3: Medium Term Financial Plan 2023/26 (as at December 2022)

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Portfolio Budgets	133,880	143,545	143,200	143,200
Other Corporate I & E	16,123	27,272	35,976	44,442
Net Revenue Expenditure	150,003	170,817	179,176	187,642
Less Core Funding	(82,626)	(95,292)	(96,216)	(97,159)
Less Council Tax	(54,231)	(64,554)	(69,203)	(71,608)
Shortfall before Reserves	13,146	10,971	13,757	18,875
Change in Specific Reserves	(13,146)	(1,388)	(960)	(500)
Change in GF Balance	-	-	-	-
Funding 'Gap'	-	9,583	12,797	18,375
In Year Funding 'Gap'	-	9,583	3,214	5,578

5.30 As the table indicates, the forecast funding gap for the period to 2024/25 is now estimated to be £9.5m. This reflects both the details of the provisional Settlement and also the following matters:-

- all of the additional funding (£7.7m) for Social Care is assumed to be used to meet additional costs of both Adult Social Care (primarily the uplifts given to Social Care Providers) and Children's Social Care (reflecting the pressures on the cost of Permanence (including Out of Borough Placements, Fostering and Adoption), Care Leavers including the Staying Put Scheme and SEN Transport). Indeed, as indicated above, £1.171m of this funding is likely to be pooled as part of the Council's agreement with the NHS on the Better Care Fund. Further work is required on distribution of this funding between these matters and that work is currently underway;
- an additional £1m to provide for inflation on utilities from 2023/24 onwards. As Councillors will be aware, the Council is forecast to overspend by £640k in the current financial year on utilities, a position which is dampened by the Government's cap on utility pricing. There is no indication at this point whether and in what form that cap will continue to operate from April 2023; the assumption at this point is that it is unlikely to be available to the Council. It is hoped that making this provision should prevent the Council having to consider whether to change the operating hours of key operational buildings (as some Councils have already chosen to do so);

- an increase in the provision for the Pay Award. Up to now, the Medium Term Financial Plan has assumed a pay award of 4% in 2023/24, reducing to 3% and 2% respectively in the following financial years. In light of the agreed increase in the National Living Wage for 2023/24 and the forecasts for 2024/25 onwards, and given that this is increasingly a factor in determining the Local Government Pay Award, it is considered necessary to make additional provision for 2023/24.
- funding of £1.120m has also been included in the Medium Term Financial Plan to provide for inflation on Waste Contracts. This is a contingent sum at this stage but given the prevailing rate of inflation, is necessary to meet the additional costs of waste disposal that are expected in 2023/24;
- a reduction in income budgets totalling £828k. This reflects mainly anticipated shortfalls in income from the Mall and Mall Car Park and the Council's own Car Parks which have not returned to pre-Covid-19 levels and which require adjustment as part of the budget process.

5.31 The Executive Board is asked to note these matters.

Other Budget Changes/Policy Decisions

5.32 A review of the robustness of the Council's Base Budget continue. This is with a view to ensuring that any underlying and, arguably, unavoidable budget pressures are reflected properly in the budget and relate more accurately to activity currently being undertaken. Likewise, it is being used to identify any compensating areas of budget surplus. At the same time, a range of policy matters are arising which equally may need consideration as do those issues that are contributing to the Council's forecast overspend in the current financial year. At this stage, further work is required to determine whether any of these matters should feature in the Council's budget.

Next Steps

5.33 As indicated above, this report provides an update on the Provisional Local Government Finance Settlement and the Council's Medium Term Financial Plan. Now that the details of the Settlement, further work will be undertaken on the development of the budget. Subject to confirmation of the final Local Government Finance Settlement, ultimately, it is for the Finance Council on 27th February 2023 to agree the Council's budget for the next financial year.

6. POLICY IMPLICATIONS

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

7. FINANCIAL IMPLICATIONS

7.1 The financial implications are as given in the report.

8. LEGAL IMPLICATIONS

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

9. RESOURCE IMPLICATIONS

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

10. EQUALITY AND HEALTH IMPLICATIONS

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

11. CONSULTATIONS

11.1 None arising from the contents of this report.

12. STATEMENT OF COMPLIANCE

12.1 None arising from the contents of this report.

Appendices

Appendix A – Response to the provisional Local Government Finance Settlement 2023/24

VERSION:	1
CONTACT OFFICER:	Dean Langton – Director of Finance
DATE:	28th December 2022
BACKGROUND PAPERS:	None

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

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

Sent via e-mail

Dear Sir,

**Provisional Local Government Finance Settlement 2023/24
Response to Consultation**

I am writing on behalf of Blackburn with Darwen Council in response to your consultation on the Local Government Finance Settlement for 2023/4. Responses to the specific consultation questions are provided at the end of this letter. In the meantime, I would like to make the following comments and suggestions.

I acknowledge these continue to be extraordinary times for all public services albeit not helped by the turmoil in Government and the disastrous impact of the 'mini-budget' announced by the previous Government. Nevertheless, I am disappointed that details of the Provisional Settlement were only released on 19th December 2022. I say this again in the context of the recommendation of the Hudson Review (into Local Government Finance: Review of Governance and Processes) which stated that the provisional settlement should be announced around 5th December each year. As you will appreciate, delays in issuing the provisional settlement have a consequential impact on the development of our budget at a time when, after years of austerity, there is a need to consider carefully and in detail decisions which could have a significant impact on the delivery of critical services.

Returning to the provisional Settlement, we are grateful that the Government has, to some extent, recognised the funding needs of local authorities, particularly in relation to Social Care and general inflationary pressures. We are disappointed, however, that funding increases for Local Government are based on the assumption that Councils will raise their Council Tax by the maximum permissible without a referendum. This leaves Councils like Blackburn with Darwen, with proportionately more people on low incomes than most other Councils, with the difficult choice about whether to increase Council Tax bills to bring in desperately needed funding when we are aware of the significant burden this could place on residents already suffering from a cost of living crisis.

We are also disappointed that the Fair Funding Review and the Business Rates Retention reset continue to be put off. As we have indicated previously, we have long held the view that funding allocations based on the relative needs of local authorities are crucial to ensuring that funding from Government is distributed to those local authorities like Blackburn with Darwen that need it the most. Indeed, as I have indicated previously, it is my view that to the extent that it remains important to the current Government, this needs to be a central tenet of the Government's Levelling Up policy.

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

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

Whilst I acknowledge publication of the Local Government Finance Policy Statement 2023/24 to 2024/25, I am disappointed that the provisional Settlement only includes detailed funding allocations for 2023/24. It is, in essence, another single-year settlement which provides no real basis on which the Council can plan effectively for the medium term.

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

Combined with the continuing delay to the Fair Funding Review, if indeed that is to happen, changes to the Business Rates Retention System and the proposed reform of the New Homes Bonus Scheme, for which we have still to see the outcome of the consultation conducted in 2021, I remain concerned that these changes will create significant turbulence and uncertainty in the funding system for local government. Each of these changes alone is potentially significant but taken together, with limited useful information on which to model future funding scenarios, the ability of local authorities like Blackburn with Darwen to forecast funding levels with any accuracy from 2024/25 is incredibly difficult, if not impossible.

If the Government presses ahead with these reviews, we ask that consideration is given to the impact on each individual local authority. In particular, if delaying the implementation of one or other of the reviews is not possible, we ask that you consider including transitional arrangements such as 'floors' and 'ceilings' to manage the changes in funding from one year to the next so that no individual authority sees its funding reduce as a result. Indeed, as with the provisional Settlement for 2023/24, we would urge the Government to ensure there is adequate funding in the system to provide all Councils with a minimum funding increase guarantee.

- *Funding based on Needs*

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

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

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

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

At the same time, Government needs to provide adequate resources for investment in infrastructure in places like Blackburn with Darwen to make up for the underlying lack of investment experienced over many years that has led to the inability of the local economy to grow and compete with other places. We acknowledge investments such as the Darwen Town Deal and the Community Renewal Fund, we note our Priority 1 designation for the Levelling-Up Fund and, as with the UK Shared Prosperity Fund, we are developing our capacity to bid for these funds to ensure we can receive our fair share of investment. Equally, we support 'Lancashire 2050', a strategic framework for Lancashire which I hope will provide the basis for the devolution of powers and resources that will transform the economy of Lancashire as it has done in other places.

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

- *Funding for Social Care*

I welcome the Government's decision to delay the implementation of reforms to the Adult Social Care System. I agree that changes are necessary but given the acute issues in Adult Social Care at present, the delay will afford the opportunity to implement the changes in a more timely and effective way whilst endeavouring to cope with the pressures in the system now.

I also welcome the Government's decision to provide additional funding for Adult Social Care, reflecting the inflationary pressures for both Councils and Social Care Providers. I note this is funding that was to be used to fund the reforms. As this is the case, I would urge the Government to consider what additional funding will be necessary to support the implementation of reforms when they are due rather than relying on the funding Councils will now use to support the Adult Social Care system as it currently operates. In this respect, the Government should consider how the additional funding provided to the NHS should be redirected to both preventative and early help activities to support a more sustainable health and social care system.

On Children's Social Care, I am disappointed that the Government has made no progress in responding to the recommendations of the MacAlister Review and the Competition and Market Authority's investigation into children's social care provision. In many respects, the Children's Social Care system is broken with Council's often held to ransom by Social Care Providers who are demanding extortionate fees for placements. In my view, these two reviews are vital to understanding how best to deliver Children's Social Care and, from the Government's perspective, what funding will be necessary to provide to Local Authorities to ensure they can do so effectively.

- **Public Health Grant**

Once again, it is disappointing that details of the Public Health Grant allocations (for 2023/24) have not been released as part of the provisional Settlement. As we have indicated above, late announcements of grant allocations inhibit our ability to plan the delivery of services particularly at a time when Public Health services are vital to the delivery of services to our localities.

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

- ***New Homes Bonus***

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

- ***Council Tax***

I note the Government's relaxation of the referendum principles for 2023/24 (and 2024/25). As I have set out about above, I do take issue with the Government's assumption that funding increases for Local Government are predicated on the maximum permissible increase in Council Tax. This requires difficult decisions from Councils that, after years of austerity, need to raise funding to sustain services but from residents, many of whom are already facing significant hardship due to the cost of living crisis.

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

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

And to reiterate, increasing Council Tax bills places a significant burden on households at a time when other inflationary pressures have resulted in a cost of living crisis that is affecting significantly some of our most vulnerable residents in a disproportionate way. And, whilst I acknowledge the financial support provided by the Government, these currently appear to be temporary measures of support for inflationary pressures that are continuing unabated.

Finally, our responses to the specific questions set out in the consultation paper follow below and we trust that you will take these and the comments made above into consideration prior to confirming the final settlement for 2023/24.

Yours sincerely

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

Responses to Consultation on the Provisional Local Government Finance Settlement

Question 1: Do you agree with the government's proposed methodology for the distribution of Revenue Support Grant in 2023/24?

Yes, in part. We acknowledge the uprating of the Revenue Support Grant for 2023/24 by inflation.

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

We acknowledge that the Government is committed to reviewing the assessment of needs and resources for local authorities. That aside, I am deeply disappointed that the implementation of this assessment will not be in the life of the current Parliament when there is an opportunity to deal with it now. Nevertheless, we will be responding to the consultation on this matter in due course given the Government's commitment to engage with the Sector because the present method of allocating Revenue Support Grant is based on outdated information associated with both the relative needs and resources of local authorities which, in our view, is depriving our local area of the resources required to sustain local services.

I remain aggrieved at the Government's response to those Councils that, as a consequence of the formulaic approach to the allocation of Revenue Support Grant, will 'suffer' negative RSG again in 2023/24 (and indeed in previous years). In our view, it is contrary to both the calculation methodology and, in relation to the current year's allocation, the acceptance of the 4-year settlement that the Government has chosen to find funding to compensate these Councils, most of which have:-

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

Fundamentally, it remains unfair.

Question 2: Do you agree with the government's proposals to roll grants into the local government finance settlement in 2023/24?

On the basis that rolling-in grants to the Revenue Support Grant undermines the transparency of these funding allocations, we disagree that they should be combined with the Revenue Support Grant. Our preference is that they remain as separate grant allocations so that the Council can see and understand clearly how they change from one year to the next.

Question 3: Do you agree with the proposed package of council tax referendum principles for 2023/24?

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

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

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

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

Question 4: Do you agree with the government's proposals for a new Funding Guarantee?

We agree with the principle of a Funding Guarantee but consider that such a guarantee should have applied throughout the period of austerity to make the distribution of funding much more even handed.

We note that that majority of Council's receiving this funding are Shire District Councils and that it is being funded from the repurposing of the Lower Tier Services Grant. It is our view that the Government should provide new funding for the Funding Guarantee and that the Lower Tier Services Grant allocations should remain unchanged.

Question 5: Do you agree with the government's proposals on funding for social care as part of the local government finance settlement in 2023/24?

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

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

Whilst we acknowledge further funding has been made available to prepare for the implementation of Social Care reforms in the form of the Market Sustainability and Fair Cost of Care Fund, it is my view that given the use of the new social care funding to deal with current pressures, more funding will be required to ensure the reforms are implemented fully and effectively. Of course, the specific funding requirements will only be known once we have full details of the changes, how they will be implemented and what they might mean for a place like Blackburn with Darwen. Equally, an early understanding of the full funding allocations and how they have been derived, including the funding provided to the NHS, is essential so that we can compare them to our costs estimates once they can be done.

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

Question 6: Do you agree with the government's proposals for New Homes Bonus in 2023/24?

No, it is my view that the Scheme as it stands now is so far removed from its original construct and policy intention that it should be withdrawn and the funding should be added back to the Revenue Support Grant.

I am disappointed that the Government has yet not reformed the New Homes Bonus scheme as set out in the Financial Settlement for Local Government for 2021/22. The Scheme in its present form does nothing to incentivise the delivery of new housing or bringing empty properties back into use and is in need of reform.

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

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

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

Question 7: Do you agree with the government's proposals for Rural Services Delivery Grant in 2023/24?

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

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

Question 8: Do you agree with the government's proposals for Services Grant in 2023/24?

Yes, I welcome the proposal to pay Services Grant in 2023/24.

However, I would welcome greater transparency on the change in the grant from 2022/23 to 2023/24 as it is unclear exactly what amounts have been deducted from the funding available and how that funding is being used. By way of an example, there is reference to using the grant for Supporting Families funding in 2023/24 but it is unclear whether this is to be new funding or to support allocations already made to Councils.

Question 9: Do you have any comments on the impact of the proposals for the 2023/24 settlement outlined in this consultation document on the aims outlined above? Please provide evidence to support your comments.

None specifically.