Addendum to Financial Strategy 2022/25 and Update to Medium Term Financial Plan 2023/26

Introduction

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

2. This Addendum provides an update to the Financial Strategy 2022/25 and sets out the Medium Term Financial Plan 2023/26 reflecting the proposals set out in the main report. A further update on the Strategy will be provided to the Executive Board in June 2023.

Financial Environment

3. Since the Financial Strategy 2022/26 was agreed, the national public finances have been impacted by a range of issues, not least the emergence of a cost of living crisis that has required the Government to intervene with various policy measures to support both individuals and business.

4. The impact on the economy of the Covid-19 Pandemic has gradually diminished, as the number and severity of cases has reduced, but recovery from the worst of the Pandemic was already being affected by Omicron, supply bottlenecks and rising inflation when Russia invaded Ukraine, starting a conflict that has had major repercussions for the global economy. Almost immediately after the invasion, energy prices increased significantly and whilst they have fallen back in recent months, they remain well above historical averages.

5. At the same time, in the UK (and the broader global economy) rising food and other goods prices have seen CPI inflation peak at a 40-year high of 11% (it would have been higher without the Energy price Guarantee) leading to a squeeze on real incomes and a fall in housing prices. Combined with increases in interest rates (notably the Bank Rate) to levels not seen since the 2008 financial crisis, this has impacted directly on individual consumption and business investment leading to the possibility that the economy will enter a recession (reflected by a fall in national GDP).

6. The Government's interventions have been significant during the year, with a range of major statements since March 2022 including:-

   - ***the 26 May cost-of-living package*** included £15.2 billion of support this year, whose cost was expected to be partly offset by the introduction of the energy profits levy (EPL) (though at latest gas prices the first three years of the levy now raises more than the support payments cost). In the Autumn Statement, the Chancellor raised the rate of the levy from 25 to 35 per cent and extended it to 2027-28. It is now expected to raise an average of £8.0 billion a year over four years, up from £5.5 billion a year in the original announcement.1 See Box 4 for uncertainty around these estimates.

   - ***The 8 September energy package*** comprised the energy price guarantee, which lowers energy bills for households, and the energy bill relief scheme (EBRS), which does the same for eligible businesses. The Energy Price Guarantee (EPG) is in place for 18 months, with the Autumn Statement reducing its generosity from April 2023 by raising the cap on a typical annual household energy bill from £2,500 to £3,000.2 The EBRS is currently due to end on 31 March 2023, with a successor scheme subject to review. The two measures cost a combined £43.2 billion this year and the EPG costs a further £12.8 billion in 2023-24.

   - ***The Growth Plan*** delivered in on 23rd September announced tax cuts that would have cost £48.2 billion a year by 2027-28 but the majority of these were dropped in a statement on 17 October. 3 The cost of those that survived rises to £21.1 billion in 2027-28, largely thanks to the decision to scrap the health and social care levy before it was introduced next April. Permanently raising the generosity of the annual investment allowance to £1 million, and the cut to stamp duty (which was converted from a permanent to a temporary giveaway in the Autumn Statement), also survived.

- ***The Autumn Statement*** on 17th November announced further support in the near term – including further cost-of-living payments to those in receipt of various benefits and cuts to business rates, as well as additional spending on health and social care, and schools (rising to £5.9 billion and £2.5 billion respectively in 2024-25). More details of these changes and the impact on the Council are included in the body of the main report.

7. The most recent economic and fiscal outlook produced by the Office of Budget Responsibility at the same time the Autumn Statement 2022 was announced indicated that, as a consequence of the various announcements referred to above, the annual national budget deficit is forecast to be £177.0bn in 2022/23, falling to £140.0bn in 2024/25; by 2027/28 it will be 69.2bn. In Public spending terms, this means current spending plans (as set out in the Comprehensive Spending Review 2021) will be maintained until 2025 but then grow more slowly than previously expected.

8. What this means for Local Government is difficult to be precise about. Any suggestion that public spending will grow more slowly after years of austerity and the impact of the Covid-19 Pandemic, combined with any extant Government's likely policy priorities remaining Health, Education and Defence, ***would suggest a continuing pressure on funding for Local Government***. And this assumes that the growth predicted in the national economy (at nearly 3% pa from 2025/26 onwards) is delivered which is not guaranteed.

Our Strategy Context

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

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

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

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

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

Our Current Financial Health

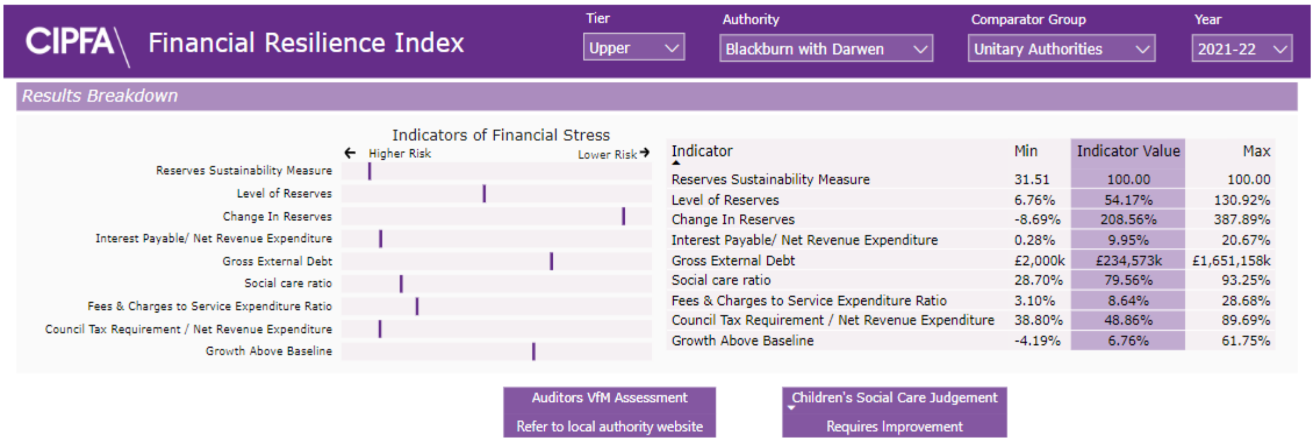
12. The assessment of the Council's financial position here should be considered in conjunction with the Medium Term Financial Plan for 2023/26 which is considered below. Taken together, these should provide a good understanding of the Council's overall financial sustainability in the medium term.

13. At the time of writing, the audit of the Council's Statement of Accounts for 2020/21 has yet to conclude. This is due primarily to a national accounting issue associated with the valuation and recording of infrastructure assets. This issue has recently been resolved by way of a statutory override and the Council's External Auditors are now considering this in the context of providing their opinion on the Accounts. Despite this, work has commenced on the audit of the Council's Statement of Accounts for 2021/22. At this stage, no significant issues have arisen that warrant consideration but it is likely to be some months before this work is concluded.

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

CIPFA's Financial Resilience Index

15. CIPFA's Financial Resilience Index is a comparative analytical tool that 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 showing using date from 2021/22 (the latest available data):-



16. Of the 9 indicators provided, Blackburn with Darwen is showing higher risk in 5 indicators, one less than the 6 indicators when the Resilience Index was last reviewed. The indicator that has improved is the level of reserves which, as indicated in the Balance Sheet analysis below, has improved due to the amount of residual Covid-19 funding held by the Council.

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

Balance Sheet as at 31st March 2022

18. As indicated above, the Council's Statement of Accounts for 2021/22 are currently the subject of 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. The Council's Balance Sheet provides a snapshot of its financial position as at 31st March 2022. The table below shows an extract of the Council's usable Reserves and Balances (31st March 2021 compared to 31st March 2022):-

Table 1: Balances and Reserves as at 31st March 2022

2020/21 £000	RESERVES/BALANCES AND INVESTMENTS (£'000)	2021/22 £000	Change £000
	Reserves/Balances		
(8,373)	General Fund Balance	(7,718)	
10,023	Collection Fund Adjustment Account	5,167	
(60,743)	Earmarked Reserves	(69,183)	
-	Capital Receipts Reserve	(164)	
(2,875)	Provisions	(4,386)	
(12,690)	Capital Grants Unapplied	(13,335)	
(10,219)	Grants Received in Advance	(3,678)	
(84,877)	**Amount Available for Investment**	**(93,297)**	**(8,420)**

19. As the table indicates, the Council Reserves and Balances increased between 2020/21 and 2021/22. This is largely due to an increase in Earmarked Reserves largely due to both Covid-19 funding and s106 payments.

Budget (and Budget Monitoring) 2022/23

20. On 28th February 2022, Finance Council agreed a balanced budget for 2022/23. In doing so, it agreed that:-

- The General Fund Net Revenue Budget would be £110.708m;

- Council Tax for 2022/23 would increase by 3.99% (including 2% for the Adult Social Care Precept);

- A net contribution of £13.146m from Reserves and Balances to support the budget;

- The Capital Programme for 2022/23 would be £35.691m of which £12.678m would be funded from Prudential Borrowing.

21. 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.

22. 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 2024/25 was provided. This indicated that, whilst the budget was balanced for 2022/23, there was an estimated funding gap in 2023/24 of c£3m rising to c£6m in 2024/25. This Addendum to the Financial Strategy provides an update to the Medium Term Financial Plan (as set out below).

23. As required by s28 of the Local Government Act 2003, the Council is required to monitor its budget on a regular basis throughout the financial year. According to the latest budget monitoring exercise undertaken at 31st December 2022 (Quarter 3), it is forecast that the Council will overspend its General Fund Revenue Budget by £5.670m.

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

Financial Aspects of Corporate Governance

25. 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 2021/22 in time for the start of the external audit. An update on the position with the audit of Accounts is provided above;

- the narrative statement on the Council's value for money arrangements included no adverse comments of significance;

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

- the Council is compliant with the CIPFA Financial Management Code (and this has been subject to Internal Audit review during the year);

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

26. 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

27. 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.

28. As at March 2022, the Council has a good level of balances and reserves. However, it is important to consider the rate at which reserves are being used to ensure the Council does not become reliant on reserves and balances to achieve a balanced budget.

29. Finally, underpinning the Council's financial position are good financial corporate governance arrangements. These arrangements are under continuous review both internally and by the Council's External Auditors.

Baseline Revenue Position (Medium Term Financial Plan)

30. Table 2 below provides a forecast of revenue income and expenditure for the three year period, 2023/24 to 2025/26. This is the Council's Medium Term (Revenue) Financial Plan:-

Table 2: Medium Term (Revenue) Financial Plan

	Base Budget 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000
Portfolio Budgets	154,978	154,538	154,438
Corporate Income and Expenditure	16,150	17,822	26,126
Net Expenditure	**171,128**	**172,360**	**180,564**
Government Funding (see Table 1)	(94,356)	(95,254)	(96,170)
Collection Fund Deficit (net)	(1,661)	(1,264)	(764)
Contribution from Reserves/Balances (net)	(10,250)	(996)	(536)
Council Tax Requirement *1	(64,861)	(68,440)	(70,845)
Budget Gap	**-**	**6,405**	**12,249**

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

Key Strategy Assumption 4

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

Key Strategy Assumption 7

It has been assumed that the Market Sustainability and Fair Funding Grant will continues at the 2023/24 level over the life of the Medium Term Financial Plan;

Key Strategy Assumption 8

The Additional Social Care Grant received in 2023/24 is assumed to be consolidated into the Social Grant received by the Council and will be ongoing over the life of the Medium Term Financial Plan;

Key Strategy Assumption 10

Given no payment of the Lower Tier Services Grant from 2023/24, this assumption is no longer applicable.

Key Strategy Assumption 11

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

Key Strategy Assumption 16

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

Key Strategy Assumption 19

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

Key Strategy Assumption 20

For the three years of the Medium Term Financial Plan, pay inflation shall be assumed at 5% in 2023/24, 4% in 2024/25 and 3% in 2025/26.

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

Baseline Capital Position (Medium Term Financial Plan)

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

Table 3: Medium Term (Capital) Financial Plan

	Budget 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000
Health and Adult Social Care	3,282	1,867	-
Children, Young People and Education	7,068	263	-
Environment	215	100	-
Public Health and Wellbeing	-	-	1,000
Growth and Development	22,417	22,990	37,248
Digital and Customer Services	3,030	282	42
Finance and Governance	831	-	-
Portfolio Spending	**36,843**	**25,502**	**38,290**
Corporate ICT	700	700	-
Vehicles	700	1,000	-
Corporate Property Investment	1,727	1,700	835
Earmarked Schemes	**3,127**	**3,400**	**835**
Asset Management	2,294	1,000	-
Contingent Schemes	**2,294**	**1,000**	**-**
Total Capital Expenditure	**42,264**	**29,902**	**39,125**

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

35. More detail of the Council's Capital Strategy and Capital Programme is provided in a report elsewhere on the Agenda for the Finance Council meeting on 27th February 2023.

Budget Issues/Pressures

External Factors

36. Aside from general pressures on the funding of local authorities, 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 financial strategy period:-

a) *Cost of Living Crisis*

As the 2022/23 financial year has developed, the cost of living crisis caused by rising prices for most goods and services has become increasingly prominent. The impact has been heightened by lagging pay inflation.

In direct terms, the cost of living crisis is leading to increased demand for Council Services as more people find themselves in a vulnerable position requiring support. With temporary funding provided by the Government, the Council continues to provide support through measures such as the Household Support Fund and Council Tax Support Relief. However, the extent to which these can be continued will rely on funding provided from Government as the Council does not have the financial capacity to sustain such schemes.

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

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

b) *Levelling Up (including Devolution)*

Levelling Up and Devolution remain policies of the current Government. A Levelling Up White Paper was published in February 2022 and listed 12 missions to be achieved by 2030. These are:

- Increase pay, employment and productivity
- Domestic public investment in R&D outside south-east to rise by at least 40%.
- London-style public transport connectivity across the UK
- Nationwide broadband
- Fixing the education gap
- Skills training
- Narrowing life expectancy gap, with a UK-wide rise of five years by 2035
- Rise in wellbeing
- Decreased inequalities
- Rise in overall number of first-time homebuyers
- Crime reduction
- Devolution in England

Following on from the White Paper, the Government brought forward the Levelling Up and Regeneration Bill to provide statutory backing to its policy intentions. This is currently progressing through Parliament (it is in the House of Lords Committee Stage).

In the meantime, the Government has continued to make funding available under the banner of 'levelling up'. In addition to the Towns Deal funding, of which the Council will receive £25m for Darwen Town Deal, the following funding has been made available:-

- 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;

- likewise, there has been a single round of Shared Prosperity Funding from which the Council was allocated c£6.8m; and

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

What is not clear at this stage is what further devolution of powers and resources the Government is prepared to consider although 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.

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 Lancashire 2050 strategic framework (Lancashire 2050 - A strategic framework for Lancashire).

The Lancashire 2050 framework comprises eight priority areas:-

- economic prosperity
- transport and infrastructure
- environment and climate
- housing
- early years and education
- employment and skills
- health and wellbeing
- communities and place.

Lancashire's 15 Councils have all endorsed the plan.

c) *Social Care Reforms*

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

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

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

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

In relation to the Fair Cost of Care reforms, the Government announced prior to the Autumn Statement that these would be implemented in stages from October 2023 to April 2025 at the latest.

The Council did receive additional Social Care grant as part of the Local Government Finance Settlement although this was provided to deal with the current pressures in the Social Care system. What this means for the continued implementation of the Fair Cost of Care reforms and the Charging Reforms is not yet clear as it is inevitable that to make the changes necessary will require additional funding from the Government.

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

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

- introducing more effective, joined-up family help for those that are struggling (including the provision of funding for 12 areas to test a new approach to Family Help);

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

f) *Environment Act 2021*

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

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.

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.

g) *Academisation of Schools*

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

The majority of Schools in Blackburn with Darwen are local authority maintained schools and equally, most schools in the Borough have a good or better rating from 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.

h) *Planning Reforms*

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

Following a change in Secretary of State for Local Government, the proposed changes were put on hold pending a review of the anticipated Planning Bill. The outcome of this review was that the Bill did not progress and much reduced planning reforms are now included in the Levelling Up and Regeneration Bill. Whether these survive progress through Parliament remains to be seen.

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.

i) Continued Pressure on Council Tax Increases

In recent years, the Government has continued the pressure on local authorities to keep general Council Tax increases below 2% although, given the funding challenges experienced by Councils, this has now been increased to 3%. At the same time, it has used the Adult Social Care Precept as a means of providing Councils with the capacity to generate additional Council Tax as a contribution to paying for Adult Social Care Costs.

This 'pattern' for Council Tax increases has been in place for 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.

j) Availability of External Funding Streams and Specific Grants

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

Much to the consternation of Local Government, and despite increasing concerns about the 'competitive' nature of these funds, the Government continues to provide a range of small and disparate 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.

k) General Legislative Changes

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

Table 4: General Legislative Changes

Levelling Up and Regeneration Bill	HoL – Committee Stage
Procurement Bill	HoC – Committee Stage
Data Protection and Digital Information Bill	HoC – 1st Reading
Schools Bill	HoL – 3rd Reading
Social Housing (Regulation) Bill	HoC – Report Stage

HoC – House of Commons, HoL – House of Lords

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.

l) General

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

Internal Factors

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

a) Implementing a new Corporate Plan

The Council has agreed a new Corporate Plan for the period 2023/27. This sets out a range of missions that will provide a framework for the Council's activities. As indicated earlier in this Strategy, there needs to be strong link between the Council's Corporate missions and its ability to deliver them with the resources available. This is likely to require both an iterative approach to service and financial planning and consideration of innovative ways of delivering priority actions.

b) Stability in the Workforce

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

c) Increase in Demands for Services and Complexity of Needs

The demand for Council services continues to grow, particularly in Adult and Children's Social Care. 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.

d) Local Plan 2021-2037

The Council is in the final stages of agreeing a new Local Plan for the period 2021 to 2037. At the time of writing, the Plan is being subject to independent examination in public by the Planning Inspectorate. Subject to the outcome of that process and any modifications necessary to achieve a sound and legal plan, it will be presented to the Council for adoption. Depending on the nature of any modifications necessary, this could be later in 2022.

e) Use of Reserves

The MTFP assumes that the Council will use c£1m of reserves annually to support the budget 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.

f) Capitalisation of Staffing Costs

In 2023/24, the Council will capitalise staffing costs totaling c£2.0m. 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.

g) 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.

With the push for greater academisation of Schools, this level of income will be at risk and will require the Council to consider what strategies it needs to employ to sustain the income or ensure that the related cost base is reduce as income reduces.

h) *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

i) *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 continue to form part of the development of the Council's Capital Strategy. At the same time, 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.

Underpinning this, there is a significant amount of work required to ensure the Council's IT infrastructure remains resilient and up to date. This may require investment which, given the importance of this work, will be essential to ensure Council services can continue to operate effectively, efficiently and safely.

j) *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.

k) *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, capable of being successful and ultimately can be delivered.

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

l) *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.

38. 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 Strategic Asset Management Plan and ensuring asset renewal continues;
- dealing with problem sites, empty properties and 'grot spots' on a pro-active basis;
- the growth in the delivery of events by the Council within a limited amount of resources.

39. 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.

Achieving a Balanced Budget (the Financial Strategy)

Overview of Financial Strategy

40. The Financial Strategy being implemented by the Council is

- **Growing** the Council's income using the funding mechanisms now in place for local government to increase the Borough's taxable capacity, 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.

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

Strategic Workstreams

42. Acknowledging the need for a strategic approach to the development of budget options, the following 8 strategic workstreams have been developed to guide activity to reduce the Council's net revenue expenditure:-

- ***Workstream 1 - Organisational Review*** – in line with the new Corporate Plan, there is a need to consider the robustness of the Council's existing target operating model (and with it the organisational structure, governance and processes) to determine how best to deliver key policies and transformational change. This will initially be informed by a diagnostic exercise to review current ways of working, identifies how staff spend their time and where opportunities for efficiencies may be available and what structures are most appropriate to achieve the Council's objectives;

- ***Workstream 2 - Asset Review*** – recognising that the impact of Covid-19 has meant the Council has adopted a form of hybrid working, supported by a significant investment in technology that supports different ways of working, combined with a need to review the Council's asset base in the context of priorities for service delivery, it is proposed to undertake an Asset Review.

  Phase 1 of the Asset Review will focus on the following assets (and follows on from the completion of Phase 1 of the Accommodation Strategy):-

  - ***Blackburn Town Hall*** – and how best it should be used to both accommodate staff but be accessible to a range of customers;

  - ***The 'Tower'*** – following the completion of Phase 1 of the Accommodation Strategy, this property is largely vacant; the next step requires the building to be completely vacated thereby reducing the operating costs as much as possible (to include taking the building out of the rating system). In parallel with this, work to repurpose the building needs to be accelerated;

  - ***Duke Street*** – the proposal here is to consider how best to use the building in the context of the Council's accommodation needs;

  - ***One Cathedral Quarter*** – again, acknowledging the attractiveness of this building to the commercial sector, the proposal here is to consider how best to use the building as part of the broader approach to accommodation needs.

Phase 2 of the Asset Review is subject to the completion of the updated Strategic Asset Management Plan which, as well as Accommodation, will consider the sufficiency of the Council's broader operational assets. This may highlight opportunities for further rationalisation of Council assets. It is expected that the first draft of the updated Plan will be considered by the Executive Board in March 2023;

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

- ***Workstream 4 - Review of the Children's Services Operating Model*** – subject to the Organisational Review work identified above and acknowledging both the outcome of the Ofsted Inspection of Childrens Services and the extent to which additional investment has been made in the service, it is proposed to review the current operating model to ensure that the service is 'fit for the future' whilst at the same time considering what scope for budget efficiencies and reductions is possible. Consideration will also be given to Government's proposed policy changes in this area;

- ***Workstream 5 - Review of Adult Social Care Operating Model*** – again, subject to the Organisational Review work identified above, there is an opportunity to undertake a root and branch review of the Adult Social Care Operating Model. Indeed, with the significant reforms of Adult Social Care to be implemented over the next 2 to 3 years, how the Service is delivered requires reviewing so that it is positioned to deal with the changes;

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

- ***Workstream 8 – Procurement (reduction in Contract and Third Party Spend)*** – beyond the strategic review of alternative delivery models (Workstream 3 above), driving value from the Council's procurement of goods and services must be key part of the Council's approach to managing the budget deficit. As a benchmark, with any new tender for goods/services funded from the Council's Revenue Account, ***a reduction of 10% in the contract value should be sought***, whether that is from better pricing, value engineering or changes in contract specification. By way of illustration, in the context of an anticipated procurement pipeline of c£12m in 2022/23, such an approach could deliver savings in excess of £1m.

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

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