



**REPORT OF:** Executive Member for Finance and Governance

**LEAD OFFICER:** Strategic Director of Finance and Resources

**DATE:** 11<sup>th</sup> January 2024

**PORTFOLIOS AFFECTED:** All

**WARDS AFFECTED:** All

**KEY DECISION:** Y

---

**TITLE OF REPORT:** Development of the General Fund Revenue Budget 2024/25 (including details of the provisional Local Government Finance Settlement 2024/25)

---

## 1. PURPOSE

1.1 The purpose of this report is to provide an update on the development of the Council's budget for 2024/25. An update is also 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 2024/25 as set out in the report;
- b) note the response to the provisional Local Government Finance Settlement for 2024/25 as set out at **Appendix A**;
- c) note that further work is required to determine the estimate of Business Rates Retained for 2024/25 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 26<sup>th</sup> February 2024 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 26<sup>th</sup> 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 Council Tax referendum limits, 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 2024/25 which was released on 18th 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 2024/25 and Local Government Finance Policy Statement 2024/25 which the Government released in early December 2023.
- 3.3 The final Local Government Finance Settlement is not expected until early February 2024. In the meantime, work on the development of the Council's budget will continue and ultimately it is a matter for Finance Council on 26<sup>th</sup> February 2024 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 2024/25, 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

#### Autumn Statement

- 5.1 The last update on the development of the Council's Budget for 2024/25 (and the Medium Term Financial Plan) was provided to the Executive Board in June 2023. This provided details of the Spring Statement 2023 which, for Local Government, provided no new funding announcements of substance. Indeed, subsequent analysis by the Institute for Fiscal Studies (IFS) indicated that, even with reasonably strong economic growth (something which is not currently being achieved), Government Departments with unprotected budgets (including Further Education, HM Courts Services, HM Revenues and Customers **and Local Government**) would be subject to a real terms funding reduction over the period 2024/25 to 2027/28 of 3.2%.
- 5.2 Towards the end of November 2023, the Government published its Autumn Statement. The Statement contained little information on the finances for Local Government, in essence confirming previous funding allocations (aside from additional funding to provide business rate reliefs).

## Local Government Finance Policy Statement 2024/25

- 5.3 As in 2023/24, as part of the Autumn Statement announcement, the Government did commit to provided Local Authorities with an updated Local Government Finance Policy Statement. The Policy Statement was released on 5<sup>th</sup> December 2023 and provided headline details of funding for Local Government, all of which has subsequently been confirmed in the provisional Settlement.
- 5.4 Unlike in 2023/24, the Policy Statement only provided headlines for 2024/25. As had become the norm in recent years, there was no indication of likely levels of funding beyond the next financial year.

## Provisional Local Government Finance Settlement

- 5.5 Details of the provisional Local Government Finance Settlement for 2024/25 were announced on 18<sup>th</sup> December 2023. 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 15<sup>th</sup> January 2024. Thereafter, the Government normally publishes the final Settlement towards the end of January/early February.
- 5.6 The provisional Settlement represents the Government's view of the Council's funding position for 2024/25. 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).
- 5.7 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).
- 5.8 A response to the consultation on the Provisional Settlement to be submitted to the Government as required and is provided at **Appendix A** to this report.

### *Change in Core Spending Power*

- 5.9 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.
- 5.10 On the basis of the provisional Settlement, the Council's CSP for 2024/25 will increase by 6.9% when compared to CSP in 2023/24 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 6.5% (meaning the Council has the 24<sup>th</sup> highest increase in CSP out of 350 Local Authorities (including Fire Authorities)).

## Provisional Settlement compared to Medium Term Financial Plan

- 5.11 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.
- 5.12 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 2024/27. 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 2024/25 (compared to MTFP as at October 2023)**

	MTFP *2 2024/25 £000	Provisional Settlement 2024/25 £000	Variance £000	Variance %
Business Rates Retained (IABR*1) *3	20,190	21,725	1,535	7.6
Business Rates Top Up	25,619	26,289	670	2.6
<b>Baseline Funding Assessment</b>	<b>45,809</b>	<b>48,014</b>	<b>2,205</b>	<b>4.8</b>
Revenue Support Grant	15,695	16,734	1,039	6.6
<b>Settlement Funding Assessment</b>	<b>61,504</b>	<b>64,748</b>	<b>3,244</b>	<b>5.3</b>
Under-indexing Business Rates *3	13,225	9,593	(3,632)	(27.5)
Improved Better Care Fund	8,349	8,349	-	0.0
Social Care Grant	8,813	8,813	-	0.0
Independent Living Fund	386	386	-	0.0
Equalisation of 2% ASC Precept	995	1,990	995	100.0
Additional Adult Social Care Funding	3,774	5,469	1,695	44.9
Market Sustainability and Fair Funding	1,790	3,344	1,554	86.8
Discharge Funding	1,171	1,951	780	66.6
New Homes Bonus	-	830	830	100.0
Services Grant	1,802	284	(1,518)	(84.2)
Grants Rolled into Settlement	-	-	-	-
<b>Total Government Funding</b>	<b>101,809</b>	<b>105,757</b>	<b>3,948</b>	<b>3.9</b>
Council Tax (excl Parish Precepts)	68,720	68,627	(93)	(0.1)
<b>Core Spending Power</b>	<b>170,529</b>	<b>174,384</b>	<b>3,855</b>	<b>2.3</b>

\*1 – Individual Authority Business Rates Assessment

\*2 – As per Medium Term Financial Plan reported to Finance Council in Oct 2023.

- 5.13 For the purposes of assessing net betterment in grant in the Provisional Settlement compared to the Council's Medium Term Financial Plan, both the Business Rates Retained and Under-Indexing Business Rates variations can be ignored at this stage. As indicated below, the amounts provided in the Provisional Settlement are the Government's notional estimates of these amounts and the Council will undertake in the next few weeks to determine its own estimates based on local circumstances.
- 5.14 Excluding these variations, the net change in cash grants payable in Government Funding to the Council is £6.045m of which £5.024m is additional Social Care-related grants. More details of the provisional Settlement are provided below.

### *Business Rates Retained*

- 5.15 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.
- 5.16 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 2024. ***The Business Rates Retained estimate for 2024/25 may therefore change.***

### *Business Rates Top Up*

- 5.17 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 a cash amount and is unlikely to change between the provisional and final Settlement.***

### *Revenue Support Grant*

- 5.18 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 2024/25 has increased by £1.039m to £16.734m when compared to 2023/24. This reflects an uplift in the grant by the CPI rate of inflation (6.6%);

### *Other Grants*

- 5.19 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 decisions to not increase the national business rates multiplier by inflation (as is normally required by Business Rate legislation). The policy intention is to relieve businesses of the burden of additional business rates costs and the purpose of the grant is to compensate Councils for the loss of income that they would otherwise have received. ***For the purposes of the provisional/final Settlement, this amount is unlikely to change but the actual grant payable to the Council, and which will be used in the Council's budget, will be based on the estimated 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)**

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Improved Better Care Fund	7,339	8,104	8,104	8,349	8,349	8,349
Social Care Grant		4,925	6,551	8,813	8,813	8,813
Social Care Support Grant	1,306	-	-			
Winter Pressures Grants	764	-	-	-		
Market Sust/Fair Funding	-	-	-	516	1,790	3,344
Independent Living Funding	-	-	-	386	386	386
Equal of 2% ASC Precept	-	-	-	-	995	1,990
Additional Social Care Grant	-	-	-	-	3,774	5,469
Discharge Fund	-	-	-	-	1,171	1,951
<b>Total</b>	<b>9,409</b>	<b>13,029</b>	<b>14,655</b>	<b>18,064</b>	<b>25,278</b>	<b>30,302</b>

- Table 2 above includes an additional £2.69m for Social Care (either Adults or Childrens). There is also £1.554m for Market Sustainability and Improvement and £780k for a Discharge Fund. At this stage, no detail has been provided on any conditions related to the use of this funding but it is anticipated that those conditions that have applied in 2023/24 will be unchanged. The Independent Living Funding Grant of £386k is the same as in the current year but aside from being shown separately here has been rolled-into the Social Care Grant.

### *New Homes Bonus*

- 5.20 The New Homes Bonus (NHB) is now in its twelfth year as part of the Local Government Finance system. The original policy intention of NHB was to provide a financial incentive to local authorities to encourage the building of new homes and/or bringing empty homes back into use.
- 5.21 Despite consulting on proposals in 2021 to amend the NHB Scheme, the Government has decided again to retain the present scheme for a further financial year. As has become the norm in recent years, allocations are for one year only with no payment of legacy amounts from previous years (as has previously been the case). For 2024/25, the Government will provide NHB to reflect new housing and empty houses brought into use in the year up to October 2023. This amounts to £830k (compared to £401k in 2023/24).
- 5.22 As has been the case in previous year, it has been assumed that there will be no further NHB payments after 2024/25.

### *Services Grant*

- 5.23 For 2024/25, the Government has again reduced the overall amount of the Service Grant funding available for Councils to £76.9m. Although not explicitly stated, it does appear the reduction in the grant is being used to fund the changes in other grants (such as Revenue Support Grant and New Homes Bonus).
- 5.24 The Council's allocation of Services Grant will be £284k (compared to £1.802m in 2023/24). This is a cash grant and unlikely to change at the Final Settlement.

### *Public Health Grant*

- 5.25 Indicative allocations of the Public Health Grant for 2024/25 were released by the Government in March 2023 (along with the 2023/24 allocations). These showed that the Council's grant would be £16.2m in 2023/24 (a 1.4% increase when compared to the amount for 2023/24).

## Council Tax

5.26 The Government has assumed that the Council will raise £68.627m in Council Tax in 2024/25 as part of their assessment of the Core Spending Power. This is based on the following assumptions:-

- applying the average annual growth in the Council Tax Base between 2019/20 and 2023/24 to project growth in the tax base for 2024/25; and
- that the Council will increase its Council Tax in line with the maximum allowable level set out by the Council Tax Referendum Principles for 2024/25. That is 2.99% for general Council Tax and 2% for the Adult Social Care Precept.

5.27 At this stage, the estimate of Council Tax receipts assumed in the Medium Term Financial Plan (version 7) is based on the following assumptions:-

- a Council Taxbase for 2024/25 of 36,718.75 (currently subject to review);
- 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 2024/25.

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 2024/27

5.29 The Provisional Settlement is one of the key building blocks of the Council's Medium Term Financial Plan (MTFP) 2024/27. 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 2024/27 (as at December 2023)**

	2024/25 £000	2025/26 £000	2026/27 £000
Portfolio Budgets	163,237	162,150	162,195
Other Corporate I & E	17,788	30,864	40,037
<b>Net Revenue Expenditure</b>	<b>181,025</b>	<b>193,014</b>	<b>202,232</b>
Less Core Funding	(101,987)	(102,917)	(103,865)
Less Council Tax	(68,886)	(72,949)	(77,028)
Less Collection Fund	(1,265)	(400)	(400)
<b>Shortfall before Reserves</b>	<b>8,887</b>	<b>16,748</b>	<b>20,940</b>
Change in Specific Reserves	(2,496)	(1,036)	(536)
Change in GF Balance	-	-	-
<b>Funding 'Gap'</b>	<b>6,391</b>	<b>15,712</b>	<b>20,404</b>

<b>In Year Funding 'Gap'</b>	<b>6,391</b>	<b>9,321</b>	<b>4,692</b>
------------------------------	--------------	--------------	--------------

- 5.30 As the table indicates, the forecast funding gap for the period to 2026/27 is now estimated to be £20.4m with the most immediate issue being a gap of £6.4m in 2024/25. Further work is underway to firm up the Council's budget estimates and to develop options to bridge this gap and this will form part of subsequent reports on the development of the Council's budget for 2024/25.

#### *Other Budget Changes/Policy Decisions*

- 5.31 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**

- 5.32 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 are known, 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 26<sup>th</sup> February 2024 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 2024/25

<b>VERSION:</b>	1
<b>CONTACT OFFICER:</b>	Dean Langton – Strategic Director of Finance of Finance and Resources
<b>DATE:</b>	
<b>BACKGROUND PAPERS:</b>	None

Date: 12<sup>th</sup> January 2024  
My Ref:  
Please ask for: Dean Langton  
Direct Dial: 01254 666703  
Email address: [dean.langton@blackburn.gov.uk](mailto:dean.langton@blackburn.gov.uk)

***Sent via e-mail***

Dear Sir,

**Provisional Local Government Finance Settlement 2024/25  
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 2024/25. 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.

In general terms, we are grateful that the Government has, to some extent, recognised the funding needs of local authorities, particularly in relation to Social Care. We are disappointed, however, that the headline increase in Core Spending Power is 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.

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*

Prior to the announcement of the provisional Local Government Finance Settlement, I accepted that with a General Election expected in the next 12 months or so and noting the Government's view that '*now is the time for stability and continuity*', the possibility of the Government doing anything fundamentally different to previous years' settlements when it is needed the most was remote. I have not been disappointed.

Despite the fundamental reforms required to the Local Government Finance system, these have been put off until after the next General Election. At the same time, the next financial year will be the sixth in succession where Councils have been given a 1-year only settlement which does nothing to support Councils' ability to plan and take actions over the medium term. And finally, there is little new funding for Local Government despite the significant pressures that all Councils are under to deliver statutory services.

- *Funding based on Needs*

We have previously commented that the move away from a funding regime based on the relative needs of Councils has put 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 Levelling Up Funding (for Blackburn Town Centre and improvements to Junction 5 on the M65 Motorway). But, more investment funding is required. In this respect, I am hopeful that our plans to create a County Combined Authority for Lancashire (in partnership with Lancashire County Council and Blackpool Borough Council) will provide the confidence in the Government to devolve additional powers and resources that will transform the economy of Lancashire as it has done in other places.

- *Funding for Social Care*

I welcome the Government's decision to provide additional funding for Social Care, reflecting the inflationary pressures for both Councils and Social Care Providers.

I note that in part this is funding that was to be used to fund the Adult Social Care 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 there has been little recognition of the immense pressure that Children's Social Care Teams are experiencing at present. It is particularly disappointing that the Government has failed to take any noticeable action to deal with the 'profiteering' by Social Care Providers. 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. If the Government is not prepared to take action here it should provide adequate funding to Local Government to meet these costs.

- *New Homes Bonus*

I appreciate the Government's decision to roll-forward the present New Homes Bonus Scheme for a further year. 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 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 referendum principles for 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.

- *Household Support Fund*

Whilst I acknowledge the financial support provided by the Government through the Household Support Fund, it is hugely disappointing that no announcement has yet been made on the future of the Fund. The current funding is due to end on 31<sup>st</sup> March 2024. I am clear that the availability of this funding has been an essential 'lifeline' for some of the most vulnerable people in our communities.

- *Use of Reserves*

I note the comments in the Secretary of State's written statement on the use of reserves.

I would reiterate the Local Government Association's views on this matter. Councils hold reserves for a reason. Earmarked reserves are held by Council so they can plan for the future and deal with known risks; unallocated reserves are held so that Councils can respond to immediate events and emergencies. Reserves can only be spent once and using reserves to fund underlying sustained costs pressures is not a solution to the long-term financial issues that councils face.

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 2024/25.

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 2024/25?***

Yes, in part. We acknowledge the uprating of the Revenue Support Grant for 2024/25 by inflation but note that this appears to have been funded by a reduction in the Services Grant, resulting in a limited net increase in funding for the Council.

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.

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 2024/25 (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 2024/25?***

The Council has no view on this matter.

### ***Question 3: Do you agree with the proposed package of council tax referendum principles for 2024/25?***

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 some local authorities yet:-

- allowing the Mayoral Combined Authorities to precept without limit;
- allowing Council Tax flexibilities for Council's that have been provided with exceptional financial support;

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

As has been set out previously, 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 to maintain the Funding Guarantee for 2024/25?***

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 majority of Councils receiving this funding are Shire District Councils and that it appears to be funded from the repurposing of the Services Grant to the detriment of places like Blackburn with Darwen. It is our view that the Government should provide new funding for the Funding Guarantee and that the Services Grant.

***Question 5: Do you agree with the government's proposals on funding for social care as part of the local government finance settlement in 2024/25?***

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 remain 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.

**Question 6: Do you agree with the government's proposals for New Homes Bonus in 2024/25?**

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

**Question 7: Do you agree with the government's proposals for Rural Services Delivery Grant in 2024/25?**

As I have said before, the grant for rural services delivery seems to address a specific factor impacting on needs of local authorities. 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 2024/25?***

Yes, I welcome the proposal to pay Services Grant in 2024/25.

However, I would welcome greater transparency on the change in the grant from 2023/24 to 2024/25 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 2024/25 settlement outlined in this consultation document on the aims outlined above? Please provide evidence to support your comments.***

None specifically.