Appendix A

Statement on the Robustness of Estimates and Adequacy of the Council's Reserves and Balances

1. In accordance with Section 25 of the Local Government Act 2003, the Strategic Director Finance and Resources (as the officer designated under Section 151 of the Local Government Act 1972) has produced the following statements in respect of the proposed budget for 2024/25.

2. Finance Council is asked to consider these statements when considering the budget for 2024/25.

<u>Statement on the Robustness of the Council's Budget Calculations</u>

3. In respect of the proposed General Fund Revenue Budget and Capital Programme for 2024/25, Finance Council is asked to consider the following statement from the Strategic Director Finance and Resources acting in his capacity as the Council's Statutory Financial Officer when considering the budgets for 2024/25:-

   "This statement is given <u>only</u> in respect of the 2024/25 budget setting process for Blackburn with Darwen Council. I acknowledge my responsibility for ensuring the robustness of the budget calculations and the adequacy of reserves as part of this process.

   As in previous years, a range of factors has been considered in this assessment of the robustness of the budget calculations for both the General Fund Revenue Budget and the Capital Programme for 2024/25. Whilst the narrative below explains some of these in more detail, ***Appendix A*** *summarises other factors that have been considered.*

   <u>Business Rates Retention</u>

   Since the inception of the business rates retention scheme in 2013/14, the Council's annual share of income from the business rate retention system is not guaranteed; it is dependent on the Council's ability to retain and grow its business rates base and other factors outside of its control (e.g. appeals, collection etc). This is within an environment where economic growth in the Blackburn with Darwen area continues to be difficult given a range of structural issues, eg connectivity, adequacy of land supply for economic development and lack of available funding for business expansion and support.

   Estimating the Council's share of income from business rates for 2024/25 remains a challenge for several reasons. Forecasting growth in business rates is dependent on changes to rateable values and these can be influenced by a range of issue such as new builds, demolition and appeals. In relation to the latter, there remain a substantial number of outstanding appeals on the 2017 Valuation List (which is now closed to new appeals) and an increasing number of appeals against the 2023 Valuation List. Whilst an assessment has been made of the financial risk posed by these appeals, and the impact of this factored into the determination of the Council's provision for appeals, until the appeals have been considered by the Valuation Office Agency, it is not possible to say with certainty whether the provision made will be adequate. This is a matter that remains under review and the appeals provision will be adjusted accordingly where it is considered necessary to do so.

   As well as local factors such as the payment of business rates, appeals, uptake of exemptions and reliefs, growth and decline in business rates payable as new businesses are established and existing businesses close, the quantum of business rates collectable can be affected by both the national and global economic conditions. Where it is possible to do so, the estimates of business rates collectable have been adjusted to reflect that the economy is not expected to grow significantly during the year. Looking ahead, as has been set out in previous reports, the sustainability of the Business Rates system has been the subject of much discussion over recent years not least because of its impact on High Street businesses (and the change in the structural nature of the business base which is seeing more businesses go online), the frequency of revaluations, its lack of flexibility in periods of economic downturn. Indeed, regardless of the outcome of the next General Election, there is likely to be a substantial overall of Business Rates and its part in the funding of services provided by Local Government.

To inform the estimate of funding available to support Council spending in 2024/25, estimates have been made regarding the value of business rates that will be collected in both 2023/24 (for the estimate of the estimated Collection Fund Surplus) and 2024/25 (for the estimated amount of retained Business Rates). These estimates are based on a range of assumptions around changes in business rates - new property assessments, changes to existing properties, appeals against rateable values, applications for Retail Relief etc – and also levels of collection.

Having reviewed these estimates, including the amounts held in the relevant provisions, whilst I am content that they are reasonable and prudent based on information available at the time, ***I must advise Council that there continues to be volatility in business rates, particularly due to the matters mentioned above.*** *For this reason, in the determination of the Business Rates to be collected in 2024/25, I have assumed no growth in the Business Rates Taxbase and provided for an additional amount totaling c£1.8m to deal with the loss of business rates due to successful appeals and doubtful debts. I have also earmarked an element of the minimum working balance for this purpose.*

For the current year, actual income from business rates will not be finalised until after the end of the financial year. We have well-established arrangements to monitor business rates income closely during the year so that action can be taken as necessary to deal with any potential variation against the estimates used in setting the budget and these will continue to operate in 2024/25.

At the same time, the level and extent of reliefs being made available by the Government to cushion the impact of business rates on businesses may have a bearing on the amount of business rates to collect. In the current year, substantial reliefs were given to retail properties and, to reduce the burden of business rates in 2024/25, the Government will maintain this relief at the same time as continuing to freeze the small business rates multiplier which benefits around half of the Council's business base; the standard business rates multiplier will increase by the rate of inflation.

<u>*Council Tax*</u>

The estimates for Council Tax receipts included in the budget for 2024/25 are based on increasing the Council Tax (including the Adult Social Care Precept) by the maximum allowable within the Government's Referendum Principles for the 2024/25 financial year. Should the Council resolve not to increase Council Tax by the maximum permissible, for every 1% variation from the maximum allowable rate, the loss of income would be c£661k; this income would be lost in perpetuity.

As with Business Rates, the actual amount of income received by the Council will be dependent on a range of factors including, for example, the award of reliefs/exemptions, take-up of the Local Council Tax Support Scheme and the rate of collection. On 25th January 2024, Council Forum agreed to a revised Local Council Tax Scheme for 2024/25. Paying Council Tax is largely dependent on the affordability of Council Tax for residents; in recent years, the Council has had a reasonably good track record of collecting Council Tax despite the impact of Covid-19 and latterly the cost-of-living crisis.

During the year, there will be a continued focus on the collection of debt to ensure that collection targets are achieved. There will also be a review of Single Persons Discounts to ensure that all those that are eligible for this discount, receive it. The Council has in place good arrangements to monitor income from Council Tax and these will be used by Management to consider taking action on recovery of Council Tax debts (in accordance with the Council's relevant Collection Policies) where it is necessary to do so.

Development of Budgets

The estimates of income and expenditure forming the Council's general fund revenue budget and capital programme for 2024/25 have been prepared based on existing plans, known current and future commitments and the financial implications of the proposals for service efficiencies/reductions. Where it has been necessary to do so, they have been prepared in conjunction with the Strategic Directors, Heads of Service and Budget Holders. The base budget for 2024/25 is, in the main, consistent with the delivery of current and expected levels of service required to achieve the missions set out in the Corporate Plan that was approved by the Council in December 2022 and subsequently reviewed at Policy Council in December 2023.

Where it has been necessary, in the case of certain budgets (e.g. pay, utility costs, investment income and income from fees and charges, waste disposal), assumptions have been used for inflation, interest rates and service take-up that, on the basis of current and predicted levels of activity, are reasonable and prudent. Likewise, in relation to capital receipts and grant funding which are expected to be received by the Council, assumptions have been made about the timing and amount of those receipts which I consider to be reasonable.

Locally, some budgets are more sensitive and responsive to changes in demand for services. This includes, for example:-

- *staffing budgets which are dependent on various factors including agreement of pay awards, turnover and, more recently, difficulties in recruitment and retention of staff requiring the use of temporary cover from Employment Agencies to maintain service provision. In particular, the pay award has been estimated based on the best information possible but is subject to national negotiations that are out with the control of the Council;*

- *continuing upward pressure with demand for Adult Social Care Services. The underlying pressures of an ageing population and increasing complexity of health needs remains a constant issue. Combined with pressure on costs due, for example, to increases in the Real and National Living Wage, the difficulty in recruitment and the general fragility of the care market, the budget for Adult Social Care will need to remain under review. And whilst the impact of social care charging reforms as set out by the Government have in part been delayed until in October 2025 the Council will, nevertheless, need to continue with its preparation for those changes. At the same time, there remains the possibly of CQC Inspection of the Service which is likely to also consider the extent to which the broader health and social care system is operating. In this respect, the integration of health and social care services is gathering pace with the development of the Place-based partnership approach supported by the Lancashire and South Cumbria Integrated Care Board (ICB). This is, however, against the backdrop of a significant financial challenge for the ICB. What this means specifically for the services provided by the Council and the impact on residents is still to be determined but has the potential to both increase costs and provide opportunities for efficiencies;*

- *similarly, demand for Children's Services continues to be an issue, again due to the complexity of needs and the growth in the numbers. Substantial additional investment has been made in the Service following the Ofsted Inspection in February 2022 and this will continue into 2024/25 with further funding of c£5.0m added to the budget. Whilst the number of Children in our Care remains relatively stable, the mix of permanence provision is weighted (in cost terms) towards Out of Borough Residential and Fostering placements leading to higher costs. Activity to redress this balance, to have a clearer understanding of the sufficiency strategy and commissioning is well underway but this will take time to deliver. Acknowledging that the demand for commissioned placements is volatile from one year to the next, a specific reserve has been created (funded by de-committing funds allocated for income shortfalls) to provide financial capacity to deal with additional costs should they arise;*

- *the vitality of the local housing market which impacts on services such as Housing, Planning, Building Control and Local Land Charges. In particular, income budgets for these areas have been set with regard to known and predicted market conditions but the nature of these service activities means that it is difficult to be precise about service levels and therefore the income that will be generated as a result;*

- *Income budgets such as for car parking, markets, leisure services and commercial rents have all been significantly affected by the demand for the services. Where it has been considered necessary to do so, budgets have been realigned to realistic levels reflecting the best information known at the time of setting the budget. The extent to which these budgets are deliverable will depend largely on the confidence of service users returning to use the services; this is difficult to predict in the current economic climate and will, therefore, need to be monitored carefully;*

- *The budget for Temporary Accommodation has been increased to reflect both the increase in the number of people presenting themselves as homeless and the dearth of available accommodation in the Borough. This budget will require close monitoring and work will be needed, with Partners, to determine what medium to longer term solutions are required to ensure there is an appropriate supply of good quality accommodation;*

- *Housing Benefits where, in recent years, the growth of supported (or exempt) accommodation where Housing Benefit subsidy is paid at 60% has led to increasing costs for the Council. The budget has been adjusted to reflect this loss of subsidy but this will require close monitoring during the year combined with the actions necessary to ensure that benefit (and support) claims are legitimate and reasonable.*

These examples illustrate the potential volatility in budgets, made even more volatile because of the uncertainty the general economic challenges faced both nationally and internationally, hence it may be necessary to take corrective action during the year to ensure that the Council's budget and capital programme remain in balance. The effectiveness of this action relies on good systems of budgetary control, monitoring and risk management. These systems are well established.

Equally, there are certain areas of expenditure/income where limited information is available on which to base budget estimates. These include, for example:-

- *the impact of inflation on both revenue and capital budgets. At the time of writing, the Consumer Price Index for the year to December 2023 had increased to 4.0% (following a steady reduction in the rate up to November 2023). It is not clear whether this is a 'blip' or the return of sustained increases in costs although the Bank of England continues to forecast a return to 2% in 2024/25;*

- *the effect of changes to legislation and government policy which may create additional cost burdens. Examples include the impact of the Environment Act 2021, where there are proposals around the collection and recycling of waste, including food waste, and the Elections Act 2022 which is changing the way people can vote. More recently, the Levelling Up and Regeneration Act 2023 has been enacted which, subject to enabling legislations, includes a range of legislation on matters such as devolution, planning and housing which may have significant implications for the Council;*

- *the impact of cost shunting from other government departments as they, too, seek to reduce their costs, i.e. business rate reductions as schools convert to Academies or applications for rating reliefs from parts of the NHS. A key concern for the Council is the dire financial position of the Lancashire and South Cumbria ICB and the impact that that will have on areas such as the health and care integration in Blackburn, the quality of healthcare and therefore impact on social care in the Borough and possibility of lower contributions toward complex and continuing healthcare packages;*

- *more specifically, the Council has embarked on the delivery of a number of substantial economic development and regeneration projects. These include, for example, the Darwen Town Investment Plan (TIP) as part of the Town Deal arrangements supported by Government, the Levelling Up Funded schemes for J5 of the M65 and the Town Centre regeneration of Blackburn. Aside from ensuring that the schemes are delivered in line with agreed funding and budgets – which will require good project management governance - the continued affordability of these schemes in the context of the Council's Medium Term Financial Plan will need to be reviewed on a regular basis to ensure that the relevant business cases remain sound;*

- *the development and agreement of a devolution deal and the creation of the Lancashire County Combined Authority (CCA) presents a significant opportunity for the Council, with the prospect of providing significant funding and additional powers that can be used to accelerate work to improve the economic prosperity of the Borough.*

Alongside these issues will be the success, or otherwise, of implementing the savings proposals which Councillors agree to accept as part of the current budget process. The proposals set out in the General Fund Revenue Budget report total £4.2m; it is important that the necessary measures to achieve these savings are implemented sufficiently early in the financial year to ensure that the full amount of savings is realised. Where savings are not implemented in full or at all, this could increase the requirement to draw from the Council's reserves in the year as well as creating unaffordable cost burdens in subsequent years. Some provision is held in the Council's reserves for this purpose.

It is important, therefore, to review actual performance against budget on a regular basis to ensure budgets remain on track, including the implementation of savings/efficiency proposals as well as being proactive in identifying emerging risks and responding accordingly, taking remedial action where this is appropriate.

Acknowledging the above and setting this within the wider control framework and financial management arrangements applied within the council I consider the Council's budget for 2024/25 in isolation to be robust.

Although I am not required at this stage to comment on the robustness of estimates for future years' budgets, it is my view that when considering the budget calculations for 2024/25, ***Councillors must have regard to the medium term financial position of the Council when deciding the budget and council tax for next year.***

The Council's Medium Term Financial Plan to 2027/28 shows a deficit of c£13.2m. This is based on assumptions of Government funding which cannot be confirmed with any certainty at this stage not least because of the forthcoming General Election. As Councillors will be aware, the Settlement for 2024/25 is for one-year only.

The Council's Financial Strategy is based around four key strands – Grow, Charge, Save and Stop. Progress is being made on the implementation of measures in most of these strands. That said, the budget reductions necessary to achieve a balanced budget remain of a magnitude that it is not feasible to make incremental reductions in services or wholly from back–office functions, particularly given the amount of savings made since 2010.

Budget reductions on the scale required need to be from transforming Council Services, should be considered strategically and, whilst acknowledging the Council's corporate objectives, set in the context of the main areas of service spending. The financial challenge facing the Council is such that more work is needed and it will take time to identify and implement the required changes to the budget to make it sustainable. The Council has a good foundation on which to build the necessary delivery models to achieve these savings.

At the same time, the Council needs to manage the use of balances and reserves as part of the strategy to achieve the necessary change in the budget. As balances and reserves have reduced, this will become more difficult and so decisions on budget reductions will become unavoidable.

Therefore, the degree of uncertainty with future funding allocations combined with the projected scale of the savings required by the Council to ensure a balanced budget each year means that I cannot, at this stage, comment on the robustness of budget estimates with effect from 2025/26. Suffice to say, the financial challenge facing the Council remains substantial and there are undoubtedly difficult decisions ahead as the Council seeks to align service spending within projected available resources.

Statement on the Adequacy of Financial Reserves

Having conducted a review of the Council's requirement for the minimum working balance, taking into consideration various matters including:-

- *the Council's spending plans for 2023/24, budget for 2024/25 and the medium term financial position;*
- *adequacy of estimates of inflation, interest rates;*
- *treatment of demand led pressures;*
- *impact of external partnerships;*
- *the need to respond to emergencies.*
- *performance of business rates (and the position on the Collection Fund for business rates);*
- *Capital programme variations.*

I can confirm that an amount of £6.0m is considered adequate for this purpose.

In relation to other financial reserves, a review has also been conducted to determine their adequacy. In addition to the matters referred to above, and taking into account the Medium Term Financial Plan, the review concluded that the level of such reserves is adequate based on current information in relation to anticipated risk, existing commitments and known future plans. That said, should there be a significant call on those reserves another review will need to be conducted.

This statement is made on the understanding that any use of reserves and balances is undertaken in accordance with the Council's existing Financial Procedure Rules and that a further review of reserves and balances will be undertaken in the Summer of 2024 following the preparation of the Council's accounts for 2023/24.

Appendix A

Factors Considered in the Determining the Robustness of Estimates and Adequacy of Reserves

Factors	Commentary
The Council's Aims and Priorities	Where it is considered affordable to do so, the budget estimates reflect the amounts required to achieve service objectives agreed by Council as part of the Corporate Plan. The Council's Corporate Plan for the period to 2027 was approved by Policy Council in December 2022. A further update on progress on missions set out in the Corporate Plan was provided to Policy Council in December 2023. The budget estimates and key budget assumptions have, where it is possible to do so, been aligned to the Council's corporate objectives. As the Corporate Plan extends over a number of years, and given the Council's financial plans are subject to review annually in line with the single-year funding settlements provided by Government, there will be a need to constantly review the alignment of the Corporate Plan with the Council's Medium Term Financial Plan.
Financial Strategy (and Medium Term Financial Planning)	In preparing the Council's budget estimate for 2024/25, due regard has been given to the impact of decisions made by the Council on matters which might impact on the Medium Term Financial Plan (MTFP). Details of the updated Medium Term Financial Plan are reported to Finance Council elsewhere on the Agenda for this meeting so that decisions on the budget for 2024/25 can be taken in the context of the longer term impact for the Council. Equally, this is reflected in the development of a Financial Strategy which, amongst other matters, seeks to combine a prudent use of reserves with efforts to align the Council's ongoing expenditure with ongoing resource levels. Whilst acknowledging that the Financial Strategy is predicated on a range of assumptions which have contributed to the development of the Medium Term Financial Plan (MTFP), the extent to which the Council takes decisions that impacts those assumptions, will result in changes to the MTFP. Whilst the budget estimates shown in the Medium Term Financial Plan for 2024/25 to 2026/27 are, on the basis of current information, considered robust, they are unaffordable given the projected levels of income and action will need to be taken to bring the budget into balance. That action underpins the Financial Strategy. The Financial Strategy is based on the following themes:- • ***Growing*** the Council's taxbases, both for business rates and for Council Tax along with any schemes, if any, the Government uses to incentivise the supply of housing (like the New Homes Bonus Scheme although it is acknowledged this is subject to reform);

Factors	Commentary

	• ***Charging*** for services where is it considered appropriate to do so in line with the Fees and Charges Framework. It will also involve the introduction of new charges where this is considered feasible;
	
	• ***Saving*** costs by being more efficient, transforming how the Council provides services, working in partnership with others or by prioritising some services over others when allocating resources;
	
	• ***Stop –*** determining what are not priorities and, where possible, seeking other organisations who could provide them or stop them given the financial challenge faced by the Council.
	
	Underpinning the current strategy are the following strands:-
	
	• pursuing an Economic Development Strategy aimed at increasing, amongst other matters, the number of business rateable properties in Blackburn with Darwen thereby increasing the Council's share of retained business rates;
	
	• encouraging and facilitating housing development within the Borough thereby boosting our access to additional funding which the Government may distribute to reward the supply of housing growth and increasing the Council's Taxbase which, in turn, increases the yield from Council Tax;
	
	• increasing the Council Tax in 2024/25 and subsequent years, to the extent this is possible without triggering a referendum. The proposal for 2024/25 is that Council Tax charge be increased by 2.99% and the Adult Social Care Precept by 2.0%. In future years, the assumption is that Council Tax will increase by the maximum amount within any revised thresholds set by Government. No consideration has been given to exceeding the referendum threshold although this policy remains open to consideration in future years;
	
	• making savings over the medium term based on the MTFP savings requirement rather than relying solely on reserves to balance the Council's budget (a strategy that relies heavily on finite reserves will simply defer, not reduce, the need to make savings and the longer savings are put off the greater the amount required). The Savings Strategy is based on a range of strategic Workstreams:
	
	    • Workstream 1 – Organisational Review
	
	    • Workstream 2 – Asset Review and Rationalisation
	
	    • Workstream 3 – Alternative Delivery Models
	
	    • Workstream 4 – Adult Social Care Operating Model
	
	    • Workstream 5 – Children's Services Operating Model

Factors	Commentary
	• Workstream 6 – Income/Commercial Activity • Workstream 7 – Back Office Efficiencies • Workstream 8 – Procurement • no avoidable budget growth without compensating savings; • the planned use of the Budget Support Reserve in the period 2024/25 to 2026/27 to ‘smooth’ the amount of savings required accepting that even then, the magnitude of savings will present some extremely difficult decisions for the Council and impact on frontline service provision. Acknowledging the significant deficit on the Medium Term Financial Plan, it is important that work begins early in the new financial year to start developing options for the delivery of future savings.
The level of funding likely from Central Government towards the cost of local services	For 2024/25, the Government has again provided Local Government with a 1-year funding settlement year. Given the General Election later in 2024, and the prospect of a change in Government, there is no indication at this stage of the likely funding level beyond 2024/25. For 2024/25, given there have been no substantive changes, the Business Rates Retention Scheme will operate as in the current year with the Council retaining 49% of any business rates payable Estimates of Business Rates to be retained have been produced and feature in the Council’s budget for 2024/25. For 2024/25, the Council’s core Revenue Support Grant (RSG) will be £16.734m which is an increase of £1.039m when compared to the current financial year. This reflects an inflationary increase of 6.6%. As indicated above, a 1-year Settlement for 2024/25 provides little certainty for the Council’s future funding. Equally, the Fair Funding Review and the review of the Business Rate Retention Scheme, all of which could have impacted on funding allocations from April 2024, will not now be undertaken in the life of the current Parliament. Consequently, given this and the uncertainty with the outcome of the forthcoming General Election, it is not possible to say with any certainty what Government funding the Council will receive after 2024/25. Forecasts of funding included in the Medium Term Financial Plan are based on prudent estimates for 2024/25 and information provided to the Council by LG Futures who the Council retains as support on these matters.
Council Tax Base	The Council Tax Base for 2024/25 is 37,069.75 (36,292.84 in 2022/23), an increase of 2.14% when compared to the previous year.

Factors	Commentary
	The Tax Base reflects a rate of collection of Council Tax for 2024/25 of 96.50%, no change when compared to the current financial year to reflect the expected level of collection given the ongoing cost of living crisis. The Council has robust procedures to monitor the rate of Council Tax collection during the financial year.
Referendum Threshold set by the Secretary of State in respect of Council Tax Increases	For 2024/25, the Government has indicated that for Councils like Blackburn with Darwen, the maximum allowable increase in Council Tax is 2.99% for the general Council Tax and 2% for the Social Care Precept. Anything above these limits will trigger a referendum of local taxpayers. The recommendation to the Finance Council is within these limits and should not, therefore, trigger a Referendum.
The Prudential Code and its impact on capital planning (including the Corporate Capital Strategy)	The Council has a Capital Strategy (supported by a detailed Asset Management Plan) which informs future projected capital expenditure and income. Arising out of consideration of the Capital Strategy, there is recommended to Council a Capital Programme for 2024/25 which is affordable, prudent and sustainable. Subject to Council's decision on the overall Capital Programme and how it will be financed, it may be necessary to revisit the prudential indicators to ensure that the proposed Capital Programme remains affordable, prudent and sustainable.
Policy on the Minimum Revenue Provision	The Council's Policy on the Minimum Revenue Provision was approved by October 2022. It was subject to review as part of the approval of the Treasury Management for 2023/24 and will be subject to a further review as part of the approval of the Council's Treasury Management Strategy for 2024/25 by the Executive Board in March 2024. The Policy on MRP is compliant with current statutory and other guidance (although it should be noted that, at the time of writing, the Government is currently consulting on matters related to MRP).
Financial Standing (including adequacy of reserves)	Based on the third quarter budget monitoring exercise, the General Fund Revenue Budget for 2023/24 is estimated to be overspent by £932k. Any variations that have an ongoing impact on the Council's budget in the current year have been factored into the budget for 2024/25 where it is applicable to do so. The Medium Term Financial Plan for the period 2024/25 to 2026/27 shows a shortfall in projected resources giving rise to a significant savings requirement. The Council has in place a strategy which combines the planned use of reserves to smooth the level of savings required in each year but nevertheless this still requires Councillors to agree the necessary reductions in expenditure or increases in income to balance spending within available resources.

Factors	Commentary
	A review of the Council's Minimum Working Balance justifies retaining a balance of £6m. The adequacy of this will remain subject to review on at least an annual basis. Equally, a review of specific reserves has been undertaken and these are assessed as being adequate for the purpose for which they were created. As required by Statute, these too will be subject to at least an annual review. The Council's External Auditors gave an unqualified opinion on the Statement of Accounts for 2020/21. The audit of the Statement of Accounts for 2021/22 has not yet concluded largely due to issues with the valuation of the Council's Plant, Property and Equipment (PPE). This delay in the completion of the audit for 2021/22 means also that it has not been possible for the Council to publish the Statement of Accounts for 2022/23 for audit. In the meantime, given concerns about the backlog of unpublished and unaudited Statement of Accounts nationally, the Government and the various bodies involved in the regulation of local government finance (for example, Financial Reporting Council, National Audit Office, the Chartered Institute of Public Finance and Accountancy) are consulting on proposals for the introduction of a backstop date by which all audits will be concluded. This is currently proposed to b3 30th September 2024 at which point External Auditors will be required to either give an opinion (unqualified or qualified) or issue a disclaimer of opinion on the Statement of Accounts for the Authorities within their remit. Given this Council's position and the possibility that there is insufficient time to conclude their audit work before the Government introduces the backstop date, it is likely that the External Auditor will give an unqualified opinion on the Council's Statement of Accounts for 2021/22 but will either issue a qualified opinion or a disclaimer of opinion on the Council's Statement of Accounts for 2022/23. Given a change in the Council's External Auditors – from Grant Thornton to Mazars - with effect from the financial year 2023/24, it is probable that Mazars will need to undertake additional work on the opening balances of the Council's Statement of Accounts for 2023/24 (in essence, the closing balances for 2022/23) so that they can provide an appropriate opinion for the Statement of Accounts 2023/24. In the context of our Financial Standing, our arrangements for ensuring value for money for 2020/21 were reviewed by the External Auditor. A report on this matter was considered by the Audit and Governance Committee in June 2022. In conclusion, the External Auditors commented that:- *'Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risk to its oversight in ensuring economy, efficiency and effectiveness in its use of resources'.*

Factors	Commentary
	Since then, External Audit have not issued any further reports on the Council's arrangement for securing value for money. This is largely due to the delays with the audit of the Council's Statement of Accounts. That said, given work in recent months, the External Auditors are near to completing their report on the Council's arrangements, which will cover both 2021/22 and 2022/23 financial years, and this is expected to be presented to the meeting of the Audit and Government Committee in March 2024.
Financial Management	The Council's financial information and reporting arrangements are sound and the end of year procedures in relation to budget management and the closure of accounts are currently considered fit for purpose. The exception to this relates to the valuation of the Council's Property, Plant and Equipment where the External Auditors have raised concerns about the robustness of the Council's valuation process. In response to this, the Council has outsourced the valuation of assets for 2022/23 and 2023/24. As indicated above, the Council's External Auditors are likely to give an unqualified opinion on the Statement of Accounts for 2021/22 but may not have enough time to conclude the audit of the Statement of Accounts for 2022/23. Work is still underway on the Council's arrangements for ensuring value for money in 2021/22 and 2022/23 and this will be the subject of a further report to the Audit and Governance Committee. As in 2020/21, no significant issues are expected to be raised. The management of the Council's asset base continues to be reasonably good with resources linked to capital planning in both the annual budget and the Medium Term Financial Plan. Work to update the Council's Asset Management Plan has been completed and this was approved by the Executive Board in March 2023. Implementation of the Plan is now underway including a review and rationalisation of the Council's asset base. Collection performance of both NNDR and Council Tax is broadly as expected in 2023/24 acknowledging that the cost of living crisis continues to impact on collection. Collection performance continues to be managed closely by the Head of Revenues and Benefits in conjunction with the Strategic Director Finance and Resources and the Executive Member for Finance and Governance. The Council has previously undertaken a review of its Financial Management Arrangements against CIPFA's Financial Management Code. This was subsequently subject to internal audit review which found that the Council's arrangements are adequate. There are no changes to the Council's arrangements.

Factors	Commentary
Corporate Governance and Risk Management	The Council has adopted a Local Code of Corporate Governance based upon the most recent requirements of the CIPFA/SOLACE Corporate Governance Framework. The Local Code was assessed against the revised 2016 CIPFA/SOLACE framework and overall, our arrangements were found to be robust with only a small number of areas requiring further work or improvement. These arrangements are subject to regular self-assessment by the Council's Statutory Officers Group including Chief Executive, Strategic Director Finance and Resources and Deputy Director, Legal and Governance. The Group meets periodically to consider matters including corporate governance and risk management issues. The Council also has a risk management policy and framework which underpins the Strategic Risk Register and various Departmental Risk Registers. A refresh of these arrangements was undertaken in 2022. There are regular reports on risk management to the Audit and Governance Committee.
The adequacy of the Council's Insurance Arrangements	The Council implemented a new contract of insurance with Zurich Municipal from April 2023 following the completion of compliant procurement exercise. As part of this process, the Council's insurance arrangements are reviewed annually as part of the review of premiums paid and levels of cover obtained. The Council obtains advice from an Insurance Broker to assist with this work. During the last year, the contract for the Brokerage was let to Gallaghers. There continue to be close links between the work to ensure adequate insurance arrangements, risk management and business continuity. This work is overseen by the Head of Audit and Assurance and the Audit and Governance Committee.
Business Continuity Arrangements	The Council has a Resilience and Emergency Planning Team responsible for responding to emergencies and business continuity situations. The Council has a Corporate Business Continuity Plan (BCP) which is supported by a suite of Service-specific Business Continuity Plans. These are reviewed and updated regularly. Likewise the Council's Emergency Plan is regularly reviewed and updated. In both cases, regular training and updates are provided for Officers on both business continuity and emergency planning to ensure Officers are clear about their roles and responsibilities in the event of emergency situations.
Arrangements to secure Value for Money	The Council's arrangements in relation to value for money for 2020/21 have been assessed and the External Auditor concluded that the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.

Factors	Commentary
	The External Auditor is undertaking their work on this assessment for 2021/22 and 2022/23 and is expected to report on this in the first quarter of 2024 to the meeting of the Audit and Governance Committee in March 2024. It is not expected there will be any significant issues arising.
Interest Rates	At the time of writing, the bank base rate is currently 5.25%. Whilst there is an expectation that the Bank Rate will start to fall during 2024, this will depend on the rate by which inflation falls. At the time of writing, inflation (CPI) was at 4% at the end of December, a slight increase from 3.9% in November. Changes in the Bank Rate tend to have a direct impact on the levels of investment returns the Council expects to receive. Looking ahead, interest returns have been set at 4.6% for 2024/25, 3.88% for 2025/26 and 3% for 2026/27 although these will be reviewed as part of the on-going development of the Medium Term Financial Plan. This reflects the expectation that interest rates will start to reduce over the medium term as inflation begins to reduce. Interest rates on long term debt are fixed at the rate at which the debt was taken. The Council's present debt which consists of Market Loans, loans from the Public Works Loan Board and Managed Debt from Lancashire County Council. The average cost of this debt is 3.6% (excluding PFI debt). Annually, the Council agrees a Treasury Management Strategy which sets out how both borrowing and investments will be managed throughout the year. For 2024/25, this will be reported to the Executive Board in March 2024. To mitigate against fluctuations in interest rates, and therefore changes in investment returns, the General Fund Minimum Working Balance includes provision for loss of income in the short term.
Pay and Price Inflation	An allowance of 6% has been assumed in the budget for the Local Government pay award in 2024/25. There is no indication yet what the pay claim from the Unions will be for the year. Generally, other budgets are cash limited (i.e. not increased by general inflation) apart from certain costs, e.g. utilities, waste inflation, where budgets have been increased to reflect anticipated inflationary increases. Consumer Price Index at December 2023 was 4.0% (10.5% for December 2022) and the Retail Price Index was 5.3% (13.4% for December 2022).
Fees and Charges	Annually, the Council reviews its fees and charges. In September 2022, the Council agreed a Fees and Charges Framework to guide the setting of fees and charges.

Factors	Commentary
	Where necessary, income budgets have been adjusted both to reflect price and volume changes. In relation to the latter, it is notable that some budgets for fees and charges have been slow to recover from the impact of the Pandemic and the cost of living crisis and therefore, adjustments have been made to those budgets to more reflect realistic expectations of performance. As in the current financial year, the Council needs to closely monitor budgets for fees and charges to ensure they remain in line with expectations and, where necessary, be able to respond if budgets are not being achieved.
Demand Led Pressures	Where possible, the forecasts of income and expenditure forming the Council's budget estimates for 2024/25 consider anticipated changes in demand led pressures to the extent that they can be predicted. However, by the very nature, these can vary from year to year as service take-up in these areas is difficult to forecast. There remains the potential for demand increases in the number of service users in areas such as Adult Social Care, Children's Services, Benefits and Homelessness (particularly the cost of Temporary Accommodation) and the extent to which the Council maintains service provision will need to be monitored carefully. In considering the budget for 2024/25 to Council, it should be noted that budgets will be cash limited and therefore Budget Holders will be required to manage demand led pressures within their existing budget allocations. Notwithstanding this, the Council's General Fund Minimum Working Balance includes provision to deal with some level of unexpected and unforeseen costs arising from increases in demand for services.
Emerging Pressures	The projections within the budget and the Medium Term Financial Plan include all known and quantified priorities and growth pressures that Managers are aware of at the time the budget is proposed. Looking ahead, as well as the continued reduction in our core funding generally, there are a range of other issues which may require investment:- • a focus on **economic growth and job creation** to support business and increase employment which should yield additional business rates income; • ensuring continued sustainability of the **Adult Social Care** market combined with reforms that may require additional investment from the Council; • continuing the improvement journey in **Children's Services**; • implementing any measures that arise out of the Government's plan to transform **Children's Services**; • The **devolution agenda** including any requirements of the Levelling Up and Regeneration Act and/or matters such as

Factors	Commentary
	Lancashire Combined County Deal where, at this stage, it is uncertain exactly what they will mean for the Council; • Dealing with measures in the **Environment Act** including potential changes to the arrangements for waste collection and disposal arising out of the Act that may have significant financial implications for the Council. Details of these are included in the report on the General Fund Budget elsewhere on the Agenda for this meeting; • The Council has declared a **Climate Emergency** and so the need to take action to deal with this will, inevitably, create funding pressures if there is no funding made available by the Government. These actions are captured in the Climate Change Emergency Plan; • Delivering the **various significant regeneration projects** for Blackburn and Darwen including, for example, Darwen Town Deal, a Levelling Up Fund Projects for Blackburn and Junction 5 of the M65, projects funded by the Shared Prosperity fund that require match funding from the Council and other local organisations; • the ongoing changes to the **Benefits regime** including the impact of Full Service Universal Credit and ongoing welfare reforms. This is difficult to predict especially as changes to the programme of claimants transferring to UC recently being announced by government; • as **partners and other local organisations** experience changes in their funding this may affect access to services they provide within Blackburn and Darwen and in some cases lead to pressure for the Borough Council to help address the position or to help other groups to take on the responsibility (e.g. services provided by the County Council and the role of the Voluntary and Community Sector in Blackburn/Darwen). • as the Council reduces in size, funding may be required to help **meet the 'costs of change'**; • **legislative changes** leading to potential increased costs for the Council. This above is not an exhaustive list and there will be other issues that arise either due to local priorities or statutory obligations.