

Addendum to Financial Strategy 2022/25 and Update to Medium Term Financial Plan 2024/27

Introduction

1. At the Finance Council on 28th February 2022, the Council approved the Financial Strategy and Medium Term Financial Plan for 2022/25. A copy of the final document can be found at [Financial Strategy 2022/23](#).
2. This Addendum provides an update to the Financial Strategy 2022/25 and sets out the Medium Term Financial Plan 2024/27 reflecting the proposals set out in the main report. A further update on the Strategy will be provided to the Executive Board in June 2024.
3. As the current Financial Strategy will expire at the end of March 2025, work will be undertaken in the coming year to develop a new Financial Strategy.

Financial Environment

4. Since the last Addendum to the Financial Strategy 2022/26 was produced last year, the national public finances have stabilised but remain weak. UK inflation rates have started to decline, mirroring the sharp but earlier drop seen in the Eurozone and US. Despite the fall, the Consumer Price Index (CPI) remained in excess in the Bank of England's (BoE) 2% target, at 4.0% for December 2023. Market expectations for further rises in Bank Rate fell from October through to year end, indicating that the 5.25% level reached in August 2023 was indeed the peak for Bank Rate.
5. Economic growth in the UK has remained weak over the last year, edging into recessionary territory. In Q3 2023, the economy contracted by 0.1%, following no change in Q2. Monthly GDP data showed a 0.3% contraction in October, following a 0.2% rise in September. While other indicators have suggested a pickup in activity in the subsequent months, Q4 GDP growth is likely to continue the weak trend.
6. July data showed the unemployment rate increased to 4.2% (3mth/year) while the employment rate rose to 75.7%. Pay growth edged lower as the previous strong pay rates waned; total pay (including bonuses) growth was 7.2% over the three months to October 2023, while regular pay growth was 7.3%. Adjusting for inflation, pay growth in real terms were positive at 1.3% and 1.4% for total pay and regular pay respectively.
7. According to analysis by the Institute for Fiscal Studies, the impact of high inflation on Local Government has been to erode the value of government funding increases in recent years; cost inflation for the delivery of services has outstripped the funding made available and there has been no top-up funding from Government to reflect this.
8. Looking ahead, and based on analysis in the Autumn Statement 2023, the deepest funding reductions for public services are penciled in from 2025/26. Whilst day to day public spending is set to increase by 0.9% in real terms on average each year from 2025/26 to 2028/29, the Institute for Fiscal Studies estimates that given existing commitments on Health, Defence, Overseas Aid, Schools and Childcare, there is an implied real terms reduction in funding of 3.4% each year for 'unprotected' Departments – **which includes Local Government** – in England.
9. However, with a General Election expected in the coming months, there is inevitably a great deal of uncertainty about the future funding of public services, including Local Government.

Our Strategy Context

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

- to have a more prosperous Borough where no one is left behind;
 - every child and young person will have the opportunities to fulfil their potential;
 - to deliver our Climate Emergency Action Plan; and
 - to build happier, healthier and safer communities.
11. In support of these core missions, and to ensure the Council is an effective and efficient organisation, there are the following supporting missions:-
- Being an innovative and forward thinking Council; and
 - Tackling the budget challenge.
12. Details of the Council's budget challenge and the work being undertaken to address it have been reported regularly to the Executive Board. A range of activity is being progressed to deliver the Council's Financial Strategy based around the themes – *'Grow, Charge, Save and Stop'* – more of which is provided below.

Our Current Financial Health

13. The assessment of the Council's financial position here should be considered in conjunction with the Medium Term Financial Plan for 2024/27 which is considered below. Taken together, these should provide a good understanding of the Council's overall financial sustainability in the medium term.
14. At the time of writing, the audit of the Council's Statement of Accounts for 2021/22 has yet to conclude and, because of this, it has not yet been possible to publish the draft Statement of Accounts for 2022/23 for audit. This is due primarily to additional work required on the valuation of the Council's Property, Plant and Equipment. It is anticipated the audited Statement of Accounts for 2021/22 will be presented to the Audit and Governance Committee in March 2024; likewise, it is expected that the Statement of Accounts for 2022/23 will be published for audit in April 2024. However, it is not possible to say at this stage whether the External Auditors will have sufficient time to conclude their audit of the Statement of Accounts for 2022/23 before the Government introduces a statutory backstop date for the conclusion of audits for outstanding Statement of Accounts up to and including 2022/23. The current proposed backstop date is 30th September 2024 but this is subject to consultation.
15. Acknowledging this, the assessment of the Council's financial health here is based on the assessment of the Council's value for money arrangements, CIPFA's Financial Resilience Index, the Draft unaudited Statement of Accounts for 2022/23, the latest Management Accounts (being Quarter 3 Budget Monitoring as reported to the Executive Board in February 2024) and the agreed budgets for 2024/25 (both revenue and capital programme) which are set out in detail in reports elsewhere on the Agenda,

Value for Money Arrangements

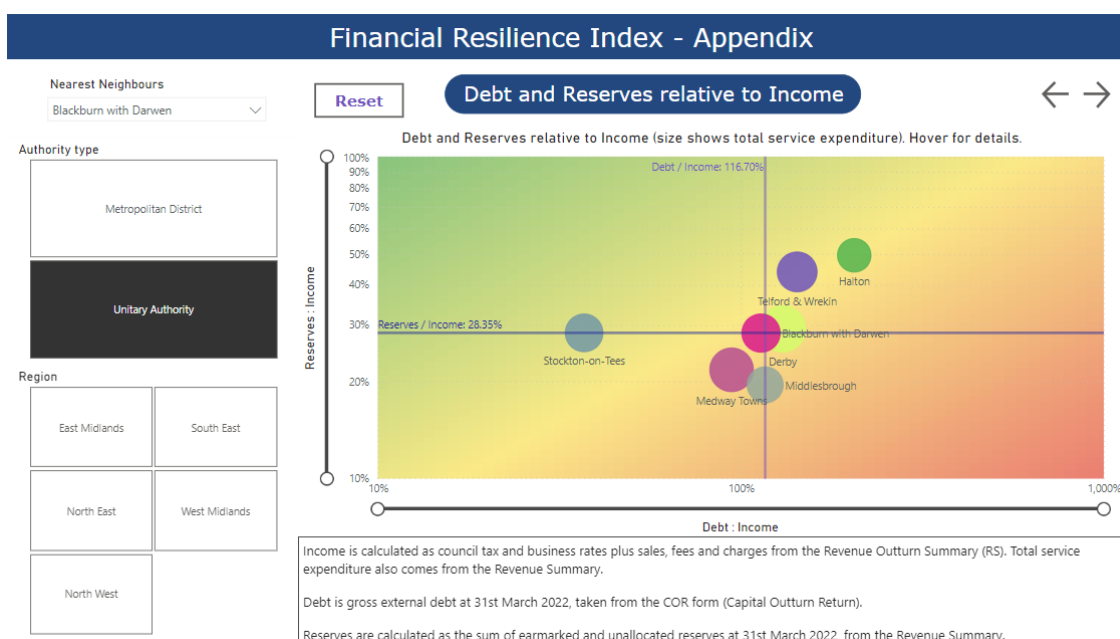
16. For 2020/21, the External Auditors have provided their narrative report on the Council's arrangements for delivery value for money. No significant issues were raised.
17. Given the backlog of audit work, the External Auditor's work on the Council's arrangements for delivery value for money in 2021/22 and 2022/23 will be reported in a combined report to the Audit and Governance Committee in March 2024. Discussions with the External Auditors indicate that there are no significant matters arising from the assessment of the Council's arrangements.

CIPFA's Financial Resilience Index

- CIPFA's Financial Resilience Index is a comparative analytical tool that can be used to show the Council's position on a range of measures associated with financial risk. CIPFA have not updated the Financial Resilience Index so the information below is what was presented to Finance Council in the last financial year.
- In the diagram below, a comparison of the Council's position with various indicators of financial stress to other Unitary Authorities is showing using data from 2021/22 (the latest available data):-



- Of the nine indicators provided, Blackburn with Darwen is showing higher risk in five indicators, one less than the six indicators when the Resilience Index was last reviewed. The indicator that has improved is the level of reserves which, as indicated in the Balance Sheet analysis below, has improved due to the amount of residual Covid-19 funding held by the Council.
- Indicators of concern in the analysis above include the reserves sustainability measure (the Council does have relative low level of reserves), interest payable as ratio of net revenue expenditure (whilst debt is comparable to other Councils, the cost of debt is amongst the highest which is reflective of historic borrowing decisions), fees and charges as a ratio of service expenditure (indicating insufficient income is being generated by the Council in comparison to other Unitary Councils) and Council Tax Requirement as a proportion of Net Revenue Expenditure (reflecting the Council's relatively low Council Tax and Council Tax base).
- The illustration below is an Appendix to the Financial Resilience Index which shows the Council's Debt and Reserves relative to income compared to other similar Unitary Councils. As this indicates, Blackburn with Darwen's position is comparative to other Councils and it is not an outlier.



Draft (Unaudited) Balance Sheet as at 31st March 2023

23. As indicated above, the Council's Statement of Accounts for 2022/23 has yet to be published. The outstanding issue preventing publication relates to the valuation of the Council's Property, Plant and Equipment as presented in the Statement. Nevertheless, using the Council's draft unaudited Statement of Accounts, it is possible to undertake an assessment of the strength of the Council's financial position. The Council's Balance Sheet provides a snapshot of its financial position as at 31st March 2023. The table below shows an extract of the Council's usable Reserves and Balances (31st March 2022 compared to 31st March 2023):-

Table 1: Balances and Reserves as at 31st March 2023

2021/22 £000	RESERVES/BALANCES AND INVESTMENTS (£'000)	2022/23 £000	Change £000
Reserves/Balances			
(7,718)	General Fund Balance	(6,943)	
5,167	Collection Fund Adjustment Account	(2,206)	
(70,604)	Earmarked Reserves	(67,274)	
(164)	Capital Receipts Reserve	(91)	
(4,386)	Provisions	(2,998)	
(13,335)	Capital Grants Unapplied	(29,718)	
(3,678)	Grants Received in Advance	-	
(94,718)	Amount Available for Investment	(109,230)	(14,512)

24. As the table indicates, the Council Reserves and Balances increased between 2021/22 and 2022/23. This is due to an increase in Capital Grants Unapplied and reflects advance payment of grants for various capital schemes.

Budget (and Budget Monitoring) 2024/25

25. On 26th February 2024, Finance Council agreed a balanced budget for 2024/25. In doing so, it agreed that:-
- The General Fund Net Revenue Budget would be £188.552m;
 - Council Tax for 2024/25 would increase by 4.99% (including 2% for the Adult Social Care Precept);
 - A net contribution of £10.440m from Reserves and Balances to support the budget;
 - The Capital Programme for 2024/25 would be £75.198m of which £23.216m would be funded from Prudential Borrowing.
26. In support of the approved budget, and in accordance with statutory requirements, the Strategic Director Finance and Resources provided a statement confirming the robustness of estimates and the adequacy of reserves.
27. And, as part of the papers considered by Finance Council in agreeing the budget, an update on the Council's Medium Term Financial Plan for the period to 2026/27 was provided. This indicated that, whilst the budget was balanced for 2024/25, there was an estimated funding gap in 2025/26 of c£9.1m rising to c£13.2m in 2026/27. This Addendum to the Financial Strategy provides an update to the Medium Term Financial Plan (as set out below).

28. As required by s28 of the Local Government Act 2003, the Council is required to monitor its budget on a regular basis throughout the financial year. According to the latest budget monitoring exercise undertaken at 31st December 2023 (Quarter 3), it is forecast that the Council will overspend its General Fund Revenue Budget by £932k.
29. Assuming this position persists to the year, there is sufficient funding in the Council's Reserves and Balances to ensure that any overspend is funded.

Financial Aspects of Corporate Governance

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

- the Council complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government. In particular, the Strategic Director Finance and Resources sits on the Council's Corporate Leadership Team;
- the budget setting process is robust and complies with statutory requirements (for example, the budget was approved before 11th March, the Strategic Director Finance and Resources provided a statement on the robustness of estimates and adequacy of reserves, Council Tax was set within the Referendum principles established by Government, the Capital Programme (and related borrowing) is considered prudent, affordable and sustainable;
- budget monitoring arrangements are well established, with monthly budget monitoring reports considered by Departments and quarterly budget monitoring reports (both revenue and capital) submitted to the Executive Board;
- closure of accounts procedures are generally effective. The exception to this relates to the production of valuations for Property, Plant and Equipment which is currently being addressed using external valuers;

Following the audit of the Council's Statement of Accounts in 2020/21, External Audit raised a recommendation in relation to this matter as part of their Audit Findings Report for 2020/21 (see Audit and Governance Committee 11th July 2023) requiring that there is a clear audit trail to support judgements used as part of the process to revalue assets. A review of the Council's arrangements for the provision of valuations has led to the decision to engage an External Valuer for the provision of valuations in 2021/22, 2022/23 and 2023/24. This work is underway and is being used to support the delivery of the Statement of Accounts.

- the latest narrative statement on the Council's value for money arrangements included no adverse comments of significance. The audit work on the Council's value for money arrangements has been significantly affected by the backlog of audit work. As indicated above, it is likely that an updated position on the Council's value for money arrangements will be presented to the meeting of the Audit and Governance Committee in March 2024;
 - the Council has good governance and internal controls as set out in the Annual Governance Statement;
 - the Council is compliant with the CIPFA Financial Management Code (and this was subject to Internal Audit review in 2022/23 and will, again, be reviewed in 2024/25);
 - the Council has in place a Financial Strategy and Medium Term Financial Plan providing a good understanding of its estimated future financial position.
31. The financial aspects of corporate governance are subject to continuous review by management with oversight from the Audit and Governance Committee. These arrangements are also considered by the External Auditors as part of the Value for Money Assessment undertaken annually.

General Commentary on the Council's Financial Position

32. As indicated above, the Council's current financial position is that it is managing the budget within the resources available to it, including calling on reserves and balances as required. Indeed, the Council has a reasonable track record of managing its budget in year as recognised by the Peer Team that conducted the Council's Corporate Peer Challenge in 2023/24.
33. As at March 2024, the Council is forecast to have a reasonable level of balances and reserves. However, it is important to consider the rate at which reserves are being used to ensure the Council does not become reliant on reserves and balances to achieve a balanced budget. This is a key factor when considering how the Council achieves a balanced budget annually.
34. Finally, underpinning the Council's financial position are good financial corporate governance arrangements. These arrangements are under continuous review both internally and by the Council's External Auditors.

Baseline Revenue Position (Medium Term Financial Plan)

35. Table 2 below provides a forecast of revenue income and expenditure for the three year period, 2024/25 to 2026/27. This is the Council's Medium Term (Revenue) Financial Plan:-

Table 2: Medium Term (Revenue) Financial Plan

	Base Budget 2024/25 £000	Forecast 2025/26 £000	Forecast 2026/27 £000
Portfolio Budgets	170,143	168,419	167,915
Corporate Income and Expenditure	18,429	20,994	30,192
Net Expenditure	188,572	189,413	198,107
Government Funding	(105,818)	(105,200)	(106,194)
Collection Fund Deficit (net)	(2,751)	(400)	(400)
Contribution from Reserves/Balances (net)	(10,440)	(1,036)	(536)
Council Tax Requirement	(69,563)	(73,662)	(77,778)
Budget Gap	-	9,115	13,199

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

Key Strategy Assumption 4

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

Key Strategy Assumption 7

It has been assumed that the Market Sustainability and Fair Funding Grant will continue at the 2024/25 level over the life of the Medium Term Financial Plan;

Key Strategy Assumption 8

The Additional Social Care Grant received in 2024/25 is assumed to be consolidated into the Social Grant received by the Council and will be ongoing over the life of the Medium Term Financial Plan. This is except for the additional £1.593m allocated to the Council in the final Local Government Finance Settlement which is assumed to be for 2024/25 only.

Key Strategy Assumption 11

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

Key Strategy Assumption 16

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

Key Strategy Assumption 19

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

Key Strategy Assumption 20

For the three years of the Medium Term Financial Plan, pay inflation shall be assumed at 6% in 2024/25, 3% in 2025/26 and 2% in 2026/27.

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

Baseline Capital Position (Medium Term Financial Plan)

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

Table 3: Medium Term (Capital) Financial Plan

	Budget 2024/25 £000	Forecast 2025/26 £000	Forecast 2026/27 £000
Health and Adult Social Care	3,085	-	-
Children, Young People and Education	10,027	-	-
Environment	2,656	1,300	3,700
Public Health and Wellbeing	-	-	-
Growth and Development	49,504	53,148	15,500
Digital and Customer Services	4,437	312	75
Finance and Governance	785	500	500
Portfolio Spending	70,494	55,260	19,775
Corporate ICT	700	500	500
Vehicles	1,804	-	-
Corporate Property Investment	700	1,000	1,000
Earmarked Schemes	3,204	1,500	1,500
Asset Management	1,500	2,500	1,000
Contingent Schemes	1,500	2,500	1,000
Total Capital Expenditure	75,198	59,260	22,275

39. As the Table indicates, the Council's Capital Strategy is heavily focused on growth and development. This reflects both the Corporate Plan mission to create 'a more prosperous borough where no-one is left behind' and is one of the key strands – 'Grow' – of the Financial Strategy.
40. More detail of the Council's Capital Strategy and Capital Programme is provided in a report elsewhere on the Agenda for the Finance Council meeting on 26th February 2024.

Budget Issues/Pressures

External Factors

41. Aside from general pressures on the funding of local authorities, the following narrative considers a range of external factors, not in any order, which are likely to impact on the Council and its financial position over the medium term financial strategy period:-

a) Cost of Living Crisis

As the 2023/24 financial year has developed, the cost of living crisis caused by rising prices for most goods and services has continued. This is despite the rate of inflation, as measured by the Consumer Price Index, falling to 4% at December 2023.

In direct terms, the cost of living crisis is leading to increased demand for Council Services as more people find themselves in a vulnerable position requiring support. With temporary funding provided by the Government, the Council continues to provide support through measures such as the Household Support Fund and Council Tax Support Relief. However, subject to the Spring Budget expected in March 2024, both funding streams are not expected to be continued in 2024/25 and the Council does not have the financial capacity to sustain such schemes.

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

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

b) Levelling Up and Devolution

Levelling Up and Devolution remain policies of the current Government much of which is now enshrined in the Levelling Up and Regeneration Act 2023. The Government has continued to make funding available under the banner of 'levelling up'. To the date, the Council has been successful in obtaining:-

- £25m for the Darwen Town Deal;
- £700k for the Community Renewal Fund (CRF) with the expectation being that CRF is a pilot for the forthcoming Shared Prosperity Fund (see below). Blackburn with Darwen was successful in obtaining funding for two out seven of its bids securing CRF of investment of c£700k;
- £6.8m from the Shared Prosperity Funding allocations; and
- £40m from the Levelling Up Fund. To date, there have been two rounds of the Levelling Up Fund. Due to the short timescales for bids, the Council did not submit a bid to the first round. In the second round, the Council submitted two bids – one for Blackburn Town Centre (£20m) and one for the Blackburn Transport Growth Axis (£20m), both of which were successful;
- Designation as a partner with DLUCh in a 'Levelling Up Partnership'. Work on this is underway at present and is likely to result in additional capital and revenue investment in the Borough;

- Additional funding of up to £20m for Darwen as part of the Government's Long Term Plan for Towns.

Since the last review of this Strategy, the Council along with Lancashire County Council and Blackpool Council (the Constituent Authorities) have made significant progress towards the development of a devolution deal with the Government which will be delivered by a newly formed County Combined Authority (CCA). A proposed deal has been the subject of consultation and the outcome of that is now being considered by the Constituent Authorities. Subject to that, it is likely that a deal proposal will be submitted to Government and, if agreed, will form the basis of the work of the newly created CCA later in the year.

The deal proposal currently being considered includes initial funding towards the operation of the County Combined Authority plus an initial funding package for capital works of £20m (of which the Council's share is expected to be in the region of £6m). Looking ahead, the development of the CCA may have significant implications for the Council, not least in supporting the delivery of the growth ambitions set out in the Corporate Plan.

c) Adult Social Care Reforms

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

- £3.6 billion would be used to reform how people pay for social care. This included £1.4 billion to help local authorities move towards paying a "fair cost of care" to providers.
- £1.7 billion would be used to support wider system reform.

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

In relation to the Fair Cost of Care reforms, the Government announced prior to the Autumn Statement that these would be implemented in stages from October 2023 to April 2025 at the latest. As set out in detail elsewhere in the main report for this item, the Council did receive additional Social Care grant as part of the Local Government Finance Settlement although this was provided to deal with the current pressures in the Social Care system.

Looking ahead, the reform of Adult Social Care, the additional funding and the prospective transformation of adult social care needs to be considered in the context of the continued rising demand for the service as both the population of Blackburn ages and as the nature of complexity of needs of adults who need support changes.

d) Children's Social Care – 'Stable Homes, Built on Love'

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

- introducing more effective, joined-up family help for those that are struggling (including the provision of funding for twelve areas to test a new approach to Family Help);
- where a child is at risk of harm, experts will intervene swiftly and decisively to protect them (A new Child Protection Lead Practitioner will be created to join up services);

- harnessing the value of family networks by supporting the kinship care system;
- transforming the experience of children in care and care leavers by prioritising children in care living in homes close to their family, friends, communities and schools;
- expanding and strengthening the Children's Social Care workforce;
- setting clearer direction for everyone for everyone who works in the system, through a new Children's Social Care National Framework and Dashboard.

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

- developing regional bodies to support local authorities in obtaining suitable placements for children: These bodies will be able to engage better with placement providers, such as care homes and foster agencies, to help make sure the right placements are available when and where children need them. They will also be trialed and evaluated to make sure they are fit for purpose;
- introducing a financial oversight regime: Establish an oversight regime to assess the financial health of care home providers that are most difficult to replace, and alert authorities if a failure is likely;
- reviewing regulation relating to the placement of children: Create an expert working group to review all existing legislation and regulation regarding children's social care, and develop a common set of standards for fostering, children's homes and supported accommodation.

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

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

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

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

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

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

f) *Environment Act 2021*

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

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

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

- **Simpler Recycling** – In September 2023, the Prime Minister announced new plans for simpler recycling, to make recycling as simple as possible for residents and avoiding the need for several bins. The Simpler Recycling document and Statutory Guidance was published in October 2023 and Defra led a consultation on this matter for which feedback is expected some time soon. Materials to be collected in the guidance includes pots, tubs and trays which would need to be added to the recycling stream. Plastic film and bags would need to be recycled too, which would be a new thing for most local authorities. It was not known how plastic film would be separated at the MRF and sent for re-processing. What this means for the Council's waste collection and disposal arrangements is not known at this pending further guidance.
- **Weekly Separate Food Waste Collections** – the implementation date for separate weekly food collections from all households had been put back to 31st March 2026. BwD is June 2026. The guidance included that food waste collections would include all rural rounds, flats and apartments, which would be problematic in quite a few of our locations, given the lack of storage facilities and the lack of interest in using a large communal container. It was not yet known whether local authorities would need to provide the communal bins for flats, apartments and Houses in Multiple Occupations. Details were awaited on the provision of caddy liners too for these premises but is expected to be provided for all other types of households.
- **Residual Waste** – The Government guidance expects a minimum service frequency for residual waste collections of at least fortnightly and wanted to stop three and four weekly bin collections. It should be noted that Wales has excellent recycling rates where many areas used three or four weekly collections, but of course the guidance applies only to English authorities and those English authorities that provide 3 or 4 week residual collections (e.g. Greater Manchester Councils), may find a frequency change a problem. It was not known whether those authorities who were already on three weekly collections would be expected to change back to fortnightly and, if so, how this would be funded.

All non-household municipal premises (shops and businesses) would need to have recycling collections (including food waste collections) in place by 31st March 2025. Although this would drive up the recycling rate, it would have a big impact on local authorities, as Councils are not geared up for this in terms of outlets and funding for bin provision etc. Food waste and recycling collections for microbusinesses with ten or less FTE staff would be required from 2027.

- **Extended Producer Responsibility/Deposit Return Scheme** – Although it had been confirmed that funds would be allocated to local authorities to support collection, treatment and disposal costs, it is unclear how this funding would be calculated. In addition, it is not yet known what funding would be available to those local authorities who had been issued improvement plans. Improvement plans can be issued by the service administrator being selected by the Government some time in 2024, to incentivise poorer performing Councils to hit the arbitrary targets the administrator will set them. The funding issued for complying with EPR is predicated on how well a council performs with both quantity and quality of recycling. We are poor performing in terms of quantity and quality.

On the introduction of a deposit return scheme, some councils have moved ahead with the Welsh government moving faster than the English government. Brecon in Powys had started a small scale scheme whereby all PET bottles, cans and cartons could be scanned either on a phone app, at some shops or purpose-built machines in the town centre, for a 10p return on each container. All UK nations aimed to have deposit return schemes in place by 2025.

- **Funding** - New burdens funding – indicative allocations of funding for capital costs (vehicles/containers) have been given to local authorities and will be paid through a Section 31 grant this financial year. Funding for resource costs for 2024/25 (vehicle re-routing, communications, project management) should be available in Summer 2024. Ongoing service costs funding (collection and disposal costs) should be available in April 2026. EPR funding – local authorities should receive this funding in March 2026 to cover 2025/26 although this kept being delayed. Payments would be based on family groupings.

g) Academisation of Schools

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

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

h) Planning Reforms

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

Following a change in Secretary of State for Local Government, the proposed changes were put on hold pending a review of the anticipated Planning Bill. The outcome of this review was that the Bill did not progress. However, the since the last update to the Strategy, a range of planning reforms in the Levelling and Regeneration Act 2023 which the Government considers are central to delivering a sufficient supply of homes ensuring that 'the right homes will be built in the right places'.

The Levelling and Regeneration Act 2023 Act:-

- establishes a new category of national planning policies: national development management policies (NDMPs). NDMPs will sit alongside local plans in decision-making on planning applications.

- creates a statutory requirement for Local Planning Authorities (LPAs) to produce a single local plan and update it every five years. Separate to the Act, the government said it would introduce reforms to require LPAs to produce local plans within a 30-month timeframe.
- abolishes the 'duty to cooperate', which requires LPAs to cooperate with each other and with certain other bodies in preparing their local plan. A new 'flexible alignment policy' will replace the duty to cooperate;
- introduces a statutory requirement for LPAs to prepare design codes, setting design requirements for developments in their local area.

Needless to say that any changes to the Planning system, both in terms of the broader planning policy framework and the underlying development management process(es) are likely to impact on the Council although the recent adoption of the Local Plan 2021/2037 at the Council Forum meeting in January 2024 does mean the Council has a sound basis on which to deal with any proposed changes.

i) Continued Pressure on Council Tax Increases

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

This 'pattern' for Council Tax increases has been in place for several years and is unlikely to change (although the financial challenges at some Councils has meant the Government has, in recent years, varied the referendum thresholds at some Councils). That said, given the Council Tax system in its present form has not been changed since 1991 (using property prices from that year to determine the banding of properties), there remain concerns that it is an outdated system in need of reform.

j) Availability of External Funding Streams and Specific Grants

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

Given the consternation of Local Government about the 'competitive' nature of these funds, there are some signs that the Government is moving away from bid-based special and specific grants. The '*Simplifying the funding landscape for local authorities*' guidance ([Simplifying the funding landscape for local authorities - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/simplifying-the-funding-landscape-for-local-authorities)) considers, for example, streamlining the application and reporting process, subsequent monitoring/evaluation of funded projects guidance issued by Government in January 2024. An example of this is the Levelling Up Partnership where the Government is seeking to work in partnership with the Council on investments to change some of the underlying structural issues to do with the Borough.

The extent to which this kind of approach will continue remains to be seen, not least because of the forthcoming General Election which may see a change in Government.

k) General Legislative Changes

The following legislation, currently being progressed through Parliament, could have financial implications for the Council (these are Government Bills only):-

Table 4: General Legislative Changes

Data Protection and Digital Information Bill Leasehold and Freehold Reform Bill	HoC – Committee Stage HoC – Report Stage
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HoC – House of Commons

It is not possible to say at this stage what the financial implications of these areas of legislation will be for the Council as details of the impact on service provision are not known in all cases.

l) General

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

Internal Factors

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

a) Implementing the Corporate Plan

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

At the meeting of Policy Council in November 2023, an update on the Corporate Plan was provided where the Council's missions were reaffirmed and each Portfolio Holder set out their priorities for 2024/25.

b) Stability in the Workforce

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

c) Increase in Demands for Services and Complexity of Needs

The demand for Council services continues to grow, particularly in Adult and Children's Social Care, and homelessness. Added to this is the increasing complexity of needs of both adults and children (including, for example, multi-morbidity, mental health challenges and social deprivation) which is also creating additional pressure in the care system given the need to ensure that care packages and support are tailored appropriate to the needs of the adult/child.

d) *Local Plan 2021-2037*

As indicated above, the Council adopted the Local Plan 2021-2037 at its meeting in January 2024.

e) *Developing and delivering a Housing Strategy*

Given the range of housing issues affecting the Borough – from the quantity of existing and new housing and quality of some of the existing housing stock, the growth of Houses of Multiple Occupation (HMO), the extent of homelessness and, with that, the general housing needs, the impact of housing on vulnerable people and so on, a need has been identified to review and refresh the Council's approach to housing.

Some initial work has been undertaken on this matter which has concluded that the Council's Housing Strategy needs to be reviewed and updated to reflect the aspirations of the Council (considering legislation, changes in policy etc). At the same time, consideration is being to the various housing functions across the Council (Housing Growth, Housing Standards, Housing Needs etc) and how they may be better organised and coordinated to support the delivery of the Housing Strategy. This work is in its formative stages but will be developed in more detail in 2024/25.

f) *Use of Reserves*

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

g) *Capitalisation of Staffing Costs*

In 2024/25, the Council will capitalise staffing costs totaling c£2.4m. This is in accordance with proper accounting practice given these staff are actively involved in the delivery of capital projects. However, once projects are delivered, the Council will need to consider to what extent those staff employed on the projects are required and how, if they are required, their costs will be funded.

h) *Education Service Level Agreements*

The Council receives c£2.2m from the provision of services to Schools. This is based on a range of Service Level Agreements across a range of services. To sustain the income from the provision of these SLAs, the Council will need to continue providing services that provide value for money. Equally, expanding the scale of service provision, both of existing and new services, continues to be a focus for services.

With the push for greater academisation of Schools, this level of income will be at risk and will require the Council to consider what strategies it needs to employ to sustain the income or ensure that the related cost base is reduce as income reduces. An example of this is the provision of insurance services where, given the Government's Risk Protection Arrangement (RPA) Scheme which is available to all Schools at a lower cost than the Council's provision, the Council has taken the decision to withdraw the provision of most insurance services from Schools and encouraged them to buy the service from the RPA.

i) *Use of Public Health Grant*

The Council receives c£16m of Public Health Grant annually. Of this, around £5m is used to support the General Fund Revenue Budget on activities associated with the wider determinants of health. This is a legitimate use of this funding, contributing to those areas that should lead to a reduction in health-related issues that would otherwise contribute to poor health outcomes.

However, the use of Public Health funding in this way needs to be constantly monitored to ensure that the investment made in Council services is legitimate and delivering improvements in health outcomes. This monitoring is undertaken collaboratively by the Director of Public Health and the Strategic Director Finance and Resources who are required annually to jointly certify that the Public Health grant has been used in line with the approved guidance.

j) Digitisation

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

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

An equivalent priority, however, is the significant amount of work required to ensure the Council's IT networks, infrastructure and devices remain up to date, operational and resilient from cyber and other related attacks. This will require investment which, given the importance of this work, will be essential to ensure Council services can continue to operate effectively, efficiently and safely.

k) Commercial Services and Income Recovery

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

l) Availability External Funding

As indicated above, the Council has a good track record of obtaining external funding as a means of regeneration and/or expanding the delivery of services across Blackburn with Darwen. The hallmark of most current funding streams is the need to bid for funds, generally in competition with other local authorities (although, as indicated above, the Government appears to be changing its approach to be provide more targeted 'needs' based investment).

To be successful, the Council must be able to develop 'oven ready' bids that are of high quality, capable of being successful and can be delivered. It is important, therefore, that the Council puts in place arrangements, such as clear exit strategies, when funding streams come to an end so that the burden of additional cost does not simply add to the ongoing budget shortfall. In doing so, however, there needs to be a holistic approach to reviewing the contribution of funded schemes to the Council's Strategic Objectives in comparison to those services/projects/schemes funded directly by the Council's base budget.

m) Strategic Developments / Projects

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

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

- Wainwright Way Commercial Units;
- West Blackburn Development Corridor.

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

At the same time, and acknowledging the work of the Peer Team who undertook the Corporate Peer Challenge, there is a need to ensure these growth and regeneration schemes are inclusive, considering the impact and benefit to the residents of the Borough as well as the physical regeneration of the place.

43. Again, this is not an exhaustive list, but it does outline some of the major factors that may impact on the Council's financial position. There are others and the following examples illustrate this:
- implementing the Strategic Asset Management Plan, ensuring asset renewal continues, that disposal of surplus properties are progresses and that the Council continues to maintain effectively those assets that remain;
 - dealing with problem sites, empty properties and 'grot spots' on a pro-active basis;
 - managing effectively the growth in the delivery of events by the Council (and others) within a limited amount of resources.
44. The annual compilation of Business Plans, which focus on the three-year period covered by the Financial Strategy as well as providing details of annual service targets, provides an opportunity to address these and other service pressures facing the Council both in terms of service delivery and resourcing.

Achieving a Balanced Budget (the Financial Strategy)

Overview of Financial Strategy

45. The Financial Strategy being implemented by the Council is:-
- **Growing** the Council's income using the funding mechanisms now in place for local government to increase the Borough's taxable capacity, particularly the Business Rates Retention Scheme. This means that the Council continue to consider ways in which it can increase income from business and housing growth to ensure that funding for services can be maintained and increased;
 - **Charging** for services, raising income which will mean that it is possible to continue providing services that residents value. This will mean continuing to review the level of fees and charges, reducing the subsidy on some services and considering the introduction of new fees and charges. It will also include reviewing the level of discretionary business rates and council tax exemptions/discounts and the local scheme of Council Tax Support;
 - **Saving** costs by, for example, reviewing how the Council delivers services, doing things differently and more efficiently, scaling services to appropriate levels within the resources available to the Council and working with partners, including the voluntary sector, town and parish councils to sustain local facilities and services;
 - **Stopping** spending on lower or non-priority areas. This could also mean, for example, that the Council works with other partners (Voluntary, Faith, Community Sector, Town/Parish Councils etc) and residents to deliver aligned to the 'Your Call' Initiative.
46. More details of these strands is provided in the [Financial Strategy 2022/23](#). Since agreeing the Strategy, the 'saving' and 'stopping' strands have been expanded into a series of Strategic Workstreams, more details of which are provided below.
47. Acknowledging that the Financial Strategy covered the period to March 2025, during the coming year work will be undertaken to review and refresh the Strategy.

Strategic Workstreams

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

- **Workstream 1 - Organisational Review** – in line with the Corporate Plan, there is a need to consider the robustness of the Council's existing target operating model (and with it the organisational structure, governance and processes) to determine how best to deliver key policies and transformational change. Given the need to consider how better to co-ordinate the development and delivery of a Housing Strategy, and how best to organize the various housing functions across the Council, there is the potential to review the Council's organisational and management arrangements to determine what structures are most appropriate to achieve the Council's objectives. This work is likely to take place in the coming financial year and may present opportunities for efficiencies;
- **Workstream 2 - Asset Review** – Following approval of the Strategic Asset Management Plan by the Executive Board, Phase 1 of the Asset Review has been completed and the outcome of that will be reported through the appropriate decision making processes in due course.

Phase 2 of the Asset Review will consider, amongst other matters, the Council's Accommodation needs as well as the sufficiency of the Council's broader operational assets. This may highlight opportunities for further rationalisation of Council assets. Again, where it is necessary to do, the outcome of this work will be reported through the appropriate decision making processes as required.

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

However, given work on other matters, it has not been possible to make any progress with this workstream in the run up to the budget for 2024/25. The extent to which it is possible to make progress will depend on the appetite to consider alternative options, whether there are changes in the operational environment that would warrant consideration and the capacity available within the Council to undertake the necessary feasibility to work to establish whether there is any merit in pursuing options. This matter will be picked up as part of the refresh of the Financial Strategy and Medium Term Financial Plan later in the year.

- **Workstream 4 - Review of the Children's Services Operating Model** – As Councillors are aware, the Children's Social Care Service is on an improvement journey following the outcome of the Ofsted Inspection in February 2022. This work is being overseen by an Improvement Board chaired by an independent person. Despite this, there remains a need to ensure that, whilst ensuring that the caring for children and young people remains at the heart of the Council's approach, every consideration is given the value for money arising from the Council's investment in the Service. This may require consideration of the way the Council undertakes functions, how it prioritises investment, the scope for budget efficiencies and how it obtains best value in the delivery of services throughout the spectrum of Children's Services;

- **Workstream 5 - Review of Adult Social Care Operating Model** – as indicated in the main report, a significant amount of work is being undertaken to transform the Council's Adult Social Care Service. This has involved, for example, a refresh of the Adult Social Care Target Operating Model, a thorough review of the Commissioning function and the improved use of data and insight to inform decision making. A considerable amount of work has also been undertaken to prepare the Council (and its partners) for assessment by the Care Quality Commission of the Council's compliance with the Care Act;
 - **Workstream 7 - Review of Back-Office Efficiency** – the Council has already conducted efficiency reviews of back-office functions. However, opportunities may arise following the Organisational Review (Workstream 1 above) to undertake further efficiency reviews of the Council's back-office functions. Areas of consideration may include, for example the Council's procurement/commissioning functions, Finance (including Revenue and Benefits) and Business Support. Consideration of this matter needs to be cognisant of the work on the Accommodation Strategy which may present opportunities to co-locate services to achieve better collaboration and co-ordination of service delivery as a consequence;
 - **Workstream 8 – Procurement (reduction in Contract and Third Party Spend)** – beyond the strategic review of alternative delivery models (Workstream 3 above), driving value from the Council's procurement of goods and services must be key part of the Council's approach to managing the budget deficit. As a benchmark, with any new tender for goods/services funded from the Council's Revenue Account, **a reduction of 10% in the contract value was introduced last year; this target remains in place and should be achieved from better pricing, value engineering or changes in contract specification.**
49. Underpinning these strategic reviews will need to be a reinvigorated transformative approach to service delivery that will seek to use **data and insight** to better inform decision making and **service re-design (or transformation)** that will exploit new technologies such as automation and (eventually) artificial intelligence. Both matters, along with a more disciplined approach to 'Digital First' for the delivery of services, are central to the Council's agreed Digital Strategy and need to be integral to the strategic reviews above.
50. To complement this, a process of **'Policy and Finance' Deep Dives** has been introduced. This work comprises a thorough review of the Council's existing policy and investment in specific areas to challenge *'what is done, why it is done, whether the existing delivery model is right, how to achieve better value for money etc.'*. Pilot areas for review include Education Transport SEN and Highways Planned and Reactive HAMIS.
51. In addition to this, and as set out in the main report, it is proposed to undertake a range of **'Invest to Save'** Reviews. These reviews are aimed at considering areas of activity which when reviewed, and with some seed investment, it is possible to reduce the cost of the Council's operational activity. Examples include considering the feasibility for using Children's homes in place of expensive out of borough places, in house residential provision for adults and the digital transformation of activities.
52. Similarly, a number of the workstreams and reviews set out above are likely to require a review and refresh of the Council's **Human Resources Strategy** and related policies and procedures, not least around the approach to hybrid working, co-location of staff and related terms and conditions. That said, fundamentally, to achieve the savings above, there will need to be a reduction in staff numbers and this will need to be managed effectively. It should be noted that this work is in addition to the current programme of activity around Organisational Development.