EXECUTIVE BOARD DECISION

REPORT OF:	Leader
LEAD OFFICERS:	Chief Executive
DATE:	13 February 2020

PORTFOLIO/S AFFECTED:	ALL
WARD/S AFFECTED:	All
KEY DECISION:	**YES** ☐ **NO** ☒

SUBJECT: IMPACT OF NATIONAL POLICY OF AUSTERITY IN BLACKBURN WITH DARWEN

1. EXECUTIVE SUMMARY

In 2010 the Conservative and Liberal Democratic coalition Government initiated its austerity programme. This signalled the start of an unprecedented level of financial challenges across the public sector which has led to significant service cuts across many areas.

Below outlines the headline changes for Blackburn with Darwen Council over this period:

- 36% reduction in funding income - £65.6million
- £542 reduction in real-term local government spending per head of population 2009/10-2017/18
- Largest reduction in Core Spending Power of all Unitary Authorities at 30.5% - £51.7million
- £13million increase in social care costs, vulnerable adults and children
- IMD ranked 9th most deprived local authority in the Country
- 5th lowest level of reserves compared to all other Unitary Authorities
- Real-term reduction in resources is significantly more due to absorbing costs of inflation, increase demand, pay awards.

Our statutory responsibilities to citizens are still the same.

Despite the Government's consultation in 2018 on the Fair Funding model we still await a formal response. This continued delay, annual financial settlements and piecemeal approach to additional project funding is exacerbating the financial pressures making longer term budgeting and planning extremely difficult. It is extremely alarming that the recent analysis by the Local Government Association (LGA) suggests that, under new proposed formula for adult social care, Blackburn with Darwen's 'share of need' will reduce by 21.7% for ages 18-64 and reduce by 11.8% for older people 65+.

Our ask of this new Government, is for Ministers and Civil Servants to fully engage with us and listen to our very real concerns and challenges. We ask that they work with us to find solutions to funding mechanisms that work for areas such as Blackburn with Darwen, with low tax receipts and high demand and direct new money to local authorities, which will enable them to achieve their promise of levelling up.

We want to work with the Government to develop a framework for the fair distribution of resources that recognises levels of deprivation, demand and an area's ability to raise income.

2. RECOMMENDATIONS

That the Executive Board:

a) Note the contents of this report which highlights the impact of the Government's austerity measures over the last 10 years.
b) Agree that the Leader write to the Government to outline our concerns and request engagement in future policy development and funding allocations.

2. BACKGROUND

Due to the Government's national policy on austerity, the Council has had to develop and deliver numerous savings programmes across the Council over the past 10 years. These saving programmes have been implemented to address the reduction in income, to absorb the impact of inflation (including the impact of the National Living Wage), to respond to rising demand for statutory services and to continue to support our crucial regeneration and growth programme.

Since 2010, our available income has reduced by 36%, that's £65.6million

Core spending power measures the overall revenue funding available for local authority services. The Council has had the largest reduction of core spending of all Unitary authorities at 30.5%, that's £51.7million and the 32nd largest reduction out of all 350 local authorities in the country.

Since 2010 we've had to realign our budget to meet demands. For example, spend on statutory social care for vulnerable children and adults has increased by £13m but we've had to cut our education services by £48million, our highways and transport services by almost £7million, our housing services by £7million and our planning and development service by £10million.

These extreme financial challenges, coupled with rising demand for services due to high levels of deprivation has meant that we have had to use our reserves just to deliver services.

We now have the 5th lowest level of reserves as a percentage net of revenue compared to other unitary authorities, as shown by the recently developed CIPFA financial resilience index.

The Centre for Cities report published in January 2019 outlined that between 2009/10 – 2017/18, Blackburn with Darwen had the 5th largest real-term fall in total local government spending across the country and the 2nd largest in the North West.

However, our statutory responsibility to citizens is still the same, demand is rising and expectations are high.

Our relationship with our community has helped us to mitigate some of the effects of the Government's damaging austerity measures, by keeping vital services running. However, we can't continue to rely on the goodwill of volunteers; services need to be sustainable for the long term. We are doing the best we can with the resources we have available as reported to Policy council through our Corporate Plan and performance reporting in December.

We have always been good at bringing additional ad-hoc funding into the Council, such as Growth Deal, Sports England, Arts Council etc and we manage some of these funding programmes on behalf of partners within and beyond the borough in the wider sub-region. However, this reactive approach to piecemeal funding as and when it is made available exacerbates our challenges making it difficult to plan future delivery of council services and appropriate investment.

Whilst the funding is welcome, it adds to the burden on local authorities to bid for and administer these programmes, responding to different government departments and funding bodies when a more joined up approach is often required to tackle some of the most difficult entrenched and inter-generational issues such as homelessness, poor housing quality, lack of skills for employment and anti-social behaviour.

We are pleased to hear that the Government is planning to 'rip up' spending plans to divert funding to the North, but we need assurance that this new approach will benefit council service delivery in areas such as ours, and not just strategic infrastructure investment to the core Northern cities which too often fails to be inclusive of the wider area.

The Government launched a consultation on the principles of the new fair funding formulas in late 2018 but has yet to issue a full response. We understand the government are still to make a decision on whether deprivation will be a measure on the 'foundation formula' which covers services such as libraries, parks and waste collection. Formulas for adult social care, public health and children's services are likely to be based on formulas by the Department for Health and Social Care and the Department for Education respectively. However, demands are difficult to predict and the wider social profile of an area must be taken into account.

Elected Members may be aware of the recent Local Government Association (LGA) analysis which provides an illustration of the impact of the proposed adult social care relative needs formulas which are being considered for implementation in 2021/22. (https://www.local.gov.uk/adult-social-care-relative-needs-formulas-lga-illustration-january-2020). Their analysis is based on work behind the new formula undertaken by the Personal Social Services Research Unit (PSSRU) in 2018. Population is the biggest driver in this formula. We would like to see formulae based on relative need, levels of deprivation and high cost complex cases.

It is extremely alarming that the analysis by the LGA suggests that, under this new proposed formula, Blackburn with Darwen's 'share of need' will reduce by 21.7% for ages 18-64 and reduce by 11.8% for older people 65+. The LGA is calling for no local authority to see its funding reduce and for the Government to publish official illustrations on the changes in funding as soon as possible.

We will lobby for the Fair Funding formulas to be truly 'Fair'.

4. KEY ISSUES & RISKS

Wellbeing and demand for services

As reported to Policy Council in December 2019, nearly 40% of Blackburn with Darwen's children and young people are living in poverty compared to a national average of 27%. The Government's introduction of austerity policies such as universal credit, changes to child tax credit and benefits freeze have all impacted on our residents.

Elected members will be well aware of the economic and social profile of our Borough as outlined on our website in the recently published Borough Outcome measures https://www.blackburn.gov.uk/facts-and-figures.

Latest IMD statistics tell us that we are ranked 9th most deprived local authority in the country, have a higher than average number of people unemployed (4.7% compared to 4.1% nationally) and we have 5,900 workless households. We have higher than average benefit claimants 4.8% compared to 2.9% national average. Life expectancy is lower than national average and that of Lancashire at just 76.9 years for males and 80.3 years for females. Skill levels are low with 29.3% of our residents achieving NVQ level 4 or above compared to a national average of 39% and 12.4% of our residents have no formal qualifications at all compared to a national average of 7.1%.

We have one of the lowest income per household in the country and are amongst the Local Authorities most affected by recent welfare reforms. The Borough is experiencing a significant challenge to working, but low-income families and as a result, has growing rates of child poverty and some of the worst lower super output areas in England for levels of deprivation.

All of these factors cause stressful environments in households which impacts on health, mental health and social wellbeing leading to an increase in demand on local council services. Below outlines some of the impact on services during the period of national austerity:

	2010	2019
Number of Looked After Children	365	403
Looked After Children rate per 10,000 population	94	105
Number of children open to children's social care	1520	1852
Number of young people identified as young carers	Data not available	174
Number of people in residential and nursing care aged 65+	524	582

Financial impact

This increase in demand has raised the costs of delivering services at a time when funding has been reduced, resulting in less available resources for ongoing prevention, early help and intervention and economic investment.

Since 2017, the number of people aged 65+ in residential and nursing care has risen from 496 to 582 increasing costs by £4.172million per year. Similarly, our annual costs for Looked after Children has increased by £5.8mllion per year since 2010/11.

General inflation costs also have an impact on our spending capability, as with any other organisation. The uplift of the national living wage by £1.02 since April 2016 is welcome news for our low income residents, however we are finding that contractors are passing on their increases to us, through fee increases, which we are expected to absorb within existing resources alongside nationally agreed pay awards for our staff also funded within existing resources. We have restructured our pay spine to reflect these increases and 56% of our staff have reached the top of their grade. The Government need to be prepared to fund additional costs associated with the rise in national living wage costs. We also have increased employer pension costs following the triennial valuation of the Local Government Pension Fund which has increased our contributions for which there is no additional funding.

We welcome the recent additional funding for both the NHS and social care and are keen to see what the new Government's spending priorities are in the Chancellor's next Budget on 11th March 2020. We know that the budget will prioritise the environment and build on recent announcements to boost spending on public services with new hospitals, more nurses and more police officers.

The Government has also announced a new policy agenda of 'unite and level up', promising to raise the economic performance of areas like Blackburn with Darwen towards those of London. We are pleased that the Government plan to shift their focus from boosting national economic growth towards improving the wellbeing of people living in poorer areas and narrowing the productivity gap between regions. They have also indicated that there will be plans implemented to improve social care in this parliament, although it is not clear when this will start. The pledge to increase school funding at both primary and secondary school is also welcome.

However, this new approach from the Government needs to happen soon and it's important that new investment is directed at local services. Infrastructure investment is important but the benefits of this will not be realised for some years. Increasing demand for local, every day services is happening now and it's becoming extremely challenging to manage services on the funding changes we have seen over the last 10 years.

For this current financial year, we are forecasting an overspend on the Children's Services budget of £4.8million and £300,000 on Highways due to increased demand for services and the costs of commissioned placements for children, often with complex needs. Further details will be reported to Finance Council on 24th February. This financial spending forecast, particularly for Children's Services will continue into 2020/21.

The recent Financial Resilience Index published by CIPFA indicates that the council is at high risk and has low financial resilience due to the low level of reserves we have at our disposal; the level of our reserves compared to our net revenue expenditure, based on the data contained within the 2018/19 Revenue Outturn Return, ranks us as the 5th lowest, at 17.65%, when comparing the same indicator for all other unitary authorities. This compares with areas such as Portsmouth at 143.48%.

The current funding model isn't suited to areas such as Blackburn with Darwen. New Homes Bonus and the Adult

Social Care Precept favour areas with a larger proportion of houses in the higher council tax bands, strong housing growth and high land values.

We have limitations as to how much income we can raise ourselves. Based on the average council tax per dwelling in the Borough, a 1% increase would equate to £10.06, compared to affluent areas such as Rutland that would raise an average of £19.30 per dwelling. We have the 4th lowest average council tax per dwelling of all unitary authorities and 58% of our properties are all Band A.

As elected Members may be aware, the Government encouraged Councils to take full advantage of the council tax freeze grant which they introduced for the financial periods 2012-13 and 2015-16. Given the detrimental impact of the recession on our residents and the impending impact of benefit changes through universal credit, the Council decided to accept the grant rather than pass-on rising costs to residents through council tax increase. The grant provided a non-recurring income in the year, equivalent to a 1% increase in council tax. However, this Government policy has resulted in the Council having a lower tax base than those councils who felt able to continue to passport rising costs to residents.

The increase in the costs of borrowing from the Public Works Loan Board (PWLB), announced on 9th October 2019, will also impact on our ability to raise funds. We currently use this loan facility to fund strategic investments which will have longer term benefits for the borough. Whilst the Government is concerned that the previous low interest rates for this fund was responsible for encouraging speculative and risky investment by councils, for us, access to such cost effective borrowing is the difference between growth and stagnation. This hike in interest rates means that we will have to revisit our capital programme and pare this back to ensure the revenue costs of borrowing are affordable and the impact of these costs on our short-term ability to deliver services.

We were pleased to work with our Lancashire local authority colleagues to form a Business Rates Pool Pilot for 2019/20 enabling us to retain 75% of our growth in business rates, with a percentage of this growth top-sliced by all Pool Members for Lancashire-wide strategic economic growth. We expected this to be a pre-cursor for full national roll out of the new BRR Scheme by the Government however the programme is now due to end in March 2020 with no national scheme in place.

We are reporting on our financial position in more detail at Finance Council 24th February. Despite positives in the Budget settlement relating to the additional funding for social care, we still expect to have to implement a savings programme of £4.7million for 20/21, in addition to the existing in-year savings for 19/20. The cost pressures remain in Children's social care which, to date, have not received the same targeted resource intervention as adult social care. We are working closely with our NHS partners in the Lancashire and South Cumbria Integrated Care System (ICS) and the Pennine Lancashire Integrated Care Partnership (ICP) but until there is a thorough review and a holistic approach to health and social care funding, it's difficult to provide seamless support to individuals and offering the ability for early intervention and prevention services.

The status quo is no longer an option.

Elected Members will be aware that in October 2019 the Leader and Opposition Leaders sent a letter to the Secretary of State for the Ministry of Housing, Communities and Local Government requesting an invitation from the Government to develop a business case to form a new larger Pennine Lancashire Unitary Authority. We firmly believe that this will strengthen the role of Local Government in the area, ensuring decision making closer to the people and the sustainability and stability of council services to our citizens and citizens across Pennine Lancashire.

We continue to support the development of a Lancashire Combined Authority, if the opportunity arises. However, this will only address strategic issues focussed on infrastructure, economic development and skills. It will not address the day-to-day needs of our citizens and our ability as a council to continue to deliver vital services.

Our ask, of this new Government, is for Ministers and Civil Servants to fully engage with us, listen to our very real concerns and challenges. We ask that they work with us to find solutions to funding mechanisms that work for areas with low tax receipts and high demand and direct new money to local authorities, which will enable them to achieve their promise of levelling up. The Fair Funding Formula has been promised for some time but continues to be deferred. We are extremely concerned that the new formula will not reflect levels of deprivation which impact on need, in particular complex need. We want to work with the Government to develop a framework for the fair distribution of resources that recognises levels of deprivation, demand and an areas ability to raise income.

The Leader of the Council intends to write to the Secretary of State to voice our concerns and seek an initial meeting with his colleagues to explore in more detail the opportunities to find solutions to our immediate challenges.

5. POLICY IMPLICATIONS

There are no policy implications at this stage.

6. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report at this stage.

7. LEGAL IMPLICATIONS

There are no legal implications at this stage.

8. RESOURCE IMPLICATIONS

Any resource implications will be managed within existing resources.

9. EQUALITY AND HEALTH IMPLICATIONS
Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1 ☒ Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 ☐ In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. *(insert EIA link here)*

Option 3 ☐ In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. *(insert EIA attachment)*

10. CONSULTATIONS

No consultations have taken place.

11. STATEMENT OF COMPLIANCE
The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. DECLARATION OF INTEREST
All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded in the Summary of Decisions published on the day following the meeting.

VERSION:	**1**

CONTACT OFFICER:	Denise Park
DATE:	4th February 2020
BACKGROUND PAPER:	None