Public Document Pack

Dear Councillor

EXECUTIVE - MONDAY, 12TH SEPTEMBER, 2016

Please find attached updated the appendices related to the Medium Term Financial Sustainability Strategy for the Monday, 12th September, 2016 meeting of the Executive, forwarded to Members under separate cover.

Agenda No	Item
4	**MEDIUM-TERM FINANCIAL SUSTAINABILITY STRATEGY 2016/17 TO 2021/22** **(Pages 1 - 32)**

Yours sincerely

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BLACKPOOL COUNCIL

REPORT

of the

DIRECTOR OF RESOURCES

to the

EXECUTIVE

on

12TH SEPTEMBER 2016

MEDIUM-TERM FINANCIAL SUSTAINABILITY STRATEGY 2016/17 – 2021/22

1. Introduction

1.1 This report constitutes the Council's Medium-Term Financial Sustainability Strategy (MTFSS) for the 6-year period, 2016/17 to 2021/22.

1.2 Since 2010 central government funding for local government has been progressively reduced in real terms as part of the Government's plan to lower the fiscal deficit and this policy will continue until at least the end of the current decade.

1.3 Blackpool Council is committed to protecting vital services, but to remain financially sustainable has had to respond with recurrent savings of £93.4m from its revenue expenditure up to the end of 2015/16. During the term of this Strategy a further £60.1m of savings is forecast to be needed.

1.4 Each successive year the scope remaining for savings from efficiency measures becomes less. Indeed savings achieved to date represent over 6 times the cost of the Council's combined back office services. Delivering savings of this magnitude has had an unavoidable impact on service levels, resident satisfaction ratings[1], jobs and morale, but by 2022 more radical, fundamental, transformational and sustainable solutions will be necessary.

1.5 Against this backdrop the proposed Strategy summarises the comprehensive review and assessment that has been undertaken of how the Council can finance its future service delivery and the level of savings needed if these activities are to be facilitated and maintained. It also considers the risks anticipated throughout what is forecast[2] to be an ongoing harsh economic climate for local government.

2. Purpose, Procedure and Guiding Principles

a) Purpose

2.1 The overall purposes of the Strategy are:

- primarily to provide a financial framework for the Council's medium-term budgets, based upon the predicted levels of income available to it over the period and the savings that will be

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[1] *Polling on resident satisfaction with councils*, Local Government Association July 2016

[2] *Chancellor of the Exchequer's Budget*, 16th March 2016

necessary to contain expenditure within these limits in order to fulfil its statutory obligation to balance its budget[3];

- to convey a clear direction of travel, identifying and managing the prevailing risks, modelling different futures and giving focus to the most important and influential variables, thereby avoiding significant changes in direction;

- to comply with the conditions set by the Secretary of State for Communities & Local Government in March 2016 that acceptance of the 4-year Funding Settlement Offer 2016/17 - 2019/20 requires publication by 14th October 2016 of a 4-year 'efficiency plan' that "can be combined with medium-term financial strategies"; and

- to demonstrate that Blackpool Council will still be operating as a sustainable and viable going concern 6 years hence.

2.2 Presentation of this Medium-Term Financial Sustainability Strategy has purposely been delayed as close as possible to the Efficiency Plan deadline in order to understand and incorporate the outcomes of the European Union membership referendum result; the views of the local government sector on such key Government consultations as 100% Business Rates Retention and New Homes Bonus; and professional advice from the sector, in particular from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Government Association (LGA), on preparing and submitting an Efficiency Plan.

b) Procedure

2.3 In the medium term of 2016/17 - 2021/22 the challenge of the Strategy has been to account for the complexity of influences, assumptions and uncertainties which can affect predictions and with the best information and intelligence available:

- Forecasting the future funding envelopes which will become available to the Council over each year of the plan and the risks involved in making those predictions - The totals will include funding from the Settlement Funding Assessment (SFA), other central government & specific funding, partnership funding and locally-raised taxation and income. Although the multi-year settlement agreement should mitigate against the previous process in which there could be up to 6 major and varied Government funding announcements within a single year, national policy changes such as the proposed 100% Business Rates Retention will inevitably add back volatility to the system.

- Forecasting the projected expenditure and alignment of resources across more than 250 service heads in accordance with the Council's Plan 2015 - 2020 and its commitments and priorities for local service development and delivery.

- Forecasting the proposed profile of expenditure budgets over the period of the Strategy and, taking into account certain key assumptions such as levels of Council Tax and transfers to/from reserves, the amount of savings which will be needed to balance the budgets and the high level measures necessary to realise these savings.

c) Guiding Principles

2.4 The preparation of the Medium-Term Financial Sustainability Strategy has therefore to take place within an extremely complicated matrix of forecasts and assumptions. Throughout and overriding the process, however, the formulation of the Strategy has been governed by 8 guiding principles:

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[3] *Section 100 of the Local Government Act 2002*

i) the statutory obligation to balance the Council’s Budget in each year of the period
ii) resourcing services in line with Council priorities
iii) embedding a culture of value for money and efficiency savings in all activities
iv) keeping Council Tax levels as low as possible
v) maximising the level and resilience of the resources of cash, assets and people by attracting grants, generating additional income or creating partnering arrangements
vi) ensuring significant risks are identified and mitigated where possible
vii) ensuring financial reserves reflect the levels of business and risk
viii) optimising capital spending freedoms.

3. Context

The Medium-Term Financial Sustainability Strategy is not written in isolation but attempts to reconcile both the national and local contexts:

a) National

3.1 Within the Budget 2016 the Chancellor recognised the funding pressures facing councils and local services over the next few years and chose not to announce any more cuts to local government than those announced in the previous November’s Spending Review. As at that point central government departmental funding (known as Departmental Expenditure Limits (DELs)) was as follows, which gives a good indication of the impact on the local government sector as a whole, though not by individual local authority:

Central Government	2016/17 £bn	2017/18 £bn	2018/19 £bn	2019/20 £bn	2020/21 £bn	2021/22 £bn
All Departmental Expenditure Limits	321.8	324.0	326.7	329.7	N/a	N/a
Local Government DEL	9.6	7.4	6.1	5.4	N/a	N/a
	3.0%	*2.3%*	*1.9%*	*1.6%*	*N/a*	*N/a*

3.2 In the following month of December 2015 the 4-year Local Government Finance Settlement was announced as follows:

Local Government	2016/17 £bn	2017/18 £bn	2018/19 £bn	2019/20 £bn	2020/21 £bn	2021/22 £bn
SFA – Revenue Support Grant	7.2	5.0	3.6	2.3	N/a	N/a
SFA – Business Rates	11.4	11.6	12.0	12.2	N/a	N/a
Council Tax	23.2	24.5	25.8	27.3	N/a	N/a
New Homes Bonus	1.5	1.5	0.9	0.9	N/a	N/a
Rural Services Delivery Grant	0.1	0.1	0.1	0.1	N/a	N/a
Improved Better Care Fund	-	0.1	0.8	1.5	N/a	N/a
Transition Grant	0.1	0.1	-	-	N/a	N/a
Core Spending Power	**43.5**	**42.9**	**43.2**	**44.3**	**N/a**	**N/a**
Memo: Revenue Support Grant + New Homes Bonus + Improved Better Care Fund	*8.7*	*6.6*	*5.3*	*4.7*	*N/a*	*N/a*
Unexplained difference from Local Government DEL	*0.9*	*0.8*	*0.8*	*0.7*	*N/a*	*N/a*

This reinforces DCLG’s assertion that by 2019/20 Local Government’s Core Spending Power will have returned to the level that it was in 2015/16. However, this ignores individual local authority allocations, demand factors such as population growth and demographic pressures and, as the bar chart[4] on the following page indicates, substitutes central government funding reductions in the main with assumed council tax increases and council tax growth.

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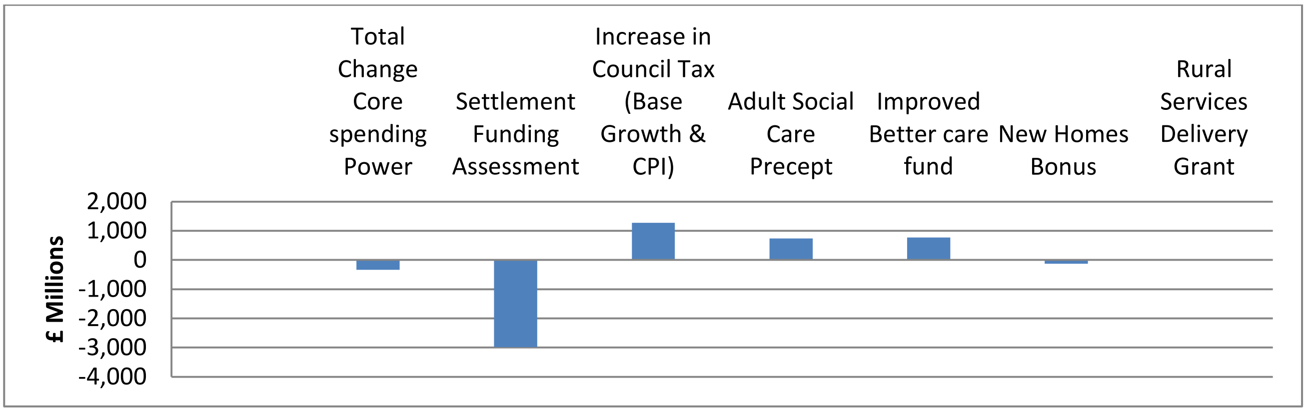
[4] *Cash Changes in Core Funding Support 2015/16 – 19/20 for Society of Municipal Treasurers and Society of Unitary Treasurers*, Local Government Association



3.3 The equivalent shares for Blackpool Council are listed below, but under the Secretary of State's 4-year settlement offer it is only the Revenue Support Grant that would be known and fixed for Blackpool Council as the Council does not benefit from the other 2 central government funding streams of Transition Grant and Rural Services Delivery Grant:

Blackpool Council	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
SFA – Revenue Support Grant	31.6	24.5	19.7	14.8	N/a	N/a
SFA – Business Rates	43.4	42.9	44.0	45.1	N/a	N/a
Council Tax	45.5	48.3	50.2	52.1	N/a	N/a
New Homes Bonus	1.7	1.2	0.7	0.3	N/a	N/a
Rural Services Delivery Grant	-	-	-	-	-	-
Improved Better Care Fund	0.0	1.0	5.0	8.4	N/a	N/a
Transition Grant	-	-	-	-	-	-
Core Spending Power	**122.2**	**117.9**	**119.6**	**120.7**	**N/a**	**N/a**

b) Local

3.4 The Council's Corporate Objectives and Priorities

The local context of the Medium-Term Financial Sustainability Strategy is focused directly on enabling the delivery of the Council's vision and its 2 themed priorities of:

i) the economy – maximising growth and opportunity across Blackpool; and
ii) communities – creating stronger communities and increasing resilience.

In addition to these 2 externally-facing corporate priorities, the Council has an additional focus on organisational resilience – the efficient and effective running of the organisation which enables us to deliver quality services. This ensures we have the vital support functions and staff capable of delivering its objectives, staff who are professional, well-trained, rewarded and motivated. These priorities and the specific service actions to fulfil them drive the allocation of revenue budgets which are then translated into departmental business and service plans for the day-to-day service delivery.

3.5 Continuous revisiting of this priority-led budgeting process is undertaken by reviewing i) the categorisation of service areas from those which are protected or deliver income, to those which are highly or less highly desirable and finally to those which are non-priority and could be eligible to be phased out plus ii) latest spend and performance against targets. This process informs the potential for savings for which percentage or absolute targets are allocated on an increasing scale as the relevance of the service areas' contribution to the Council's priorities decreases. These rigorous measures keep service delivery on track with the Council's priorities and reveal whether they are operating within reasonable resourcing levels.

3.6 Local Demand for Services

The national Index of Multiple Deprivation last published in 2015 ranked Blackpool as the most deprived local authority in England according to the 'rank of average scores' measure. This is a worsening trend with a higher rank than both the 2010 (6th most deprived) and 2007 (12th most deprived) releases. The 2015 overall ranking results from the aggregation of numerous indices including poor health, housing, educational achievement and low levels of employment and wages. Coupled with Blackpool's demographic profile, transience and the high percentage of elderly population, these characteristics place disproportionate demands on a range of local services.

3.7 Office for National Statistics trend-based population projections in 2016 showed that Blackpool is 1 of only 2 upper-tier authorities of the 152 in total which will experience a population reduction (-0.94%) between the baseline year of 2014 and 2020. Whilst central government Revenue Support Grant (RSG) funding is primarily capita-driven, it is nonetheless a reducing element of Settlement Funding Assessment so this phenomenon should not in itself adversely affect the Council's revenue.

3.8 Future Prospects for Local Council Services

Much research has been undertaken on the prospects for and sustainability of local council services. The LGA in its publication *Funding outlook for councils from 2010 to 2020* predicted that if the pattern of cuts to local councils continued they will be unable to deliver the same service offer by the end of the decade. After accounting for the provision of statutory service obligations (in particular, social care and waste management), the LGA's financial projections pointed to there being in real terms critically low levels of funding left by 2020 for other service blocks, predicting that fundamental change would be needed to the way local services are organised and funded and indeed citizens' expectations of what councils would then be able to provide. Despite subsequent Government policy changes primarily targeted at adult social care funding, there still exist serious concerns about the viability of local government to deliver even its statutory functions as evidenced by CLG Select Committee inquiries, National Audit Office reviews and studies of CIPFA, Institute for Fiscal Studies, Local Government Information Unit, Association for Public Service Excellence and the principal accounting firms.

4. Key Influences

The Medium-Term Financial Sustainability Strategy is heavily influenced by certain key considerations, in particular:

4.1 Government Funding

Blackpool Council's Provisional Settlement Funding Assessment for 2016/17 announced in December 2015 included a like-for-like reduction of 19.5% to its Revenue Support Grant (RSG) but also included a multi-year Settlement offer through to 2019/20. Whilst RSG will reduce by a further 42.9% during this 3-year period, such a winding-down of RSG does not come as any surprise as the Government has always maintained that this was its intent but the introduction of some certainty to the Settlement process is welcomed for financial planning purposes.

Alongside RSG the Government has announced that an Improved Better Care Fund will be introduced from 2017/18 to address pressures in adult social care with additional funding of £100m in 2017/18, £800m in 2018/19 and £1.5bn in 2019/20, partly met by a top-slicing of New Homes Bonus – assumptions have been made of Blackpool's pro-rata allocation and built into the medium-term financial plan.

A technical consultation on *New Homes Bonus: Sharpening the Incentive* concluded in March 2016 but DCLG's response is now 2 months overdue. New Homes Bonus (NHB) is an incentive grant paid by central government to local councils over a rolling 6-year period from 2011/12 for increasing the number of new-build homes, conversions and long-term empty homes brought back into use. When the NHB scheme was first established, the Government provided £950m to fund the scheme. However, as the amount distributed by the scheme increased, funding required over and above the DCLG-funded element has had to be deducted from the general local government funding pot (ie. originally Formula Grant and for 2013/14 onwards from Revenue Support Grant). Blackpool Council's estimated share of the annual 'top-slice' is £4.5m. In return its annual NHB allocations are shown in the table below. In the absence of a formal response by DCLG to the consultation and probable policy changes to the scheme it has been prudently assumed that 2016/17 will be the last year of 6-year funding commitments.

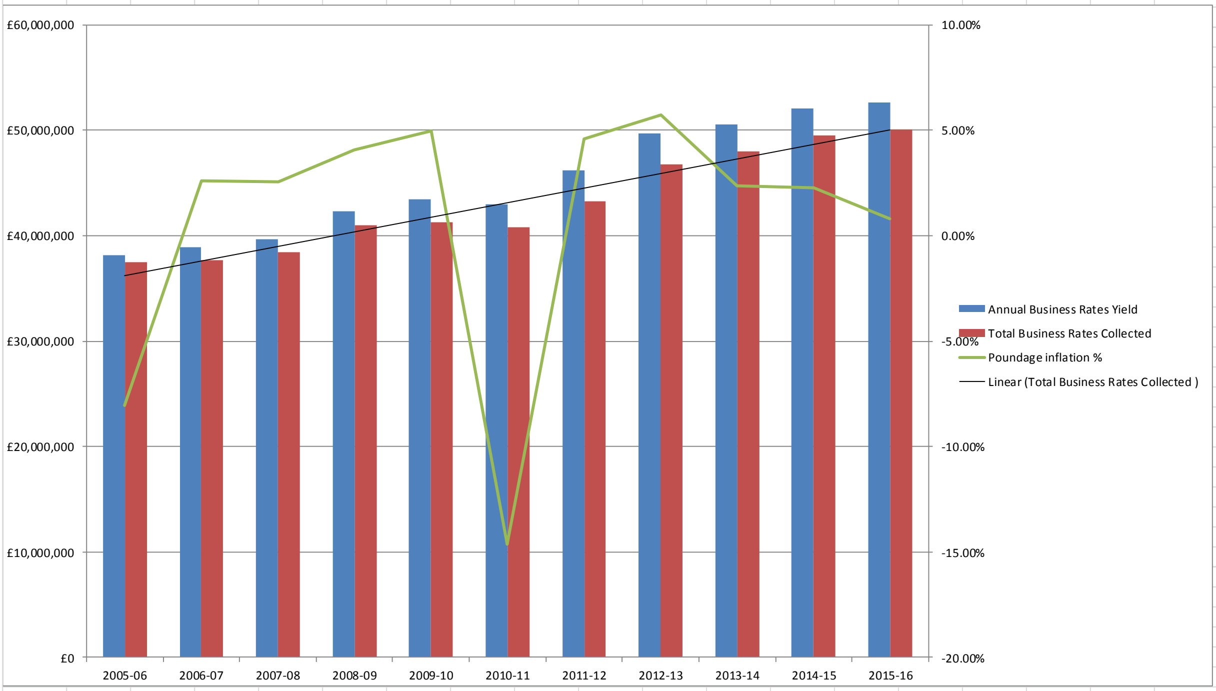
	2016/17	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Year 1	£466,147	-	-	-	-	-
Year 2	£565,325	£565,325	-	-	-	-
Year 3	£364,048	£364,048	£364,048	-	-	-
Year 4	£25,200	£25,200	£25,200	£25,200	-	-
Year 5	£18,900	£18,900	£18,900	£18,900	£18,900	-
Year 6	£252,456	£252,456	£252,456	£252,456	£252,456	£252,456
Year 7	-	N/k	N/k	N/k	N/k	N/k
Totals	**£1,692,076**	**£1,225,929**	**£660,604**	**£296,556**	**£271,356**	**£252,456**

4.2 Business Rates

Prior to April 2013 Business Rate income was collected by billing authorities on behalf of central government and then redistributed among all local authorities and police authorities as part of Formula Grant. From 1st April 2013 the income relating to Blackpool is shared between central government (50%), the Council (49%) and the Fire Authority (1%). Consequential adjustments were made to the Formula Grant / RSG equivalent. As part of the Business Rates Retention (BRR) Scheme there is a safety net which sees that no authority's income falls by more than a set percentage of their original baseline funding level (this level is increased by RPI every year). The Government set the safety net percentage at -7.5%. The costs of any successful valuation appeals are shared between central government (50%), the Council (49%) and the Fire Authority (1%). This includes any backdating of the appeal, which may even precede the April 2013 BRR launch date and thus presents further unfunded risk. In the last 3 years Blackpool has paid out £9.9m in successful backdated business rate appeals of which it has been responsible for meeting 49%.

In October 2015 the then Chancellor announced a 'devolution revolution' that primary legislation would be introduced to allow councils to keep 100% of business rates by the end of the Parliament and RSG would be phased out. However, on a national footprint RSG amounts to £2.4bn whilst 50% business rates amount to £13.0bn, an apparent windfall of £10.6bn to local government. Thus, a new system would have to be devised which absorbed existing grants such as Public Health and Housing Benefit Administration and/or transferred new services and responsibilities in order to negate this windfall. Further complications were identified which included the sharing or pooling of business rates with other tiers such as combined authorities, the need for and funding of a safety net, the impact of periodic revaluations and resets, treatment of the Central List (mainly network properties such as telecoms networks), the exemption of Enterprise Zones, local tax flexibilities, managing appeal risk and an incentivised needs and distribution methodology to underpin a 'Fair Funding Review'.

Although one of the key Government drivers for 100% BRR was to incentivise economic regeneration and growth at a local level, the issue of volatility becomes more critical with a larger proportion of income being received from a source that correlates more with regional, national (GDP), even global economic productivity whilst suffering from the vagaries of the Valuation Office Agency appeals system. This is illustrated by the following graph which shows the variations of annual business rates collected in Blackpool from 2005/06 to 2015/16 around a 'line of best fit':



1 **Owing to increases in the total RV at Revaluation in 2010/11, the rate in the pound was reduced in order to have a neutral effect nationally.**

2 **There is a correlation between GDP as a measure of the national economic performance and Business Rates Yield. The latter reduces when there is a national/global recession and vice versa**

On 13th June 2016 the Communities and Local Government Committee published its report following an inquiry into 100% BRR, making 7 recommendations and listing numerous issues for consideration. This report can be found at:

http://www.publications.parliament.uk/pa/cm201617/cmselect/cmcomloc/241/241.pdf

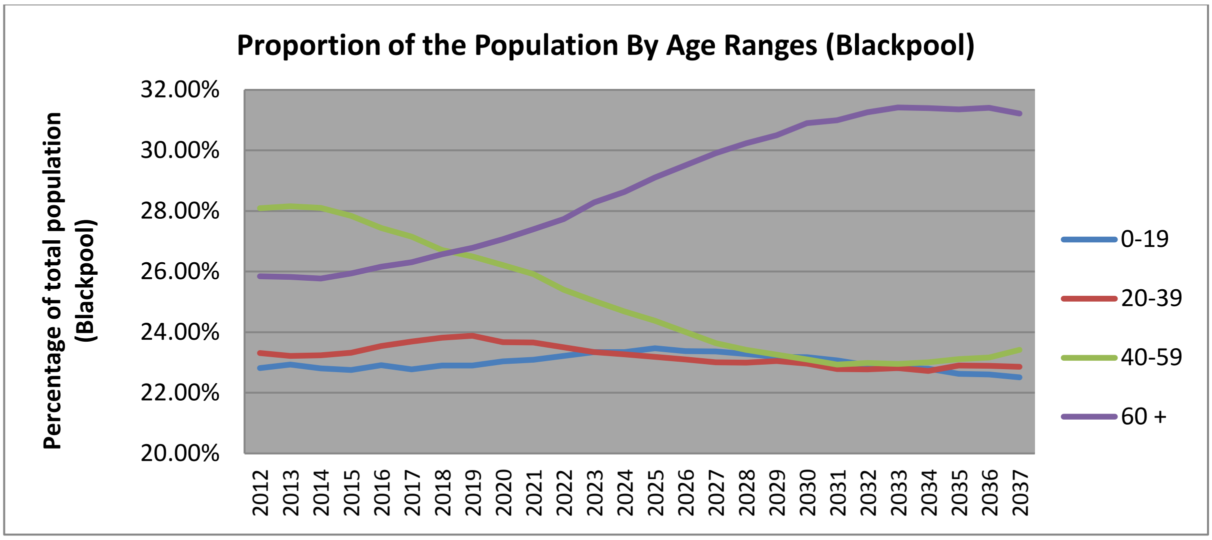
Subsequently DCLG published a consultation paper entitled *Self-sufficient local government: 100% Business Rates Retention* on 5th July 2016 with a response end date of 26th September 2016. A further consultation on proposals for reforming the business rates appeals process was published on 16th August 2016 with an end date of 11th October 2016. Therefore, as this issue has such a fundamental bearing on Blackpool Council's future funding, until a new system of BRR is devised and formally announced this Strategy and Medium-Term Financial Plan will assume that the existing system is maintained.

4.3 Council Tax

For the 6 years to 2015/16 Council Tax in Blackpool had remained effectively unchanged at £1,306.00 for a band D property. In addition, the average Council Tax payable of £764.40 was the lowest in Lancashire. However, by 2016/17 the pressure of Government funding constraints necessitated an increase as the ability to deliver savings whilst maintaining effective service levels became untenable. Council Tax was uplifted by 1.99% within the Government's 2.0% cap in addition to which an Adult Social Care Precept of 2.0% was permitted up until 2019/20 to address the pressures in that service. These uplifts are incorporated within the Government's assumptions for all councils' Core Spending Power and as a result and for consistency they have also been factored into Blackpool Council's Medium-Term Financial Plan. **However, it is for the Council to appraise and approve any changes to Council Tax each and every year as it deems appropriate in the prevailing circumstances.**

4.4 Specific Budget Pressures

The Council faces a number of specific and known pressures to its medium-term revenue budget which have needed to be recognised, in particular in Children's and Adult Services, a phenomenon being reported across all relevant treasurer networks[5]. The Children's Social Care budget was increased by £2.0m in 2016/17 to reflect the level of Looked After Children at the time of budget-setting (468) and the Children's Services Directorate are working to reduce current numbers (493) back to budgeted levels by the end of the current financial year, but increased levels of referrals to children's social care departments are being reported across the country, in particular following a catalogue of high profile child sexual exploitation cases. Adult Social Care placement costs are expected to be approximately £34.7m in 2016/17 for about 2,274 service users, but as the graph below demonstrates the relative difference in Blackpool between the over 60s (the main client group) and the under 60s over the next 2 decades is due to diverge significantly, creating further financial pressures.



In addition to an increasing number of cases, Blackpool is also facing an increase in the complexity in client needs. As evidenced by the current demands being placed on acute hospitals, many of our older residents are living longer, but are suffering from increasing health problems. This means meeting much higher health needs outside the hospital environment than ever before.

Besides the aforementioned social and demographic issues, welfare reforms and the general effects of the economic climate do influence residents' and indeed visitors' personal levels of spending on some of the Council services and their ability to pay on others. Both can impact adversely on levels of locally-generated income.

4.5 Staffing and Workforce Planning

Since the Comprehensive Spending Review commenced in 2010 up to the end of this financial year the Council will have seen a reduction of £118.5m in its budget and as a result the staffing levels will have fallen from 3,411 full-time equivalents (FTEs) to 2,200. The majority of these reductions have been as a result of either compulsory or voluntary redundancy with current turnover levels of 14.0% (including redundancies) or 8.7% (excluding redundancies). The graph overleaf illustrates that despite having inherited new services such as Public Health and Children's Centres since the start of the millennium, staffing levels now are in fact less than they were 16 years ago.

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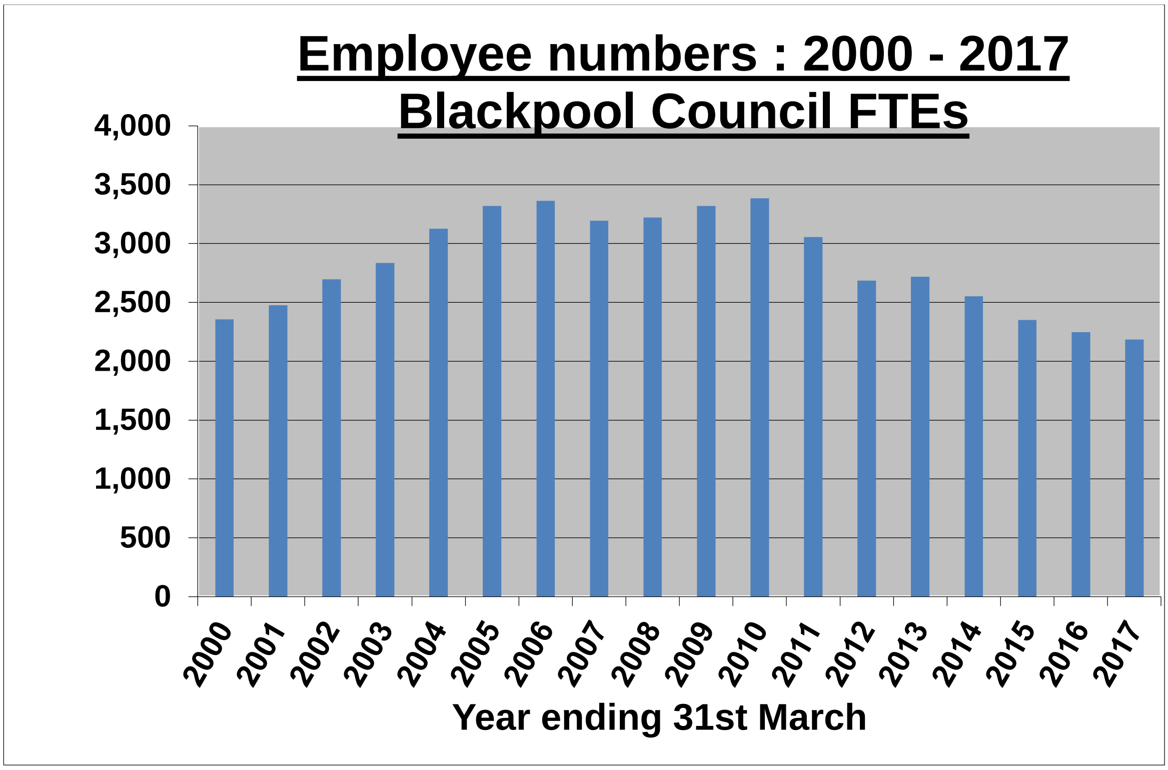
[5] *Unitary Treasurers Group, Society of Municipal Treasurers and Greater Manchester Association of Metropolitan Treasurers*

Further reductions in employee numbers are expected in 2017/18 as a result of the continuing austerity measures. These will come about as a result of services ceasing, reducing or being reconfigured and delivered differently, but until the detail of budget savings plans have been formulated this number is not yet known.



The costs of redundancies and pension strain continue to be managed centrally through an earmarked reserve. Although this reserve is being depleted each year by approximately £2m, last year's restructuring of the Minimum Revenue Provision has enabled funds to be released to top this up. The Government has consulted on an 'Exit Cap' of £95k which is likely to come into effect in October 2016 and whilst this may have some mitigating impact on costs it is unlikely to be substantial given that there have only been 15 such cases tripping this threshold since 2011. The earmarked reserve is constantly monitored and if necessary options for replenishment or displacement will need to be considered which may include applying for a Capitalisation Directive.

In terms of pay the NJC Pay Award for 2016/17 has been settled and as this was a 2-year deal it provides some certainty going forward. The Council was already paying the Foundation Living Wage to its employees and therefore the introduction of the National Living Wage did not impact on costs for Council employees, however, it is having a significant impact on commissioned services.

The introduction of Pensions Auto Enrolment and the ending of the Transitional Delay Period in 2017 will result in any eligible employee who is not in the pension scheme being enrolled and this will inevitably lead to an increase in employer's pension costs. The amount of the increase will be dependent upon how many eligible employees are not already in the scheme at that time and how many of those that are enrolled taking a decision to remain in the scheme rather than opting out.

To support the ongoing budget deficits Council employees have continued to take voluntary unpaid leave of 5 days per year on average, saving approximately £1m per annum. This option will continue in future years and it is hoped that staff's co-operation will continue.

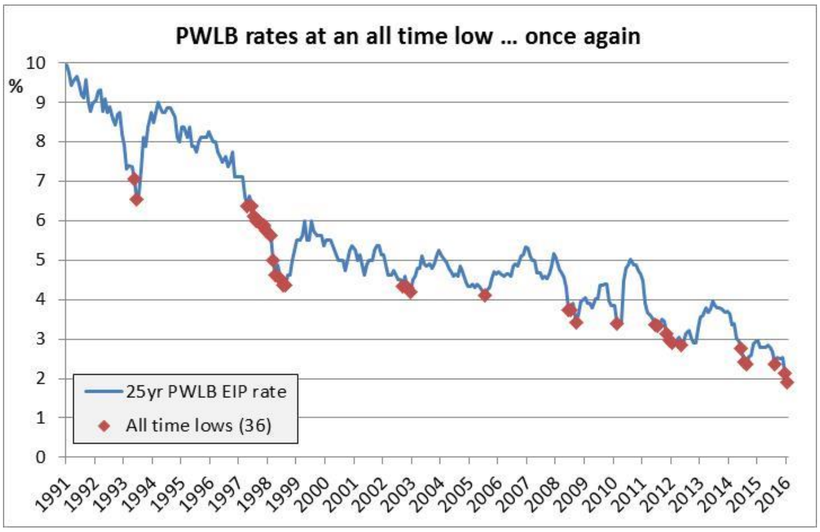
Despite the above, turnover (excluding redundancies) is still lower than the Chartered Institute of Personnel and Development median, which could be reflective of the lack of other good job opportunities in the Blackpool area. There are some roles which remain hard to fill such as in Children's Social Care and ICT and this has led to the market value of these employees increasing, resulting in competition across local authorities to secure resource. As a result collaborative work has been undertaken across the North West to agree standard agency rates for some roles and this has proved to be reasonably successful. In addition, collaborative work with Health has resulted in the development of a recruitment microsite dedicated to professionals in Health, Social Work and Education.

It is a credit to our employees and our leadership that despite these very difficult times and constant job insecurity our employees remain dedicated to providing an excellent service to Blackpool residents.

4.6 <u>European Union Referendum Result Outcomes</u>

The impacts of the EU Referendum result on the UK public sector are still being researched and views from commentators are mixed with different parts of the public sector expected to be affected more than others. The previous Chancellor had already relaxed his deficit reduction plans as a consequence, though creating stimulus measures to boost the economy may have to come at a price of further squeezing of public sector budgets. The uncertainty that will prevail throughout the exit negotiations is itself a strong reason for accepting the multi-year settlement offer.

The one immediate positive for Blackpool Council is the plummeting of medium to long-term interest rates besides the further fall in short-term rates. The graph below published by *Room 151* illustrates the downturn since 1991, for which there is still no end in sight.



Whilst every opportunity to restructure existing debt to minimise interest payments is being explored, the prohibitive debt redemption premia currently being quoted by the Public Works Loan Board (PWLB) is thwarting this, but lobbying is underway to seek a review by PWLB of their debt redemption formulae. However, for new capital investment there has never been a cheaper time for local authorities to borrow to invest.

With regard to the EU Structural Funds, ie. those funds targeted at delivering the EU's Cohesion Policy of closing the gaps in living standards and development between Member States, regions and social groups and an important resource for local area regeneration and economic development, the Government has agreed to honour and underwrite any existing commitments though new applications will be at some risk.

5. The Financial Framework

The substance of the Medium-Term Financial Sustainability Strategy is summarised in its financial framework.

5.1 Financial Projections

The table below sets out the projections of movements in the Council’s Net Revenue Budgets over the 6-year period, 2016/17 – 2021/22. The financial profiles shown in the table take account of the total forecast revenues available to the Council and the expenditure necessary to fulfil its commitments and service priorities. Based on a number of key assumptions the projections shown as "Budget Gap" are the level of savings needed to be achieved each year to balance the budgets. The key assumptions include:

- in-year budgetary pressures are resolved sustainably and not carried forward
- pay award levels to rise on average by 1.0% per annum for the period, this has not been flexed to forecast staffing levels
- the payment of the National Living Wage, profiled to meet target rate by 2020/21
- the payment of annual increments
- voluntary 5 days’ unpaid leave on average continuing in each year
- employer national insurance changes due to the introduction of the single-tier state pension from 2016/17
- no further increases to employer’s superannuation contributions at the next pension triennial revaluations from 2017/18 and from 2020/21
- the full rollout of auto-enrolment in 2017/18
- general non-pay inflation to rise by the cost price index (CPI) as forecast in the Budget 2016 for 2017/18 and maintained at that level throughout the period of the Strategy
- growth funding to reflect reasonable demographic pressures in adults’ but not children’s social care
- the latest estimates of Settlement Funding Assessment and Core Spending Power
- Council Tax increases incorporated based upon Government assumptions
- interest rates to remain flat for the period of the Strategy
- the Council fulfils the statutory obligation to balance its Budget.

In summary and based upon best estimates the Council needs to plan for the programme of budget savings highlighted below. These savings are in addition to those delivered from 2011/12 to 2015/16 which totalled £93.4m.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Reduction / (Increases) in Total Resources	8.1	4.3	(2.8)	(1.1)	(1.2)	(1.0)
Pay awards, increments, NI and pensions	3.5	2.0	2.0	1.7	1.9	1.6
Non-pay inflation	5.3	3.8	4.1	4.1	4.0	1.9
Service developments and demand pressures	8.2	4.6	1.5	1.8	1.0	0.8
Budget Gap	**25.1**	**14.7**	**4.8**	**6.5**	**5.7**	**3.3**
Cumulative Budget Gap since 2011/12	**118.5**	**133.2**	**138.0**	**144.5**	**150.2**	**153.5**

Forecast Working Balances as at 31st March	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**

Forecast Earmarked Reserves as at 31st March	**35.1**	**31.4**	**30.8**	**30.4**	**28.3**	**27.2**

Appendix 1 details the (SIGOMA-formatted) Medium-Term Financial Plan for the 6-year period 2016/17 – 2021/22, incorporating the ‘efficiency plan’ period, which will now be subject to a period of consultation with residents, local neighbours, public sector partners and devolution stakeholders as required by the Secretary of State for Communities & Local Government.

5.2 Savings Programme (the 'Efficiency Plan')

Over the term of the Strategy achieving savings of the scale demanded will require concerted action and consideration of a broad range of initiatives, whilst maintaining strong financial management and budgetary control, addressing any areas of overspending in a timely manner, maximising savings and ensuring value for money.

The Savings Programme will constitute 7 thematic workstreams which will be developed and finessed over the next 4 months:

i) Technical savings – these could include debt and PFI restructurings, review of reserves & provisions, use of capital receipts & capital to revenue transfers and review of Council Tax Reduction Scheme.

ii) Income generation and management – between 2014/15 and 2015/16 fees & charges income increased by £2.8m (or 7.9%) and will continue to be optimised along with returns on business loan investments, Growth & Prosperity initiatives and traded services.

iii) Procurement and commissioning - maximising best value from the market place through an innovating commissioning regime to reduce third-party spend and deliver targeted social value.

iv) Demand management and self-help initiatives such as the current Channel Shift project work.

v) Transformational efficiency measures under the direction of the Chief Executive's Delivery Unit with a focus on 'upstream' prevention.

vi) Structural reform:
  - internally with Council services being the provider of first choice
  - collaborating and partnering with the Council's own companies (as has already progressed significantly with the adoption of the Companies Governance Framework)
  - across the wider public sector including the local Public Sector Board, Combined Authority, Healthier Lancashire & South Cumbria and One Public Estate
  - with the private and voluntary sectors.

vii) Service reductions and cuts, which will be considered once i) – vi) have been exhausted.

5.3 Risk

Risk management processes are embedded across the Council. A strategic risk register is maintained and a Corporate Risk Management Group meets quarterly to review the risks contained in the register. The risk register at **Appendix 2a** lists all the identified strategic financial risks over the period of this Strategy; measures are also identified as to how these risks should be managed and mitigated. The schedule at **Appendix 2b** assesses and evaluates each identified risk from a financial perspective and where deemed material provides an indication of the level of unearmarked reserves and balances which the Council should prudently maintain in order to address the level of risk. These risks are in addition to those covered by the contingency provision in the Council's annual Revenue Budget and by its specific earmarked reserves. It is such an approach to risk that will protect Blackpool Council from being one of the *56% of metropolitan and unitary councils that local auditors are concerned will not meet medium-term savings targets*[6].

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[6] *Financial sustainability of local authorities*, National Audit Office, 19th November 2014

5.4 Working Balances and Reserves

Part 2 of the Local Government Act 2003 requires the Council's Statutory Finance Officer to report on the adequacy of the authority's financial reserves when setting the level of Council Tax for each financial year. The reserves are sums deemed necessary to be set aside to meet unexpected changes in the budget and to provide a safety net to finance events which are difficult to predict. In making such a judgement the following matters are taken into account:

- the strength of financial controls and budget monitoring procedures
- the robustness of estimates contained in the budget
- current budget projections
- past financial performance
- risks inherent in the financial strategy
- the risk management framework, policies and practices.

In addition to the Council's general working balances a number of earmarked revenue reserves are available to cover specific risks and uncertainties, eg. Business Rate Appeals and Insurance Liability Claims. Without these reserves the Council's general working balances would need to be set at a higher level.

Taking into account earmarked reserves it is the recommendation of the Council's Statutory Finance Officer that the Council should continue to plan for a level of general working balances of £6m and that this should be subject to ongoing review. This level is necessary in view of the scale of the Council's gross revenue budget and associated risks and has been built into the MTFSS.

6. Internal Assurance and Independent Validation

6.1 This Strategy highlights the financial constraints, pressures, complexities, risks and uncertainties that the Council will face over the medium term. In order to be able to oversee and steer the organisation through this difficult time and with some robust assurance, Members need to have confidence in the systems, processes, procedures and internal controls that underpin financial management and trigger the necessary early warning system should plans go awry. Attached at **Appendix 3** for Members' and officer colleagues' information is a summary of Blackpool Council's financial assurance framework.

6.2 Although this financial assurance framework is appraised from time to time by the Council's External Auditor, KPMG, and via internal audit reviews and financial controls assurance testing undertaken by its Internal Audit function, such is the prevailing financial risk environment that it would be sensible and advisable to commission a separate independent validation of this MTFSS. There are currently a number of sector-led review mechanisms on the market, but the recently-launched, LGA-endorsed Financial Resilience Advisory Report peer review service of CIPFA fits the specification. It gives an independent, informed and insightful perspective and opinion to councils on their financial resilience and advice on options to deliver a balanced budget, focusing on medium-term planning and assurance on transformation plans.

7. Conclusions

7.1 Local government is entering a further period of uncharted territory. In the face of continuing cuts it is battling to adapt and in some cases completely revolutionise the services that it provides. This Strategy lays out the principles that will underpin the Council's financial direction to 2022, by which time there does seem to be some light at the end of the tunnel. However, along that journey further services will have been cut and jobs lost, which will not go unnoticed by the residents of Blackpool, the businesses that operate here and the visitors who come to stay.

To achieve the corporate objectives of the Council every opportunity and idea must be explored. Every effort will need to be made to work with the public, partners, voluntary sector and the private sector to minimise the impact of the cuts on the people who need and depend upon our services. Seeking external funding and maximising income opportunities will also be vital.

It is an unsettling time for many people including staff, but the commitment to delivering the best possible services to Blackpool residents remains undiminished.

8. Recommendations

8.1 To approve the Medium-Term Financial Sustainability Strategy 2016/17 - 2021/22.

8.2 To share this Medium-Term Financial Sustainability Strategy with the Secretary of State for Communities and Local Government by 14 October 2016 as the Council's 'Efficiency Plan' required to secure the benefits of the greater certainty that a 4-year Revenue Support Grant Settlement brings to medium-term financial planning.

8.3 To initiate a period of consultation on the efficiency plan with residents, local neighbours, public sector partners and devolution stakeholders.

8.4 To invite independent assurance on the robustness and validity of this Strategy and Medium-Term Financial Plan via CIPFA's new Financial Resilience Advisory Report peer review service or equivalent.

8.5 To agree to receive updates of the Strategy and/or Plan on a rolling annual basis or as changing circumstances dictate.

Mr S Thompson

Director of Resources and Statutory Finance Officer

September 2016

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1															
2															
3															
4			**FORECAST 2016/17**		**FORECAST 2017/18**		**FORECAST 2018/19**		**FORECAST 2019/20**		**FORECAST 2020/21**		**FORECAST 2021/22**		**COMMENTS**
5			**£000**		**£000**		**£000**		**£000**		**£000**		**£000**		
6	EXPENDITURE:														
7															
8	1. Base Net Expenditure (Net of Schools)														
9		Base Expenditure		**128,073**		**122,999**		**118,736**		**121,589**		**122,646**		**123,939**	Equivalent to the value of 'Total Resources' (below) per previous year. 2017/18 is net of £4m Growth Savings target.
10		Previously Approved savings		-17,977		0		0		0		0		0	
11		LESS Non Recurrent /Technical savings		0		0		0		0		0		0	
12		New savings for financial year		0		-14,660		-4,771		-6,537		-5,651		-3,279	Adjustments required to bring 'SHORTFALL IF PERMANENT SAVINGS ANNUALLY' total (line 152) to nil.
13		Non-recurrent budget savings - from previous years		3,990		1,316		4,000		0		0		0	2018/19 £4m no longer from Earmarked Reserves - Growth & Devt Project due to start delivering additional income.
14		Delivery of 'Growth & Development' Plan		0		0		-4,000		0		0		0	Assumptions of additional growth due from Growth & Devt Project.
15		Less Specific Grants - LACSEG/ Early Intervention Grant		0		0		0		0		0		0	Assume Directorates will fund these pressures.
16		Revised Base Position		114,086		109,655		113,965		115,052		116,995		120,660	
17															
18	2. Fixed and Ongoing														
19		Pay Award (incl NI/Supn).	725		700		707		714		721		728		2017/18 - 2021/22 based on 2016/17 budget data. No assumption of reductions in staff which are based on staff numbers as at 01/04/16. Assumes 1% increase pa per 'Pay Restraint'.
20		Increments (incl NI/Supn).	965		592		598		604		610		616		2017/18 - 2021/22 based on 2016/17 budget data. No assumption of reductions in staff which are based on staff numbers as at 01/04/16. Assumes 1% increase pa per 'Pay Restraint'.
21		Joseph Rowntree Foundation (JRF) - impact of differential hourly rates on Blackpool Council staff	0		85		104		262		272		0		Mainly catering staff - additional cost expected to be picked up via SLA to schools. Additional pressure relates to non-catering staff. Assumes that by 2020/21 the £9.02 target will be achieved therefore no additional cost in 2021/22.
22		External Contracts Cost Price Increase (CPI) - impact of Living Wage	0		86		95		95		307		307		% Applied to main contracts 2017/18 to 2019/20 and new contract from 2020/21.
23		National Insurance.	964		0		0		0		0		0		No further increase in NI rates assumed beyond 2016/17.
24		Pension - Actuarial Assessment 2014-7	369		0		0		0		0		0		Next Tri-annual Review 2017/18 & 2020/21. Indication due Oct/Nov 2016. Spread over 3 years between each review.
25		Pension - auto enrolment	0		510		510		0		0		0		On 01/10/17 auto-enrolment of staff on Bpl payroll @ 31/03/13 not in pension scheme (i.e. half-yr effect 2017/18). Excl Academies. Parameters >£10k salary & >22yrs age <State Pension Age. At each 3yr anniversary (01/04/13,01/04/16 & 01/04/19 etc) those opted out are auto-enrolled again & can then opt out again if they wish. [YM 8/8/16].
26		Living Wage/Sleep-in Rates - Residential contracts ONLY	3,295		2,079		2,295		2,302		2,170		0		Based on Low Pay Commission projections. See W/P. Nil in 2021/22 because £9.02 target expected to have been met. [Inflation not built in]. Gross pressure - partially offset by ASC precept.
27		Members Allowances	0		0		0		0		0		0		Assumes nil increase.
28		Other Inflation - Non Pay [Excl St Ltg PFI & Waste PFI]	1,720		1,742		1,771		1,798		1,826		1,854		Assumes CPI @ 1.6% for all Non pay items across all years 2017/18 onwards despite Office of Budget Responsibility (OBR) forecast of 1.6% 2017/18. 2.1% 2018/19 and 2.0% 2019/20 and that Public Health contain additional costs 2018/19 onwards
29		St Lighting PFI CPI	0		68		69		70		71		72		Based on working paper. [VD 18/7/16]
30		Review of Capital Financing Budget	0		0		0		0		0		0		Prudential Borrowing on basis of self-funding. [IB]
31		Insurance Premium	0		200		0		0		0		0		Impact of schools transferring to Academies on Insurance Premium recharged to General Fund.
32		Revenue Consequences of Capital Outlay	150		100		100		100		100		100		Assume recurring but reducing to £100k from 2017/18.
33				8,188		6,162		6,249		5,945		6,077		3,677	
34	3. Previously Approved Proposals														
35		Full year impact of previous decisions	0		0		0		0		0		0		SIGOMA format
36				0		0		0		0		0		0	
37	4. Terms and Conditions														
38		Deferment of Increments	0		0		0		0		0		0		SIGOMA 'pressures'
39		5 Days Voluntary Annual Leave Buy Back	0		0		0		0		0		0		SIGOMA 'pressures'
40		Other	0		0		0		0		0		0		SIGOMA 'pressures'
41				0		0		0		0		0		0	
42	5. Investment & Other Decisions														
43		Children's Social Care - LAC demand	2,700		0		0		0		0		0		M3 outturn projection 2016/17 is incorporated in Risk Register. Difficult to assess when peak will be reached but assumes Service will contain cost at 2016/17 budget levels.
44		Children's Social Care - additional resource for SWs	68		190		0		-258		0		0		Non recurring - funded from Transformation Reserve/Contingencies
45		Better Start Leverage - increased expenditure	0		2,906		71		-202		54		66		See W/P.
46		Better Start Leverage - assumed income offset	0		-2,906		-71		202		-54		-66		See W/P.
47		Contribution to Combined Budgets (Dedicated Schools Grant)	0		0		0		0		0		0		£1m currently received from School Forum.
48		Free School Meals (FSM) - Breakfasts	1,200		0		0		0		0		0		In Base wef 2015/16
49		FSM costs to be met from transferred Public Health budget	-1,200		0		0		0		0		0		In Base wef 2015/16
50		Municipal Elections	-162		0		0		193		-193		0		[LH 05/05/16]
51		Junior Bank Accounts	0		0		0		0		0		0		In Base wef 2015/16
52		Additional Water Charges	-68		0		0		0		0		0		In Base wef 2016/17
53		Building Schools for the Future (BSF) - Corporate contribution to Highfield & St Mary's PFIs	0		0		0		0		0		0		Both schools converted to Academies therefore pressure removed.
54		Museum - projected shortfall	965		0		0		120		60		-60		Assumes 2019/20 @ 50% x £240k pa, 2020/21 @ 50% x £240k pa + 50% x £120k pa and 2021/22 @ £120k pa.
55		Museum - initial funding	-965		0		0		0		0		0		Assume pressure in 2016/17 (excl redundancies) met from Reserves
56		Central Business District (Talbot Gateway) - Year-on-Year savings	0		0		0		0		0		0		[DM/PJ]
57		Social Fund	0		0		0		0		0		0		In Base wef 2015/16
58		2 PA posts	0		0		0		0		0		0		In Base wef 2015/16

APPENDIX 1

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
2 3 4 5			**FORECAST 2016/17 £000**		**FORECAST 2017/18 £000**		**FORECAST 2018/19 £000**		**FORECAST 2019/20 £000**		**FORECAST 2020/21 £000**		**FORECAST 2021/22 £000**		**COMMENTS**
59		By-elections	0		0		0		0		0		0		In Base wef 2015/16
60		Building Services - surplus income target	0		0		0		0		0		0		In Base wef 2015/16
61		Better Care Fund	0		0		0		0		0		0		2015/16 exp only
62		Local Council Tax Scheme (LCTS) - Changes to tax credits / future demographic pressures	1,077		0		0		0		0		0		Offset against 'savings' in 2016/17
63		Insurance Fund - Prior Year Incremental Injection	650		0		0		0		0		0		£650k pa x 10yrs to cover shortfall. To be reviewed annually.
64		Education Services Grant - reduced grant	0		249		348		0		0		0		Assumes 100% transfer.
65		Education Services Grant - assumed offset by service savings	0		-249		-348		0		0		0		Assumes 100% transfer.
66		Public Health (including FY Savings and substance misuse / 0-19 etc)	0		0		0		0		0		0		Covers internally funded services. Grant will become un-ringfenced from April 2018. ACRA model suggests we are £4.5m overfunded but how this is applied & when/pace of change is unknown. Assume same level of cuts as in previous years. Based on National % cuts only. See W/P. Incorporated in Risk Register. Assumes Service will meet funding pressures.
67		Housing Benefit/Council Tax (HB/CT) admin subsidy - grant reduction	224		150		150		150		150		150		Grant reducing annually due to move to Universal Credit and falling numbers. Assume grant (£1.3m in 2016/17) virtually wiped out at some stage.
68		Care Act rolled into RSG 2016/17 - Local Government Finance Settlement	0		737		-114		342		0		0		Dinot proposals deferred until 2020/21, assumption is that additional burdens are fully funded. See W/P.
69		New Homes Bonus	0		466		565		364		25		19		2016/17 to 2021/22 figures as per 2016/17 Final Local Government Finance Settlement fall out of NHB year 1 payments. Assumes no new NHB growth for the period 2017/18 to 2021/22. Outcome of consultation not yet known.
70		Apprenticeship Levy	0		400		0		0		0		0		WEF 2017/18. Based on 0.5% x £80m pay bill (incl oncosts).
71		Apprenticeship - funding received (from levy pot)	0		-15		0		0		0		0		£15k received by Council from 'Bpl levy pot'. Other funds available from 'Bpl levy pot' for training costs only (not salaries). Uncertainty at present how this will operate.
72		Adult Social Care pressures (Dom/ Res fees & demographics)	1,200		588		544		417		452		500		See W/P - based on extrapolation of numbers and other movements.
73		Lead Local Flood Authorities rolled into RSG	16		0		0		0		0		0		In Base wef 2016/17
74		Former Waste PFI scheme	85		243		230		321		373		0		As per LCC forecast September 2015. New model to be produced therefore subject to change. Incremental changes.
75		Waste PFI grant	0		0		0		0		0		0		Assumed that PFI credits will not be re-instated. Met from reserves in 2015/16 & 2016/17. Not incremental. Service to meet cost.
76		Lancashire Combined Authority	0		0		0		0		0		0		No costs assumed.
77		Airport Enterprise Zone (EZ)	0		160		0		0		0		0		£160k pa wef 2017/18. Not incremental.
78		Care Home Fees	0		0		0		0		0		0		Part of line 26.
79		Contingency	251		0		0		0		0		0		
80				6,041		2,919		1,375		1,649		867		609	
81	6. Use of Strategic Reserves														
82		Strategic reserves	-1,316		0		0		0		0		0		
83		Council Tax / NNDR reserves	-4,000		0		0		0		0		0		
84				-5,316		0		0		0		0		0	
85															
86	**7. TOTAL EXPENDITURE**			**122,999**		**118,736**		**121,589**		**122,646**		**123,939**		**124,946**	Carried forward to following year as 'Base Expenditure' (line 9).
87															
88	RESOURCES:														
89															
90	8. Core Resources														
91		Council Tax													
92		Council Tax (CT) Income	45,535		48,295		50,183		52,109		54,073		55,070		No increases in base assumed at this stage - effectively a 'Baseline'. Each value = sum of 'Base + CT Changes in Resources' per previous year. Only 1.985% increase & 2% ASC.
93		Council Tax Collection Fund Deficit (-)/Surplus (+)	1,737		1,887		-725		-725		-725		-725		2017/18 Surplus reasonably certain. Deficit from 2018/19 based on assumption that collection rates and Write-offs continue at 2015/16 levels and that 2016/17 Base remains unchanged.
94				47,272		50,182		49,458		51,384		53,348		54,345	
95		Business Rates Retention (BRR) scheme													
96		Local Share - Business Rates (BR) (net 49% share)	24,038		23,229		23,694		24,168		24,651		24,898		Assume to be baseline + % RPI/CPI re previous year. Refer to 'Impact of Appeals' (line 135).
97		Business Rate Collection Fund Deficit (-)/Surplus (+)	-1,675		-371		0		0		0		0		2017/18 based on 2015/16 NNDR3 Part 1 compared to NNDR1 2016/17 Part 4. Thereafter assume ests/actuals match.
98		Local Share - Top Up Grant	19,320		19,700		20,280		20,930		21,139		21,350		2016/17 to 2019/20 figures as per 2016/17 Final Local Government Finance Settlement. Assume CPI @ 1% pa 2020/21 and 2021/22
99		S31 Grant for 2% Capping - Top Up	271		271		271		271		271		271		Effect of 2% Cap on 2015/16 Top Up ONLY. Assume future changes will be < 2% (line 145)
100		Impact of successful Appeals on Transitional Relief	0		0		0		0		0		0		
101				41,954		42,829		44,245		45,369		46,061		46,519	
102		Revenue Support Grant (RSG)													
103		RSG including Rolled in Grants / Council Tax Freeze Grant 2015/16	31,640		24,530		19,690		14,790		14,790		14,790		2016/17 to 2019/20 figures as per 2016/17 Final Local Government Finance Settlement. New scheme from 2020/21. Assume nil% incr p.a. from 2020/21. Incorporated in Risk Register. Potential that from 2020/21 this will reduce in line with previous years.
104				31,640		24,530		19,690		14,790		14,790		14,790	
105															

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
2															
3															
4			**FORECAST 2016/17**		**FORECAST 2017/18**		**FORECAST 2018/19**		**FORECAST 2019/20**		**FORECAST 2020/21**		**FORECAST 2021/22**		**COMMENTS**
5			**£000**		**£000**		**£000**		**£000**		**£000**		**£000**		
106		S31 Grant Per NNDR1													
107		S31 Grant for Retail Relief	0		0		0		0		0		0		Retail Relief ceased in 2016/17
108		S31 Grant for New Empties Relief	0		0		0		0		0		0		Assumed to be minimal 2016/17 Est = nil 2015/16 Prov Act = nil
109		S31 Grant for Long Term Empty Relief	43		50		50		50		50		50		Assumed Relief provided @ £100k pa from 2017/18 S31 @ 50%
110		S31 Grant In lieu of Transitional Relief	2		2		2		2		2		2		Assumed to be minimal
111		S31 Grant for 2% Capping - Local Share (Multiplier)	357		357		357		357		357		357		Cost of 2% Cap on 2015/16 small business rate multiplier only. Assume future changes will be < 2% (line 144)
112		S31 Grant for Small Business Rate Relief (SBRR)	1,538		1,538		1,538		1,538		1,538		1,538		Assumed Relief provided @ £6m pa from 2017/18 S31 @ 25%
113		S31 Grants + CT & BR Surplus/Deficit moved to NNDR/CT Reserve	-2,567		-3,734		-1,493		-1,493		-1,493		-1,493		Automatically linked - Equal/opposite CT Coll Fund Surplus + NNDR Coll Fund Deficit/Surplus + S31 grants. (See lines 137/138).
114				-627		-1,787		454		454		454		454	
115															
116		Improved Better Care Fund													
117		Improved Better Care Fund	0		1,000		5,000		8,400		8,400		8,400		Improved Better Care Fund wef 2017/18. Assumed new money. Annual amounts. Alloc £1m in 2017/18, £4m in 2018/19 & £3.4m in 2019/20 i.e. £8.4m by 2019/20.
118				0		1,000		5,000		8,400		8,400		8,400	
119															
120		*Core Resources b/f*		***120,239***		***116,754***		***118,847***		***120,397***		***123,053***		***124,508***	
121															
122	9. Change in Resources														
123		Council Tax													
124		Council tax Reduction Scheme (CTRS) - protection of vulnerable groups	0		0		0		0		0		0		Options being appraised.
125		Council Tax increase (@ 1.985% pa in 2016/17 then assumed 1.985% increase thereafter)	922		940		959		978		997		1,017		2015/16 base Nos X CT increase. Each annual increase builds into base.
126		Council Tax increased tax base - impact of 2016/17 change - nb this is in the base therefore nil in future years.	909		0		0		0		0		0		2016/17 base Nos less 2015/16 base Nos X new CT rate. Increase included in 2016/17 base therefore no further increase required in future years.
127		Council Tax increased tax base - future years - changes in housing stock ONLY	0		0		0		0		0		0		Assumes included in Growth & Devt Project. Due to start delivering additional income.
128		Council Tax increased tax base - future years - impact of CTRS	0		0		0		0		0		0		See line 124.
129		Council Tax increased tax base - future years - impact of collection rates	0		0		0		0		0		0		Collection rate assumed to remain at same level as 2015/16.
130		Council Tax - initial base for Adult Social Care @ 2% annually for 4 years then 0% for 2020/21. [Income offsets part of Living Wage (Resid Contracts) add'l costs above.]	929		929		929		929		0		0		2016/17 base Nos X ASC (base) - non cumulative. 2% 2016/17, 4% 2017/18, 6% 2018/19 & 8% 2019/20.
131		Council Tax (@ 1.985% pa) - increase for Adult Social Care. [Income offsets part of Living Wage (Resid Contracts) add'l costs above.]	0		19		38		57		0		0		2016/17 base Nos X ASC increase - cumulative.
132				2,760		1,888		1,926		1,964		997		1,017	
133		Business Rates Retention (BRR) scheme													
134		Local Share - Business Rates (net 49% share) - movement in base	0		0		0		0		0		0		No movement in base assumed at this stage due to the Growth & Prosperity Project (any change will be required to offset £4m target).
135		Local Share - Business Rates (net 49% share) - in-year impact of Appeals	0		-410		-1,190		-1,730		-1,890		-2,360		Data based on analysis of Appeals approved between 01/04/10 & 29/02/16. Overall, Appeals will reduce base annually by approx £1m p.a gross payable - cumulative. Based on 49% retention although 100% wef 2020/21 - but impact not known.
136															
137		Contribution from NNDR/CT Reserve (to offset pressures/BR Appeals etc.) - S31	0		0		2,218		2,218		2,218		2,218		To be reviewed in conjunction with S31 Grant to be moved to Reserves to reduce impact of pressures. (See line 113).
138		Contribution from NNDR/CT Reserve to offset pressures/BR Appeals etc. - Ctax	0		0		-725		-725		-725		-725		To be reviewed in conjunction with CTax & BR Surplus/deficit. (See line 113).
139		Annual Change in Business Rate Multiplier to 2019/20	0		465		474		483		0		0		Assume 2% RPI Cap from 2017/18 to 2019/20 only compared to OBR forecast of 2.6% 2017/18, 3.3% 2018/19 and 3.2% 2019/20 due to unknown impact of the implementation of 100% Business Rates Retention scheme.
140		Change from RPI to CPI (applied to Multiplier wef 2020/21)	0		0		0		0		247		249		Assume 1% CPI wef 2020/21 in conjunction with 100% BRR scheme.
141				0		55		777		246		-150		-618	
142		S31 Grant													
143		Additional S31 grant - SBRR (and other reliefs) - CPI	0		39		39		39		39		39		Applied to all S31 grants except Multiplier and Top Up. Assumes future changes will be @ 2% from 2017/18 onwards.
144		Additional S31 grant - Capping for Local Share (Multiplier) - CPI	0		0		0		0		0		0		Assumes future changes will be < 2%. Therefore no additional S31 grant
145		Additional S31 grant - Capping for Top Up Grant - CPI	0		0		0		0		0		0		Assumes future changes will be < 2%. Therefore no additional S31 grant
146				0		39		39		39		39		39	
147															
148	**10. TOTAL RESOURCES**			**122,999**		**118,736**		**121,589**		**122,646**		**123,939**		**124,946**	
149															
150	**NET SHORTFALL**			**0**		**0**		**0**		**0**		**0**		**0**	Shows the impact that changes in expenditure/income would have on 'Base Expenditure' (line 9) one year in arrears if adjustments made. This reduces to nil once the 'New savings for financial year' is adjusted to bring the SHORTFALL to nil.
151															
152	**SHORTFALL IF PERMANENT SAVINGS ANNUALLY**			**0**		**0**		**0**		**0**		**0**		**0**	Shows the impact that changes in expenditure/income would have on 'New savings for financial year' (line 12) if adjustments are made. The 'New savings for financial year' is adjusted in year to bring the SHORTFALL to nil.
153															

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
2															
3															
4			**FORECAST 2016/17**		**FORECAST 2017/18**		**FORECAST 2018/19**		**FORECAST 2019/20**		**FORECAST 2020/21**		**FORECAST 2021/22**		**COMMENTS**
5			**£000**		**£000**		**£000**		**£000**		**£000**		**£000**		
154															
155	**11. COUNCIL TAX REQUIREMENT**			**48,295**		**50,183**		**52,109**		**54,073**		**55,070**		**56,087**	
156															
157	Tax Base (at 100% collection rate)		36,474		36,474		36,474		36,474		36,474		36,474		
158															
159	Collection Rate Assumed		97.50%		97.50%		97.50%		97.50%		97.50%		97.50%		
160															
161	Therefore effective tax base (at assumed collection rate)		35,562		35,562		35,562		35,562		35,562		35,562		
162															
163	COUNCIL TAX FOR BAND D PROPERTIES (£) INCL ASC PRECEPT			**1,358.05**		**1,411.14**		**1,465.30**		**1,520.53**		**1,548.56**		**1,577.16**	
164															
165	COUNCIL TAX FOR BAND D PROPERTIES (£) EXCL ASC PRECEPT			**1,331.94**		**1,358.36**		**1,385.33**		**1,412.83**		**1,440.86**		**1,469.46**	
166															
167															
168	CHECK CALCULATION RE CT REQUIREMENT														
169															
170	11. COUNCIL TAX REQUIREMENT			48,295		50,183		52,109		54,073		55,070		56,087	Per line 155
171		Check calc (Band D incl ASC £ X effective Tax Base)		48,295		50,183		52,108		54,071		55,068		56,086	Check calc (Band D incl ASC £ X effective Tax Base)
172	Tax Base (at 100% collection rate)		36,474		36,474		36,474		36,474		36,474		36,474		
173															
174	Collection Rate Assumed		97.50%		97.50%		97.50%		97.50%		97.50%		97.50%		
175															
176	Therefore effective tax base (at assumed collection rate)		35,562		35,562		35,562		35,562		35,562		35,562		
177															
178	COUNCIL TAX FOR BAND D PROPERTIES (£) EXCL ASC PRECEPT			1,331.93		1,358.37		1,385.33		1,412.83		1,440.88		1,469.48	Assumes 1.985% increase on previous year's Council Tax rate (rounded).
179	COUNCIL TAX FOR BAND D PROPERTIES (£) ASC PRECEPT			26.12		52.76		79.93		107.64		107.64		107.64	Assumes 2% on previous year's Council Tax rate and that once attached does not change. By 2019/20 this is £26.12+£26.64+£27.17+£27.71 = £107.64 (rounded).
180	COUNCIL TAX FOR BAND D PROPERTIES (£) INCL ASC PRECEPT			1,358.05		1,411.13		1,465.26		1,520.47		1,548.52		1,577.12	
181															

Strategic Financial Risk Register

Appendix 2a

No.	Description of Risk	Potential Impacts / Consequences	Opportunities	Gross Risk Score			Controls and Mitigations	Net Risk Score			New Developing Controls
				I	L	GS		I	L	NS	
External Factors											
A1	Localising business rates	Increased risk re appeals/impact on collection rates as following the implementation of localising business rates, 100% of outcome will fall on local government.	Potential for rate variation, setting of lower multiplier to attract new business	4	5	20		4	5	20	Respond to consultation, lobby through networks such as LGA, SIGOMA, etc.
A2	Business rates appeals	Reduction in funding , impact of backdating. Localising of Business Rates will increase this risk from 50% to 100% for local authorities.	Current consultation on dealing with business rates appeals process - check, challenge, appeal might reduce the number of appeals	4	5	20		4	5	20	New 3 stage appeals process - check, challenge, appeal
A3	Review of needs and resource allocations	Currently determined by the 2013/14 four block method with a fixed pot of £14.5bn by 2019/20. The issue is how will this be allocated following the review of needs and resources allocation. There will be gains and losses which will alter the business rates top up / tariff adjustment for individual authorities.	Blackpool will feed into consultation process to argue its case	4	5	20		4	5	20	Respond to consultation, lobby through networks such as LGA, SIGOMA, etc.
A4	European Union Referendum result - impact on national economy	Potential slowdown of the economy which could lead to an increase in unemployment. Central government funding to departments could be hit with a consequential impact on local government funding. Also European grant funding could end.	Lower interest rates available to support Council capital projects. Offer of a 4-year finance settlement. State Aid rules might be reviewed.	4	5	20	Central government has confirmed that approved projects signed up to European funding by the Autumn Statement 2016 will be covered by the Treasury.	4	4	16	Council is considering accepting the Government's offer of a 4-year finance settlement although from Blackpool's perspective this only covers the Revenue Support Grant element of central government funding but the business rates top-up that is also received will not be altered for the 4-year period 2017/18 to 2019/20. Potentially this offer will give protection from funding distributional changes, additional cuts, changes to assessment of need and greater certainty. However, there is a risk to this associated with the review of needs-based resource assessment. Blackpool will continue to lobby Government via its various networks such as the LGA, SIGOMA, etc.
A5	New Homes Bonus Consultation	Change to the system for the allocation of the New Homes Bonus - potential loss of grant	Target use of land for housing or business purposes	3	5	15		3	5	15	Respond to consultation, lobby through networks such as LGA, SIGOMA, etc.
A6	Autumn Statement announcement	Potential funding reduction for local government	Central government review of its budget surplus target by 2020	4	3	12		4	3	12	Respond to consultation, lobby through networks such as LGA, SIGOMA, etc.
A7	Revenue Support Grant including rolled-in grants / CT Freeze grant 2015/16	Potential funding reduction for local government	Central government review of its budget surplus target by 2020	4	3	12	Checking clarification of data submitted to central government departments	4	3	12	Respond to consultation, lobby through networks such as LGA, SIGOMA, etc.
A8	New responsibilities	New responsibility without new burdens funding / new funding resources.	Economies of scale and controls over the delivery of the service	4	3	12		4	3	12	Respond to consultation, lobby through networks such as LGA, SIGOMA, etc.
A9	Devolution deals	New responsibility without new burdens funding/ new funding resources.	Economies of scale and controls over the delivery of the service	4	3	12		4	3	12	Respond to consultation, lobby through networks such as LGA, SIGOMA, etc.
A10	Recession (one recession every decade - by 2019/20 it will be 11 years since last one)	Traditionally the main impact is on service provision and expenditure and service impact, although it has impacted on income from fees and charges. At last recession local government was not responsible for localised support for council tax and there was no Business Rates Retention. By the end of 2019/20, local government resources will have been reduced hugely, reducing scope to manage further reductions to revenues. The move to 100% Business Rates Retention increases the risk as these resources are recession prone.	Reduction in pay costs. Renegotiation of contracts driving out savings	4	2	8		4	2	8	Level of reserves to cushion against impact of any potential recession
Internal Factors											
B1	Reduction in grants, e.g. Education Services, HB/CT Admin and Public Health grants	Education Services Grant to be removed completely for both academies and maintained schools from September 2017. Public Health Grant has seen reductions in 2016/17 and 2017/18 with further reductions expected over the period to 2019/20. Reductions in grants could lead to job reductions and reductions in service.	Review of services	4	5	20		4	5	20	Review of services
B2	Joseph Rowntree Foundation (JRF) - impact of differential hourly rates on Blackpool Council staff	Additional cost pressure on Budget -> potential threat to jobs / reduction in services	Pay increase could attract staff and increase staff morale	4	5	20		4	5	20	Built into MTFP
B3	Children's Social Care - Looked After Children demand	Demand has risen sharply in the first quarter of 2016/17 and if this is not recovered the full-year effect of the cost pressure will be c£2m (M3). This also assumes there are no further increases in demand. The consequences would be felt on other service budgets and reserves.	The Director of Children's Services is investigating the demand and drawing up strategies to try and recover the position. These include service redesigns, external funding bids, market development and partner collaboration.	5	5	25	Regular monthly meetings are held with the Director and s151 Officer to monitor progress over the 2016/17 financial year.	4	4	16	Working with partners to identify solutions.

Strategic Financial Risk Register

B4	Pension - actuarial assessments 2016 and 2019	Additional employer costs	Potential reduction in pension deficit	4	5	20	Membership of the Local Pension Board and lobbying via Lancs CFOs	4	4	16	Membership of the Local Pension Board and lobbying via Lancs CFOs
B5	External contracts CPI and impact of National Living Wage	Additional cost pressure, potential loss of providers, reduction in service	Review of service, renegotiation of contracts	4	5	20	Renegotiation of contracts	4	3	12	Renegotiation of contracts
B6	National Living Wage/sleep-in rates - residential contracts only	Additional cost pressure, potential loss of providers, reduction in service	Review of service, renegotiation of contracts	4	5	20	Renegotiation of contracts	4	3	12	Renegotiation of contracts
B7	Contribution to Combined Budgets (Dedicated Schools Grant)	The Dedicated Schools Grant currently contributes £1m towards the running of School-based children's centres. The Department of Education is consulting on a National Funding Formula which may mean that this contribution would not be able to continue.	The implementation of the National Funding Formula has been deferred so the impact may not be felt until financial year 2018/19	4	4	16	The Department of Education has asked for evidence in support of spend outside the allowed formula. The Director of Children's Services has provided this evidence and will continue to state the case.	4	3	12	
B8	Pay awards (including NI/Superannuation)	Additional cost pressure on Budget -> potential threat to jobs / reduction in services	Pay increase could attract staff and increase staff morale	4	3	12	North West Employer negotiations	4	2	8	Lobbying through various groups
B9	Other inflation - non-pay [excluding Street Lighting PFI and Waste PFI]	Increased costs	Renegotiation of contracts	4	3	12	Procurement processes, eg. tendering	4	2	8	More effective procurement processes
B10	Growth and Prosperity project - under-achievement of £4m target	£4m target not achieved by 2018/19	Project Group generates more income than target. Creation of Enterprise Zones which attract new business to the area	4	3	12	Board and Working Group in place and working on the creation of project plan, governance arrangements, etc.	4	2	8	Better utilisation of land resources, potential to attract new businesses to Blackpool
B11	Better Start leverage - assumed matched savings generated	As part of the original Better Start bid there is an assumed £30m leverage contribution requirement from partners. If the Big Lottery are not assured of this contribution, there could be a potential clawback or freezing of funds.	Submission to the Big Lottery of financial templates demonstrating the leverage contributions.	4	3	12	Regular Better Start Finance Group meetings have been established and the submission of the templates is a key focus of work during the current financial year. Representation on the Group include all partners to the bid (CCG, NSPCC and Council).	4	2	8	

Medium Term Financial Sustainability Strategy 2016/17 – 2021/22

Assessment of Significant Financial Risks to Substantiate Target Level of Unearmarked Working Balances

Nature of Risk ***[and rationale for quantification]***	**Mitigation**	**£m**
Budget savings of £25.1m in 2016/17 are not achieved, resulting in service budget overspendings *[delivery of 90% full-year effect in 2015/16]*	Robust and realistic series of plans for each Directorate to demonstrate how the savings are to be achieved, monitored at Corporate Leadership Team and by Portfolio Holders on a monthly basis	2.5
Current year service overspendings are not managed by the service and flow through to the 2016/17 outturn *[based on forecast as at month 3]*	Additional funding of £2.7m in 2016/17 Budget to reflect demographic pressures in Social Care and recovery plans drawn up by services and monitored by the Tourism, Economy & Resources Scrutiny Committee	Included in above
Council Tax and Business Rates collection rates deteriorate as a result of economic climate, CT Reduction Scheme and cap on Attachment of Benefits, and changes to CT discounts and exemptions *[13/14 -> 15/16 deterioration]* and business rates appeals.	Ongoing monitoring of collection rates and by client and business groups, enabling early intervention by Council support staff. Robust and consistent recovery processes in place. Closer liaison with VOA to understand business rate appeals pending.	2.1

Business Rates Retention – impact of 100% BRR Scheme *[50% of Safety Net less Contingency]*	Ongoing monitoring of collection rates by business group, enabling early intervention by Council support staff. Robust and consistent recovery processes in place. Closer liaison with VOA to understand business rate appeals pending.	0.9
Insufficient funding for new burdens such as National Living Wage and implementation of the Care Act	Forecast pressures factored into Budget, local and national modelling of the financial implications of the Care Act suggest that the 2015/16 funding of c.£1.7m should be sufficient.	-
External factors such as European Union Referendum result, impact on national economy, the review of needs and resource allocations, etc.	Council is considering accepting the Government's offer of a 4-year finance settlement although from Blackpool's perspective this only covers the Revenue Support Grant element of central government funding but the business rates top-up that is also received will not be altered for the 4-year period 2017/18 to 2019/20. Potentially this offer will give protection from funding distributional changes, additional cuts, changes to assessment of need and greater certainty. However, there is a risk to this associated with the review of needs-based resource assessment. Blackpool will continue to lobby Government via its various networks such as the LGA, SIGOMA etc.	-
Internal factors such as reduction in grants - Education Services grant, HB/CT Admin grant, Public Health grant	Education Services Grant to be removed completely for both academies and maintained schools from September 2017. Public Health Grant has seen reductions in 2016/17 and 2017/18 with further reductions expected over the period to 2019/20. Reductions in grants could lead to job reductions and reductions in service.	0.5
		INDICATIVE TOTAL
		6.0

Local Authority Financial Assurance Processes

General Fund Revenue Budget and Capital Programme

The Local Authority financial framework is underpinned by the legislative requirement to set a balanced budget. It is the responsibility of the Chief Finance Officer (the s151 Officer) of the Council to ensure that this is achieved. The Chief Finance Officer (CFO) in Local Government is therefore not only bound by professional standards but also by specific legislative responsibilities.

Section 151 of the Local Government Act 1972 requires Local Authorities to make arrangements for the proper administration of their financial affairs and appoint an officer to have responsibility for those arrangements. The s151 Officer also holds a fiduciary responsibility to local taxpayers.

The duties of the s151 Officer in England and Wales were significantly extended by section 114 of the 1988 Local Government Finance Act - England and Wales, which requires a report to all the Local Authority's Members to be made by that officer, in consultation with the Monitoring Officer and Head of Paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget.

The CFO must exercise a professional responsibility to intervene in spending plans so that they are in balance with resources available and that the Authority remains in sound financial health.

In order that this duty can be satisfied an assurance framework including formal reporting to Members is in place in all councils. The method and terminology may be different in councils but the basic actions are common to all.

The financial assurance framework and evidence to support the sustainability of a council is presented as follows as a basis in relation to budget setting, the preparation of final accounts and the external audit process together with budget monitoring:

1) Budget Setting

a) Revenue Budget Report Preparation

Each CFO must produce a report in advance of the forthcoming financial year (approval must take place before 11 March) which presents detailed information about the revenue budget and allows the setting of Council Tax. This report is prepared having regard to local and national spending pressures and priorities and is underpinned by an assessment of the resources that will be available to the Council. This will therefore determine any budget saving that must be approved in order that planned expenditure does not exceed resources available.

Prior to the consideration of the 2016/17 final budget report at the meeting of Blackpool Council on 25th February 2016, the Executive also considered budget reports at the meetings on 8th February and 22nd February. All these reports are available on the Council website

In preparation for the production of each of these reports, estimates of resources available to the Council, budget pressures and proposals to bridge the budget gap, are subject to a detailed review by appropriately qualified officers. They are also presented to the political leadership to allow challenge and to engage political support.

b) Budget Consultation and Scrutiny

There is a detailed consultation process on the budget position and all budget proposals. Information is issued in the public domain setting out the financial challenge for the Council.

- There is a requirement to consult with the business community about the budget process.
- Members of the public are asked for views on how savings can be made and also asked to comment on budget proposals.
- There is also detailed staff consultation on proposals which have a staffing impact.

A key element of the budget consultation process but also an essential part of the budget challenge is scrutiny by elected Members. This is undertaken by the Tourism, Economy & Resources Scrutiny (TER) Committee.

All budget reports are subject to detailed review by the Committee. Members are able to ask questions about any aspect of the information in the report including the detailed savings proposals.

This public scrutiny and consultation process enables discussion, review and challenge as to the appropriateness and deliverability of the budget including savings proposals. Regard must be had to the consultation comments within the budget decision making process.

The TER Scrutiny Committee considered the 2016/17 budget reports at its meeting on 12th February 2016.

c) Capital Programme

Blackpool Council also sets out its capital spending proposals for the forthcoming financial year. This is in the form of a separate report which sets out the capital strategy and programme for the forthcoming year and 2 years beyond.

There is detailed scrutiny by the TER Scrutiny Committee of capital proposals and it is essential that capital spending plans are affordable and align with the resources available to finance the programme. Any revenue budget consequences of the capital programme must be addressed and are clearly linked to the overall affordability of the Council's financial plan.

d) Treasury Management Strategy

There is a requirement to present a Treasury Management Strategy to Council annually for approval. This report provides assurance that there are proper established procedures in place for the management of cashflow, investments and risk associated with treasury activities. The report also provides an assurance mechanism for the monitoring of such activities.

e) Medium-Term Financial Strategy (MTFS)

Councils prepare a MTFS which sets out a forward look at future spending plans and ensures that these are balanced against expected funding streams from Government grants, Council Taxpayers and Business Ratepayers.

The MTFS is presented to the Executive at appropriate points in time such as following Government Spending Reviews or Settlement announcements. Blackpool Council's previous MTFS was presented to its Executive on 19th January 2015 and covered the 3-year period 2015/16 - 2017/18. It was based on best available information in relation to local and national factors influencing resources available and budget pressures, including the Council's capital spending plans and associated treasury management decision-making.

This is a key planning tool enabling strategic decision-making so that service planning aligns to the resources available to support service delivery over the foreseeable future.

f) Statement of the Chief Finance Officer on Reserves, Robustness of the Estimates and Affordability & Prudence of Capital Investments

Presented to the Budget Council meeting, this is a key assurance document as in order to comply with s25 of the Local Government Act 2003, the CFO is required to report on the robustness of the estimates made for the purposes of the budget calculation and the adequacy of the proposed reserves. The report sets out:

- The recommended level of Working Balances for the forthcoming financial years, calculated on a risk-based approach.
- A risk assessment of the utilisation of the Council's earmarked reserves and the adequacy of the reserves.
- The means by which the CFO is assured of the robustness of the revenue estimates.
- An assurance about the affordability of the capital programme.

2) Final Accounts and the External Audit Process

The annual Accounts are prepared in accordance with a statutory framework and accounting guidance.

The Accounts include sufficient information for the financial standing of the Council to be assessed. They highlight any areas for concern.

These Accounts are subject to External Audit. This audit is presented in an Audit Findings report which, in addition to commenting on the Accounts, also includes a Value for Money (VfM) opinion. This VfM opinion looks at the quality of financial planning and the level of reserves and balances.

This provides an independent assurance to Council officers, Members and also Council Taxpayers as to the financial management and financial standing of the Council.

An extract of the 2015/16 Audit Findings report presented for approval to the Blackpool Council Audit Committee on 24th September 2015 is set out below and shows the nature of the review and assurance given:

Accounts production and audit process

We have noted an improvement in the quality of the accounts and the supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. The Authority has implemented all of the recommendations in our ISA 260 Report 2013/14 relating to the financial statements. The Authority has good processes in place for the production of the accounts and good quality supporting working papers.

Savings plans

The Authority's medium term financial plan covers the period to 2017/18. It identifies the funding sources available to the Authority each financial year, the cost base brought forward from the previous year, and the inflationary pressures on this cost base. The assumptions driving this element of the plan were reviewed, and considered to be reasonable. The other significant element of the plan is the annual savings plans contained within the plan, that reduce the annual costs facing the Authority and bring the expenditure for the year into balance with the funding available. These savings requirements were £25.2 million in 2015/16, £19.7 million in 2016/17 and £12.6 million in 2017/18. The Authority has delivered 100% of its savings plans for 2014/15, and has firm plans in place to deliver 100% of the 2015/16 savings requirements as well. These are also on schedule to be delivered. On this basis, we believe that the Authority's plans demonstrate that appropriate arrangements are in place to deliver value for money.

Value for Money conclusion and risk areas

We identified a VfM risk about the Authority's savings plans in our Audit Plan, issued in January 2015. We have worked with officers throughout the year to discuss these VfM risks and our detailed findings are reported in section 4 of this report. There are no matters of any significance arising as a result of our audit work in these VfM risk *areas. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VfM conclusion by 30 September 2015.*

The Accounts also include an Annual Governance Statement which advises how the Council has complied with the requirements of the CIPFA/SOLACE Framework, *Delivering Good Governance in Local Government*. It highlights any areas of risk that the Audit Committee would be advised to monitor progress on their mitigation.

3) Budget Monitoring

a) Reporting to Officers and Members

Once the Budget has been set and the new financial year begins, the budget monitoring process gets underway. This runs from month 0 to year-end and involves budget holders, the Corporate Leadership Team and Cabinet Members.

In addition, capital monitoring information is provided to the Corporate Asset Management Group, which is comprised of the Corporate Leadership Team and officers with responsibility for elements of the capital programme.

Formal financial performance monitoring reports are also prepared for the Executive to consider and as such are in the public domain. At Blackpool the external reporting is undertaken at months 3 - 10 with the Provisional Outturn for the year linked to the preparation of the annual Accounts and also reported to the Audit Committee.

The monitoring reports cover both revenue and capital expenditure on an accruals basis with the focus being the forecast year-end outturn position. In addition, the monitoring reports are completed with a summary balance sheet and cashflow statement.

These reports (internal and external) are a key tool in ensuring the overall financial position in-year can be managed, highlighting under/overspending. Any overspending must be addressed by appropriate management action and details of this action must be clearly set out. Progress towards achievement is reported in subsequent reports.

The delivery of budget savings is also reported. This is included within the revenue budget monitoring reports, although a separate report may be prepared. This gives assurance that the budget savings are deliverable and are being implemented. Alternatively, this might highlight the need to address an emerging in-year budget pressure and that further action is required to make good the saving so that it is deliverable as soon as possible.

Monitoring reports will also be prepared and included within the general budget monitoring report on the Collection Fund, setting out Council Tax and Business Rates collection performance and thus highlighting any surplus/deficit on resource estimates impacting on future years' budget-setting.

b) The Scrutiny Process

The TER Scrutiny Committee has a work programme that focuses on in-year financial management performance including the achievement of approved savings proposals. The Committee can request service managers present detailed information if overspending has been highlighted in a financial monitoring report, revenue or capital. Particular areas for review in recent years have included Adult Social Care, Children's Social Care and Car Parking where the respective directors have prepared papers that set out the key issues, the management action being undertaken and the outcomes of that action.

This emphasises the responsibility and accountability of the service for delivering within the resources available.

c) Treasury Management Reporting

There is a requirement to prepare a Treasury Management half-yearly review report which shows the performance of the Treasury Management function compared to the Strategy. This will highlight any breaches of good practice or of Prudential Indicators and changes in the financial resilience of the Council in terms of cashflow, investments or borrowing requirements.

This report is presented for approval to Executive and for detailed scrutiny by the TER Scrutiny Committee.

In addition, there is further assurance as there is a requirement to present a Treasury Management outturn report which is also presented to Executive and TER Scrutiny Committee.

4) Local Authority Assurance Checklist

In order to demonstrate compliance with the basic elements of the assurance framework, a simple checklist has been prepared overleaf, which provides an evidence base as to the processes in place.

In addition, in order to ensure up-to-date awareness of key local government finance developments, issues, opportunities, risks, good practice, etc. in maintaining their continuing professional development, CFOs use a multitude of professional networks such as CIPFA, SIGOMA, Unitary Treasurers Group, Lancashire CFOs and the Greater Manchester Association of Municipal Treasurers.

LOCAL AUTHORITY ASSURANCE CHECKLIST

BUDGET SETTING PROCESS

ACTION	REQUIRED BY	DATE ACHIEVED	EVIDENCE
Scrutiny of Revenue Budget and other related reports	February prior to the start of the financial year		
Budget report	Approved before 11th March		
S25 Assurance Statement	Approved with Budget report		
MTFS	As appropriate		
Capital Programme	Approved alongside Budget report		
Treasury Management Strategy	Approved alongside Budget report		

FINAL ACCOUNTS

ACTION	REQUIRED BY	DATE ACHIEVED	EVIDENCE
Completion of Statement of Accounts – handover to External Audit	By Statutory deadline		
Audit of Statement of Accounts completed and approval of Accounts	By Statutory deadline		
Consideration of the Audit Findings report and VfM opinion	Review by Audit Committee and preparation of remedial action plan (if required)		
Treasury Management Outturn report	To Executive and TER Scrutiny Committee		

Appendix 3

BUDGET MONITORING

MONTH	INTERNAL/EXTERNAL	DATE ACHIEVED	EVIDENCE
Month 0	Internal reporting		
Month 1	Internal reporting		
Month 2	Internal reporting		
Month 3	Internal reporting External reporting		
Month 4	Internal reporting External reporting		
Month 5	Internal reporting External reporting		
Month 6	Internal reporting External reporting		
Month 7	Internal reporting External reporting		
Month 8	Internal reporting External reporting		
Month 9	Internal reporting External reporting		
Month 10	Internal reporting External reporting		
Month 11	Internal reporting		
Month 12	Internal reporting		
Month 13 (Provisional Outturn)	Internal reporting External reporting		
Treasury Management Half-year reports	To Executive and TER Scrutiny Committee		