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Blackpool Council

9 January 2015

To: Councillors Blackburn, Cain, Campbell, Collett, Cross, Jackson, Jones, Rowson, I Taylor and Wright

The above members are requested to attend the:

EXECUTIVE

Monday, 19 January 2015 at 6.00 pm
in Committee Room A, Town Hall, Blackpool

A G E N D A

1 DECLARATIONS OF INTEREST

Members are asked to declare any interests in the items under consideration and in doing so state:

(1) the type of interest concerned; and

(2) the nature of the interest concerned

If any member requires advice on declarations of interests, they are advised to contact the Head of Democratic Governance in advance of the meeting.

2 MEDIUM TERM FINANCIAL STRATEGY 2015/16 TO 2017/18 (Pages 1 - 20)

Venue information:

First floor meeting room (lift available), accessible toilets (ground floor), no-smoking building.

Other information:

For queries regarding this agenda please contact Lennox Beattie, Executive and Regulatory Manager, Tel: (01253) 477157, e-mail lennox.beattie@blackpool.gov.uk

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Report to:	**EXECUTIVE**
Relevant Officer:	Steve Thompson, Director of Resources
Relevant Cabinet Member:	Councillor Simon Blackburn, Leader of the Council
Date of Meeting:	19th January 2015

MEDIUM TERM FINANCIAL STRATEGY 2015/16 to 2017/18

1.0 Purpose of the report:

1.1 To consider the attached report at Appendix 2a which constitutes the Council's Medium Term Financial Strategy (MTFS) for the 3-year period, 2015/16 to 2017/18.

2.0 Recommendation(s):

2.1 To approve the Medium Term Financial Strategy 2015/16 to 2017/18.

2.2 To initiate a period of stakeholder consultation on the savings proposals for 2015/16 as summarised at Appendix 2b.

2.3 To agree to receive updates of the Strategy on a rolling annual basis or as changing circumstances dictate.

3.0 Reasons for recommendation(s):

3.1 The strategy provides a summary of how the Council can finance its future delivery and the level of savings needed if these activities are to be enabled. The strategy also outlines the local and national context and enables consultation on savings proposals outlined.

3.2a	Is the recommendation contrary to a plan or strategy adopted or approved by the Council?	No
3.2b	Is the recommendation in accordance with the Council's approved budget?	This document if approved will inform the creation of the Council's approved budget

3.3 Other alternative options to be considered:

To agree a different Medium Term Financial Strategy 2015/16 to 2017/18 although there are significant risks in the delivery of the Council priorities in approving a different strategy.

4.0 Council Priority:

4.1 The decision will assist in the delivery of all Council Priorities namely:

- Tackle child poverty, raise aspirations and improve educational achievement
- Safeguard and protect the most vulnerable
- Expand and promote our tourism, arts, heritage and cultural offer
- Improve health and well-being especially for the most disadvantaged
- Attract sustainable investment and create quality jobs
- Encourage responsible entrepreneurship for the benefit of our communities
- Improve housing standards and the environment we live in by using housing investment to create stable communities
- Create safer communities and reduce crime and anti-social behaviour
- Deliver quality services through a professional, well-rewarded and motivated workforce

5.0 Background Information

5.1 This report constitutes the Council's Medium Term Financial Strategy (MTFS) for the 3-year period, 2015/16 to 2017/18.

5.2 Since 2010 funding for local government has been progressively reduced as part of the Government's plan to lower the fiscal deficit. The National Audit Office[1] estimates that Government funding to local authorities will have fallen in real terms by 27.9% from 2010/11 to 2014/15 and by 37.3% to 2015/16.

5.3 The Council is committed to protecting services, but to remain financially sustainable has had to respond to date with savings of £68m from its revenue expenditure. During the term of this Strategy a further £58m of savings is forecast to be needed.

5.4 Each successive year the scope remaining for savings from efficiency measures becomes less. Delivering savings of this magnitude (equivalent to 4 times the cost of

[1] *Financial sustainability of local authorities*, 19th November 2014

all the Council's back office services) has had an unavoidable impact on jobs and service levels, but by 2018 more radical, fundamental and transformational solutions will be necessary.

5.5 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 enabled. It also considers the risks anticipated throughout what is forecast[2] to be an increasingly harsh economic climate for local government.

5.5 Does the information submitted include any exempt information? No

5.6 **List of Appendices:**

Appendix 2a: Medium Term Financial Strategy 2015/2016- 2017/18
Appendix 2b: Proposed Savings Schedule
Appendix 2c: Risk Register

6.0 Legal considerations:

6.1 As outlined in the report at Appendix 2a.

7.0 Human Resources considerations:

7.1 As outlined in the report at Appendix 2a and Appendix 2b.

8.0 Equalities considerations:

8.1 An Equalities Impact Analysis will be completed for consideration with the Revenue Budget 2015/2016.

9.0 Financial considerations:

9.1 As outlined in the attached report.

10.0 Risk management considerations:

10.1 As outlined in the attached report at Appendix 2a and the Risk Register at Appendix 2c

[2] The Chancellor's *Autumn Statement*, 3rd December 2014

11.0 Ethical considerations:

11.1 As outlined in the attached report.

12.0 Internal/ External Consultation undertaken:

12.1 The recommendations if approved will start consultation on the outlined proposals.

13.0 Background papers:

13.1 Medium Term Financial Plan Working Papers

14.0 Key decision information:

14.1 Is this a key decision? No

14.2 If so, Forward Plan reference number:

14.3 If a key decision, is the decision required in less than five days? No

14.4 If **yes**, please describe the reason for urgency:

15.0 Call-in information:

15.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

15.2 If **yes**, please give reason:

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE

16.0 Scrutiny Committee Chairman (where appropriate):

Date informed: N/A Date approved: N/A

17.0 Declarations of interest (if applicable):

17.1

18.0 Executive decision:

18.1

18.2 **Date of Decision:**

19.0 Reason(s) for decision:

19.1 **Date Decision published:**

20.0 Executive Members in attendance:

20.1

21.0 Call-in:

21.1

22.0 Notes:

22.1

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Appendix 2a

BLACKPOOL COUNCIL

REPORT

of the

DIRECTOR OF RESOURCES

to the

EXECUTIVE

on

19TH JANUARY 2015

MEDIUM-TERM FINANCIAL STRATEGY 2015/16 to 2017/18

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1. Introduction

1.1 This report constitutes the Council's Medium Term Financial Strategy (MTFS) for the 3-year period, 2015/16 to 2017/18.

1.2 Since 2010 funding for local government has been progressively reduced as part of the Government's plan to lower the fiscal deficit. The National Audit Office[1] estimates that Government funding to local authorities will have fallen in real terms by 27.9% from 2010/11 to 2014/15 and by 37.3% to 2015/16.

1.3 The Council is committed to protecting vital services, but to remain financially sustainable has had to respond to date with savings of £68m from its revenue expenditure. During the term of this Strategy a further £58m of savings is forecast to be needed.

1.4 Each successive year the scope remaining for savings from efficiency measures becomes less. Delivering savings of this magnitude (equivalent to 4 times the cost of all the Council's back office services) has had an unavoidable impact on jobs and service levels, but by 2018 more radical, fundamental and transformational 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 enabled. It also considers the risks anticipated throughout what is forecast[2] to be an increasingly harsh economic climate for local government.

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[1] *Financial sustainability of local authorities*, 19th November 2014
[2] The Chancellor's *Autumn Statement*, 3rd December 2014

2. Purpose, Procedure and Guiding Principles

a) Purpose

2.1 The overall purpose of the Strategy is 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 necessary to contain expenditure within these limits.

2.2 In the immediate term of 2015/16 the boundaries of the budget are now becoming clear, leaving the finalising of the £25.2m gap between income and expenditure to be agreed, subject to consultation, in order to fulfil the statutory obligation of the Council to balance its budget[3]. This process must still take account of any impacts that the final Settlement Funding Assessment (SFA) for local government that is expected to be announced in late January / early February 2015 may contain.

b) Procedure

2.3 In the medium term of 2016/17 – 2017/18 the challenge of the Strategy has been to account for the complexity of influences, assumptions and uncertainties which 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, other specific and central government funding, partnership funding and locally-raised taxation and income. However, it is noted that at a national level there can now be up to 6 major Government announcements within a single year, each of which can significantly influence funding plans, ranging from the Chancellor's Budget Statement in March through to the final Settlement Funding Assessment for local government announced the following January / February.

- Forecasting the projected expenditure and alignment of resources across more than 250 service heads in accordance with the Council's Corporate Plan and its commitments and priorities therein 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 measures necessary to effect them.

c) Guiding Principles

2.4 The preparation of the Medium Term Financial 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 a number of guiding principles:

- the statutory obligation to balance the Council's budgets in each year of the period
- resourcing services in line with Council priorities
- embedding a culture of value for money and efficiency savings in all activities
- keeping Council Tax levels as low as possible
- maximising resources whether through grants, creating additional income or partnering opportunities

[3] Section 100 of the Local Government Act 2002

- ensuring significant risks are identified and mitigated where possible
- ensuring financial reserves reflect levels of business and risk
- optimising capital spending freedoms.

3. Context

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

a) National

3.1 Within the Autumn Statement 2014 the Office for Budget Responsibility (OBR) estimated that around £27.4bn of cuts was needed to Departmental Expenditure Limits (DELs) between 2015/16 and 2017/18, which would see public spending fall to 36.9% of Gross Domestic Product (GDP). It added that it expected at least 5 more years of austerity and that less than half of the cuts had been implemented to date - *We are now in the 5th year of what is projected to be a 10-year fiscal consolidation. … Around 40% of these cuts would have been delivered during this Parliament with around 60% to come during the next*. Unprotected Departments like local government, the police and judiciary and other spending could see funding cut by as much as 40% by 2018/19 according to the OBR's analysis.

	2014/15 £bn	2015/16 £bn	2016/17 £bn	2017/18 £bn
Resource DEL per Autumn Statement 2014	337.4	339.1	321.0	310.0
Resource DEL per Budget 2014 for comparison	338.3	335.2	325.2	314.8

3.2 Although on the face of it a £27.4bn reduction in Departmental Expenditure Limits over the 3-year period of this Strategy implies a reduction of only 8.1% in cash terms, the position that local government faces is much worse because much of the spending in the Resource Departmental Expenditure Limits is likely to be protected or even increased. If it is assumed that the NHS, Schools and International Aid are protected and Scotland, Wales and Northern Ireland's plans remain covered by the Barnett Formula (and as such are unlikely to face no more than a small reduction at worst based on past trends), then local government is likely to experience a much larger cut than 8.1%. This is shown in the table below which breaks down the Resource Departmental Expenditure Limits by Department, identifies the protected budgets and those covered by Barnett and works out the total of unprotected budgets. (The data is taken from the 2014 Budget as this data was not updated in the Autumn Statement and so is not wholly consistent with the Autumn Statement reductions but should be sufficient to demonstrate the scaling-up factor.)

Departmental Programme and Administration Budgets (Resource DEL) 2014/15	£bn	£bn
Education	53.5	
NHS (Health)	108.3	
International Development	8.3	
Scotland	25.8	
Wales	13.7	
Northern Ireland	9.7	
Total Protected / Barnett Formula		219.3
Depreciation		20.4
Total Unprotected by deduction		98.6
Grand Total		**338.3**

The reality is that the implied 8.1% cash reduction over this period is more likely:

8.1% x £338.3bn / £98.6bn = 27.8%.

3.3 These assumptions have not attempted to take account of any commitments to cut tax in the next Parliament, the growth in Annually Managed Expenditures (ie. benefits and pensions) and the possibility of further welfare cuts, the impact of tax revenues on national debt charges and the practicalities of raising income through a "Google Tax". Hence, for the last 2 years of this Strategy the forecasts can only be described as indicative. However, for 2015/16 there is more certainty with the Local Government Departmental Expenditure Limit being cut by 12% in cash terms which on the basis of the 2014 Budget Plans would bring about an estimated decrease of 13% in the Settlement Funding Assessment and a 27% reduction in Revenue Support Grant. It is clear that if the current practice of achieving this Departmental Expenditure Limit reduction through annual percentage reductions in Revenue Support Grant continues then Councils like Blackpool that are grant-dependent will suffer the largest funding cuts while those that derive a substantial part of their income from Council Tax and less from grant will not be as adversely affected.

b) Local

3.4 The Council's Corporate Objectives

The local context of the Medium Term Financial Strategy is focussed directly on enabling the delivery of the Council's vision and its 9 themed priorities of which 1-8 can be summarised as:

- to raise aspirations - by tackling child poverty, protecting the most vulnerable, improving educational achievement and promoting tourism and cultural offer;
- to become a more prosperous town - by improving housing and the environment, attracting investment and jobs and encouraging responsible entrepreneurship; and
- to create healthier communities - by improving health and wellbeing, creating safer communities and reducing crime and anti-social behaviour.

The Council's 9th priority is to ensure it has staff capable of delivering the tasks who are professional, well rewarded and motivated. These priorities and the specific service actions to fulfil them drive the allocation of revenue budgets which is 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 i) reviewing 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. This process informs the potential for savings for which percentage or absolute targets are set 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 2010 ranked Blackpool as the 6th most deprived local authority in England, a higher rank than in 2007 (12th). The 2010 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 predictions in 2014 showed Blackpool as 1 of only 4 upper-tier authorities of the 152 in total which will experience a population reduction (-0.35%) between the 2012 baseline year and 2018. 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

The Local Government Association (LGA) in its publication *Funding outlook for councils from 2010 to 2020* predicts that if the pattern of cuts to local councils continues 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 point to there being in real terms critically low levels of funding left by 2020 for other service blocks, predicting that fundamental change will be needed to the way local services are organised and funded and indeed citizens' expectations of what councils will then provide.

4. Key Influences

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

4.1 Government Funding

Blackpool Council's Provisional Settlement Funding Assessment for 2015/16 announced on 18th December 2014 included a like-for-like reduction of 26.2% to its Revenue Support Grant. The Autumn Statement 2014 confirmed that the Government's Total Managed Expenditure will continue to fall in 2016/17 and 2017/18 but precisely what share of the reductions will apply to local government will be tied to the Spending Review that will follow the General Election of May 2015. The medium-term financial plan assumes mid-risk reductions in Blackpool's Revenue Support Grant of 26.8% and 24.6% in 2016/17 and 2017/18 respectively, but the delays and uncertainties surrounding such fundamental influences do severely hinder financial planning and heighten the levels of inherent risk.

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 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 Business Rates Retention Scheme launch date and thus presents further unfunded risk. To date Blackpool has had over £2 million of successful backdated business rate claims.

4.3 Council Tax

If Government funding constraints continue, the ability to deliver savings whilst maintaining effective service levels is clearly limited. This will inevitably place a challenge to maintaining the level of Council Tax which, at £1,306.00 for a band D property, has effectively remained unchanged since 2010/11.

4.4 New Homes Bonus

The 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 New Homes Bonus 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 Department for Communities and Local Government-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 'top-slice' in 2015/16 is £4.5m. In return its allocations for that year and others are shown in the table overleaf:

	2011/12	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**
Year 1	£466,147	£466,147	£466,147	£466,147	£466,147	£466,147	-
Year 2	-	£565,325	£565,325	£565,325	£565,325	£565,325	£565,325
Year 3	-	-	£364,048	£364,048	£364,048	£364,048	£364,048
Year 4	-	-	-	£25,200	£25,200	£25,200	£25,200
Year 5	-	-	-	-	£18,900	£18,900	£18,900
Year 6	-	-	-	-	-	N/k	N/k
Year 7	-	-	-	-	-	-	N/k
Totals	**£466,147**	**£1,031,472**	**£1,395,520**	**£1,420,720**	**£1,439,600**	**£1,439,600**	**£973,453**

As the table shows, in 2015/16 this is a loss of funding amounting to over £3 million for Blackpool.

4.5 Specific Budget Pressures

The Council faces a number of specific and known pressures on its medium-term revenue budget which have needed to be recognised, in particular in Children's and Adults Services, a phenomenon being reported across all relevant treasurer networks[4]. The Children's Social Care budget has been increased by £1.1m in 2015/16 to reflect the current level of Looked After Children (460), the Children's Services Department have put in place a plan to deliver a reduction in this number to 400 by the end of 2015/16. Increased levels of referrals to children's social care departments are being reported across the country, in particular following high profile child sexual exploitation cases, such as Operation Yewtree, in Rochdale and Rotherham. Adult Social Care placement costs are expected to be approximately £27m in 2015/16 for about 1,250 service users - national statistics on demographic growth indicate that this number will continue to rise, creating further pressures. In addition to an increasing number of cases, Blackpool is also facing an increase in the complexity in client needs. As can be seen from the current demands being placed on 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.

Blackpool continues to see an increase in the number of schools converting to academies, this has a direct impact on the level of funding the Council receives to fund Local Education Authority

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

duties. The changes in 2015/16 are expected to mean a loss of funding amounting to over £400,000.

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 the ability to pay on others. Both can impact on levels of locally-generated income. For example, although Car Parking patronage is up by 101,200 and income by £277,400 year-on-year, the service is still aspiring to reach previous years' levels.

4.6 Staffing Workforce Planning

Since the Comprehensive Spending Review commenced in 2010 the Council has seen a reduction of £68m in its budget and as a result the staffing levels have fallen from 3,411 full-time equivalents (FTEs) to 2,463. During this period 759 employees have been made redundant of which 527 have been voluntary.

It is anticipated that in the year 2015/16 further reductions of approximately 300 posts will be required and that in the following 2 years a similar reduction again is likely, bringing the staffing establishment to approximately 1,860 full-time equivalents. These staffing reductions will come about as a result of services ceasing, reducing or being reconfigured and delivered differently.

The costs of redundancies have been managed centrally through an earmarked reserve. This reserve has been depleted each year by approximately £2m to cover redundancy payments and associated pension strain if it is required. In addition, it was used to fund the gap in terms and conditions changes that were proposed in 2014/15 and which following consultation were not implemented. This reserve is forecast to fall to £3.7m by March 2015 and it is highly unlikely that replenishment over the period of this Medium Term Financial Strategy can be afforded so other options will need to be considered, including the option of using a Capitalisation Directive sought for future staff termination costs.

The NJC pay award for 2014/15 and 15/16, which covers the majority of employees, has now been settled and therefore will be managed as part of the budget-setting process. For 2016/17 and 2017/18 the situation is unclear and an estimate equivalent to the Office for Budget Responsibility Consumer Price Index forecasts has been used as a proxy for budget purposes. Most employees are also voluntarily taking some unpaid leave until 31st March 2016 and it is assumed that an option will continue for employees to take unpaid leave on an ongoing basis. In 2015/16 this saves £1 million.

One of the workforce planning challenges for the organisation is that despite falling overall numbers of staff there are still difficulties in recruiting to certain posts on a permanent basis in a number of key occupational areas. In particular, some senior management roles and children's social care posts are proving hard to fill. This is not a local issue and is reflected in regional and national skill shortages. The impact of these problems is that the market value of employees in these areas increases at a time of general austerity, which puts increased pressure on stretched budgets and impacts on workloads and therefore staff morale.

It is a credit to the Council's employees and leadership team that despite these very difficult times and the constant feeling of job insecurity the Council has recently been awarded silver status from Investors in People. The feedback from the Investors In People assessors recognised that the Council provided outstanding people management practices. In particular, they commented that our employees demonstrate the Council's values as they go about their duties and display a strong sense of civic pride in and commitment to Blackpool and its residents.

4.7 Interest Rates

The outlook for short-term interest rates is that they will continue at the present historically low levels with a possible slight upturn into late 2015. Interest receivable on temporary investments will continue at modest levels as cash balances are kept to a minimum and debt restructuring opportunities will be continuously explored to minimise interest payments.

5. The Financial Framework

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

5.1 Financial Projections

The table below sets out the projections of the Council's Net Revenue Budgets for the 3-year period, 2015/16 - 2017/18. 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:

- pay levels to rise on average by 2.2% for the period from 1st January 2015 until 31st March 2016 and 1.2% and 1.7% per year respectively thereafter based upon Office for Budget Responsibility Consumer Price Index forecasts, this has been flexed to forecast staffing levels
- payment of annual increments
- voluntary 5 days' unpaid leave on average to continue in each year
- employer national insurance changes due to the introduction of the single-tier state pension from 2016/17
- no further increase to employer's superannuation contributions at the next pension triennial revaluation from 2017/18
- full rollout of auto-enrolment in 2017/18
- general non-pay inflation to rise by 1.5% in 2014/15 (2.0% for business rates) and 1.2% and 1.7% respectively thereafter
- latest estimates of Settlement Funding Assessment
- Council Tax increases assumed frozen but to be held under review
- interest rates to rise slowly from the end of 2015 but to remain at low levels for the period of this 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 overleaf. These savings are in addition to those delivered from 2011/12 to 2014/15 which totalled £68m.

	2015/16 £m	2016/17 £m	2017/18 £m
Reduction in Revenue Support Grant	13.6	10.3	6.9
Pay awards, increments, NI and pensions	4.0	2.8	3.2
Non-pay inflation	2.4	2.5	2.4
Service developments and demand pressures	5.2	4.1	0.2
Budget gap	**25.2**	**19.7**	**12.7**

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

Forecast Earmarked Reserves as at 31st March	**35.4**	**31.5**	**29.6**

Appendix 2b summarises the savings proposals for the 2015/16 financial year, which are now proposed to be subject to a period of consultation.

5.2 Savings Programme

Over the term of the Strategy achieving savings of the scale demanded will require concerted action and consideration of a broad range of initiatives including:

- maintaining strong financial management and budgetary control, addressing any areas of overspending, maximising savings and ensuring value for money
- transformational change, shared services and partnering opportunities
- identifying new opportunities for the Council to trade its services and act as a provider to other organisations
- potential for reshaping services and their provision
- procurement and commissioning - maximising best value from the market place through an innovating commissioning regime to reduce third-party spend
- the level at which Council Tax is set
- maximising income collection including Council Tax and Business Rate
- optimising spending freedoms such as Prudential borrowing for investment opportunities that generate income
- initiatives to reduce the demand for services at source.

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 schedule at **Appendix 2c** assesses 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 will prudently need to maintain in order to address the level of risk. Measures are also identified as to how risks should be managed and mitigated. 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*[5].

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
- risk management 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

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

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 regular 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 Medium Term Financial Strategy.

6. Conclusions

6.1 Local government is entering a 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 2018 and it is a bleak picture. Unfortunately there appears no light at the end of the tunnel - services will continue to be cut and jobs lost. This 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.

7. Recommendations

7.1 The Executive is asked:

1. To approve the Medium Term Financial Strategy 2015/16 to 2017/18.

2. To initiate a period of stakeholder consultation on the savings proposals for 2015/16 as summarised at Appendix 2b.

3. To agree to receive updates of the Strategy on a rolling annual basis or as changing circumstances dictate.

Mr S Thompson

Director of Resources and Statutory Finance Officer

8th January 2015

2015/16 Budget Savings Proposals

Department	Proposal	Saving
Corporate	Additional income from the Council's wholly owned companies	650,000
Corporate	General efficiencies including removal of vacant posts, re-tendering of contracts and the final removal of voluntary grants	930,000
Corporate	Impact of lower than planned inflationary pressures	740,000
Corporate	Contribution from earmarked reserves	2,500,000
Total Corporate		**4,820,000**
Adult Services	Delivering services differently in some areas of day service, respite services, supported living, care at home, and residential services	1,608,000
Adult Services	Implementation of the new housing related support contract retendered in 2014/15	530,000
Adult Services	Absorb additional work as a result of the Care Act within existing services	120,000
Adult Services	Efficiencies brought about by a review of integrated Health and Social Care services	2,000,000
Adult Services	General efficiencies including removal of vacant posts, income targets, reduction in supplies and services spend, etc.	462,000
Total Adult Services		**4,720,000**
Places	Delivering services differently in the Strategic Housing and Planning Team	570,000
Places	Reducing some data gathering activities such as footfall monitoring	50,000
Places	Review of the arts and heritage spend including grants , staffing and exploring future options for the Grundy Art Gallery	290,000
Places	Increased income targets for the illuminations service whilst reviewing the operational costs to maximise efficiencies	300,000
Places	Deletion of vacant posts and reduction in events and marketing budget	340,000
Places	General efficiencies including removal of vacant posts, income targets, reduction in supplies and services spend etc.	280,000
Total Places		**1,830,000**
Children's Services	Review synergies between the Positive Steps and Connexions services	400,000
Children's Services	Right sizing of budgets due to funding cuts from academy conversions	410,000
Children's Services	Review service provision across School Improvement and Pupil Welfare. Review commissioning arrangements around educational related transport and SEN. Implement a different model of delivery around targeted youth services.	750,000
Children's Services	Review nursery provision and delivery models in light of capacity in the sector	620,000
Children's Services	Implementation of families in need commissioning review that was undertaken in 2014/15 and new reviews of administration and safeguarding support arrangements	1,020,000
Children's Services	Review of social work processes and procedures with a view to increased efficiency	500,000
Children's Services	Right sizing the Youth Offending Team to meet current needs	50,000
Children's Services	General efficiencies including removal of vacant posts, income targets, reduction in supplies and services spend, etc.	380,000
Total Children's Services		**4,130,000**

Appendix 2b

Community and Environmental Services	Operational efficiencies in Public Protection, Street Cleansing, Highways Maintenance, Parks and Catering which will result in staffing reductions	1,050,000
Community and Environmental Services	Contractual savings in the Street Lighting and Waste Collection PFIs	2,350,000
Community and Environmental Services	Generate additional income through service and business development – Stanley Park High Ropes and Moor Park leisure centre	150,000
Community and Environmental Services	General efficiencies including removal of vacant posts, income targets, reduction in supplies and services spend, etc.	340,000
Total Community and Environmental Services		**3,890,000**
Other Services	Review of Property and Estates Management including the sale of property assets	1,720,000
Other Services	Contractual and staffing savings in Public Health and Procurement	1,580,000
Other Services	Cessation of area forum budgets	150,000
Other Services	Reduction in Engagement activities and Civil Contingencies	150,000
Other Services	Some increases in fees and charges and greater choice of service offers being explored	110,000
Other Services	Efficiencies from integrated partnership working	500,000
Other Services	General efficiencies including removal of vacant posts, income targets, reduction in supplies and services spend etc.	1,640,000
Total Other Services		**5,850,000**
Grand Total		**25,240,000**

Revenue Budget 2015/16 Onwards

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

Nature of Risk ***[and rationale for quantification]***	**Mitigation**	**£m**
Current year service over-spendings are replicated in 2015/16 *[based on forecast as at month 7]*	Recovery plans drawn up by services and monitored by Finance and Audit Committee	1.3
Budget savings of £25.2m in 2015/16 are not achieved, resulting in service budget overspendings *[delivery of 92% full-year effect in 2014/15]*	Robust and realistic series of plans for each Department to demonstrate how the savings are to be achieved, monitored at Corporate Leadership Team and by Cabinet Members on a monthly basis	2.0
Business rate collection rates deteriorate as a result of economic climate and success of business rate appeals *[Safety Net less Contingency]*	Ongoing monitoring of collection rates and 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.	1.2
CT 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 -> 14/15 deterioration]*	Ongoing monitoring of collection rates and by client group, enabling early intervention by Council support staff. Robust and consistent recovery processes in place.	0.3

Increased levels of sundry debt write-offs owing to economic climate	Clearly defined policies and procedures applying to the recovery of outstanding amounts. Swift and effective use of recovery powers. Feasibility study into the centralisation of a debt-raising team.	0.3
Revenue consequences of capital investment, including business rate liabilities and clawback of external funding	Full adherence to project management frameworks and methodology	0.5
Interest rate changes *[impact of increase to weighted average interest rate by 0.4%]*	Prudent assumptions regarding the volume of temporary surpluses available to the Council and the interest rates at which these might be deposited. Rigorous Treasury Management procedures and an investment policy informed by proactive intelligence gathering on market conditions and prospects.	0.4
Insufficient funding for new burdens such as Local Welfare Provision and implementation of the Care Act	Growth monies for continuation of the Local Welfare Provision included in medium-term financial plan. 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, but further modelling required for 2016/17 when local authority liabilities ramp up.	-
Changes in Final Settlement Funding Assessment	Continue to lobby DCLG, DfE, DoH and HM Treasury on material funding inconsistencies such as the levels and distribution of funding cuts in advance of the Final Settlement announcement	-
	INDICATIVE TOTAL	**6.0**

Appendix 2c