

Notice of:	EXECUTIVE
Decision Number:	EX9/2023
Relevant Officer:	Steve Thompson, Director of Resources
Relevant Cabinet Member:	Councillor Lynn Williams, Leader of the Council
Date of Meeting:	6 February 2023

GENERAL FUND REVENUE BUDGET, COUNCIL TAX AND DEDICATED SCHOOLS GRANT FOR 2023/24

1.0 Purpose of the report:

- 1.1 The purpose of this report is to determine the overall level of net expenditure to be included in the General Fund Revenue Budget for 2023/24, to identify a budget savings plan that will ensure a balanced budget in-year incorporating an agreed level of Council Tax, to outline the proposals for the use of the Dedicated Schools Grant and the allocation of schools funding for 2023/24.

2.0 Recommendation(s):

The Executive is asked:

- 2.1 To recommend to Council the level of net expenditure for the draft General Fund Revenue Budget 2023/24 of **£176,218,000** (ref. paragraph 9.2 and Appendix 5a, to the Executive report)
- 2.2 To recommend to Council a level of budget savings of **£23.4m** (ref. paragraphs 10.1 and 10.3 and Appendix 5b, to the Executive report) incorporating a Council Tax increase of **4.99%** made up of 2.99% plus a 2% Adult Social Care precept.
- 2.3 To note that the precepts for Police and Fire will be reported to Full Council on 22 February 2023 as the rates are not agreed until 15 February 2023 and 21 February 2023 respectively.
- 2.4 To recommend to Council that the Chief Executive be authorised to take any necessary steps to ensure any staffing savings are achieved (ref. paragraph 11.1)
- 2.5 To recommend to Council the proposed use of the Dedicated Schools Grant Budget for 2023/24 (ref. paragraph 7.8 and Appendix 5c, to the Executive report)

- 2.6 To recommend to Council the allocation of schools funding for 2023/24 (ref. paragraph 7.8 and Appendix 5c, to the Executive report)
- 2.7 To recommend to Council a target level of working balances of **£6m** by 31 March 2024 rising to **£8m** by 31 March 2025 (ref. paragraph 13.6 and Appendix 5g, to the Executive report)
- 2.8 To recommend to Council that due regard is given to the robustness of the estimates and the adequacy of reserves in the budget proposals for 2023/24 (ref. section 13 and Appendix 5g)
- 2.9 To consider any further facts, information and stakeholder feedback which may emerge and report the details to the meeting of the Council on 22 February 2023.

3.0 Reasons for recommendation(s):

3.1 To enable progression to the next stage of the budget process in achieving a balanced budget for the Council.

3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.3 Is the recommendation in accordance with the Council's approved budget? Not applicable - the report once approved will become the Council's new approved budget.

4.0 Other alternative options to be considered:

4.1 An integral part of the budget setting process is to ensure there has been full consideration of alternative options. Previously rejected budget savings proposals were again reconsidered and several Corporate Leadership Team meetings had the budget as the main agenda item.

5.0 Council priority:

- 5.1 The relevant Council priority is both:
- "The economy: Maximising growth and opportunity across Blackpool"
 - "Communities: Creating stronger communities and increasing resilience"

6.0 Background information and context

6.1 The current Medium Term Financial Sustainability Strategy (MTFSS) covering the period 2021/22 – 2026/27 was approved by Executive on 8 November 2021 and presented a financial outlook, an assessment of risks and indication of the Council’s challenges over these 6 years. Since the last 4-year Settlement ending in 2019/20 the Council has had to plan based on 1-year only Settlements due to the consequences of exiting the European Union followed by the impact of Covid-19. It was hoped that there would be a multi-year Settlement for 2023/24, however, a 1-year only Settlement was again announced for the forthcoming year with some policy intentions for 2024/25.

6.2 The 10 key principles of the Medium Term Financial Sustainability Strategy are:

- the statutory obligation to balance the Council’s budget 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 local taxes and charges as low as practicable;
- maximising the level and resilience of the resources of cash, assets and people;
- ensuring significant risks are identified and mitigated where possible;
- ensuring financial reserves reflect the levels of business and risk;
- optimising capital spending freedoms;
- a sympathetic but robust approach to income and debt management in accordance with a refreshed Income and Debt Recovery Strategy
- adherence to the Council’s climate emergency declaration of reaching net carbon zero by 2030 (and measures to lead the town towards the same objective).

7.0 The Local Government Finance Settlement 2023/24

7.1 The Local Government Finance Settlement sets the amount of Central Government funding available to Councils. The Secretary of State for Levelling Up, Housing and Communities announced the Provisional Local Government Finance Settlement for 2023/24 on 19 December 2022. The Final Settlement is expected to be announced in early February 2023.

7.2 The Settlement Funding Assessment (SFA) for Blackpool Council is split between resources received via Revenue Support Grant, an assessment of its share of Business Rates collectable plus a Top-up element from the Business Rates Retention Scheme. The Provisional Settlement Funding Assessment amounts to **£67,623,000** in 2023/24. This compares with the Settlement Funding Assessment in 2022/23 of £63,885,000.

7.3 There are several other significant components of Central Government funding, some of which have been rolled into the Settlement Funding Assessment and some which remain separate specific grants as set out below.

7.4 Better Care Fund (BCF)

The Better Care Fund is a programme spanning both the NHS and local government which seeks to join-up health and care services so that people can manage their own health and wellbeing and live independently in their communities for as long as possible. The aim of the Better Care Fund is to improve the lives of some of the most vulnerable people in our society, placing them at the centre of their care and support and providing them with integrated health and social care services, resulting in an improved experience and better quality of life.

The Provisional Settlement announcement confirmed the Improved Better Care allocation for Blackpool Council at **£10,875,000**, the same level as in 2022/23.

On publication of the Policy Framework and Planning Requirements in 2023 the Council will work with colleagues within the place based Integrated Commissioning Programme (ICP) to agree the value of the pooled budget for 2023/24.

7.5 Social Care Grant

On 19 December 2022, the Provisional Settlement included an increase of £1.506bn to the Social Care Grant taking the national amount to £3.852bn. This funding was allocated to support local authorities to meet rising demand for adult and children's social care services. Blackpool's allocation for 2022/23 was £10,735,000 and this will increase to **£16,652,000** in 2023/24, an increase of £5,917,000. The increase also includes rolling in of the Independent Living Fund grant (£168,507).

7.6 Adult Social Care Market Sustainability and Improvement Fund

This funding represents a new allocation of £400m added to the £162m in 2022/23 for Market Sustainability and Fair Cost of Care. The total £562m is intended for local authorities to make tangible improvements to adult social care, and, in particular, to address discharge delays; social care waiting times; low fee rates; workforce pressures; and to promote technological innovation in the sector. Blackpool's allocation for 2022/23 was £610,000 which rises to **£2,116,000** for 2023/24, an increase of £1,506,000.

7.7 Discharge Funding Grant

The Discharge Funding grant is new for 2023/24 and is provided to upper tier authorities to ensure those people who need to draw on social care when they are discharged from hospital can leave as soon as possible. The Discharge Funding must be pooled as part of the Better Care Fund. Blackpool's allocation for 2023/24 is **£1,524,700**.

7.8 Dedicated Schools Grant (DSG)

The Dedicated Schools Grant (DSG) is paid in support of the local authority's schools budget. It is the main source of income for the schools budget, Early Years and High Needs pupils. Local authorities are responsible for determining the allocation of the grant in consultation with local schools forums. Local authorities are responsible for allocating the Schools Block of the grant to individual schools in accordance with the local schools' funding formula.

The Dedicated Schools Grant in 2022/23 prior to academy recoupmnt was £137,870,110 and the provisional allocation for 2023/24 is **£147,971,724**. In addition to the Dedicated Schools Grant, the Government also announced an extra £2 billion for schools and High Needs in the Autumn Statement. The allocation for Blackpool mainstream schools has been estimated at just over £3.75 million, which will be allocated directly to schools as Additional Mainstream Schools Grant, with a further £1.16m of funding allocated for High Needs.

Appendix 5c, to the Executive report, contains the proposed use of DSG in 2023/24. The estimated in-year surplus of £687,677 would contribute to reducing the cumulative deficit on Dedicated Schools Grant to £3.9 million by 31 March 2024. The proposed allocation of resources reflects the plans being put forward to the Department for Education as part of the Safety Valve programme, which supports local authorities with Dedicated Schools Grant deficits to develop plans to reform their High Needs systems in order to rapidly place them on a sustainable footing. The budget proposals were discussed with and supported by Blackpool Schools Forum on 17 January 2023.

Appendix 5c, to the Executive report, also contains the proposed funding formula for Blackpool mainstream schools for 2023/24. The formula mirrors the National Funding Formula for schools, with the exception of a 0.83% reduction in the Basic Entitlement values. This reduction has been approved by Schools Forum in order to allow for a transfer of 0.5% (£527,983) from the Schools Block to the High Needs Block to support the DSG management plan.

7.9 Public Health Grant

The transfer of Public Health services and their responsibility to local government from April 2013 brought with it ring-fenced grant funding.

When the Provisional Local Government Finance Settlement for 2023/24 was announced there was no detail on Public Health funding, therefore for planning purposes Blackpool's allocation for 2023/24 has been assumed at **£19,231,000**, the same level as in 2022/23.

7.10 2023/24 Services Grant

This was a new grant for 2022/23 totalling £822m and was distributed via 2013/14 Settlement Funding Assessment shares. For 2023/24 the amount was reduced to £464m due to the cancellation of the increase in National Insurance Contributions and to move funding to the Supporting Families programme. The methodology for the grant remains unchanged. In 2022/3 Blackpool's allocation was £3,330,000 this has reduced to **£1,876,000** for 2023/24.

7.11 Housing Benefit (HB) Administration Grant

The Housing Benefit subsidy scheme is the means by which local authorities claim subsidy from the Department for Work and Pensions (DWP) towards the cost of administering HB in their local areas. Benefit schemes of rent rebates for tenants of a local authority and rent allowances for private tenants are provided for by the Social Security Contributions and Benefits Act 1992 and the Social Security Administration Act 1992 (as amended). Claimants obtain these benefits by direct application to the authority. Eligibility for, and the amount of, Housing Benefit is determined in all cases solely by the local authority. The Council received Housing Benefit Administration Subsidy grant in 2022/23 of £725,539. The Council has not yet received notification of the grant for 2023/24 but it is estimated that the grant will reduce by approximately 7% due to claimants moving to Universal Credit.

7.12 Lower Tier Services Grant

The Lower Tier Services Grant has been abolished from 2023/24 with funding redirected to pay for the newly introduced Minimum Funding Guarantee which will ensure that no local authority will see an increase in Core Spending Power that is lower than 3%. As Blackpool's increase in Core Spending Power is above 3% no funding has been allocated. Blackpool's Lower Tier Services Grant allocation for 2022/23 was £319,000.

7.13 New Homes Bonus (NHB) Grant

The 2023/24 allocations are £291m; a reduction of £265m on 2022/23. There have been no changes to the design of the scheme for 2023/24, with a single year's new allocation. The large reduction in funding from the scheme is due to all prior years' legacy payments having now been paid. Blackpool's allocation of NHB in 2022/23 was £211,000 and this falls to £22,000 for 2023/24.

7.14 Funding Guarantee

The Government announced that it will repurpose the 2022/23 Lower Tier Services Grant and a proportion of the expired New Homes Bonus legacy payments to ensure that all local authorities will see at least a 3 per cent increase in their Core Spending Power before any decisions about organisational efficiencies, use of reserves or Council Tax levels. For eligible authorities, the value of the guarantee will be based on the difference between a 3 per cent increase in their 2022/23 Core Spending Power adjusted for actual Council Tax requirement in 2022/23, compared to their increase in Core Spending Power (excluding rolled in grants) before any assumed increases to Council Tax Band D levels in 2023/24. The Funding Guarantee total for 2023/24 is £136 million. Blackpool Council's increase is greater than 3% therefore there is no allocation in 2023/24 from the Funding Guarantee.

7.15 Core Spending Power

Core Spending Power is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the Local Government Finance Settlement (LGFS).

7.16	Core Spending Power	2023/24	2022/23
		£m	£m
	Settlement Funding Assessment (SFA)		
	- Revenue Support Grant (RSG)	17.5	15.6
	- Business Rates Baseline Funding Level	50.1	48.3
	Compensation for under-indexing the business rates multiplier	8.5	4.9
	Council Tax Requirement	68.7	65.0
	Improved Better Care Fund	10.9	10.9
	New Homes Bonus	0	0.2
	Social Care Grant	16.7	10.7
	Lower Tier Services Grant	0	0.3
	Services Grant	1.9	3.3
	Market Sustainability & Fair Cost of Care Fund	0	0.6
	Adult Social Care Market Sustainability and Improvement Fund	2.1	0
	Adult Social Care Discharge Fund	1.5	0
	Grants rolled in	0	0.6
	Total	177.9	160.4
	Change in Provisional Revenue Spending Power		
	Percentage Change	+10.9%	

However, this calculation does not reflect inflationary pressures (pay awards, National Living Wage announcements, non-pay) and demand pressures (see 9.7), which are required to be self-funded.

7.17 Blackpool Council Funding for 2023/24

The table below shows what the Provisional Local Government Finance Settlement means for Blackpool and how this compares to 2022/23.

	2022/23	2023/24	Variance	Assumptions
	£000s	£000s	£000s	
Council Tax	(64,867)	(68,053)	(3,186)	Additional 690 properties plus 3% council tax increase (2% + 1% Adult Social Care). Option to increase to 5% (3% + 2% ASC)
National Non Domestic Rates (NNDR)	(52,562)	(54,811)	(2,249)	To review after NNDR1
Revenue Support Grant (RSG)	(15,578)	(17,509)	(1,931)	10.1% increase per early Settlement guidance plus grants rolled in (Family Annex, LCTS Admin grant)
Adj. to RSG for grants rolled in	0	344	344	Localised Council Tax Support (LCTS) Admin Subsidy and Family Annex
Grants				
- Improved Better Care Fund (iBCF)	(10,875)	(10,875)	0	Same level as 22/23. No pay award within figures below for adults, assumed covered within Better Care Fund grants
- Social Care Support Grant	(10,735)	(10,735)	0	Same level as 22/23
- Social Care Support Grant - addtll £1.345bn re. Autumn Budget	0	(5,917)	(5,917)	Equalisation element applied plus £165k Independent Living Fund (ILF) rolled-in
- New £1bn BCF Grant - £400m direct to Local Authorities	0	(1,506)	(1,506)	Based on Adult Social Care Relative Needs Formula
- New £1bn BCF Grant - £600m for Integrated Commissioning Boards	0	(1,525)	(1,525)	This amount relates to the 50% paid to Local Authorities. The other 50% is paid to Integrated Commissioning Systems. All to be pooled in BCF
- Services Grant	(3,330)	(1,876)	1,454	Reduction re Health & Social Care Levy (H&SC) and Supporting Families Grant & RSG inflation
- Lower Tier Grant	(319)	0	319	Lower Tier Grant repurposed for minimum funding guarantee, of which we don't receive any
Other	(2,010)	(2,169)	(159)	Change in assumption - now assumed to be recurrent
Total Funding	(160,276)	(174,632)	(14,356)	

8.0 Revenue Budget 2022/23 – Projected Outturn

- 8.1 The summary at Appendix 5a, to the Executive report, shows the projected adjusted revenue outturn as at month 9 for the current financial year.
- 8.2 The summary shows that it is now estimated that a sum of £10,641,000 will be taken from working balances as at 31 March 2023.
The main areas of budgetary variance are set out overleaf:

	Budget Variance
	£000
Growth and Prosperity	1,510
Adult Services	2,243
Children's Services	5,924
Parking Services	39
Community and Environmental Services	525
Governance and Partnership Services	125
Subsidiary Companies	(20)
Land Charges	(15)
Communications and Regeneration	190
Treasury Management	(546)
Concessionary Fares	(165)
Resources	(388)
Net Service Overspendings 2022/23	9,422
Net Adjustment from Contingencies / Reserves	1,219
Net Overspending 2022/23	10,641

8.3 The reasons for the overspendings are well documented in the Council's monthly Financial Performance Monitoring reports and recovery plans are under constant review. The scrutiny committees continuously review overspending services to seek assurances that effective remedial action is being taken.

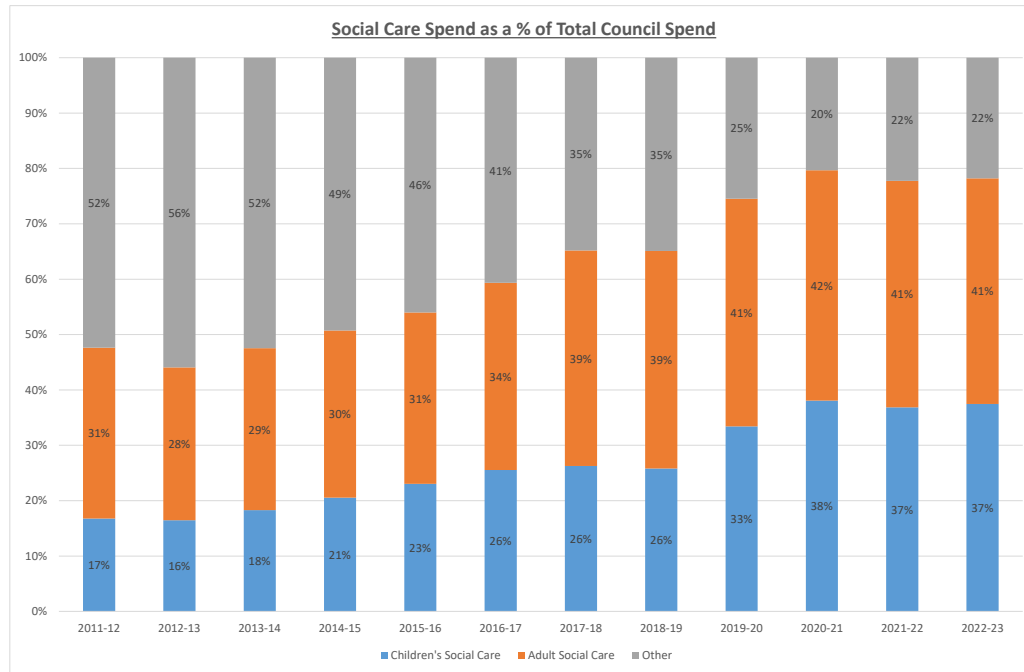
8.4 In accordance with previous convention any overspendings on service budgets as at 31 March 2023 will be recovered in the following year 2023/24, but this will be revisited and reviewed at Provisional Outturn in the context of the exceptional pressures and circumstances of 2022/23.

9.0 Cash Limited Revenue Budget 2023/24

9.1 There is a statutory requirement upon the Council to set a balanced budget:

- Section 100 of the Local Government Act 2002 requires local authorities to plan each year's revenue at a level sufficient to meet operating expenses and hence achieve a balanced budget.
- Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer of an authority to report to its Members and external auditor if it appears that the expenditure of the authority incurred (or proposed to incur) in a financial year is likely to exceed the resources available to meet that expenditure.

- 9.2 The cash limit upon the Revenue Budget for 2023/24 is **£176,218,000** (line 22 of Appendix 5a, to the Executive report). This represents the maximum sum of net expenditure which is sustainable within the resources available.
- 9.3 The base Revenue Budget for next year incorporates the following key assumptions as outlined in the 2021/22 – 2026/27 Medium Term Financial Sustainability Strategy:
- delivery of the 2022/23 Revenue Budget including Working Balances
 - pay award of 1.75% from 2021/22, difference from 2.5% planned v 6.2% actual in 2022/23 and 2% for 2023/24
 - the payment of annual increments
 - voluntary 5 days' unpaid leave on average
 - employer national insurance changes
 - auto-enrolment based on previous uptakes
 - the payment to providers of commissioned adult services of the Real Living Wage
 - growth in the children's social care budget in line with latest projections on Looked After Children numbers and unit costs
 - budget rightsized to account for non-pay inflation in 2022/23 that was significantly higher than forecast. For 2023/24 an assumption of increases in electricity of 54%, gas 12%, £324k for concessionary fares and 5.5% based on OBR CPI for all other contracts
 - growth in the adult social care budget to reflect reasonable demographic pressures and fee rate increases
 - the Growth and Prosperity budget target to be rightsized over the 2-year period 2022/23 - 2023/24
 - Council Tax and precept increases incorporated based upon Government assumptions in 2022/23 of 2.0% and 1.0% respectively
 - Treasury Management budget predicated on a weighted average interest rate of 4.4%
 - the latest estimates of Settlement Funding Assessment
 - the Council fulfils its statutory obligation to balance its budget.
- 9.4 The Council has made significant investment in Children's Social Care over the last decade and at a time when local government budgets have been drastically reduced. The impact of this can be seen in the chart below which highlights that spend in 2021/22 represented 37% of the Council's revenue spend compared with 17% in 2011/12. Indeed all social care now represents 78% of the Council's revenue spend compared with 48% 10 years ago.



A Children's Social Care Medium Term Financial Strategy is in place and under continuous review to ensure that positive changes happen as planned.

9.5 Adult Services

Adult Services has also seen significant investment over the last decade with spend representing 41% of total Council spend in 2022/23 compared to 31% in 2011/12. Growth in Homecare, Learning Disabilities and Mental Health placements alongside fee rate increases in line with National Living Wage and subsequently Real Living Wage have required redirection of Council funding to cover these pressures. Whilst the government has provided financial support through the Better Care Fund and Social Care grants this funding has not been sufficient to cover costs. An extract from the 2023/24 MTFP highlights this:

	2022/23 £000s	2023/24 £000s	Variance £000s	Comments
Better Care Fund	10,875	10,875	0	No increase in funding
Social Care Grant	10,735	16,652	5,917	This funding is for Adult and Children's Social Care and includes rolled in Independent Living Fund
Adult Social Care Market Sustainability & Improvement Fund	610	2,116	1,506	
Discharge Funding Grant	0	1,524	1,524	
Adult Social Care Council Tax Precept	0	1,323	1,323	Additional based on 2%
	22,220	32,490	10,270	
Funding required to cover Children's Social Care Pressures			(5,221)	See table at 9.7
Funding required to cover Adult Social Care Pressures			(6,354)	See table at 9.7
Adjustment regarding Independent Living Fund			(169)	
Funding Deficit			(1,474)	

9.6 Growth and Prosperity

Growth and Prosperity continues to pursue, implement and complete a number of regenerative schemes that will benefit Blackpool for many years to come. The Hounds Hill shopping centre will soon be expanded to incorporate a state of the art I-Max cinema and this will provide a much needed night time offer to further encourage families to the resort.

Work on the hotel within Central Business District will also soon be complete and further re-location of a number of Central Government backed organisations is also hopefully fulfilled in future years.

The Growth and Prosperity team are also actively compiling an Asset Disposal Strategy to ensure that assets that are no longer required or surplus to needs are marketed in an attempt to ensure capital receipts are realised, therefore mitigating the requirement to Prudentially Borrow.

Work also continues on a multitude of other schemes to ensure that Blackpool offers opportunity to the young of the town.

9.7 The table below is an extract from Blackpool Council's Medium Term Financial Plan and summarises the cost pressures outlined above.

	£000s	Comments
Pay	5,008	Pay Award of 1.75% from 21/22, diff from 2.5% planned v 6.2% actual in 22/23 & 2% for 23/24. Increments, reversal of H&SC Levy and Ers pension contribution from 17.2% to 16.9%
Non-Pay	6,506	£1.083m bfwd gap from 22/23 assumptions plus 54% electricity, 12% gas, £324k for concessionary fares and 5.5% based on OBR CPI for all other contracts
Treasury Management	7,038	Base rate forecast to increase to 4.4%
Adults	6,354	£1.368m bfwd gap, £800k demographics, £4.621m Real Living Wage net of (£600k) client contributions, £165k Independent Living Fund
Childrens	5,541	£5.221m social care, £200k Special Educational Needs Transport, £120k Management Improvement Factor
Growth & Prosperity	3,895	£385k loss of car parking income, £2m reversal of income target, £1.51m increased prudential borrowing costs
Minimum Revenue Provision	1,542	Over provided for Minimum Revenue Provision in previous years. Unwinding £1.5m in 23/24 and £5.2m in 24/25
Growth Items	1,354	£315k Visit Blackpool, £225k Youth Hub, £290k Elections, £524k concessionary fares
New Homes Bonus	189	Only £22k as per settlement
Other items < £200k	196	
Non recurrent savings from 22/23	125	£125k Illuminations
Total Expenditure Pressures	37,748	

10.0 Budget Gap 2023/24 and Methodology for Delivering

10.1 Following the Provisional Local Government Settlement and revisions to the Medium Term Financial Plan the budget gap for the next financial year can be analysed as follows:

	£m
Reduction / (Increases) in funding / income	(14.4)
Pay- related costs	5.0
Non-pay inflation	6.5
Service pressures / Demand and demographic pressures	26.2
Prior year non-recurrent savings	0.1
Total	23.4

10.2 Movement in the budget gap

A budget gap of £35.1m was reported to Executive on 5 December 2022 within the Financial Performance Report for month 7. A reconciliation of the movement between £35.1m and the updated gap of £23.4m is shown overleaf

Annual Change	MTFP	MTFP @ M7	Movement
	£000s	£000s	£000s
Council Tax	(3,186)	(2,123)	(1,063)
National Non Domestic Rates (NNDR)	(2,249)	(1,922)	(327)
Revenue Support Grant (RSG)	(1,931)	(358)	(1,573)
Adj. to RSG for grants rolled in	344	0	344
Grants		0	0
- Improved Better Care Fund (iBCF)	0	0	0
- Social Care Support Grant	0	0	0
- Social Care Support Grant - addttil £1.345bn re. Autumn Budget	(5,914)	0	(5,914)
- New £1bn BCF Grant - £400m direct to Local Authorities	(1,506)	0	(1,506)
- New £1bn BCF Grant - £600m for Integrated Commssioning Boards	(1,525)	0	(1,525)
- Services Grant	1,454	(77)	1,531
- Lower Tier Grant	319	(7)	326
Other	(159)	2,010	(2,169)
Total Funding	(14,353)	(2,477)	(11,876)
Pay	5,008	5,929	(921)
Non-Pay	6,506	4,100	2,406
Treasury Management	7,038	10,392	(3,354)
Adults	6,354	7,523	(1,169)
Childrens	5,541	3,504	2,037
Growth & Prosperity	3,895	2,700	1,195
Minimum Revenue Provision	1,542	3,000	(1,458)
Growth Items	1,354	515	839
New Homes Bonus	189	211	(22)
Other items < £200k	196	(416)	612
Non recurrent savings from 22/23	125	125	0
Total Expenditure Pressures	37,748	37,583	165
Net Budget Gap	23,395	35,106	(11,711)

The major variance relates to the increased funding announced in the Provisional Settlement with expenditure pressures only differing by £165,000.

10.3 Savings Programme

Achieving savings of the scale demanded requires 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 constitutes seven thematic workstreams:

- i) Technical savings – these cover areas such as debt and PFI restructurings, pensions, review of reserves and provisions, use of capital receipts and capital-to-revenue transfers and review of Business Rate yield assumptions.

- ii) Income generation and management – fees and charges income will continue to be optimised along with returns on business loan support, regeneration 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 which has accelerated during the pandemic period.
- v) Transformational efficiency measures under the direction of the Chief Executive's Corporate 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 and a common Management Services Agreement.
 - across the wider public sector including the Integrated Care System and Partnership, the Local Resilience Forum and One Public Estate.
 - with the private and voluntary sectors.
- vii) Service reductions and cuts, which are considered once i) – vi) have been exhausted.

This exercise has generated the necessary service budget target savings of **£23.4m** in 2023/24. These are listed at Appendix 5b along with the summary actions required to deliver them.

In setting realistic budgets for the forthcoming year services will be expected to meet any additional service-specific pressures that may emerge in accordance with the cash limited budgeting regime.

11.0 Other Considerations

11.1 Staffing Implications

The Council continues to work incredibly hard throughout the year to mitigate the potential for compulsory redundancies.

In order to achieve this the following action is taken:

- continuation of voluntary unpaid leave arrangements

- strict controls via a weekly Resourcing Panel on external recruitment for all but essential posts that cannot be filled through redeployment or restructuring services
- consideration of applications for early retirement and voluntary redundancy
- holding vacant posts throughout the year which are subsequently removed resulting in a saving
- encouraging employees to voluntarily reduce their hours of work
- offering unpaid career breaks and unpaid sabbaticals
- cessation or limitation of the use of agency staff and casuals.

As a result of the above no compulsory redundancies are expected in relation to the 2023/24 budget.

11.2 Financial / Economic Context

The current economic climate is adversely impacting upon the ability to pay for some and make others more cautious in terms of their personal spending. The overall effect now will be to make collection of income due to the Council, both Council Tax and fees and charges, even more difficult. However, regeneration investment in the town continues and its ever-improving tourism offer is putting Blackpool in a strong place to attract visitor numbers and bolster the town's tourism economy.

Interest Rates - The outlook for short-term interest rates is that they rise to a weighted average of 4.40% in 2023/24 because of inflationary pressure. Interest receivable on temporary investments will continue at modest levels and debt restructuring opportunities will be kept under continuous review to minimise interest payments.

Instability in interest rates is likely to place additional ongoing pressures on revenue budgets as the cost of borrowing continues to rise.

11.3 Business Loans Fund

The 2019/20 Budget increased the Loans Fund to £200m. Loans are available to businesses strongly linked to growing and safeguarding the local economy. The Council has had approvals and expressions of interest totalling over £152m of loans as at 31st December 2022, although this is offset by repayments made to date. The total amount which has been drawn down so far is £105m net of repayments that have been made. These loans have created / safeguarded 1,772 jobs.

The ability of the loans fund to continue to lend is currently under review. This is due to an ongoing consultation currently being undertaken about Minimum Revenue Provision (MRP) being applied to loans provided. The imposition of MRP on any future loans is likely to inhibit the loan approval process, but this now appears unlikely.

11.4 Equalities Analysis

The Council has a statutory responsibility under the Equality Act 2010, known as the 'Public Sector Duty', to examine the possible impacts on equality issues of decisions it makes. As part of this, the Council must have due regard to the need to eliminate discrimination and other prohibited conduct, whilst advancing equality of opportunity and fostering good relations between different groups within our communities.

The Council adopts a robust approach to explore the possible impacts of budget proposals. This is in recognition of the often complex effect on service users, staff, citizens and visitors of these decisions. Where potentially significant equality implications have been identified within the proposals outlined in this report, these are flagged up to decision makers and if appropriate this leads to the commissioning of detailed impact reviews involving data analysis and consultation with service users and others affected.

This year, the release of population data from the Census 2021, has further helped in ensuring decisions are made in the context of awareness of the growing diversity of our communities. Each year the Council also assesses the effect of budget reductions on staff diversity issues using a benchmark analysis of the current levels of workforce diversity for each of the key equality strands – Race, Gender, Disability, Age, Religion & Belief and Sexual Orientation.

A summary of the Council's equalities work of the consequences of the proposed budget savings on services and their users is attached at Appendix 5d, to the Executive report.

11.5 Budget Engagement

In line with last year's engagement the Council invited residents to comment on the budget setting of the Council to seek initial comments and ideas, prior to more formal consultation on any proposals leading to significant service impacts or changes. The resident and stakeholder survey received 110 responses, with 118 of these from residents and 4 from organisations. The survey was available online and as paper copies at front facing Council buildings and were widely publicised via the Council's social media channels.

The survey included questions which asked for opinions about Council priorities and services at a broad level, but also sought comments on ways in which the Council could save or generate money.

Respondents to the residents' survey identified the most important services to their household or community as "Help and support Services", which includes services for adults and older people including those with additional needs and/or disabilities and

services for children and young people including those with additional needs and/or disabilities. “Increasing Resilience” was ranked the second most important service which includes Continuing to support people as we recover from the pandemic working more closely with other services such as charities NHS and schools. The “Environment” which includes household recycling and bin collection services, parks or other open space were ranked as a very close third most important service. Businesses and Organisations ranked “Jobs and Skills” as the most important and “Improving Housing” and as most the second most important.

Comments received focused on Housing, including affordable, good quality housing availability, concerns about empty and derelict properties and the environmental impact of housing. People described a wanting to see more investment in jobs, skills and services for residents of the town. People commented on the need for office developments in a post pandemic working environment with greater working from home. Greater financial grip on key areas of spend, and the creative use of resources owned by the Council and joint work with local businesses and the third sector were areas the commenters thought should be considered. A detailed report of the budget engagement survey responses can be found at Appendix 5e, to the Executive report.

11.6 Scrutiny Leadership Board

The Informal Scrutiny Leadership Board considered the key Budget pressures and savings required at its informal meeting on 18 January 2023 and has produced a report attached at Appendix 5f, to the Executive report, for consideration by the Executive.

12.0 Capital Expenditure

12.1 The Council’s Capital Programme for 2023/24 – 2025/26 is also to be considered in a separate report to this Executive meeting. Debt financing costs for the capital programme have been included in the Revenue Budget on the basis of the indicative borrowing allocations received from Government and any Prudential Borrowings.

12.2 The size and value of the capital programme is set in accordance with those allocations plus any available external grants, Prudential borrowing schemes (for which the costs are funded from service budgets), capital receipts and revenue contributions. Schemes being financed by Prudential borrowing continue to require specific approval of the Executive.

12.3 Future revenue costs of capital schemes will also have to be contained within existing bottom-line budgets, except where provision has specifically been agreed in advance.

13.0 Working Balances and Reserves

- 13.1 Section 25 of the Local Government Act 2003 imposes a duty upon the Council's statutory finance officer to report on the robustness of the estimates and the adequacy of reserves. Provision of this information is a legal requirement and ensures that all Members have regard to the professional advice provided by the authority's Chief Financial Officer when final budget decisions are made.
- 13.2 Local Authorities decide every year how much they are going to raise from Council Tax. Decisions are based on a budget that sets out estimates of what the Council plans to spend on each of its services in the forthcoming year. The decision on the level of the Council Tax is taken before the financial year begins and it cannot be changed during the year, so allowance for risks and uncertainties that might increase service expenditure above that planned, must be made by: (a) making prudent allowance in the estimates for each of the services; (b) ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient or unexpected events occur that were not anticipated.
- 13.3 Section 25 of the Local Government Act (LGA) 2003 requires that when a local authority is considering its budget and setting its Council Tax for the forthcoming financial year, its Chief Financial Officer reports to Full Council on: (a) the robustness of the estimates made for the purposes of the Council Tax requirement calculations; (b) the adequacy of the proposed financial reserves allowed for in the budget proposals.
- 13.4 Section 25 of the LGA 2003 also requires members to have regard to this report in making their decisions in relation to the budget and the setting of Council Tax for 2023/24.
- 13.5 Robustness of Estimates

Directorate spend in 2022/23 is used in building budgets for 2023/24. This work includes identification of unavoidable service pressures and inflationary / demographic changes that need reflecting in next year's budget. Reports have been presented to the Executive and scrutiny committees throughout the year as part of the budget planning and review process.

The 2023/24 budget proposals are based on extensive analysis and assurances from Corporate Directors and their Service Management Teams plus their finance support staff. Cabinet Members have worked with Corporate Directors through this process. The Scrutiny Committee Members have been able to question Directorates on budgets, performance and proposals throughout the year.

Extensive work has also been carried out throughout 2022/23 to update and produce a balanced Medium Term Financial Plan (MTFP). A range of assumptions have been utilised and robustly challenged as part of the updating of the Medium Term Financial Plan.

Given the significant level of uncertainty over future levels of Government funding, inflationary pressures and energy costs. Ongoing work will be needed for years 2024/25 to 2027/28 to identify additional savings, with a forecast savings requirement of £18 million across that period, but in the view of the Director of Resources (s151 officer) all reasonable and practical steps to identify and make provision for the Council's commitments in 2023/24 have been taken in order to achieve a balanced budget next year. Work will commence immediately on developing strategies to tackle the savings requirements for future years.

13.6 Adequacy of Reserves

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Local Authority Accounting Panel (LAAP) has a guidance note on Local Authority Reserves and Balances (LAAP Bulletin 77) to assist local authorities in this process. This guidance is not statutory, but compliance is recommended in CIPFA's Statement on the Role of the Finance Director in Local Government. It is best practice to follow this guidance.

The guidance however states that no case has yet been made to set a statutory minimum level of reserves, either as an absolute amount or a percentage of the Council's budget. Each Local Authority should take advice from its Chief Financial Officer and base its judgement on local circumstances.

Reserves should be held for three main purposes: (a) as a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves; (b) as a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves; (c) as a means of building up funds known as 'earmarked reserves', to meet known or predicted funding requirements.

An example of an unexpected event was the COVID19 outbreak. Whilst the government did provide significant funding there was still a net cost to the Council of **£3.16m** in 2020/21 and **£2.59m** in 2021/22. Due to the Council having appropriate working balances these costs were covered.

The CIPFA Guidance highlights a range of factors in addition to cash flow requirements that Councils should consider including: (a) the treatment of inflation; (b) the treatment of demand led pressures; (c) efficiency savings; (d) partnerships; (e) the general financial climate, including the impact on investment income.

The guidance also refers to reserves being deployed to fund recurring expenditure and indicates that this is not a long-term or sustainable option. In setting the 2023/24 budget use of up to **£9.9m** of reserves has been applied in order to maintain services in the face of immediate inflationary pressures. The Department for Levelling Up, Housing and Communities have encouraged councils *to consider how they can use their reserves in this way provided councils are able to still maintain appropriate levels of reserves to support financial sustainability and future investment*. Given the relative healthy state of reserves the use of this funding is rational but the need to find a recurrent solution is an obvious requirement. A refresh of the Medium Term Financial Plan is already underway and plans to balance this will be a priority in the new financial year.

The accounting code of practice requires unapplied grants or partnership funds to be carried over at year end in an earmarked reserve. This can often skew the balances held from year to year, particularly where funding for the upcoming years commitments is paid early.

The risk assessment process has identified a number of key risks which could impact on the Council's resources. The Council continues to face significant uncertainty in relation to the future levels of Government funding. It is difficult to recall a period in recent times when there is so much uncertainty in relation to local government funding. We have had another 1 year funding settlement with only high level policy proposals identified for 2024/25 despite the obvious unresolved massive challenges facing social care budgets.

The Fair Funding Review has been postponed again and will not be known until 2025/26 at the earliest. The outcome of which will dictate how funding will be allocated to individual local authorities. There must be a significant risk that the outcome of the review could be unfavourable to the town. The budget proposals for future years will need to make prudent assumption on the impact of the Fair Funding review, once we are clear as to the methodology to be used and the timetable the Government finally adopts.

The Council is also continuing to face significant ongoing budget pressures. There are significant and continuing pressures in social care services and in particular children's social care. In addition, the current high levels of inflation, higher rates of interest, the large increase in the National Living Wage and Real Living Wage all continue to place significant pressures upon our budget. Whilst the MTFP modelling includes estimates of future cost pressures for these areas, Council needs to be aware that further sustained pressures in these areas remains a significant risk.

There continues to be other risks associated with the review of Business Rates and the requirements of the Local Council Tax Reduction Scheme. All these risks are set out in the budget report and have been properly assessed and taken into account.

In light of the above and the calculation of financial risks set out in Appendix 5g it is recommended that the Council targets working balances of **£6m** by 31 March 2024 rising to **£8m** by 31st March 2025.

A preliminary review of the 2023 business rate revaluation is still underway due to the late delivery of system software but does indicate that the Council should be able to release a one-off c.£1.3m from an appeals provision set up for the 2010 revaluation that is no longer deemed required plus a future assessment of yield that looks on the positive side and should enable the 2023/24 in-year target for working balances of £6m to be reached.

14.0 Capping

14.1 Under schedule 5 of the Localism Act 2011 the Government introduced a requirement to hold a local referendum when proposed Council Tax increases are deemed excessive. On 19 December 2022 as part of the Provisional Local Government Settlement it was announced that an increased Council Tax referendum threshold of 5% would apply for 2023/24 (comprising 2% for expenditure on adult social care and 3% for other expenditure).

14.2 This flexibility is offered in recognition of inflationary pressures such as the raising of the National Living Wage and demographic changes which are leading to growing demand for adult social care and increased pressure on Council budgets. A requirement of this flexibility is that the Council spends the additional funds raised through the Adult Social Care Precept on adult social care only.

15.0 Medium Term Financial Prospects

15.1 Local government continues a further period of uncharted territory. In the face of mounting inflationary and demand pressures it is battling to adapt and in some cases completely revolutionise the services that it provides. The MTFSS lays out the principles that will underpin the Council's financial direction to 2027, over which time it will have to reconcile increasing pressures upon its services with resources that are not increasing commensurately. For 2024/25, there is an estimated budget gap of **£6.6m** with a further saving of **£4.8m** and **£6.6** required in 2025/26 and 2026/27 respectively. It is therefore evident that along this journey further services will have to be reprioritised and inevitably some jobs lost, which will not go unnoticed by the residents of Blackpool, the businesses that operate here and the visitors who come to stay.

15.2 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.

15.3 Despite being a challenging period with yet another 1-year settlement and many uncertainties for many people including staff, this no-cuts budget evidences that the commitment to delivering the best possible services to Blackpool residents remains undiminished.

15.4 Does the information submitted include any exempt information? No

16.0 List of Appendices:

16.1 Appendix 5a - General Fund Budget
Appendix 5b - Savings Proposals
Appendix 5c - Dedicated Schools Grant
Appendix 5d - Equality Analysis
Appendix 5e - Budget Engagement
Appendix 5f - Report from the Scrutiny Leadership Board
Appendix 5g - Assessment of Significant Financial Risks

17.0 Financial considerations:

17.1 Financial considerations form the basis of this report. Human Resources considerations are outlined in paragraph 11.1 above.

18.0 Legal considerations:

18.1 None

19.0 Risk management considerations:

19.1 Details of risk management are set out in section 10 and attached at Appendix 5g, to the Executive report.

20.0 Equalities considerations:

20.1 Details of the equalities analysis are set out in paragraph 11.4 above and attached at Appendix 5e, to the Executive report.

21.0 Sustainability, climate change and environmental considerations:

21.1 None directly from the report.

22.0 Internal/external consultation undertaken:

22.1 Details of the engagement exercise undertaken by the Council are set out in paragraph 11.5 and attached at Appendix 5f. The Scrutiny Leadership Board met informally on 18 January 2023 – the report is attached as at Appendix 5f, to the Executive report.

23.0 Background papers:

23.1 Local Government Provisional Settlement
[Provisional local government finance settlement: England, 2023 to 2024 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/114122/provisional-local-government-finance-settlement-england-2023-to-2024.pdf)
Medium Term Financial Strategy
[Agenda for Executive on Monday, 8th November, 2021, 6.00 pm \(blackpool.gov.uk\)](https://www.blackpool.gov.uk/media/2021/11/08/Agenda-for-Executive-on-Monday-8th-November-2021-6.00-pm/)

24.0 Key decision information:

24.1	Is this a key decision?	Yes
24.2	If so, Forward Plan reference number:	25/2022
24.3	If a key decision, is the decision required in less than five days?	No
24.4	If yes , please describe the reason for urgency:	N/A

25.0 Call-in information:

25.1	Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process?	No
25.2	If yes , please give reason:	N/A

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE

26.0 Scrutiny Committee Chairman (where appropriate):

Date informed: 27 January 2023 Date approved:

27.0 Declarations of interest (if applicable):

27.1 None.

28.0 Summary of Discussion:

28.1 Mr Steve Thompson, Director of Resources, presented the report to the Executive. Mr Thompson emphasised the challenge in creating a recommendation on a balanced budget in doing so he drew members' attention to the equalities analysis, and resident and stakeholder engagement at Appendices 5d and 5e to the Executive report, and the report of Scrutiny Leadership Board Informal meeting 18 January 2023 at Appendix 5f to the Executive report.

29.0 Executive decision:

29.1 The Executive resolved as follows:

1. To recommend to Council the level of net expenditure for the draft General Fund Revenue Budget 2023/24 of £176,218,000 (ref. paragraph 9.2 and Appendix 5a, to the Executive report)
2. To recommend to Council a level of budget savings of £23.4m (ref. paragraphs 10.1 and 10.3 and Appendix 5b, to the Executive report) incorporating a Council Tax increase of 4.99% made up of 2.99% plus a 2% Adult Social Care precept. To amend the budget savings from those shown at Appendix 5b to reflect that the amount of £21,000 shown under Governance and Partnerships Directorate, Democratic use of reserves is now recommended to be met from Ward Budgets with each of the 42 Councillors' budget being reduced by £500 to total £21,000.
3. To note that the precepts for Police and Fire will be reported to Full Council on 22 February 2023 as the rates are not agreed until 15 February 2023 and 21 February 2023 respectively.
4. To recommend to Council that the Chief Executive be authorised to take any necessary steps to ensure any staffing savings are achieved (ref. paragraph 11.1).
5. To recommend to Council the proposed use of the Dedicated Schools Grant Budget for 2023/24 (ref. paragraph 7.8 and Appendix 5c, to the Executive report).
6. To recommend to Council the allocation of schools funding for 2023/24 (ref. paragraph 7.8 and Appendix 5c, to the Executive report).
7. To recommend to Council a target level of working balances of £6m by 31 March 2024 rising to £8m by 31 March 2025 (ref. paragraph 13.6 and Appendix 5g, to the Executive report).

8. To recommend to Council that due regard is given to the robustness of the estimates and the adequacy of reserves in the budget proposals for 2023/24 (ref. section 13 and Appendix 5g, to the Executive report).

30.0 Date of Decision:

30.1 6 January 2023

31.0 Reason(s) for decision:

31.1 To enable progression to the next stage of the budget process in achieving a balanced budget for the Council.

32.0 Date Decision published:

32.1 7 January 2023

33.0 Alternative Options Considered and Rejected:

33.1 The Executive noted that an integral part of the budget setting process had been to ensure there has been full consideration of alternative options. Previously rejected budget savings proposals were again reconsidered but these were not considered valid in the circumstances.

34.0 Executive Members in attendance:

34.1 Councillor L Williams, in the Chair
Councillors Brookes, Campbell, Farrell, Hobson, Hugo, Smith and Taylor

35.0 Call-in:

35.1

36.0 Notes:

36.1 The following non-Executive members were in attendance: Councillors Hunter and Jackson