

Notice of:

EXECUTIVE

Decision Number:

EX8/2024

Relevant Officer:

Steve Thompson, Director of Resources

Relevant Cabinet Member:

Councillor Lynn Williams, Leader of the Council

Date of Meeting:

5 February 2024

GENERAL FUND REVENUE BUDGET, COUNCIL TAX AND DEDICATED SCHOOLS GRANT FOR 2024/25

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 2024/25, 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 2024/25.

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 2024/25 of **£194,762,000** (ref. paragraph 9.2 and Appendix 4a to the Executive report)
- 2.2 To recommend to Council a level of budget savings of **£16.3m** (ref. paragraphs 10.1 and Appendix 4b 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 21 February 2024 as the rates are not agreed until 19 February 2024 and week commencing the 19 February 2024 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 2024/25 (ref. paragraph 7.9 and Appendix 4c to the Executive report).

- 2.6 To recommend to Council the allocation of schools funding for 2024/25 (ref. paragraph 7.9 and Appendix 4c, to the Executive report)
- 2.7 To recommend to Council a target level of working balances of **£8m** by 31 March 2025 (ref. paragraph 13.5)
- 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 2024/25 (ref. section 13)
- 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 21 February 2024.

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, it was hoped that there would be a multi-year Settlement for 2024/25, however, a 1-year only Settlement was again announced for the forthcoming year.

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 2024/25

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 2024/25 on 18 December 2023. The Final Settlement is expected to be announced in early February 2024.

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 **£70,735,000** in 2024/25. This compares with the Settlement Funding Assessment in 2023/24 of £67,623,000.

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 2023/24.

On publication of the Policy Framework and Planning Requirements in 2024 the Council will work with colleagues within the place-based Integrated Commissioning Board (ICB) to agree the value of the pooled budget for 2024/25.

7.5 Social Care Grant

On 18 December 2023, the Provisional Settlement included an increase of £692m to the Social Care Grant taking the national amount to £4.544bn. This funding was allocated to support local authorities to meet rising demand for adult and children's social care services. Blackpool's allocation for 2023/24 was £16,652,000 and this will increase to **£19,957,000** in 2024/25, an increase of £3,305,000.

7.6 Social Care Grant – Additional

On 24th January 2024, the Secretary of State for Levelling Up, Housing and Communities published a written statement, announcing an increase of £500m in funding for social care that will be reflected in the Final Local Government Settlement. As the final allocations have not been confirmed, an estimate of **£2m** has been assumed in setting the budget based on a pro-rata allocation of the Social Care Grant.

7.7 Adult Social Care (ASC) Market Sustainability and Improvement Fund

The ASC Market Sustainability and Improvement Fund increased by £488m to £1.050bn for 2024/25, this includes the rolling in of the Workforce Fund which totals £205m. The Fund 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 2023/24 was £2,116,000, which rises to **£3,954,000** for 2024/25, an increase of £1,838,000.

7.8 Discharge Funding Grant

The Discharge Funding Grant was introduced in 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 2024/25 is **£2,541,000**, an increase of £1,016,000 from £1,525,000 in 2023/24.

7.9 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 2023/24 prior to academy recoupment was £147,970,724 and the provisional allocation for 2024/25 is **£161,671,622**. This includes a new early years allocation for under two year olds. A breakdown of the DSG across the different blocks is shown in the table below:

Block	2023/24	2024/25	Variance	
	£m	£m	£m	%
Schools	105.6	112.23	6.63	6.3%
Central Schools Services	1.14	1.09	-0.05	-4.4%
High Needs	31.97	33.38	1.41	4.4%
Early Years	9.26	14.97	5.71	61.7%
Total DSG	147.97	161.67	13.7	9.3%

Appendix 4c to the Executive report contains the proposed use of DSG in 2024/25. The estimated in-year surplus of £446,000 would contribute to reducing the cumulative deficit on Dedicated Schools Grant to £1.2m by 31 March 2025. The proposed allocation of resources reflects the plans agreed with 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 16 January 2024.

Appendix 4c to this report also contains the proposed funding formula for Blackpool mainstream schools for 2024/25. The formula mirrors the National Funding Formula for schools, with the exception of a 2.09% reduction in the Basic Entitlement values. This reduction has been approved by Schools Forum in order to allow for a transfer of 0.5% (£561,141) from the Schools Block to the High Needs Block to support the DSG management plan.

7.10 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.

Blackpool's allocation for 2024/25 was confirmed in the Settlement at **£20,120,069**, an increase of £261,675 (1.3%) from £19,858,394 received in 2023/24.

7.11 2024/25 Services Grant

This grant was introduced in 2022/23 totaling £822m and was distributed via 2013/14 Settlement Funding Assessment shares. For 2023/24, the amount was reduced to £483m due to the cancellation of the increase in National Insurance Contributions and to move funding to the Supporting Families programme. For 2024/25, the national pot has again been reduced to only £77m with funding being diverted to offset increases in the Revenue Support Grant, the Funding Guarantee and the Social Care Grant. In 2023/24 Blackpool's allocation was £1,876,000 but this has reduced to **£307,000** for 2024/25.

7.12 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 Housing Benefit 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, HB is determined in all cases solely by the local authority. The Council received Housing Benefit Administration Subsidy grant in 2023/24 of £690,542. The Council has not yet received notification of the grant for 2024/25 but it is estimated that the grant will reduce by approximately 5% due to claimants migrating to Universal Credit.

7.13 New Homes Bonus (NHB) Grant

The 2024/25 allocations are £291m, which is the same as 2023/24. There have been no changes to the design of the scheme for 2024/25, with a single year's new allocation. Blackpool's allocation of New Homes Bonus Fund in 2023/24 was £22,400 and this falls to £20,300 for 2024/25. Both of Blackpool's allocations relate to Affordable Homes.

7.14 Funding Guarantee

This grant is intended to provide a funding floor for all local authorities, so that no local authority would see an increase in core spending power that is lower than 4%, before taking into account (i) council tax level decisions and (ii) changes to funding from rolled in grants. The minimum 4% increase is 1% higher than the 3% in 2023/24.

For eligible authorities, the value of the guarantee will be based on the difference between a 4 per cent increase in their 2023/24 Core Spending Power adjusted for actual Council Tax requirement in 2023/24, compared to their increase in Core Spending Power (excluding rolled in grants) before any assumed increases to Council Tax Band D levels in 2024/25.

Blackpool Council's increase is greater than 4%, therefore there is no allocation in 2024/25 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).

Core Spending Power	2024/25	2023/24
	£m	£m
Settlement Funding Assessment (SFA)		
- Revenue Support Grant (RSG)	18.67	17.51
- Business Rates Baseline Funding Level	52.07	50.11
Compensation for under-indexing the business rates multiplier	10.37	8.54
Council Tax Requirement	73.62	69.50
Improved Better Care Fund	10.88	10.88
New Homes Bonus	0.02	0.02
Social Care Grant	21.96	16.65
Services Grant	0.31	1.95
Adult Social Care Market Sustainability and Improvement Fund	3.95	2.12
Adult Social Care Discharge Fund	2.54	1.53
Grants rolled in	0.00	1.37
Total	194.39	180.18
Change in Provisional Revenue Spending Power		
Percentage Change	+7.9%	

However, this calculation does not reflect the full inflationary pressures (pay awards, National Living Wage announcements, non-pay) and demand pressures (see 9.7), which have to be met from budget savings elsewhere.

7.16 Blackpool Council Funding for 2024/25

The table below shows what the Local Government Finance Settlement means for Blackpool and how this compares to 2023/24.

Council Tax	(7.4)	Council Tax increase of 5%, increase in Band D properties and review of CTRS assumption
Business Rates	(4.3)	Revaluation exercise plus multiplier increases
Business Rates (late adj to 23/24 budget)	(4.5)	NNDR1 completed after budget setting
Grants	(7.5)	Revenue Support Grant £1.159m, s31 Grant £1.042m, Social Care Grants £5.305m
Funding Total	(23.7)	

Note: The ASC Market Sustainability and Improvement Fund and Discharge Funding Grant are included within services and offset expenditure pressures, see section 9.7.

8.0 Revenue Budget 2023/24 – Projected Outturn

8.1 The summary at Appendix 4a 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 £1,773,000 will be taken from working balances as at 31 March 2024.

The main areas of budgetary variance are set out below:

	Budget Variance
	£000
Children's Services	6,537
Adult Services	2,039
Community and Environmental Services	690
Parking Services	300
Communications and Regeneration	26
Governance and Partnership Services	(32)
Subsidiary Companies	(35)
Concessionary Fares	(130)
Chief Executive	(200)
Resources	(276)
Treasury Management	(1,600)
Net Service Overspendings 2023/24	7,319
Net Adjustment from Contingencies / Reserves	(5,546)
Net Overspending 2023/24	1,773

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.

9.0 Cash Limited Revenue Budget 2024/25

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.

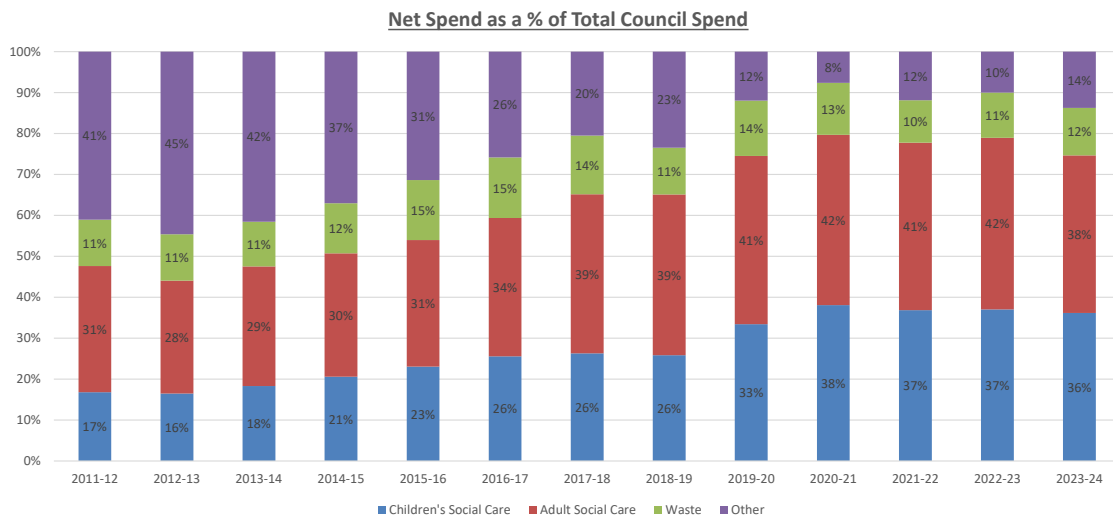
9.2 The cash limit upon the Revenue Budget for 2024/25 is **£194,762,000** (line 22 of Appendix 4a summary). This represents the maximum sum of net expenditure which is sustainable within the resources available.

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 2023/24 Revenue Budget including Working Balances
- pay award of 3.0% in 2024/25
- 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 to those that commit to pay it
- growth in the children's social care budget in line with latest projections on Looked After Children unit costs
- non-pay inflation in 2024/25 of 3% based on OBR CPI for all contracts excluding utilities (0%) and insurance (5%)
- growth in the adult social care budget to reflect reasonable demographic pressures and fee rate increases
- Council Tax and Adult Social Care Precept increases of 2.99% and 2.0% respectively
- Treasury Management budget predicated on a weighted average interest rate of 5.0%
- the latest estimates of Settlement Funding Assessment
- the Council fulfils its statutory obligation to balance its budget.

9.4 Children’s Services

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 2023/24 represented 36% of the Council’s revenue spend compared with 17% in 2011/12. Indeed all social care now represents 74% of the Council’s revenue spend compared with 48% around a decade ago.



Children’s Services is also seeing an increase in demand for Special Educational Needs (SEN) transport relating to a growth in Education Health and Care Plans (EHCPs)

A Children’s Social Care Medium Term Financial Strategy is in place and under continuous review to ensure that positive management intervention happens as planned.

9.5 Adult Services

Adult Services has also seen significant investment over the last decade with spend representing 38% of total Council spend in 2023/24 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 2024/25 Medium Term Financial Plan highlights this:

	Year on Year Variance in Funding £000s	Comments
Better Care Fund	0	No increase in funding
Social Care Grant	5,305	This funding is for Adult and Children's Social Care
Adult Social Care Market Sustainability & Improvement Fund	1,838	
Discharge Funding Grant	1,017	
Adult Social Care Council Tax Precept	1,423	Value at 2%
Total Increase in Funding for Social Care	9,583	
Funding required to cover Children's Social Care Pressures	8,205	See table at 9.7
Funding required to cover Adult Social Care Pressures	9,419	See table at 9.7
Total Cost pressures in Social Care	17,624	
Funding Deficit	8,041	

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. A state of the art I-MAX cinema will open in 2024 and this will provide a much welcomed night time offer to further encourage families to the resort.

Work on the hotel within Central Business District will also be complete in 2024 and further re-location of a number of Central Government backed organisations is also likely 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.

	MTFP v1.7 £m	Comments
Pay Award/Increments	3.2	Pay award assumed at 3% plus increments.
Non-pay inflation (exc Children’s & Adults)	0.6	Based on 3% Autumn Statement OBR CPI forecast.
Adult Services	9.4	Impact of RLW increases (£10.90 -> £12.00) and demand pressures.
	(2.9)	ASC Market Sustainability & Improvement Fund (£1.84m) and Discharge Grant (£1.02m).
Children’s Services	8.2	Based on latest CSC MTFP plus 5% unit cost inflation, SEN transport and unachieved savings target from 23/24.
Waste Disposal	1.3	Increased waste disposal costs linked to contractual obligations with LCC.
Treasury Management	4.4	Estimates predicated on Bank of England interest rates averaging at 5.0% and increased capital spend.
Minimum Revenue Provision	5.2	Reversal of technical accounting adjustment which benefitted previous years.
Non-recurring budget savings from previous year	9.9	One off use of reserves to balance 2023/24 budget.
Other	0.7	
Expenditure Total	40.0	

10.0 Budget Gap 2024/25 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 (ref. Table 7.16)	(23.7)
Pay- related costs	3.2
Non-pay inflation	0.6
Service pressures / Demand and demographic pressures	26.3
Prior year non-recurrent savings	9.9
Total	16.3

10.2 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 prospective County Combined Authority, the Integrated Care Board, 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 **£16.3m** in 2024/25. These are listed at Appendix 4b 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.

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 for recruitment requests
- consideration of applications for early retirement, flexible retirement and voluntary redundancy
- holding vacant posts throughout the year which are subsequently removed resulting in a saving
- enabling employees to voluntarily reduce their hours of work if they wish to do so
- offering unpaid career breaks and unpaid sabbaticals
- cessation or limitation of the use of agency staff and casuals
- redeploying employees into other roles where their role is proposed to cease/change

Due to the actions above, the proposed budget sees more than 50 roles either frozen or removed and as things stand, we are expecting no more than single figures in compulsory redundancies and we will strive to avoid this completely.

11.2 Economic Context

The significant events that have occurred over recent years continue to have an impact on both the Global and UK economy. The consequences of the pandemic, the effects of Britain's exit from the European Union and the war in Ukraine are continuing to have an effect on a number of factors including the supply chain and prices. As a result, UK inflation continued to rise in early 2023 but has now started to fall. It is hoped that this will continue and interest rates will fall as a result but it is important that the Council's treasury and investment affairs continue to be managed in a cautious and prudent manner.

The Bank of England consequently has increased the base rate numerous times from 3.5% in January 2023 to 5.25% on the 14th December 2023. There is however a market expectation that rates will fall during 2024/25 due to lower than expected levels of inflation. For the purpose of the budget, the information provided by the Office of Budget Responsibility has been used and this forecasts the base rate will reduce to a 4.9% in 2024. Money market investment rates for temporary surplus cash balances have also increased with the base rate with the current rate for a three-

month fixed-term deposit with a high street bank being typically 5.1%.

Long-term borrowing rates, influenced by gilt yields, returned to relatively stable levels in 2023 given the extreme volatility in 2022 as a result of the September mini-budget, which caused the Bank of England to announce an emergency bond-buying programme. Following the change in government budget proposals, gilts have largely stabilised and expected to mirror the movements in the base rate.

The Treasury Management Report for 2024/25 sets out the key principles and assumptions, all of which have fed into the budget setting process for 2024/25.

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 2023, although this is offset by repayments made to date. The total amount which has been drawn down so far is £117m net of repayments that have been made. These loans have created / safeguarded 1,788 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 Minimum Revenue Provision on any future loans is likely to inhibit the loan approval process, but this scenario 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, residents 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.

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 and 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 4d.

11.5 Budget Engagement

In line with last year's engagement the Council invited residents to comment on the Council budget and priorities. The online survey was conducted between 12 December 2023 and 4 January 2024 with residents asked to rate the level of importance of services on a 5 point scale ranging from very important to very unimportant.

The survey received 87 responses, with 85 of these from Blackpool residents and 2 from Blackpool workers who live outside Blackpool.

Respondents to the engagement survey identified the most important services to their household or community as "Housing". This includes planning and development for high quality affordable homes and ensuring decent standards are met across all privately rented homes. Of second greatest import, respondents identified "Transport", which included improving local transport services to reduce traffic congestion as well as improving walking and cycling routes. "Things to do", which included running a wide range of activities at the new or improved leisure facilities as well as maintaining libraries and Environmental services, including community safety projects, household recycling and bin collections, street cleaning, maintaining parks, open spaces, clean oceans, flood defences and increasing local wildlife and biodiversity were ranked as joint third in importance across the range of responses received. Fewer respondents consistently scored "Help and Support", including delivering safe services for children and adults including those with additional needs and/or disabilities and benefits advice and welfare services to support households facing financial hardships and homelessness and "Living Well" as significant priorities for Council spend. This may indicate that infrastructure and environmental needs are viewed as the fundamental functions and services of the Council from this group of respondents. This is compared to targeted, specialist and enhanced services for people such as health, help or skills development which were generally voted as less important or were not answered.

The survey also welcomed comments to understand more about the reasons underpinning the relative ranking. Housing was most frequently commented on, which included quality of current housing stock, as well as the supply of homes and affordability. Other areas of comment included: ensuring any training opportunities translate into good quality jobs,

ensuring good coverage, quality and affordability in transport across the town, improving conditions on roads, residents only parking zones, maintaining green space, improving safety and enforcement as well as redeveloping areas of the town, ensuring leisure activities are affordable, well utilised and effective, working with partners, ensuring families and children have conditions to thrive as well as keeping people active and offering preventive mental health support.

A detailed report of the budget engagement survey responses can be found at Appendix 4e.

11.6 Scrutiny Leadership Board

The Informal Scrutiny Leadership Board considered the key Budget pressures and savings required at its meeting on 17 January 2024 and has produced a report attached at Appendix 4f, 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 Section 25 Report – robustness of estimates and adequacy of 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 made for the purposes of the Council Tax requirement calculations and the adequacy of the proposed financial reserves allowed for in the budget proposals. 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.

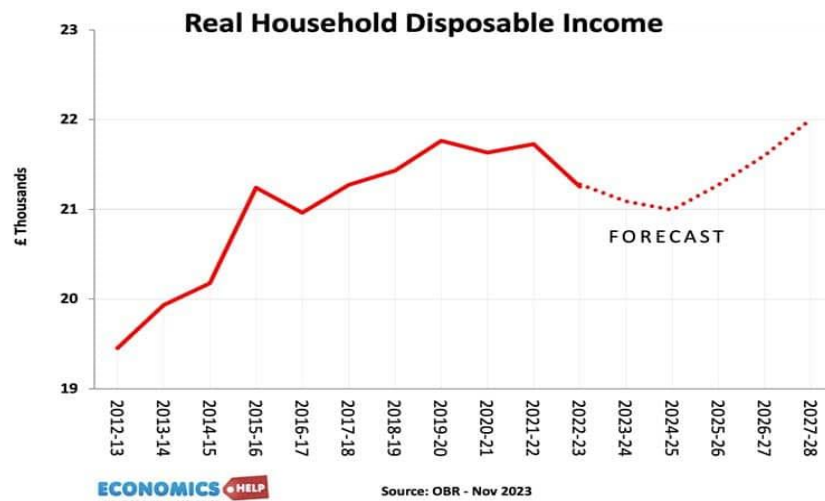
Local Authorities decide every year how much they are going to raise from Council Tax. Decisions are based on a budget that sets out estimates of what the Council plans

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.

The Section 25 report provides Members with critical context for their budget discussions and the setting of the Council Tax for 2024/25.

13.2 Financial / Economic Context

The Council is significantly impacted by the wider economic climate, which is currently adversely impacting many individuals' ability to meet their commitments and is making others more cautious in terms of their personal spending. This is a real challenge for a town focused on tourism. Many households have seen ongoing falls in their living standards. Disposable income is falling because of weak real wage growth and higher living costs and taxes. Higher interest rates for mortgages are leading to increasing accommodation costs which is also reducing individuals' spending power. This risks the Council facing potential income budget challenges and the possibility of increasing demand for Council support from residents.



The Bank of England forecasts much of the pain of higher interest rates is still to come, with approximately 1.6 million households due to re-mortgage in 2024.

On the positive side, it is widely expected that in 2024 the UK may see positive real wage growth, driven by strong demand for labour and a fall in inflation from the peak of last year.

Whilst consumers remain pessimistic about the economy in the coming year, businesses are becoming more optimistic as energy costs and goods inflation fall and a hope that interest rates have peaked.

The OBR believes the outlook for base rate interest is a weighted average of 5.0% in 2024/25 due to continuing inflationary pressures facing the economy. Debt restructuring opportunities will be kept under continuous review to minimise interest payments.

13.3 Risks Affecting Local Government

Councils continue to challenge government over the gloomy outlook given the historic level of underfunding they have faced over the last decade. The sheer number, type, profile and political make-up of those councils claiming to be in financial distress would indicate that the sector is not 'crying wolf'.

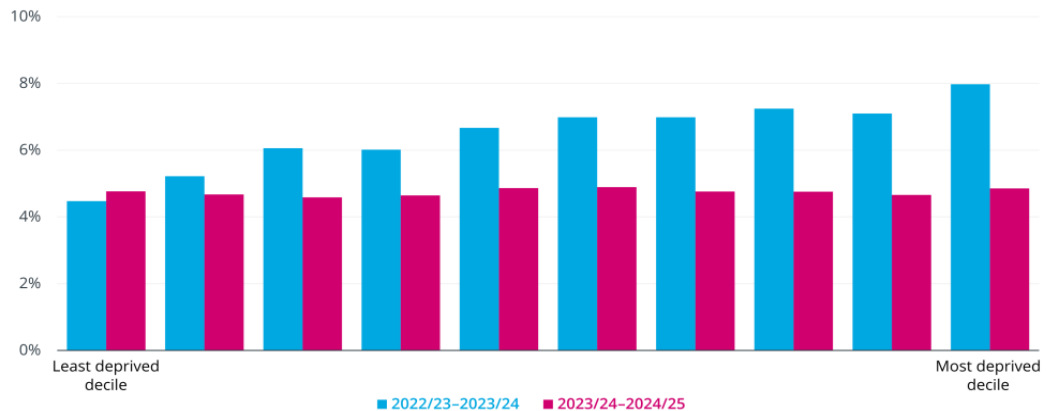
Despite the significantly higher inflation being experienced in the sector, the recent provisional finance settlement did not provide any additional funding to address this pressure. As a result authorities' 2024/25 spending power is now 4.7% lower in real terms than it would have been if inflation had remained at the level forecast in 2022 when the indicative figures were announced. £3.1bn of funding would have been needed to bring the figures back to Autumn Statement 2022 levels. This leaves 2024/25 spending power at approximately the same level as in 2013/14 and about 12% lower in real-terms than in 2010/11.

A key pressure was the uplifting of the National Living Wage by 9.8% for 2024/25 after increasing it by 9.7% in 2023/24 resulting in a significant unfunded pressure being passed on to local authorities.

Last year's finance settlement provided the least deprived decile of local authorities with a 4.5% real-terms average increase in spending power while the most deprived decile received an 8.0% increase. Unfortunately, a different approach has been taken this year with uplifts being almost uniform across the board.

Change in local authority spending power, by deprivation, 2022/23–2024/25 (real terms)

IfG



Source: Institute for Government analysis of Department for Levelling Up, Housing and Communities, Core spending power: provisional local government finance settlement - supporting information, 2024/25; and Ministry of Housing, Communities, and Local Government, English indices of multiple deprivation, 2019. Notes: The deflator used for each year comes from the most recently published Office for Budget Responsibility forecast. 

By abandoning the redistributive approach of recent finance settlements, the finances of local authorities such as Blackpool, which face some of the most intensive demand pressures, are squeezed further.

The one-year finance settlement for 2024/25 just adds uncertainty over government grants from 2025/26 onwards. This makes planning council finances in the medium to longer term far harder than it needs to be. This is exacerbated by the lack of any certainty over the introduction of the fair funding reforms now delayed by 10 years and the potential redistribution of funding to those with most need.

Pressures in the children's and adults social care markets have increased steadily over the past decade. With the lack of sufficient market capacity for high needs placements resulting in escalating costs pressures, we need to continue to develop processes to improve the management of cases to prevent them from developing into high needs placements and consider less costly alternative provision.

Another significant area of pressure relates to Special Educational Needs (SEN) transport following the growth in Education Health and Care Plans (EHCPs).

A fourth area of growth is in the Homelessness Service, in which demand is high and continues to rise supporting people to whom a responsibility is owed. Despite successful work in-year to reduce the number of households requiring emergency temporary accommodation and reducing the time spent in B&Bs for those for whom another option is not available, the service is projecting to spend over £1m on this accommodation in 2023/24 alone.

13.4 Robustness of Estimates

The Council has taken a prudent approach to the key assumptions underlying the 2024/25 budget, basing these on the estimates provided by the OBR, the body responsible for providing independent and authoritative analysis and estimates for the UK's public finances.

Assumption	Basis
Staff pay award = 3%	OBR average earning % for 2024/25
Inflation = 3% CPI	OBR estimate 2024/25
Interest rate =5%	OBR weighted average for 2024/25
Utilities = 0%	Technical assessment based on agreed market contracts. Supported by OBR estimates.

As set out in paragraph 8.2, the Council has faced significant challenges in delivering the previous years' outturn within budget. In response, the Council has developed both its 2024/25 budget and the longer term Medium Term Financial Strategy with plans to address key overspend by areas. The reserves are also being targeted for increase to provide a further cushion.

Whilst the above are positive moves, it must be clearly acknowledged that the Council has struggled to find recurring savings to meet its savings target in full. In 2024/25, at most, £4.7m of savings are non-recurrent and this will carry forward and build additional pressure into the 2025/26 budget for addressing on top of that years' forecast pressures. Nonetheless, this is a significant reduction on the £15.1m that was carried forward into 2023/24.

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 2024/25 have been taken in order to deliver a balanced budget next year.

Looking further forward, the Council's Dedicated Schools Grant is projected to be in deficit by £1.2m by 31 March 2025. A statutory override has been in place to allow this deficit to be ring-fenced from the core Council budget. However, this is due to end in 2026 at which point the Council will need to cover any Dedicated Schools Grant deficit from available reserves, though the current estimated deficit then is only £46k.

13.5 Adequacy of Reserves

Ongoing work is already underway for years 2025/26 to 2026/27 to develop strategies and to identify additional savings with a forecast savings requirement of £20.8m over the final two-year period of the Medium Term Financial Strategy.

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Local Authority Accounting Panel (LAAP) produced 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. 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 S151 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.

The table below shows the level of Council reserves over the last 4 years. The Council was aiming to rebuild its unallocated reserve to £6m by the end of 2023/24 but this has not been possible given the projected 2023/24 outturn.

	Unaudited	Unaudited	Forecast	
	2020/21	2021/22	2022/23	
	£'000	£'000	£'000	
			2023/24	
			£'000	
Council Earmarked Reserve	(75,448)	(73,782)	(47,623)	(27,867)
Dedicated Schools Grant Reserve	5,762	4,956	2,784	1,629
HRA Earmarked Reserve	(3,032)	(1,806)	(1,721)	(1,452)
Total Earmarked Reserves	(72,718)	(70,632)	(46,560)	(27,690)
Unallocated Reserve General Fund	(6,293)	(6,075)	(2,459)	(5,021)
Total	(79,011)	(76,707)	(49,019)	(32,711)

The CIPFA guidance highlights a range of factors in addition to cash flow requirements that councils should consider in deciding the level of reserves it may require. These include: (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.

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. For instance, the Covid years of 2020/21 and 2021/22

swelled the Earmarked Reserves due to specific Government grants which for Business Rate Reliefs were deployed the following year.

A reserves assessment to identify the key financial risks which could impact on the Council's resources in 2024/25 has been undertaken. Whilst the Medium Term Financial Plan modelling includes estimates of future cost pressures, the Council needs to be aware that further sustained pressures in the following areas remain a significant risk requiring appropriate level of reserves to deal with these uncertainties. The key areas considered were:

- a) Risk of demand pressures continuing to grow in both adult and children's social care.
- b) Inflation does not fall back as envisaged within budget projections.
- c) Interests rates are higher than predicted.
- d) Staffing costs are higher than predicted and in particular the take-up of the Real Living Wage place in the care sector.
- e) Reduced personal disposable income impacts upon the delivery of the Council income targets.
- f) The level of savings required in 2024/25 is not delivered.

The Fair Funding Review has been postponed yet again and will not be known until 2025/26 at the earliest, the outcome of which will determine how funding will be allocated to individual local authorities. There must be a significant likelihood that the outcome of the review would be favourable to the town, however, the budget proposals for future years will need to make prudent assumptions on the impact of the Fair Funding Review once we are clear as to the methodology to be used and the timetable to be adopted.

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 review, it is recommended that the Council targets working balances of £8m by 31 March 2025 based upon 4% of the council's net revenue budget for 2024/25 of £194.8m.

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 18 December 2023 as part of the Provisional Local Government Settlement, it was announced that an increased Council Tax referendum threshold of 5% would apply for 2024/25 (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 Medium Term Financial Sustainability Strategy 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 2025/26, there is an estimated budget gap of **£14.8m** with a further saving of **£6.0m** in 2026/27. 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 Council 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 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 4a - General Fund Budget
Appendix 4b - Savings Proposals
Appendix 4c - Dedicated Schools Grant
Appendix 4d - Equality Analysis
Appendix 4e - Budget Engagement
Appendix 4f - Report from the Scrutiny Leadership Board

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.

20.0 Equalities considerations and the impact of this decision for our children and young people:

20.1 Details of the equalities analysis are set out in paragraph 11.4 above and attached at Appendix 4d, to the Executive report.

21.0 Sustainability, climate change and environmental considerations:

21.1 None directly from the report, however, the current Medium Term Financial Sustainability Strategy includes 10 key principles, one of which relates to 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).

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 4e, to the Executive report. The Scrutiny Leadership Board met informally on 17 January 2024 – the report is attached as at Appendix 4e, to the Executive report.

23.0 Background papers:

23.1 Local Government Provisional Settlement
[Provisional local government finance settlement: England, 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk)
Medium Term Financial Strategy
[Agenda for Executive on Monday, 8th November, 2021, 6.00 pm \(blackpool.gov.uk\)](https://blackpool.gov.uk)

24.0 Key decision information:

- 24.1 Is this a key decision? Yes
- 24.2 If so, Forward Plan reference number: 26/2023
- 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: 26 January 2024 Date approved:

27.0 Declarations of interest (if applicable):

27.1 Councillors N Brookes and Hobson declared Prejudicial Interests in the budget savings relating to Blackpool Coastal Housing Limited and Blackpool Housing Company Limited set out at resolution 1 as Non-Executive Directors of those companies. Councillors N Brookes and Hobson left the meeting for the consideration of that part of the decision and did not take part in the discussion or voting on that resolution.

Councillor Benson declared a Disclosable Pecuniary Interest in relation to the budget savings for Blackpool Transport Services Limited in resolution 2 as her husband was an employee of the company. Councillor Benson left the meeting for the consideration of that part of the decision and did not take part in the discussion and voting on that resolution.

Councillor Benson declared a Personal Interest in the parts of the resolutions regarding Concessionary Fares as the proposed saving was in respect of the Council's

revenue budget although Blackpool Transport Services was an associated party and as her husband was an employee of Blackpool Transport Limited.

Councillor Farrell declared a Prejudicial Interest in the budget savings relating to Blackpool Entertainment Company Limited set out in resolution 2 as a Non-Executive Director of the company. Councillor Farrell left the meeting for the consideration of that part of the decision and did not take part in the discussion and voting on that resolution.

Councillor M Smith declared a Prejudicial Interest in resolution 2 relating to savings in respect of Blackpool Operating Company Limited as a Non-Executive Director of the company. Councillor M Smith left the meeting for the consideration of that part of the decision and did not take part in the discussion and voting on that resolution.

28.0 Summary of Discussion:

28.1 Mr Steve Thompson, Director of Resources, presented the report to the Executive. Mr Thompson highlighted that the report had been produced using indicative figures for the Social Grant outlined in Paragraph 7.6 and the Public Health Grant outlined in Paragraph 7.10. Confirmation of the exact figures along with further arrangements regarding the retention of Business Rates had been announced in the last few days. Mr Thompson explained that some areas of grant funding appeared lower than expected and others higher so that further analysis would be required before the Budget Council meeting.

29.0 Executive decision:

29.1 The Executive resolved as follows:

1. To recommend to Council a level of budget savings of £422,000 from Housing Company recharges and review of company overheads for Blackpool Coastal Housing Company and Blackpool Housing Company Limited (ref. paragraph 10.1 and Appendix 4b to the Executive report).
2. To recommend to Council a level of budget savings of £1.578 million made up by £427,000 for new rent at the Tram Depot from Blackpool Transport Services Limited; £500,000 from improved performance from the Sandcastle Waterpark and Winter Gardens; £500,000 from an Enveco dividend and £151,000 from a rent increase from the Sandcastle Waterpark.
3. To recommend to Council a level of budget savings of £14.3m (£16.3m including those approved at 1 and 2 above) (ref. paragraphs 10.1 and Appendix 4b) incorporating a Council Tax increase of 4.99% made up of 2.99% plus a 2% Adult Social Care precept.

4. To recommend to Council the level of net expenditure for the draft General Fund Revenue Budget 2024/25 of £194,762,000 (ref. paragraph 9.2 and Appendix 4a, to the Executive report).
5. To note that the precepts for Police and Fire will be reported to Full Council on 21 February 2024 as the rates are not agreed until 19 February 2024 and week commencing the 19 February 2024 respectively.
6. 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).
7. To recommend to Council the proposed use of the Dedicated Schools Grant Budget for 2024/25 (ref. paragraph 7.9 and Appendix 4c to the Executive report).
8. To recommend to Council the allocation of schools funding for 2024/25 (ref. paragraph 7.9 and Appendix 4c to the Executive report).
9. To recommend to Council a target level of working balances of £8m by 31 March 2025 (ref. paragraph 13.5)
10. 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 2024/25 (ref. section 13)
11. To agree to consider any further facts, information and stakeholder feedback which may emerge and report the details to the meeting of the Council on 21 February 2024.

30.0 Date of Decision:

30.1 5 February 2024

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 6 February 2024

33.0 Alternative Options Considered and Rejected:

33.1 The Executive noted that an integral part of the budget setting process would be to ensure there had 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 however it remained clear that none of these alternatives would result in the setting of balanced balances which represented a statutory requirement.

34.0 Executive Members in attendance:

34.1 Councillor Williams, in the Chair

Councillors Benson, N Brookes, Burdess, Farrell, Hobson, Hugo, M Smith and Taylor

Councillors N Brookes and Hobson having declared a Prejudicial Interest in resolution 1, left the meeting for the consideration of that part of the decision and did not take part in the discussion or voting on that resolution.

Councillors Farrell and M Smith having declared a Prejudicial Interest in resolution 2 and Councillor Benson having declared a Disclosable Pecuniary Interest in resolution 2, left the meeting for the consideration of that part of the decision and did not take part in the discussion or voting on that resolution.

35.0 Call-in:

35.1

36.0 Notes:

36.1 The following Non-Executive Members were in attendance: Councillors Galley, Hunter, Marshall and M Scott.