



SCRUTINY COMMITTEE

ROOMS 2 & 3, BURNLEY TOWN HALL

Thursday, 8th February, 2024 at 6.30 pm

SUPPLEMENTARY AGENDA

10) *Capital Monitoring Report 2023/24 - Quarter 3 (to 31 December 2023)* 3 - 8

To provide Members with an update on capital expenditure and the resources position along with highlighting any variances.

Please find details of amendments below:

Paragraph 2 a:

Net budget changes total an increase in the capital programme of £69,936 (amended from £60,129).

Revised capital budget for 2023/24 totals £41,727,259 (amended from £41,727,459).

Paragraph 2b:

Revised capital budget for 2023/24 totals £41,727,259 (amended from £41,727,459).

14) *Revenue Budget 2024/25* 9 - 26

To consider a report on the Revenue Budget 2024/25.

Please find details of amendments below:

Paragraph 17:

Removal of the saving relating to Fulfilled Recreation Ground car parking income (£20k). Utility savings amended from (£147k) to (£167k).

Appendix 3:

Removal of the saving relating to Fulfilled Recreation Ground car parking income (£20k). Utility savings amended from (£147k) to (£167k).

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Capital Monitoring Report 2023/24 – Quarter 3 (to 31 December 2023)

REPORT TO EXECUTIVE



DATE	12 February 2024
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Craig Finn
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PURPOSE

1. To provide Members with an update on capital expenditure and the resources position along with highlighting any variances.

RECOMMENDATION

2. The Executive is asked to:
 - a. Recommend to Full Council, approval of net budget changes totalling a net increase of £69,936 giving a revised capital budget for 2023/24 totalling £41,727,259 as detailed in Appendix 1.
 - b. Recommend to Full Council, approval of the proposed financing of the revised capital budget totalling £41,727,259 as shown in Appendix 2.
 - c. Note the latest estimated year end position on capital receipts and contributions showing an assumed balance of £3,553,100 as at 31 March 2024 as shown in Appendix 3.

REASONS FOR RECOMMENDATION

3. To effectively manage the 2023/24 capital programme.

SUMMARY OF KEY POINTS

4. Monitoring Information

On 22 February 2023 Full Council approved the 2023/24 original capital budget, totalling £41,357,215.

Since approval of the 2023/24 original capital budget, subsequent reports have been presented to Council to approve the final 2022/23 capital outturn position (19 July 2023) and budget adjustments from the first in-year monitoring cycle at Q1 (27 September 2023),

and second in-year monitoring report at Q2 (24 January 2024) revising the approved 2023/24 capital budget to £41,657,323.

This is the third of three in-year monitoring reports, and as such the appendices accompanying this report provide Members with the position as at 31 December 2023 on expenditure, along with an update on the progress of delivery of the individual schemes.

Budget adjustments in the sum of £744,054 are proposed in addition to re-profiling (£674,118) into 2024/25. Total adjustments therefore equating to a net increase to the Capital Programme in 2023/24 of £69,936.

The net result is a newly revised Capital Programme for 2023/24 of £41,727,259.

5. Executive Summary

- a. **Expenditure monitoring – Appendix 1** provides a detailed breakdown of the revised capital budget, scheme by scheme, presented under each of the relevant service unit areas responsible for delivering the capital projects. It shows the recommended revised budget position and expenditure as at the end of December 2023. The expenditure to date is £20,161,816 which is 48% of the proposed revised budget.
- b. **Revised budget and financing elements – Appendix 2** shows the revised budget of £41,727,259 along with identifying the recommended financing elements on a scheme by scheme basis. As above, this is a net increase to the 2023/24 Capital Programme approved in January 2024 of £69,936 owing to budget adjustments in year and re-profiling sums into 2024/25.
- c. Included within the in-year adjustments are additional items for approval in the 2023/24 Capital Programme, not previously reported to Council, and these are included at Appendix 2, in the sum of £744,054 (net) and are also summarised below.

Scheme	Funding Source	£'000
Vehicle & Machinery Replacement	Revenue	19
Play Zones	Cap Receipts/Football Fndtn	(165)
Safer Streets	Other Local Authority	11
Lower St James St HAZ	Owner Contributions	10
Vision Park	LEP	(17)
Building Infrastructure	Prudential Borrowing/Receipts	254
Better Care Grant/DFGs	Better Care Grant	492
Affordable Warmth	Affordable Warmth Grant	140
Total Additional Proposals		744

- d. More detail is also included within the narrative at Appendix 1.
- e. **Council resources position – Appendix 3** shows the latest position on capital receipts, section 106 monies and third party contributions. As at the end of this round of budget monitoring the forecast level of surplus available local resources at 31 March 2024, after taking into account the 2023/24 capital commitments, is estimated at £3,553,100.

The resources are reducing each financial year. This is due to reduced opportunities to realise capital receipts, as the estate reduces, which will require prioritisation of future capital schemes in line with available resources.

Please note, the general receipts position requires a number of properties to be sold over the life of the medium-term Capital Investment Programme (CIP), some of which are considered high risk.

Asset disposals will be monitored throughout the year, with updates to Members included in these cyclical monitoring reports. Should these receipts not be received, we will need to source alternative financing.

f. **Building Infrastructure Works**

Towneley Hall

The contract to repair Towneley Hall is progressing to programme. The west wing is complete and works are progressing on the south wing and great hall ceiling. The contract completion date is now projected 8 weeks later (26/02/25) because the Regency rooms are being used for storage of art works which will delay redecoration of these rooms.

Town Hall (and Audio Visual upgrade)

The status of repair works at the Town Hall remain as previously reported. These are now well under way but continue to have an impact on the timetable for installation of the Audio Visual upgrade, with tenders from interested parties due to be received mid-January.

Nicholas Street

Outbreaks of dry rot continue to arise and are in the process of being treated. The building continues to be monitored pending its disposal or redevelopment.

Members will be aware that the site was subject to a separate report to the Executive on 16th August 2023, where it was resolved to proceed with re-development proposals for this surplus building and to accept the offer of grant funding via Urgent Executive Decision.

This scheme (Brownfield Land Release) is included in the revised Capital Investment Programme.

6. **Revenue Implications**

a. **Revenue Contributions / Reserves 2023/24**

- b. The Capital Programme includes Revenue Contributions / Reserves of £3,328,657 being:

Scheme	Funded	£'000
Vehicle & Machinery Replacement	Transport Reserve	143
Vehicle & Machinery Replacement	Revenue	72
Worsthorne Recreation Ground Improvements	Revenue Support Reserve	22
Refill Fountains	Revenue Support Reserve	5
Cremator Relining	Revenue/Revenue Support Reserve	53
Lower St James Street Historic Action Zone	Growth Reserve	520
Building Infrastructure	Growth Reserve/Covid-19	44
Audio & Visual Upgrade to Facilitate On-line Meetings	Covid-19 / Cost of Living Reserve	100
Pioneer Place	Transformation Reserve	665
Charter Walk	Charter Walk (Regen) Reserve	1,180
Local Authority Housing Fund	Dispersal Accommodation Reserve	170
Building Control IT Procurement	Transformation Reserve	60
Burnley Leisure Gym replacement	Revenue Contribution	295
Total Revenue Contributions		3,329

c. **Prudential Borrowing 2023/24**

The MRP cost is the charge to revenue for the repayment of the principal amount borrowed based on the estimated life of the asset and is not incurred until the year after the schemes are completed.

The interest cost will be dependent on the timing of the borrowing and is subject to the interest rate at the time the borrowing is undertaken. The full year costs will be included within the revenue budget for 2023/24.

The original capital budget for 2023/24 of £41,357,215 included a planned borrowing requirement of £15,223,050. The revised Capital Programme for 2023/24, including proposed budget adjustments and re-profiling schemes into 2024/25 now estimates the planned borrowing requirement for the year to be £13,154,323.

The revenue implications of borrowing £13,154,323 are a Minimum Revenue Provision (MRP) of £1,409,540 and an interest charge, assuming 3% on the borrowing, of £395k for a full year.

The above MRP estimate will apply to future years from 2024/25 where appropriate, in line with the Council's approved MRP Policy and regulations, to allow MRP to be charged in the year following practical completion of the asset.

The approved MRP charge for 2024/25 will be determined as part of the Council's annual budget setting process.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

7. A net increase of £69,936 to the 2023/24 Capital Programme giving a revised Capital Investment Programme of £41,727,259.

POLICY IMPLICATIONS

8. None arising directly from this report. Any prudential borrowing will be undertaken in accordance with the Council's approved Treasury Management Strategy Statement (TMSS) as approved by Council in February 2023, for 2023/24. This includes the approved MRP policy and Capital Financing Requirement (CFR).

DETAILS OF CONSULTATION

9. None.

BACKGROUND PAPERS

10. None.

FURTHER INFORMATION

PLEASE CONTACT:

Craig Finn – Principal Accountant

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REPORT TO THE EXECUTIVE



DATE	15th February 2024
PORTFOLIO	Resources & Performance Management
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Revenue Budget 2024/25

PURPOSE

1. To consider the estimates of revenue income and expenditure for 2024/25 and to make recommendations to Full Council about next year's Revenue Budget.

RECOMMENDATION

2. The Executive is recommended to adopt the following resolution:

That Full Council be recommended to:

- i) Endorse the approach that has been adopted in developing budget proposals that reflect the Council's Strategic Objectives for 2024/25;
- ii) Approve the proposals contained in this report;
- iii) Set a Council Tax Requirement of £8,054,980 for the financial year 2024/25;
- iv) Set a Net Budget Requirement of £18,986,918 for 2024/25;
- v) Receive and consider the statutory report issued by the Director of Resources under the Local Government Act, 2003;
- vi) Authorise the Chief Operating Officer/Directors/Heads of Service to progress action plans to deliver the 2024/25 budget;
- vii) Approve a Council Tax (Band D) figure of £337.82 for this Council for the year commencing 1st April 2024 and adopt the statutory resolution to set the full Council Tax for the year. This is equivalent to a 2.99% Council tax increase.

REASONS FOR RECOMMENDATION

3. To fulfil the Council's statutory obligation to calculate its Council Tax requirement as set out in Section 31A of the Local Government Act 1992 (as amended by section 74 of the Localism Act 2011).
4. To set a balanced budget for the financial year 2024/25 that ensures the viability of the Council and aligns resources to the Council's strategic priorities.

SUMMARY OF KEY POINTS

BACKGROUND

5. This report summarises the key issues that elected Members will need to consider when finalising the Revenue Budget 2024/25. Under the constitution it is the Executive's duty to present detailed recommendations for Full Council to consider. The following appendices are related to the report.

Appendix 1	General Fund Revenue Summary 2024/25
Appendix 2	Growth
Appendix 3	Savings
Appendix 4	Equality Impact Assessment

6. The schedule of proposed fees & charges, which forms an integral part of the budget process, was approved at the meeting of Full Council on 24th January 2024.
7. The proposals contained within this report have been developed as a result of discussions and presentations at various Member and officer forums.
8. The Local Government Act 2003 sets out the requirements for sound financial management. Section 25 is particularly relevant when the budget and Council Tax for the coming year are being set. It requires the Chief Financial Officer to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. This report is contained elsewhere on your agenda.
9. This budget has been developed following the principles set out in the Council's Medium-Term Financial Strategy. The strategy emphasises the need to focus on the use of the Council's resources towards achieving the Council's stated objectives.
10. The Council has adopted an approach to producing the budget based upon the relative priority of all the services. However, at the heart of the Council's financial planning is a savings plan aligned to strategic intent.
11. In view of the tight financial constraints within which the Council has operated in recent years, there is little scope for growth in service provision. Appendix 2 shows further limited growth proposals.

SUMMARY OF THE REVENUE BUDGET POSITION 2024/25

12. The proposed net revenue budget for 2024/25 is as set out in the table below:

SUMMARY OF THE REVENUE BUDGET POSITION 2024/25		
Net Revenue Budget - original 2023/24 (excluding parish precepts)		16,267
2023/24 salary adjustments		37
Growth approved at previous Council Meetings		157
Savings approved at previous Council Meetings		(252)
Proposed Growth - Appendix 2		399
Additional Savings Identified - Appendix 3		(317)
Contractual inflation		815
Salary inflation		567
Additional Fees & Charges income generation		(104)
Movements in Earmarked Reserves		1,007
MRP		220
Various minor service adjustments		3
Parish Precepts		188
Net Budget Requirement		18,987
<u>Government Settlement Funding Assessment</u>		
Revenue Support Grant	2,175	
Business Rates Baseline	4,614	6,789
New Homes Bonus		134
Council Tax Yield		8,055
Collection Fund Deficit - Council Tax		(274)
Collection Fund Deficit - NNDR		(1,075)
Council Tax - Parish Precepts		188
<u>Business Rates in addition to Baseline Funding</u>		
S31 grants for business rate reliefs	2,627	
Business rate growth above baseline	505	
Business Rates Multiplier Inflation Cap	897	
Renewable Energy	307	4,336
Services Grant		30
Funding Guarantee		804
Local Council Tax Support		0
		18,987

13. **LOCAL GOVERNMENT PROVISIONAL SETTLEMENT**

The local government provisional settlement was announced in December 2023 and was confirmed on 5th February 2024. The settlement figures included within this report are based upon the final settlement figures.

15. **Spending Power**

The calculation of Spending Power only includes Revenue Support Grant, Business Rates, New Homes Bonus, Services Grant, Minimum Funding Guarantee and Council Tax. The Council's Spending Power will increase by 5.3% in 2024/25 (4.5% increase in 2023/24). This compares to an England average increase of 6.6%.

16. **Settlement Funding Assessment (SFA)**

SFA is set by the Government and comprises Revenue Support Grant (RSG - the general grant funding to local authorities) and the Baseline Funding Level for business rates income. The Council was a member of the 50% Lancashire Business Rate Pool in 2023/24 and will continue to be a member in 2024/25.

14. **New Homes Bonus**

In the 2017/18 finance settlement the Government reduced the funding period for NHB from six years to five years and then to four years in 2018/19 onwards for existing and new awards commencing in 2017/18 which accelerated the rate at which this grant reduces.

15. In addition, from 2017/18 the Government set a baseline for housing growth of 0.4% of a Council's existing tax base below which no NHB grant is payable. The baseline has remained at 0.4% for 2024/25.

16. As announced in the 2020/21 finance settlement, the New Homes Bonus allocation for 2020/21 changed to a period of one year only, rather than the previous four years. This revised policy has remained unchanged for each financial year since from 2021/22 onwards, with each allocation being for just a one year period. The Council has been allocated £134k for 2024/25.

BUDGET SAVINGS IDENTIFIED

17. Following the announcement of the provisional local government finance settlement in December 2023 for 2024/25 further budget savings have, as is usual, been identified. The additional savings required is £317k which has been met by additional investment interest income (£150k) and reduction in utility budgets due to falling prices (£167k). Further details can be seen in Appendix 3.

The final finance settlement for 2024/25 was announced by Government on 5th February 2024.

GROWTH

18. Given the continuing and sustained budget pressures being faced, there is very little scope for continuing growth unless the Council's priorities demand new spending in key areas. A balanced approach needs to be taken to ensure priority issues are achieved.

19. Consequently, fifteen items of revenue budget growth are included within the proposals for 2024/25. The growth items are shown in Appendix 2 for information and have been

included within the revenue budget for 2024/25. Details of each growth item can be seen below:

- Love Clean Streets – the Council implemented the ‘Love Clean Streets’ App in 2023/24 which enables residents to report street cleansing, fly-tipping, graffiti and other issues in their neighbourhood, local park or green space in a faster way than using the ‘Love Burnley Website’. The annual subscription cost for the App is £13k.
- Software Budgets – The Council uses Civica Financials for its General Ledger, Creditor and Debtor systems on a one year rolling contract basis. Civica are keen for the Council to sign up to a fixed term contract (5 years) however the Council is assessing a change of financial system within this period due to ongoing issues with the existing system. As a result, Civica imposed a price increase of 7.5% in 2023/24 (on top of the annual 12.5% inflationary contractual increase) due to the Council being on a rolling contract. Additional growth of £9k is required to cover the additional contract costs. (For 2024/25, no further premiums have been incurred).
- Cremator Relining – the Council has two cremators which require a full reline every five years together with a hearth replacement. At present a £19k contribution is made each year into the Cremator Relining reserve to fund to these replacement costs. Due to price increases this amount is no longer sufficient. An additional £15k is required each year to ensure that the costs of a full reline/hearth replacement can be met.
- Elections – An additional £5k is requested to ensure that staff working on the Council’s elections will be paid the National Living Wage rather than the National Minimum Wage.
- External Audit Fees – following a recent Public Sector Audit Appointments procurement exercise for the appointment of our external auditors, the annual fee is expected to increase by approximately 150%. Budget growth of £64k is required to meet this pressure. This follows the recommendations of the Redmond Review that looked at the effectiveness of external audit and the transparency of financial reporting in local authorities. The Redmond Review concluded that more resource was required within the sector and will help to address the large backlog in external audits within the public sector.
- Good Youth Employer Status – the Council was awarded the Good Youth Employer status in April 2023 and we have worked with other local businesses to encourage sign up. A charge of £1k per annum has been introduced (with effect from 01/01/2024) which is payable if we wish to use the badge and declare ourselves a Good Youth Employer.
- Rowley Lake – an annual engineer inspection of the dam at Rowley Lake is required. Due to increases in costs an additional £1k is requested to cover the annual inspection fees.
- Rechargeable Tree Works – the Council has historically carried out tree works on behalf of LCC for which the costs were rechargeable. LCC now have their own team who are able to carry out these works and as a consequence this has resulted in a £9k reduction in rechargeable income.
- Ash Trees Dieback – an annual budget of £10k is requested for the three financial years 2024/25 – 2026/27 to help manage ash tree dieback which is a serious disease of ash trees, caused by a fungus. This will be funded from the Revenue Support Reserve.
- Green Spaces Equipment & Materials – due to increasing inflationary costs an additional £10k is requested for the purchase of equipment and materials within Greenspaces. This will enable the team to continue providing existing services.

- Sewer Baiting – an additional £7k is requested to help fund additional sewer baiting works within the borough. This will help to deal with the increasing number of rat related instances within the borough.
- Fennyfold 3G Pitch and Parking – a feasibility study is to be commissioned with regards building a 3G pitch at Fennyfold Playing Fields. An additional £30k is requested as one-off growth in the 2024/25 revenue budget, which will be funded from the Revenue Support Reserve, to meet the costs associated with the study.
- Private Sector Housing Enforcement Officer – a one year pilot scheme is to be introduced to employ a Private Sector Housing Enforcement Officer who will manage referrals from the Primary Care Network in respect of respiratory illnesses caused by substandard private sector housing, in particular involving damp and mould. A budget of £46k is requested which will be funded by the Revenue Support Reserve.
- Anti Social Behaviour Enforcement Officer – a one year pilot scheme is to be introduced to employ an ASB Enforcement Officer who will contribute and assist with the planned multi-agency co-ordination and delivery of a 12 month programme of targeted ward activities to identify and deliver on ward priorities and to increase visibility of the work of agencies and the engagement of community groups on ASB, CSP and environmental priorities. The post will increase capacity within the ASB Team and will be responsible for improving community engagement on how we publish and communicate ASB outcomes with our residents and stakeholders to increase confidence on reporting ASB issues. A budget of £39k is requested which will be funded from the Revenue Support Reserve.
- Burnley Together – a budget of £279k over a 3 year period for the payment of a grant to Calico Housing to help fund Down Town, with £140k being payable within the first year (2024/25). The grant will contribute towards the funding of the current Burnley Together customer facing staff, Down Town utilities and other building services, and a new post of Case Management Officer. The grant will be funded from the Cost of Living Reserve.

COUNCIL TAX

20. The proposals in this paper assume that the Council's Band D council tax will increase by 2.99% from the 2023/24 level of £328.01 to £337.82. This level of charge will yield an estimated total income of £8,054,980.
21. Guidance has been received from central government on the criteria for council tax increases that would trigger a local referendum. This guidance indicates that "if an authority's relevant basic amount of council tax is excessive a referendum must be held in relation to that amount". For 2024/25, the relevant basic amount of council tax of a shire district Council is excessive if the authority's relevant basic amount of council tax for 2024/25 is 3%, or more than 3%, greater than its relevant basic amount of council tax for 2023/24. When setting the budget for 2023/24 the referendum limit was also 3%, an increase from the 2% referendum limit in 2022/23. As part of the provisional financial settlement in December 2023, central government assumed that all local authorities would increase their council tax by the maximum allowable when calculating their Core Spending Power.
22. The financial impact each year of not increasing Council Tax at all is an additional pressure of around £233k, assuming a 2.99% rise is foregone. Over the five-year Medium Term Financial Strategy period this would result in a loss of income of £1,165k. The increase is

required to protect the services provided by the Council, to fund economic and community recovery initiatives required as a result of the cost-of-living crisis in addition to the impact of ongoing financial pressures faced by the Council.

BUSINESS RATES

23. The expected amount of business rates to assist in funding the Council's spending next year is included as part of the Government's 2024/25 funding provisional settlement. A reassessment of rateable values based on property values as at 1st April 2021 has been carried out, taking effect from 1st April 2023. Inflationary increases have resulted in an increase to the baseline funding level of £190k to £4.614m. It is also expected that the Council will receive grants in relation to business rates relief – totalling £2.626m, as can be seen in the table at paragraph 12.
24. The indicative figure from the Government for business rates relates to the system of business rates retention involving a distribution of rates collected to the Council, the County Council, the Combined Fire Authority and Central Government. Some elements of business rates are however fully credited to this Council. One element of business rates which falls within this category is sustainable energy. A sum of £307k is estimated to be receivable next year in respect of sustainable energy business rates which are a significant factor in balancing the revenue budget in 2024/25 and future years.
25. For 2024/25 Burnley remains a member of the Lancashire Business Rates Pool which was formed in 2020/21 and allows constituent members to come together and be treated as a single member of a business rate pool to combine their funding calculations under the business rate scheme, effectively adding their numbers together for all elements of the funding calculation, such as tariffs and top-ups. The benefit to be gained is that collectively, it produces a lower percentage levy calculation. Each authority continues to retain the growth in its business rates income that it would have retained as an individual authority outside of the pool. However, as part of a pool the Council would no longer be required to pay any levy to Central Government. The Lancashire application sets out what the tier splits would be for each member.

COLLECTION FUND DEFICIT

26. Council Tax Element

A surplus or deficit can arise for two reasons, namely:

- i) The Council's share of a variation in the amount of Council tax that is actually due and charged for the year in question compared with the figure assessed when the Council tax base for the year is calculated.
- ii) The Council's share of a variation in the amount that needs to be provided for taxes that the Council is unable to recover in each financial year.

This year's calculation has produced a deficit figure of £299k of which this Council's share is £44k. This is 14.7% as a proportion of the overall total. However due to a prior year deficit, the total charge for 2024/25 is £274k deficit. This takes into account the third year of the three-year spreading of the Covid-19 deficit from 2020/21, which will be met from monies set aside in the Collection Fund Deficit Reserve (approved at Full Council July 2021).

27. NNDR Element

A surplus or deficit can arise for four reasons, namely:

- i) NNDR base is larger or smaller than originally anticipated (reasons include properties coming on and off the valuation list (e.g. as a result of redevelopments), appeals by businesses to rating valuations,
- ii) In year collection rates are higher or lower than expected,
- iii) Arrears collection rates are higher or lower than expected, and
- iv) Timing differences for receipt of S31 funding provided for Government reliefs.

This year's calculation has produced an overall deficit figure of £1.968m of which this Council's share is £0.787m. However, due to a prior year deficit the total deficit charge for 2023/24 is £1.075m which will be met from the Collection Fund Deficit Reserve.

BUSINESS RATES UNDER-INDEXING MULTIPLIER GRANT

28. Central government has frozen the small business rate multiplier for four consecutive years. To compensate local authorities for this freeze, the under-indexing multiplier grant has been increased, in order that local authorities do not lose what would have been the additional business rates raised due to the increase in business rate multiplier. The cumulative compensation grant awarded to Burnley is £897k.

SERVICES GRANT

29. The government introduced a Services Grant Fund of £822m nationally in 2022/23 to support all services delivered by Councils. For 2023/24 this grant fund was reduced to £484m due to the cancellation of the increase in National Insurance Contributions and to move funding to the Supporting Families programme. The grant funding available has been further reduced to £77m for 2024/25. The grant continues to be allocated using shares of lower tier funding within the 2013/14 Settlement Funding Assessment levels. Burnley is to receive a reduced grant of £30k for 2024/25.

FUNDING GUARANTEE GRANT

30. The Funding Guarantee Grant was introduced for 2023/24 in replacement of the Lower Tier Services Grant with a grant fund of £136m which was intended to provide a funding floor for all local authorities. This ensured that no local authority would see an increase in Core Spending Power lower than 3% (less assumptions the Government made around increases in council taxbase increases). The provisional Settlement announced in December 2023 also adhered to the principle of a minimum 3% increase in the Council's Core Spending Power. A notification was received from DLUHC on the 24th January 2024 that the final settlement (expected to be announced early February 2024) would ensure that the minimum increase in funding would be 4%. This will mean that Burnley's allocation would be increased by an estimated further £157k and result in an overall award of £804k in 2024/25. Confirmation of this amount is yet to be received.

LOCAL COUNCIL TAX SUPPORT

31. The local council tax support grant has previously been awarded to the Council as a revenue grant to be included within the cost of services. As announced in the 2023/24 settlement this grant now forms part of the Council's provisional settlement, rather than be awarded as a revenue grant to be included within the cost of services. For 2024/25 this

grant has again been rolled into the Revenue Support Grant and all future transparency of this funding will be lost.

COUNCIL TAX SUPPORT SCHEME

32. For 2023/24 the Council approved a temporary amendment to the Council Tax Support Scheme, by increasing the level of subsidy for claimants of working age to a maximum of 100% for 2023/24, reverting back to 85% for 2024/25 onwards. This was to help alleviate some of the financial hardship caused by the cost-of-living crisis for eligible working age claimants. For 2024/25, the Council approved the commencement of a public consultation exercise to gain public opinion on extending a transitional period of temporary increase in the level of subsidy provided to working age claimants, from a maximum of 85% to a maximum of 95% for the 2024/25 financial year and 90% for the 2025/26 financial year. It is proposed that the level of subsidy returns to a maximum of 85% from 2026/27. This is intended to provide a transitional period in returning subsidy provided to previous approved levels. A report on the findings of the Council Tax Support Scheme consultation is contained elsewhere on this agenda.

COMMERCIAL STRATEGY & FEES AND CHARGES

33. The Council has developed and approved a commercial strategy. This is intended to promote a more commercial approach to the Council's business and finances and reflects the changed environment in which the Council now operates with the establishment of major contracts for service delivery including the strategic partnership with Liberata. Part of this commercial approach is linked to maximising, where possible, the income which the Council receives from fees and charges. Further work will continue to be undertaken in 2024/25 in this area.
34. During the budget process, it has been assumed that income budgets would increase in 2024/25 reflecting a corresponding increase, where practicable, in fees and charges levied. Heads of Service and Directors were therefore asked to review their fees and charges in the context of an assumed minimum overall increase of 3% in income generated, except in areas where it was considered that no increase should take place. This is in line with the assumptions as part of the MTFs update approved at September's Full Council meeting. The increase will take effect from 1st April 2024. The tariff of fees and charges was approved by Full Council on 24th January 2024. The estimated additional increase in income in 2024/25 as a consequence of the approved increases is £104k.

COST OF LIVING CRISIS

35. The impact of the cost-of-living crisis on the 2024/25 budget and future years is unknown. The ongoing financial support given to local businesses is helping to support the local economy, however it is unclear what the impact will be once these support packages end. A Covid-19 & Cost of Living reserve was set up in 2020/21 using financial support received from Central Government in 2020/21. Members approved in the Revenue Outturn Report at Full Council in July 2021 to transfer £1.6m into this reserve. The reserve has been called upon in 2021/22, 2022/23 and 2023/24 to fund related additional expenditure or loss of income and to provide funding for recovery initiatives. It is forecast that there will be a balance of £609k available at the end of 2023/24 for use in 2024/25 and future years. Of this amount, it is proposed to earmark £279k to provide funding for Burnley Together and the Down Town scheme over the next three years and £120k to support the transitional increase in subsidy for the Council Tax Support Scheme for the next two years.

STRATEGIC EARMARKED RESERVES AND GENERAL FUND RESERVE

36. It is important that, when considering the Revenue Budget, due consideration is given to the levels of strategic earmarked reserves that are available and held for future liabilities. The General Fund Reserve is held to provide a working balance to help cushion the impact of unexpected emergencies and uneven cash flow.
37. The table below shows the anticipated use of strategic reserves for 2024/25 and later years. The overall forecast position on reserves is shown in the table below. This includes all strategic earmarked and general reserves. The forecast below includes current approved and future commitments, future anticipated spend and future anticipated income into the reserves. This table excludes any reserves held for specific operational reasons:

	Strategic Earmarked Reserves £'000		General Fund Reserve £'000		Revenue Support Reserve £'000		Total £'000
Balance as at 01/04/23	5,671		1,379		2,994		10,044
In year adjustments	1,500				(1,500)		0
Approved use to Q3 2023/24	(2,366)		0		22		(2,344)
Balance available after approvals as at Q3	4,805	0	1,379	0	1,516	0	7,700
Future commitments and risk	(2,300)		0		1,075		(1,225)
Balance remaining as at 31/03/29	2,505		1,379		2,591		6,475

38. The Revenue Support Reserve is essential to provide resilience for the Council in light of reduced funding. As the authority adjusts to meet the pressures of reductions in Government funding, it has become increasingly challenging to produce savings annually as the authority contracts in resource and size. Savings proposals will carry more risk of successful implementation, whether they are income or expenditure related. The Revenue Support Reserve will be required to provide temporary mitigation for some of these risks. However, the purpose of the reserve is also to temporarily provide for unanticipated reductions in income, provide for unexpected revenue spend and to support shortfalls in major capital projects beyond their business cases and after their allocated reserves are exhausted. There is a 10 year programme to build up this reserve from the General Fund. However, for clarity only five years of this programme is shown in the above table to align with the time frame of this MTF5.

RISK ASSESSMENT

39. A risk assessment has been carried out on key areas of income and expenditure and ways of monitoring and mitigating the risk have been identified where possible.
40. During 2021/22 the Council commissioned two significant capital projects, Pioneer Place and the acquisition of Charter Walk. Pioneer Place was initially reported to Full Council in December 2018, with revised schemes approved by Full Council in November 2020 and October 2021. The Development Agreement went unconditional in December 2021 and work commenced on site 24 January 2022. Pioneer Place opened during the summer of 2023 with the transfer of the Manchester Road site taking place in October 2023. Works have now commenced on the Manchester Road site. The acquisition of Charter Walk was approved by Full Council in July 2021 and the sale was completed in October 2021. The revenue costs for both of these schemes have been incorporated into the MTFS. Both of these developments required taking on significant commercial risk over the lifetime of these projects (50 years and 30 years, respectively). The schemes have required significant amounts of borrowing – circa £36m for both schemes. This presents a threat to the financial viability of the Council. However, in partial mitigation, various strategies have been put in place. These include a strategy to build up reserves over the next 10 years to provide a buffer for budget pressures, specific reserves for the schemes to renew the assets and capture any over-performing income and recognition of limited capacity to take on other significant capital schemes. Any surplus generated by Charter Walk is being transferred into the Charter Walk Reserve to be used to meet future regeneration of the town centre. It is estimated that the surplus to be transferred into the reserve in 2023/24 will be around £0.4m.
41. Any additional capital projects under consideration require funding. If there is a shortfall in capital finance for these projects, then pursuing them and using borrowing will significantly increase the revenue budget. The revenue implications will be considered as part of the setting and monitoring of the capital programme.
42. An important issue to consider is the extent to which the Council will be utilising earmarked reserves and non-recurring income when setting the budget. Initiatives that are to be funded from earmarked reserves do not have assumed ongoing funding and the Council must therefore plan in future years to discontinue these activities or approve growth if they are to continue. The latter course of action would add to the savings requirement. It is not considered that the extent of funding from earmarked reserves factored into the 2024/25 revenue budget is unduly onerous and the levels of reserves forecast will be sufficient in accordance with the Medium Term Financial Strategy.
43. The Government has again postponed revising the methodology for allocating funding to Councils until at least 2025/26. This includes changes to the current business rates system together with a Fair Funding Review. It is likely that this will further postponed until 2026/27, at the earliest, given the proposed timing of the next general election and the lead in time for the necessary consultation.
44. It is uncertain at this stage how changes to Local Government funding will impact on the Council's funding in future years. There are a number of temporary items within the provisional budget settlement that may not continue into future years, for example New Homes Bonus, Minimum Funding Guarantee and Service Grant. The uncertainty is further exasperated by the one-year budget settlements that local government has experienced for a number of years that make future planning extremely difficult.

45. Declining levels of income also continue to be a significant risk area and although substantial reductions in income receivable have been made to reflect current economic conditions there may be a further decrease in income levels supporting the revenue budget. This will be closely monitored as part of budget monitoring during 2024/25.
46. Pay inflation projections have been increased by 5% in 2024/25, reducing to 3% in 2025/26 onwards. However, if pay negotiations take place the actual increase may differ to that estimated +/-1% fluctuation in the pay award will equate to +/- £108k. A provision for price inflation on contracts has been factored into the estimates for non-salary budgets. General levels of inflation as measured in the retail prices index and the consumer prices index will increase in the future and this may lead to demands for higher pay and an increase in the prices of goods and services which the Council has to meet. The risk of any increase in inflation is considered likely in the existing climate and will be closely monitored. Government has substantially increased the national living wage since 2010, almost doubling since then, which is another factor that is impacting pay inflation. These increases are not taken into account when calculating the amount available in the local government budget settlement and councils are expected to absorb these.
47. The current Bank of England base rate is 5.25% with the next review due February 2024. The Council's Treasury Management Advisors (Link Asset Services) forecast a 1.25% decrease to the base rate during the 2024/25 financial year. This will impact on the Council's revenue budget in these years as investment interest income to be received may decrease. Conversely, borrowing rates are also expected to decrease which will be beneficial to the Council's revenue budget position during 2024/25.
48. Significant savings have been achieved by operating the Council's leisure services as a charitable company since its incorporation. Work has been undertaken in partnership with the Trust during this period to enable the Leisure Trust to become more self-sufficient. The cost-of-living crisis has had a significant financial impact on the Leisure Trust during the 2023/24 financial year. The Trust has worked hard to find the savings and funding required to balance the budget in 2023/24. However, the future financial impact remains uncertain and the Council will continue to work with the Leisure Trust to help to minimise this risk. Although competition has increased within the borough in the last 12 months the Leisure Trust has to date not seen a negative impact on membership numbers. To help ensure that risk is minimised there will continue to be regular monitoring of activity and financial performance in 2024/25 and beyond.
49. The Council entered into a contract with Liberata as our external service provider for around a third of Council services from 1st January 2016. The financial planning assumptions provided for a significant saving on previous in-house provision. It will be necessary to ensure that these savings are being delivered whilst maintaining service quality and standards. Procedures have been drawn up to enable the partnership to operate effectively. Nevertheless, this is a significant savings area which is currently and will continue to be, actively managed. The contract is due to expire on the 31st December 2025 and work is currently taking place to review the contract extension position for a two year period allowable under the current contract. A report will be brought to Members early in 2024/25 with a set of recommendations.
50. To assist with the impact of the cost-of-living crisis on the UK economy, especially around interest rates, the local economy, income generation and further spending pressures may

have on future years budgets, the Council has created the Cost of Living Reserve which can be utilised to assist in any further reductions in income or increases in expenditure.

51. The Council remains at risk of being placed in Special Measures if 10% or more of the total number of major planning applications dealt with by a local authority are overturned at appeal during a two-year assessment period. This in effect removes the ability from the local planning authority to determine planning decisions within their borough for those applications against which they are judged to be underperforming. If placed in Special Measures not only can the local planning authority lose the ability to make the final decision on a planning application, but the situation also has the potential to weaken the authorities influence and negotiation position with applicants. It will also result in the loss of planning fees and would put pressure on the Council's revenue budget.
52. In summary, after taking consideration of the issues in this report and the risks referred to above, the 2024/25 revenue budget may be approved. Also, the assumed level of Council Tax that should be set in order to achieve a balanced budget as set out above should be confirmed.
53. The final decision that Members of the Council take will need to reflect the statutory (Section 25) report of the Chief Financial Officer as to the robustness of the assumptions that have been made in compiling the budget.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

54. As shown in the body of the report and appendices.

POLICY IMPLICATIONS

55. The revenue budget determines the extent to which the Council's strategic objectives can be pursued and achieved.
56. Community Impact Assessment and Equality Impact Assessments have been completed and are included as Appendix 4.

DETAILS OF CONSULTATION

None.

BACKGROUND PAPERS

57. None.

FURTHER INFORMATION

PLEASE CONTACT:

**Howard Hamilton-Smith – Director of
Resources**

ALSO:

Amy Johnson – Finance Manager

Summary Revenue Budget 2024/25

<u>Estimated Net Spending</u>	Pay	Non-Pay	Reserves	Net
<u>Service</u>	£'000	£'000	£'000	Spending £'000
Management Team	394	18	-	412
Policy & Engagement	438	222	-	660
People & Development	173	70	-	243
Green Spaces and Amenities	2,666	(1,043)	-	1,623
Legal & Democratic Services	1,162	231	-	1,393
Finance & Property (incl Treasury)	1,049	(982)	-	67
Revenues and Benefits	-	(1,177)	-	(1,177)
Leisure Trust Client	-	1,468	-	1,468
Streetscene	1,362	2,208	-	3,570
Housing and Development Control	2,749	(1,494)	-	1,255
Economy & Growth	1,407	(619)	-	788
Strategic Partnership	-	4,560	-	4,560
Central Budgets	(499)	998	-	499
Earmarked Reserves	-	-	3,438	3,438
Parish Precepts	-	-	188	188
	<u>10,901</u>	<u>4,460</u>	<u>3,626</u>	<u>18,987</u>

Net Budget Requirement

	£'000	£'000
Revenue Support Grant		2,175
Business Rates Retention Scheme		
Business Rate Baseline Funding	4,614	
Additional Business Rates above baseline	2,627	
business Rate Growth Above Baseline	505	
Additional Retained Income - Renewable Energy Schemes	<u>307</u>	8,053
Council Tax Yield		8,055
Collection Fund Deficit - Council Tax		(274)
Collection Fund Deficit - NNDR		(1,075)
Parish Precepts		188
New Homes Bonus		134
Business Rates Multiplier Inflation Cap		897
Services Grant		30
Funding Guarantee		804
Local Council Tax Support		-
		<u>18,987</u>

2024/25 Revenue Budget
Growth Proposals

	Ongoing £'000	One-off £'000	Total £'000
Love Clean Streets App Subscription	13	-	13
Civica Financials Software Budget	9	-	9
Cremator Relining	15	-	15
Elections Staffing Costs	5	-	5
External Audit Fees	64	-	64
Good Youth Employer Status Subscription	1	-	1
Rowley Lake Dam Engineering Inspection Costs	1	-	1
Rechargeable Tree Works	9	-	9
Ash Tree Dieback	-	10	10
Green Spaces Equipment & Materials	10	-	10
Sewer Baiting	7	-	7
Feasibility Study - Fennyfold 3G Pitch and Parking	-	30	30
Private Sector Housing Enforcement Officer	-	46	46
ASB Officer	-	39	39
Burnley Together	-	140	140
Total Growth	134	265	399

See paragraph 19
of report

2024/25 Revenue Budget**Additional Savings**

	£'000
Additional investment interest receivable due to an increase in the bank rate	(150)
Utility Costs	(167)
	<hr/>
	(317)

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