



Meeting of the Burnley Borough Council Supplementary Agenda

To be held at 6.30 pm on
Wednesday, 24th February, 2021



AGENDA

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|-----|--|---------|
| 15. | <u>item 6 (e) Revenue budget statutory report of the Chief Finance Officer</u> | 5 - 12 |
| | To consider the report of the Chief Finance Officer. | |
| 16. | <u>item 6(h) Council Tax Resolution</u> | 13 - 16 |
| | To consider the Council Tax for 2021/22. | |

REPORT TO FULL COUNCIL



DATE	24th February 2021
PORTFOLIO	Resources & Performance Management
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**Revenue Budget 2021/22
Statutory Report of the Chief Finance Officer**

PURPOSE

1. To enable elected Members to consider the statutory report of the Chief Finance Officer.

RECOMMENDATION

2. That elected Members note this report and have regard to its contents when setting the Revenue Budget for 2021/22.

REASONS FOR RECOMMENDATION

3. To satisfy the statutory requirements of the Local Government Act 2003.

SUMMARY OF KEY POINTS

4. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the budget estimates and the adequacy of the financial reserves. The Act also requires the Authority, to which the report is made, to have regard to the report when making decisions about the budget.
5. In this context, the reference to the Chief Finance Officer is as defined in Section 151 of the Local Government Act 1972. This statutory role is fulfilled in this authority by the Head of Finance and Property.
6. This report covers:
 - An assessment of the robustness of the 2021/22 budget setting process for both revenue and capital;
 - A high-level assessment of key risks that may impact the budget for 2021/22;
 - An assessment of the overall adequacy of reserves to contain financial risk and ensure the sustainability of the Council over the financial year 2021/22; and

- An indication of future direction of travel for the Council over the medium term.

7. **SUMMARY**

- 7.1 In summary, I am satisfied that the proposals to establish a Net Budget Requirement of £15,415,612 for the financial year 2021/22 and Council Tax Requirement of £7,266,131, as set out in the report to Council on 24th February 2021, are robust to ensure that the Council remains a going concern throughout 2021/22.
- 7.2 However, the financial outlook for the Council given the medium-term financial strategy continues to be challenging. To ensure a balanced position for 2022/23 and beyond the Council will have to take tough decisions balancing declining access to resources against emerging risks.
- 7.3 This may require a strategic reprioritisation of commitments especially as reserves are forecast to be significantly diminished over the medium term. The Council will be required to remain proactive in identifying savings and increase income throughout the medium-term period to ensure its viability can be maintained.
- 7.4 This is also within the context of a government review of relative needs of local authorities, which will inform a change in mechanism of funding for local authorities from 2022/23, of which currently there is much uncertainty.

8. **ROBUSTNESS OF THE BUDGET 2021/22**

- 8.1 In assessing the robustness of the overall budget for next year, I have taken the following into consideration:
- 8.2 The robustness of the underpinning financial planning assumptions on which the budget has been determined:
- a. Financial resources are aligned appropriately to the strategic priorities of the Council. Investments in service delivery have been made to support the Council's prosperity and place objectives directing resources to community services.
 - b. Savings to deliver a balanced budget have been identified focussing on efficiency and value for money and relative priority needs of services. Identified savings are realistic and action plans for delivery are in place.
 - c. The Council, as part of finalisation of the revenue budget 2021/22, has factored minimal growth in business rates due to the continuing impact of challenges to valuations and difficult trading environment for businesses. A decrease to the council tax base of 0.5% has also been included due to the increase in CTS claims.
 - d. The determination of funding from Central Government for New Homes Bonus and the Revenue Support Grant for 2021/22 have been incorporated, based on

final settlement figures announced in February 2021 as well as previous announcements on New Homes Bonus funding.

- e. Employee budgets have been cross-referenced to the agreed establishment. The 2021/22 budget has assumed a forecast headline 1.5% pay award in the absence of an agreed pay settlement and based upon current Government proposals of a pay freeze for all officers with the exception of those earning under £24,000 who are to receive a £250 increase. Pay awards of 2.5% have been projected for future years.
- f. Assumptions made about future inflation and interest rates are realistic.
- g. Income estimates are based on current patterns of usage and anticipated variations during the coming year. Decisions about levels of charges have already been taken by the Council in December 2020 and will be implemented from 1st April 2021.
- h. Capital and revenue budgeting are integrated, in that the revenue consequences of the capital programme are considered as part of the overall budget process for 2021/22.

8.3 Appropriate and effective governance arrangements are in place to manage the financial resource and maintain a balanced budget throughout 2021/22:

- a. Financial management is delegated appropriately, and commitments are entered into in full compliance with Financial Procedure Rules.
- b. Effective governance arrangements are in place for budget monitoring and reporting during the financial year.
- c. A risk assessment has been carried out on the revenue budget and those risks have been appropriately mitigated.

8.4 An assessment of funding framework for local government and its impact on the Council's finances:

- a. The settlement figures provided in the budget are based on the final settlement.
- b. The Executive's proposals do not breach the 'excessiveness' principle for 2021/22, where a local referendum is required for any Council tax increase of 2% or more than 2%.
- c. Appropriate assessment has been made of likely levels of debt impairment provision when determining the local Council tax base.

9. **RISK ASSESSMENT**

The major risks to which the Council are exposed are set out below:

9.1 **Business rates volatility**

Changes to local government funding brought in from 2013/14 allow local authorities to retain an element of business rate growth. There remains an ongoing risk of volatility of business rates arising from unknown appeals and unanticipated fluctuations in collectible income from the business community. However, risk arises as the Council is required to firstly meet any reduction in business rates and secondly, to comply with national business rate policy and government guidance, the accounting arrangements are complex. In 2013/14, the general reserve was increased to £1.379m in recognition of potential risk from a significant loss of business rates. Furthermore, the reserves strategy 2015/16 saw the creation of a business rates volatility reserve to ensure the “smoothing out” of accounting fluctuations. It is now also key to mitigate against funding volatility as part of the upcoming fair funding review. The budget position for 2021/22 reflects a realistic assessment as at February 2021.

9.2 **Utilisation of reserves**

Taking into account known commitments, anticipated risks and lack of affordability to set aside or replenish strategic reserves the forward forecast suggests it is less likely that reserves will be available for future use in this way. However, the position will be kept under review in the light of emerging and changing conditions.

9.3 **Partnerships**

As a result of changes to the Councils’ business model, key services are no longer directly delivered by the Council but through partnership including the Leisure Trust, Urbaser Waste Management and the Liberata Partnership, forecast to account for £7.84m or 13.6% of Council gross spending in 2021/22. These partnerships are intended to deliver transformational change in the way that services are provided to our customers within a reduced cost base. The Council continues to work closely with our partners in ensuring effective delivery and will continue to monitor performance to mitigate any potential risks and issues that emerge.

9.4 **Workforce**

The approved budget for 2021/22 includes a vacancy factor of £169k recognising a normal lag period of appointment to vacant posts of three months. For 2021/22 this represents 2% of the staffing budget for 206 ftes. Clearly to ensure a balanced budget for 2021/22 the expectation would be a continuation of this policy unless exceptional and business critical circumstances prevail. The vacancy factor as is current practice will be monitored throughout 2021/22.

9.5 **Capital Receipts**

The delivery of the capital programme relies on capital receipts being generated to fund new developments. The forecast of capital receipts is based on anticipated sales at the time the programme is prepared. Whilst the Council has sufficient capital receipts to deliver the capital programme for 2021/22, from 2022/23 onwards capital receipts are forecast to be insufficient to deliver the forward capital programme. This will require significant re-prioritisation of future schemes. The Council needs to ensure that it

maximises the opportunity to generate capital receipts and has the ability to respond effectively and promptly to unforeseen or major capital works specially to respond to health and safety or public protection matters and commercial opportunities. Progress on the generation of capital receipts will be monitored during 2021/22.

9.6 Possible litigation and uninsured risks

During the normal course of business, the Council operates in an environment where there is an underlying risk arising from contractual obligations and uninsured risks. In the event that liabilities emerge during the course of the year the Council will assess impact including disclosure as contingent liabilities or provisions. We will further assess, following robust challenge, whether these liabilities will be an obligation on the Council for which resource is required. Where possible the Council will seek to set aside resources subject to affordability within a reduced funding context.

9.7 Public sector risks

Increasingly, the Council is finding itself in the position of reduced contributions as austerity measures continue to impact on other public sector partners. In the event that issues emerge they will be factored within the overall budget monitoring position.

9.8 Changes to local government funding

As part of the announcement of the provisional local government settlement for 2018/19 in December 2017, government announced a consultation; *“Fair funding review: a review of relative needs and resources.”* Further consultations were launched during 2018/19 and technical reviews are ongoing, and further consultations are expected in 2021. These consult on the approach to measuring the relative needs of local authorities. This will define new relative needs of authorities for 2022/23 onwards and will coincide with the ending of the revenue support grant, the change to the business rates retention scheme and other changes. This will have an effect on the overall funding that this authority receives. However, as the consultation has not yet revealed the details of the funding mechanisms and the overall monies available for local government, financial consequences are not yet known for individual authorities, and won't be made available until later in 2021. This uncertainty on funding going forward represents a key risk for this Council.

A reform of the business rates system is currently underway with a view to revaluing rateable values based on property values as at 1st April 2021. The new system is to be implemented from 1st April 2023. The impact on the baseline funding level is not yet known.

9.9 Pensions

Payment rates and performance of investments in the Lancashire County Pension Fund are assessed for this authority every three years, with the latest valuation occurring in 2019 which determines payment rates and values of assets and liabilities from 2020/21 onwards. Following the valuation there was a significant reduction in payments required by the Council for its assessed deficit in the fund. Additional voluntary payments will be made over the next three years to reduce the exposure the Council has, given the large differential of its deficit and ability to cope with adverse valuations of its deficit and payment rates, when compared to its relatively modest payroll and employee-based

pension contributions. This is a key risk area and is covered extensively in accompanying budget reports. It is essential for this authority to ensure the pension fund is sustainable for its members, as is the Council's responsibility, and the significant volatility of payments and performance of the pension fund are assessed with action taken on an on-going basis.

9.10 **Covid-19 Pandemic**

The impact of the Covid-19 pandemic on the 2021/22 budget and future years is unknown. The extension of the furlough scheme to April 2021 and 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 series of financial measures to assist local authorities and their residents/businesses during 2021/22 have been introduced by the Government which are covered in accompanying budget reports.

10. **ADEQUACY OF RESERVES 2021/22**

- 10.1 In assessing the adequacy of reserves, I have taken into consideration the forward forecast of reserves contained within the Medium-Term Financial Strategy which indicates that reserve levels for both strategic and general reserves are sufficient to mitigate any downside risks facing the Council during 2021/22.
- 10.2 The longer-term assessment of reserves required to meet known commitments and future risks facing the Council indicate strategic reserves to be significantly depleted, which include the effect of two major schemes (see para 11.5).
- 10.3 This will impact on the Council's ability to deliver its strategic objectives over the medium term and careful consideration of their use should be made to ensure the Council obtains the most added value in their utilisation.
- 10.4 However, as part of budget decisions for 2021/22 and beyond there is a ten-year plan to contribute into the Council's Revenue Support Reserve to provide resilience for the Council. This began with a £100k contribution in 2019/20 and grows to a recurrent £200k from 2020/21 onwards with periodic uplifts to reflect inflation.
- 10.5 A reserves strategy stating the purpose for which each reserve is held, managed and controlled is contained within the Medium-Term Financial Strategy recommended for approval by Council. However, I am satisfied that the level of reserves is sufficient for 2021/22.

11. **FINANCIAL OUTLOOK**

- 11.1 The Council continues to be financially challenged over the medium term facing a budget gap of £5.1m or 33% by the end of 2025/26. The Council must continue to be focussed in maintaining its financial health by downsizing in a planned and sustainable way so that it is able to continue to operate as a going concern and maintain operational services. The Council entered into a strategic partnership that is delivering transformational change to customer services over the next few years including greater use of digitisation and providing inward investment. Savings arising from this partnership will contribute towards closing the budget gap, however further Council wide savings will be required through prioritisation, transformation and continuous improvement.

- 11.2 The financial forecast is based on indicative funding figures and will be subject to change. However, several scenarios have been presented in the Medium-Term Financial Strategy 2022/26. This Council will also influence the Fair Funding Review as far as possible, to attempt to ensure funding is representative of the Council's need. Changes in 2022/23, around the business rates retention scheme, the ending of the Revenue Support Grant and other changes leave uncertainty on funding levels from that year onwards and represent a key funding risk.
- 11.3 The impact of the performance of the UK economy, and in particular regarding the uncertainties surrounding Brexit and the impact of the trade deal, could potentially affect future funding for the Council. This could take the form of lower funding levels available to local government, pressure on income and expenditure budgets and impacts arising from pressures on Business Rates and Council Tax funding in relation to the local economy. This will be monitored and factored into the Medium-Term Financial Strategy.
- 11.4 The Covid-19 pandemic has had a significant impact on both the Council and also business and residents within the borough. Significant Government intervention was received in 2020/21 in the form of business grants, furlough scheme and funding provided to local authorities to compensate for additional expenditure and lost income. The longer-term financial impact of the pandemic is not yet known, for example, the impact on council tax and business rates collection rates once the furlough scheme ends and support to businesses is no longer provided. The Government has introduced a series of financial measures to assist local authorities and their residents and businesses during 2021/22. These consist of spreading the 2020/21 collection fund deficit over 3 years, the introduction of the 75% collection fund compensation scheme to compensate local authorities for 75% of irrecoverable 2020/21 collection fund losses and also a continuation for the first quarter of 2021/22 of the Sales, Fees & Charges income compensation scheme introduced in 2020/21. Further details of these scheme can be found in accompanying budget reports.
- 11.5 As reported to Full Council in December 2018 this Authority commissioned two significant capital projects, namely the Pioneer Place development and the Sandygate Square Student Accommodation scheme. The Sandygate Square development is now complete and was open in time for the 2020/21 academic year. This scheme has been incorporated into the MTFS. A revised Pioneer Place scheme was later approved at Full Council in November 2020. Both these developments require significant financial support from the Council, as well as taking on significant commercial risk over the lifetime of these projects (50 years and 30 years, respectively). These schemes will also require significant use of reserves and will also see unprecedented amounts of borrowing – circa £24m. These present threats to the financial viability of the Council. However, in partial mitigation, various strategies have been put in place.
- These include contractual affordability conditions for the Pioneer Place scheme, 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.
- 11.6 The Council must remain proactive in its activity to deliver sustainable savings over the medium term if it wishes to remain a viable entity.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

12. As set out in the report on the Revenue Budget for 2021/22, Capital Investment Programme 2021/22 to 2025/26 and Medium-Term Financial Strategy 2022/26 elsewhere on your agenda.

POLICY IMPLICATIONS

13. None

DETAILS OF CONSULTATION

14. None

BACKGROUND PAPERS

15.
 - Revenue Budget – 2021/22
 - Capital Investment Programme 2021/22 to 2025/26
 - Medium-Term Financial Strategy – 2022/23 to 2025/26

Council Tax 2021/22 Resolution

The Council is recommended to resolve as follows:

- (1) It be noted that on 2nd December 2020 the Council calculated the Council Tax base 2021/22
 - a) for the whole Council area as 23,268 band D equivalent properties (Item T in the formula in Section 31B of the Local Government Finance Act 1992 [the “Act”] as amended by the Localism Act 2011)
 - b) for dwellings in those parts of its area to which a Parish precept relates as in the attached Appendix B.
- (2) That the Council Tax requirement calculated for the Council’s own purposes for 2021/22 (excluding parish precepts) is £7,266,131.
- (3) That the following amounts be calculated by the Council for the financial year 2021/22 in accordance with Sections 31 to 36 of the Act
 - (a) £53,695,789 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) (a) of the Act taking into account all precepts issued to it by Parish Councils;
 - (b) £46,261,131 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act;
 - (c) £7,434,658 being the amount by which the aggregate at (3)(a) above exceeds the aggregate at (3)(b) above, calculated by the Council in accordance with Section 31A (4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act);
 - (d) £319.52 being the amount at (3)(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish Precepts);
 - (e) £168,527 being the aggregate of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Appendix B);
 - (f) £312.28 being the amount at (3)(d) above less the result given by dividing the amount at (3)(e) above by Item T (the amount at 1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in

those parts of its area to which no special item (Parish precept) relates.

- (4) To note that the County Council, the Police and Crime Commissioner for Lancashire and the Fire Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below.
- (5) That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below and in Appendix A as the amounts of Council Tax for 2021/22 for each part of its area and for each of the categories of dwellings.

VALUATION BANDS

Burnley Borough Council

A	B	C	D	E	F	G	H
£208.19	£242.88	£277.58	£312.28	£381.68	£451.07	£520.47	£624.56

Lancashire County Council

A	B	C	D	E	F	G	H
£970.79	£1,132.59	£1,294.39	£1,456.19	£1,779.79	£2,103.39	£2,426.98	£2,912.38

Police and Crime Commissioner for Lancashire

A	B	C	D	E	F	G	H
£150.97	£176.13	£201.29	£226.45	£276.77	£327.09	£377.42	£452.90

Lancashire Combined Fire Authority

A	B	C	D	E	F	G	H
£48.18	£56.21	£64.24	£72.27	£88.33	£104.39	£120.45	£144.54

Aggregate of Council Tax Requirements

A	B	C	D	E	F	G	H
£1,378.13	£1,607.81	£1,837.50	£2,067.19	£2,526.57	£2,985.94	£3,445.32	£4,134.38

- (6) Determine that the Council's basic amount of Council Tax for 2021/22 is not excessive in accordance with principles approved under Section 52ZB Local Government Finance Act 1992.

Council Tax Schedule 2021/22

APPENDIX A

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
Burnley Borough Council	208.19	242.88	277.58	312.28	381.68	451.07	520.47	624.56
Lancashire County Council	970.79	1,132.59	1,294.39	1,456.19	1,779.79	2,103.39	2,426.98	2,912.38
Police and Crime Commissioner for Lancashire	150.97	176.13	201.29	226.45	276.77	327.09	377.42	452.90
Lancs. Combined Fire Authority	48.18	56.21	64.24	72.27	88.33	104.39	120.45	144.54
Total - Areas Outside Parish/Town Council Areas	1,378.13	1,607.81	1,837.50	2,067.19	2,526.57	2,985.94	3,445.32	4,134.38
Parish/Town Council Areas	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£							
<u>Briercliffe with Extwistle</u>								
Parish/Town Council Only	13.27	15.48	17.69	19.90	24.32	28.74	33.17	39.80
Parish/Town and District	221.46	258.36	295.27	332.18	406.00	479.81	553.64	664.36
Total	1,391.40	1,623.29	1,855.19	2,087.09	2,550.89	3,014.68	3,478.49	4,174.18
<u>Cliviger</u>								
Parish/Town Council Only	7.50	8.75	10.00	11.25	13.75	16.25	18.75	22.50
Parish/Town and District	215.69	251.63	287.58	323.53	395.43	467.32	539.22	647.06
Total	1,385.63	1,616.56	1,847.50	2,078.44	2,540.32	3,002.19	3,464.07	4,156.88
<u>Habergham Eaves</u>								
Parish/Town Council Only	8.30	9.68	11.07	12.45	15.22	17.98	20.75	24.90
Parish/Town and District	216.49	252.56	288.65	324.73	396.90	469.05	541.22	649.46
Total	1,386.43	1,617.49	1,848.57	2,079.64	2,541.79	3,003.92	3,466.07	4,159.28
<u>Padiham</u>								
Parish/Town Council Only	21.75	25.37	29.00	32.62	39.87	47.12	54.37	65.24
Parish/Town and District	229.94	268.25	306.58	344.90	421.55	498.19	574.84	689.80
Total	1,399.88	1,633.18	1,866.50	2,099.81	2,566.44	3,033.06	3,499.69	4,199.62
<u>Worsthorne with Hurstwood</u>								
Parish/Town Council Only	14.20	16.57	18.93	21.30	26.03	30.77	35.50	42.60
Parish/Town and District	222.39	259.45	296.51	333.58	407.71	481.84	555.97	667.16
Total	1,392.33	1,624.38	1,856.43	2,088.49	2,552.60	3,016.71	3,480.82	4,176.98
<u>Hapton</u>								
Parish/Town Council Only	13.87	16.18	18.49	20.80	25.42	30.04	34.67	41.60
Parish/Town and District	222.06	259.06	296.07	333.08	407.10	481.11	555.14	666.16
Total	1,392.00	1,623.99	1,855.99	2,087.99	2,551.99	3,015.98	3,479.99	4,175.98
<u>Ightenhill</u>								
Parish/Town Council Only	3.27	3.81	4.36	4.90	5.99	7.08	8.17	9.80
Parish/Town and District	211.46	246.69	281.94	317.18	387.67	458.15	528.64	634.36
Total	1,381.40	1,611.62	1,841.86	2,072.09	2,532.56	2,993.02	3,453.49	4,144.18
<u>Dunnockshaw</u>								
Parish/Town Council Only	6.86	8.00	9.15	10.29	12.58	14.86	17.15	20.58
Parish/Town and District	215.05	250.88	286.73	322.57	394.26	465.93	537.62	645.14
Total	1,384.99	1,615.81	1,846.65	2,077.48	2,539.15	3,000.80	3,462.47	4,154.96

Parish/Town Council Precepts 2021/22**APPENDIX B**

	2020/21			
Parish/Town Council	Tax Base	Precept	Council Tax (Band D) £	
		£		
Briercliffe with Extwistle	1,257	22,500	17.90	
Cliviger	901	10,000	11.10	
Habergham Eaves	515	6,684	12.98	
Padiham	2,645	85,990	32.51	
Worsthorne with Hurstwood	1,033	22,000	21.30	
Hapton	706	15,000	21.25	
Ightenhill	722	3,100	4.29	
Dunnockshaw	67	600	8.96	
Total/Average	7,846	165,874	21.14	

	2021/22			
Parish/Town Council	Tax Base	Precept	Council Tax (Band D) £	Council Tax Increase %
		£		
Briercliffe with Extwistle	1,256	25,000	19.90	11.2%
Cliviger	889	10,000	11.25	1.4%
Habergham Eaves	509	6,337	12.45	-4.1%
Padiham	2,636	85,990	32.62	0.3%
Worsthorne with Hurstwood	1,033	22,000	21.30	0.0%
Hapton	721	15,000	20.80	-2.1%
Ightenhill	714	3,500	4.90	14.2%
Dunnockshaw	68	700	10.29	14.8%
Total/Average	7,826	168,527	21.53	1.9%