

# SCRUTINY COMMITTEE

Thursday, 11th February, 2021  
6.30 pm





# SCRUTINY COMMITTEE

**Thursday, 11th February, 2021 at 6.30 pm**

Members are reminded that if they have detailed questions on individual reports, they are advised to contact the report authors in advance of the meeting.

Members of the public may ask a question, make a statement, or present a petition relating to any agenda item or any matter falling within the remit of the committee.

Notice in writing of the subject matter must be given to the Head of Legal & Democracy by 5.00pm on the day before the meeting. Forms can be obtained for this purpose from the reception desk at Burnley Town Hall, Manchester Road or at the Contact Centre, Parker Lane, Burnley or from the web at: <http://burnley.moderngov.co.uk/ecCatDisplay.aspx?sch=doc&cat=13234> . You can also register to speak via the online agenda. Requests will be dealt with in the order in which they are received.

All meetings are currently being held remotely. Members of the public wishing to address the meeting should submit their request in the usual way, and will then be invited either to join the meeting by video conference or to make a submission in writing which will be shared with the Committee.

All public meetings are being livestreamed on the Council's [Youtube Channel](#)

## **AGENDA**

### **1) *Apologies***

To receive any apologies for absence.

### **2) *Minutes***

5 - 16

To approve as a correct record the minutes of the previous meeting.

### **3) *Additional Items of Business***

To determine whether there are any additional items of business which, by reason of special circumstances, the Chair decides should be considered at the meeting as a matter of urgency.

#### **4) *Declarations of Interest***

To receive any declarations of interest from Members relating to any item on the agenda, in accordance with the provisions of the Code of Conduct and/or indicate if S106 of the Local Government Finance Act 1992 applies to them.

#### **5) *Exclusion of the Public***

To determine during which items, if any, the public are to be excluded from the meeting.

#### **6) *Public Question Time***

To consider questions, statements or petitions from Members of the Public.

### **PUBLIC ITEMS**

- |   |           |
|---|-----------|
| <b>7) <i>Notice of Key Decisions and Private Meetings</i></b>   | 17 - 24   |
| To consider the list of future Key Decisions.   |           |
| <b>8) <i>Community Safety Report 2020-2021</i></b>  | 25 - 30   |
| To consider the Annual Report from the Community Safety Partnership.                                      |           |
| <b>9) <i>Strategic Plan 2021</i></b>  | 31 - 44   |
| To consider and note the report.  |           |
| <b>10) <i>Revenue Monitoring Report 2020/21 - Quarter 3 (to 31st December 2020)</i></b>                   | 45 - 64   |
| To consider and note the report.  |           |
| <b>11) <i>Capital Monitoring Report 2020/21 - Quarter 3 (to 31 December 2020)</i></b>                     | 65 - 76   |
| To consider and note the report.  |           |
| <b>12) <i>Medium-Term Financial Strategy - 2022/23 to 2025/26 Incorporating the Reserves Strategy</i></b> | 77 - 110  |
| To consider and note the report.  |           |
| <b>13) <i>Revenue Budget 2021/22</i></b>  | 111 - 132 |
| To consider and note the report.  |           |
| <b>14) <i>Capital Budget for 2021/22 and Capital Investment Programme 2021-26</i></b>                     | 133 - 156 |
| To consider and note the report.  |           |

**15) 2021/22 Treasury Management Strategy and 2021/22-2023/24 Prudential and Treasury Indicators** 157 - 188

To consider and note the report.

**16) Scrutiny Review Groups**

To receive an update on the work of any active Scrutiny Review Groups.

**17) Work Programme 2020/21** 189 - 190

To consider any amendments to the Work Programme for 2020/21

**MEMBERSHIP OF COMMITTEE**

Councillor Andrew Tatchell (Chair)  
Councillor Marcus Johnstone (Vice-Chair)  
Councillor Howard Baker  
Councillor Paul Campbell  
Councillor Tom Commis  
Councillor Dale Ferrier  
Councillor Andy Fewings  
Councillor Beatrice Foster  
Councillor Shbana Khan

Councillor Gordon Lishman  
Councillor Margaret Lishman  
Councillor Sehrish Lone  
Councillor Tony Martin  
Councillor Lorraine Mehanna  
Councillor Andrew Newhouse  
Councillor Ann Royle  
Councillor Cosima Towneley

**PUBLISHED**

Wednesday, 3 February 2021



## SCRUTINY COMMITTEE

**THIS WAS A REMOTE MEETING HELD IN ACCORDANCE  
WITH THE CORONAVIRUS ACT 2020**

**Monday, 7th December, 2020 at 6.30 pm**

### PRESENT

### MEMBERS

Councillors A Tatchell (Chair), M Johnstone (Vice-Chair), H Baker, P Campbell, T Commis, D Ferrier, A Fewings, B Foster, G Lishman, M Lishman, S Lone, T Martin, A Newhouse and C Towneley

### OFFICERS

Lukman Patel	– Chief Operating Officer
Rob Dobson	– Head of Policy and Engagement
Howard Hamilton-Smith	– Head of Finance and Property
Simon Goff	– Head of Green Spaces and Amenities
Kate Ingram	– Strategic Head of Economy and Growth
Elizabeth Murphy	– Planning Policy Manager
Richard Brown	– Community Safety Manager
Chris Gay	– Governance Manager
Alison McEwan	– Democracy Officer
Christine Wood	– Democracy Officer

### ALSO IN ATTENDANCE

### MEMBERS

Mark Townsend	– Leader of the Council
Lian Pate	– Deputy Leader & Executive Member for Health and Wellbeing
John Harbour	– Executive Member for Housing
Sue Graham	– Executive Member for Resources & Performance

#### 43. Apologies

Apologies were received from Councillors Shbana Khan, Lorraine Mehanna and Ann Royle. Apologies were also received from Mick Cartledge, Chief Executive.

#### **44. Minutes of the previous remote meetings held on 9th October 2020, 19th October 2020, 22nd October 2020 and 11th November 2020**

The minutes of the remote meetings held on 9<sup>th</sup> October 2020, 19<sup>th</sup> October 2020, 22<sup>nd</sup> October 2020 and 11<sup>th</sup> November 2020 were approved as a correct record.

#### **45. Additional Items of Business**

The Committee was advised that there were no additional items of business.

#### **46. Declarations of Interest**

Councillor Margaret Lishman declared another interest in agenda item 10 (Covid-19 Community Recovery Plan), (Trustee of Burnley, Pendle and Rossendale CVS).

Councillor Cosima Towneley declared another interest in agenda item 10 (Member of the Citizens` Advice Bureau).

Councillor Bea Foster declared another interest in agenda item 10 (Council Representative on CVS).

Lukman Patel, Chief Operating Officer declared another interest in agenda item 10 (Unremunerated Director/Trustee, Burnley Football Club in the Community).

All remained in the meeting during consideration and determination of item 10.

#### **47. Exclusion of the Public**

##### **IT WAS RESOLVED**

That the public be excluded from the meeting before discussion took place on items 19 and 20 of the agenda in view of the nature of the business to be transacted, if the public were present there would be a disclosure to them of exempt information within the meaning of Part VA of the Local Government Act 1972.

Items 19 and 20 contained information relating to the financial or business affairs of any particular person (including the authority holding that information).

#### **48. Public Question Time**

No requests to speak had been received.

#### **49. Notice of Key Decisions and Private Meetings**

##### **IT WAS AGREED**

That the 28-day Notice of Key Decisions and Private Meetings be noted.

## 50. Developer Contributions Supplementary Planning Document

Elizabeth Murphy advised of and presented a report to the Committee which was also to be presented to the meeting of the Executive on Tuesday, 8<sup>th</sup> December 2020. The report was requesting that the Executive adopt the Developer Contributions Supplementary Planning Document (SPD) as attached to the report at Appendix A.

Members were advised that the amended draft SPD had been prepared to support the implementation of Burnley's Local Plan and that it had been the subject of a formal statutory consultation and consideration by the Scrutiny Committee.

Details of the statutory consultation were outlined within the report. Attached to the report at Appendix B was a list of comments received from consultees and recommended responses. Also attached to the report at Appendix C were the notes of the Scrutiny Working Group of 22<sup>nd</sup> September 2020.

The Committee was advised that the Executive would be recommended to:

1. Adopt the Developer Contributions SPD as attached to the report at Appendix A; and
2. Authorise the Strategic Head of Economy and Growth to make any minor typographical corrections to the draft SPD required prior to publication.

Grounds for the above recommendations were outlined within the report.

Members made the following points and received the following responses:

The LCC response is deeply unsatisfactory and against the interests of children and parents in Burnley. It needs to be on record that we are not happy with the response that we have received.

The Government's white paper proposals mentioned in the report are going to have a significant effect on this matter as well as a wide range of others?

*We did submit a response to the white paper and pointed out some of these concerns. The implications are far reaching in terms of planning systems and local plans in particular. The decision on whether a local plan review is necessary would wait until the reforms are a little clearer. They will take time to implement. Amongst those reforms is a proposal to completely replace the current system of development contributions. If that happened, this SPD would be withdrawn. There is likely to be some reform of development contributions.*

How do we intend to enforce should a Developer decide that they will not make contributions as we would wish and how are we going to prioritise because every development will have a different priority?

*The SPD sets out prioritisation. We separate out what is necessary and critical i.e. those priority 1 matters that would make the scheme substandard and as such it should be refused. The next is priority 2 which includes affordable housing, education and other infrastructure that is not so critical. If there is sufficient viability, these should be funded if the requests are robustly made. We would give a slight preference to affordable housing due to the specific policy requirements of the local plan policy, the on-going need and the fact that it delivers a fixed permanent asset for the future. Additional school places may be*

*temporary and disappear over time. It is right to prioritise affordable housing but that does not mean that the other contributions would not be paid if viability allows and requests are justifiably made, then contributions for all of them would be required or negotiations would take place. We would still want to retain flexibility.*

Consultation with CCG. The Primary Care Works are becoming more appropriate to discuss these issues with and will have a greater role in the future.

*Difficulties in engaging with the CCG are recognised. Alongside the SPD we are updating the infrastructure delivery plan which sits alongside the Local Plan and is a live document that we update periodically. We did engage with the CCG in developing the Local Plan but it is difficult to get the updated position. We will note that perhaps there is a different route to engagement through the Primary Care Network.*

Rather than relying on the CCG, it would be advisable to the Planning Department to engage with local general practitioners who will be impacted by large developments in future.

*The Planning Department has put in place new procedures within the last four weeks. Several discussions have taken place with PCN Directors who are closer to the health impacts than the CCG and as a result of any large-scale developments, the PCN Directors will be consulted. We have taken relevant details from them to follow the process.*

## **IT WAS AGREED**

That the report be noted.

### **51. The Safer Streets Project**

Richard Brown advised of and presented a report which was also to be presented to a meeting of the Executive on 8<sup>th</sup> December 2020. The report was to update the Executive on the details of the Safer Streets Project; and to:

1. Seek approval to enter into an agreement to accept £549,500 grant funding from the project; and
2. To request authorisation for the Head of Streetscene to tender for works associated with the project.

Several recommendations to be presented to the Executive were outlined within the report along with grounds for the recommendations.

## **IT WAS AGREED**

That the report be noted.

### **52. Covid-19 Community Recovery Plan**

Rob Dobson advised of and presented a report which was also to be presented to the meeting of the Executive on Tuesday, 8<sup>th</sup> December 2020 and was seeking approval of the



draft Council's Covid-19 Community Recovery Plan, a copy of which was attached to the report.

The report advised that the Executive would be recommended to:

1. Recommend to Full Council that the Council work in partnership through the development of Burnley Together to achieve community recovery; and
2. Endorse the hubs priorities as set out in Appendix 1, namely: jobs and skills, health and wellbeing and community inclusion; and
3. Delegate authority to the Head of Housing and Development, in consultation with the Executive Member for Housing, to allocate funding from the Better Care Fund for Social Care Capital Projects.

Members made the following points and received the following responses:

A lot of the problems that we are seeing were already there but have been exacerbated by the pandemic. Issues such as the rise in unemployment, homelessness, domestic abuse, and debt. When we look at recovery should we not include some of the safer street initiatives as part of the recovery? Would like to have seen more about volunteering and the way in which communities work together. Can vulnerable residents take advantages of the services of the hub? Services will be much more sustainable if they are customer owned.

The plan is good but needs more detail about how things are going to come about and happen. Position of Mental Health Support Officer? Is this going to happen?

*Governance will sit around the hub. The first Steering Group meeting will take place this week. Thematic groups are vulnerable residents, social isolation, health and wellbeing, jobs, and skills. We will start to look at pathways. When we begin to understand where people are and the causes of problems, we can tackle the underlying causes.*

*The DWP will be appointing new advisors to support young people in securing employment. An Officer will be employed to work full time in the hub dealing with the most vulnerable residents. Calico has recently appointed an officer to look at issues of social isolation. An update can be presented to Scrutiny in six months if the Committee approves.*

## **IT WAS AGREED**

1. That the report be noted; and
2. A further update to be reported to the Scrutiny Committee following a period of six months.

### **53. Resident Satisfaction Survey 2020**

Rob Dobson presented to the Committee the Resident Satisfaction Survey 2020 which had provided an opportunity for residents to express their views on local services. The Council had collected responses through an open invitation on the Council's website and by

promoting the survey through its social media channels with 23 and 714 responses respectively.

Respondents had been asked about the three-best things about their local areas. Results were as follows:

- The people and its friendly community spirit
- The Town Centre
- The Countryside and walks
- Parks and facilities such as Towneley
- The Football Club
- Transport links with rail, bus, and motorways

Residents had also been asked about the three worst things about living in their local area. Results were as follows:

- Crime and anti-social behaviour
- Littering and dirty streets
- Lack of local shops
- Poor housing and lack of investment
- Road systems and traffic

Rob advised of the positive direction of travel in most areas and highlighted the increased satisfaction in the waste collection and recycling service.

Members made the following points and received the following responses:

Community Centres could be used to reach citizens who may not have access to Social Media. What are we doing to reach citizens of Burnley who do not have access to social media?

*Community Centres have been used previously for paper-based surveys and take up was very low. Paper based surveys are also much more expensive, approximately £10.00 per survey compared to online surveys. Depending on the topic, we will do more face to face surveys. The current pandemic has also been an obstacle.*

There is no reference to the Burnley Citizens' Panel?

*The panel tended to be older people with no one under the age of 40. We must ensure that we are reaching out to a more representative sample of the citizens of Burnley. We do take a targeted approach on how we consult depending on the issue. The Resident Satisfaction Survey is just one way of gathering some information on Council services.*

When will the recycling review public consultation be carried out?

*This has been delayed due to the pandemic. Streetscene plays an integral part. It has not been forgotten, will be carried out and reported to Council.*

## **IT WAS AGREED**

That the Survey be noted.

## 54. Quarter 2 Performance Report 2020-21

Rob Dobson presented a report to advise the Scrutiny Committee of the Quarter 2 performance results.

Rob outlined key highlights from the scorecards in relation to on target indicators and off target indicators. Details were reported as follows:

### Resident satisfaction

Measure	2020	2019	Direction of travel
Satisfaction with the local area	64%	53%	↑
Satisfaction with the way the council runs things	47%	35%	↑
Satisfaction with keeping public land clear of litter	33%	28%	↑
Satisfaction with household refuse collection	72%	54%	↑
Satisfaction with doorstep recycling	66%	47%	↑
Satisfaction with parks and open spaces	80%	73%	↑
Stating Antisocial behaviour is a problem	45%	52%	↓

Rob also advised that a significant number of objectives could not be achieved due to lockdown, ranging from environmental prosecutions to Towneley Hall visitor numbers. It was also reported that the impact of lockdown would be reflected in unit scorecards through the rest of 2020.

### IT WAS AGREED

That the report be noted.

## 55. Capital Monitoring Report 2020/21 - Quarter 2 (to 30 September 2020)

Howard Hamilton-Smith advised of and presented a report which was also to be presented to a meeting of the Executive, on Tuesday, 8<sup>th</sup> December 2020.

The report was to provide Members with an update on capital expenditure and the resources position along with highlighting any variances.

The Committee was advised that the Executive would be requested to:

- Recommend to Full Council, approval of net budget changes totalling a decrease of £2,206,530 giving a revised capital budget for 2020/21 totalling £16,908,615 as attached to the report at Appendix 1; and
- Recommend to Full Council approval of the proposed financing of the revised capital budget totalling £16,908,615 as attached to the report at Appendix 2; and
- Note the latest estimated year end position on capital receipts and contributions showing an assumed balance of £836,227 at 31<sup>st</sup> March 2021 as attached to the report at Appendix 3.

Grounds for the above recommendations were outlined within the report.

Councillor Howard Baker requested that the slabs at the bottom of Manchester Road be replaced as they were damaged. Howard Hamilton-Smith agreed to liaise with the budget holder with regard to this matter.

## **IT WAS AGREED**

That the report be noted.

<b>56. Revenue Monitoring Report 2020/21 - Quarter 2 (to 30 September 2020)</b>
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Haworth Hamilton-Smith advised of and presented a report to the Committee which was also to be presented to the meeting of the Executive on Tuesday, 8<sup>th</sup> December 2020.

The report advised of the forecast outturn position for the year as at 31<sup>st</sup> March 2021 based upon actual spending and income to 30<sup>th</sup> September 2020.

It was reported that the Executive would be requested to:

- a) Note the projected revenue budget forecast position of a net overspend of £1.2m (excluding potential collection fund losses). An estimated £1.1m is to be received through the sales, fees and charges income compensation scheme which would reduce the forecast net overspend to £118k, as summarised in Table 1 and detailed in Appendix 1; and
- b) Note that the in-year collection fund losses will not impact on the current financial year but will be spread over the next three financial years (2021/24) in line with the Government's proposed change to legislation. Burnley's share of the current in year collection fund loss is estimated at £1.2m; and
- c) Note that Officers are continuing to work on a number of options to mitigate the potential financial impact and bring forward options for decision as appropriate; and
- d) Note that the Council, along with other District Councils and industry groups continue to lobby Central Government for additional funding.

It was further reported that the Executive was also asked to seek approval from Full Council for:

- e) The latest revised net budget of £15.693m as detailed in the report at Table 1; and
- f) The transfer of the unallocated Tranche 4 Government funding of £0.86m into a newly created Covid-19 reserve that can be called upon when required and to delegate authority on the use of the reserve to the Head of Finance and Property and the Executive Member for Resources; and
- g) The proposal to waive the current year Service Level Agreement charge to Burnley Leisure of £257k, and
- h) The net transfer to earmarked reserves of £1.217m as detailed at Appendix 2.

Grounds for the above recommendations were outlined within the report.

## **IT WAS AGREED**

That the report be noted.

### **57. Fees & Charges Tariff 2021/22**

Howard Hamilton Smith advised of and presented a report that was due to be presented to the meeting of the Executive on Tuesday, 8<sup>th</sup> December 2020.

The report was to inform Members of the Council's proposed fees and charges from 1<sup>st</sup> April 2021.

The Committee was advised that the Executive would be requested to recommend to Full Council:

1. Approval of the proposed tariff of fees and charges from 1<sup>st</sup> April 2021 with an increase of 2.5% as outlined in Appendix A as attached to the report; and
2. To authorise the Head of Finance and Property, in consultation with the relevant Head of Service, to determine any new charges or changes to existing charges relating to the preparation and approval of the 2021/22 revenue budget; and
3. To authorise the Executive Portfolio Members to amend fees and charges periodically in their own area on the basis that overall income in their portfolio area remains the same as a minimum; and
4. To authorise the Strategic Head of Economy and Growth, in consultation with the Executive Member for Resources and Performance Management and the Head of Finance and Property, to adjust fees and charges in relation to the Markets service from time to time to reflect current trading conditions and the overall position of the market.

Grounds for the above recommendations were outlined within the report.

The Committee was pleased to note that it had not been proposed to increase car parking charges, crematorium or cemetery charges.

## **IT WAS AGREED**

That the report be noted.

### **58. 2020/21 Treasury Management Mid-Year Report**

Howard Hamilton-Smith advised of and presented a report which was also to be presented to a meeting of the Executive on Tuesday, 8<sup>th</sup> December 2020 to report treasury management activity for the first half year of 2020/21 covering the period 1<sup>st</sup> April to 30<sup>th</sup> September 2020.

The Committee was advised that the Executive would be requested to:

Note the treasury management activities undertaken during the period 1<sup>st</sup> April to 30<sup>th</sup> September 2020; and

Recommend that Full Council:

- Endorse the mid-year update on Treasury Management Strategy for 2020/21 in compliance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management; and
- Approve the revised Counterparty list and investment limits for Local Authority and Money Market Funds as set out in Appendix 2 of the report.

Also attached to the report at Appendix 1 were Prudential and Treasury Indicators for the first half of 2020/21.

## **IT WAS AGREED**

That the report be noted.

### **59. Scrutiny Review Groups**

#### **Housing/Calico Working Group**

Councillor Marcus Johnstone advised that a preliminary meeting of the Housing/Calico Working Group had taken place and a list of issues for discussion had been drawn up in preparation for the meeting that was to be arranged with the Chief Executive of Calico.

## **IT WAS AGREED**

That the report be noted.

### **60. Scrutiny Work Programme 2020/21**

Councillor Tatchell referred to the heavy agendas on the Scrutiny Work Programme for February and March 2021 meetings. Councillor Tatchell advised of his intention to liaise with Council Officers regarding the two agendas.

## **IT WAS AGREED**

That the Scrutiny Work Programme be noted.

### **61. Burnley Market Recovery Support Review**

Kate Ingram presented a report which was also to be reported to the meeting of the Executive on Tuesday, 8<sup>th</sup> December 2020 to review the revised opening times and the market recovery package as had been agreed by the Executive in July 2020 to help businesses recover from the Coronavirus pandemic lockdown and to consider options for further support in light of on-going local and national restrictions.

The Committee was advised that the Executive would be recommended to approve the following:

- a) Delegate Authority to the Head of Economy and Growth in consultation with the Executive Member for Economy and Growth to determine market opening and closing times of the Market for the duration of the pandemic; and
- b) Agree not to continue with the market recovery subsidy for the reasons as set out in the report; and
- c) Agree in accordance with Code of Conduct for Commercial Property Relationships during Covid-19, to deal with requests from individual tenants to re-negotiate rents who are unable to pay their rent in a fair and transparent manner as set out in paragraphs 30-33 of the report; and
- d) Delegate authority to the Head of Economy and Growth in consultation with the Executive Member for Economy and Growth to consider and make decisions on rent renegotiations within the budget parameters as set out in paragraph 37; and
- e) Approve a budget as set out in paragraph 37, funded from the Covid-19 Reserve.

Grounds for the above recommendations were outlined within the report.

Concerns were raised around requesting that market traders be required to provide a statement by an accountant. It was confirmed that each application received from market traders would be treated on an individual basis.

## **IT WAS AGREED**

That the report be noted.

### **62. Towneley Hall - Repair Works Update**

Simon Goff advised of and presented a report which was due to be presented to a meeting of the Executive on Tuesday, 8<sup>th</sup> December 2020 to update on the progress of repairs required at Towneley Hall.

The report advised that the Executive would be requested to:

- 1. Note the contents of the progress report; and
- 2. Note that a presentation to all Members had taken place on 1<sup>st</sup> December 2020; and
- 3. Delegate the adoption of the draft Conservation Management Plan (CMP) as an Executive Member Decision, following final amendments and revision of the draft CMP.

The Committee requested that when possible, the hall remained open during renovations. There were also suggestions of recorded working tours of the hall which would include guided tour headphones and of opportunities for apprenticeships to heritage skills, and for schools to be engaged.

It was also recognised that Towneley Hall was an education tool.

**IT WAS AGREED**

That the report be noted.



## **BURNLEY BOROUGH COUNCIL**

### **NOTICE OF KEY DECISIONS AND PRIVATE MEETINGS**

This Notice contains:

- a) A list of Key Decisions to be taken by the Executive (unless otherwise stated) during the month of February 2021 onwards, published by 15<sup>th</sup> January 2021. Due to current circumstances, these decisions could also be taken by Officers using urgency powers.
- b) Details of dates of meetings of the Executive during the same period at which decisions may be taken in private or partly in private

A Key Decision is an Executive decision that is likely:

- (i) to result in the local authority incurring expenditure which is, or the making of savings which are significant, having regard to the local authority's budget for the service or function to which a decision relates. The Council has said that Capital or Revenue spending over £100,000 will be a Key Decision; or
- (ii) to be significant in terms of its effects on communities living or working in an area comprising two or more wards in the Borough;

A private meeting is a meeting or part of a meeting of the Executive during which the public must be excluded whenever:

- a) it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during that item, confidential information would be disclosed to them in breach of the obligation of confidence;
- b) the Executive passes a resolution to exclude the public during that item where it is likely, in view of the nature of the item of business, that if members of the public were present during that item, exempt information would be disclosed to them; or
- c) a lawful power is used to exclude a member or members of the public in order to maintain orderly conduct or prevent misbehaviour at a meeting.

<b>Matter for Decision</b>	<b>Purpose</b>	<b>Key Decision – Yes or No</b>	<b>Anticipated date of decision</b>	<b>Public or Private report. If Private give reasons</b>	<b>List of documents to be submitted including any background papers</b>	<b>Contact person &amp; Executive Portfolio</b>
Localism Act 2011 – Pay Policy Statement 2021-22	To approve the Pay Policy Statement	No (Full Council Decision – Policy Framework)	February 2021	Public	Report to set out the key issues	Vicky White Strategic HR Manager Executive Member for Resources and Performance Management
Strategic Plan 2021	To consider the Strategic Plan for 2021	No (Full Council – Policy Framework)	February 2021	Public	Report to set out the key issues	Rob Dobson Head of Policy and Engagement Leader
Burnley Leisure Trust Loan Facility Agreement	To approve a loan facility agreement to Burnley Leisure Trust	Yes	February 2021	Private – The report contains exempt information and is therefore NOT FOR PUBLICATION by virtue of Local Government Act 1972 schedule 12A, Part 1, Paragraph 3.  Information relating to the financial or business affairs of any particular person	Report setting out the key issues.	Simon Goff Head of Green Spaces and Amenities Executive Member for Health & Wellbeing

<b>Matter for Decision</b>	<b>Purpose</b>	<b>Key Decision – Yes or No</b>	<b>Anticipated date of decision</b>	<b>Public or Private report. If Private give reasons</b>	<b>List of documents to be submitted including any background papers</b>	<b>Contact person &amp; Executive Portfolio</b>
				(including the authority holding that information).		
Homelessness & Rough Sleeping Strategy 2021-2025	To approve the Strategy for the Borough	No (Full Council – Policy Framework)	February 2021	Public	Report to set out the key issues	Paul Gatrell Head of Housing & Development Control Executive Member for Housing
Revenue Budget 2021/22 including Savings Proposals	To consider a report on the Revenue Budget 2021/22 including savings proposals	No – Full Council Decision	February 2021	Public	Report setting out the key issues	Howard Hamilton-Smith Head of Finance and Property Executive Member for Resources and Performance

<b>Matter for Decision</b>	<b>Purpose</b>	<b>Key Decision – Yes or No</b>	<b>Anticipated date of decision</b>	<b>Public or Private report. If Private give reasons</b>	<b>List of documents to be submitted including any background papers</b>	<b>Contact person &amp; Executive Portfolio</b>
Revenue Budget Monitoring 2020/21 Qtr3	To consider a report on Revenue Budget Monitoring 2020/21 Qtr3	No (Full Council)	February 2021	Public	Report setting out the key issues	Howard Hamilton-Smith Head of Finance and Property Executive Member for Resources and Performance
Capital Budget Monitoring 2020/21 Qtr 3	To consider a report on Capital Budget Monitoring 2020/21 Qtr3	No (Full Council)	February 2021	Public	Report setting out the key issues	Howard Hamilton-Smith Head of Finance and Property Executive Member for Resources and Performance
Medium Term Financial Strategy 2022/23 to 2025/26 including Reserves Strategy	To consider a report on Medium Term Financial Strategy 2022/23 to 2025/26 including Reserves Strategy	No (Full Council)	February 2021	Public	Report setting out the key issues	Howard Hamilton-Smith Head of Finance and Property Executive Member for Resources and Performance

<b>Matter for Decision</b>	<b>Purpose</b>	<b>Key Decision – Yes or No</b>	<b>Anticipated date of decision</b>	<b>Public or Private report. If Private give reasons</b>	<b>List of documents to be submitted including any background papers</b>	<b>Contact person &amp; Executive Portfolio</b>
Capital Budget 2021/22 and Capital Investment Programme 2021/26	To consider a report on Capital Budget 2021/22 and Capital Investment Programme 2021/26	No (Full Council)	February 2021	Public	Report setting out the key issues	Howard Hamilton-Smith Head of Finance and Property Executive Member for Resources and Performance
Treasury Management Strategy 2021/22 and Prudential Treasury Indicators	To consider a report on Treasury Management Strategy 2021/22 and Prudential Treasury Indicators	No (Full Council)	February 2021	Public	Report setting out the key issues	Howard Hamilton-Smith Head of Finance and Property Executive Member for Resources and Performance
Burnley's Tree Management Policy	To approve the revised policy for the Borough	Yes	March 2021	Public	Report setting out the key issues	Simon Goff Head of Green Spaces and Amenities Executive Member for Health & Wellbeing

<b>Matter for Decision</b>	<b>Purpose</b>	<b>Key Decision – Yes or No</b>	<b>Anticipated date of decision</b>	<b>Public or Private report. If Private give reasons</b>	<b>List of documents to be submitted including any background papers</b>	<b>Contact person &amp; Executive Portfolio</b>
Food Safety Delivery Plan	To consider an updated Plan for 2021	No (Full Council Decision-Policy Framework)	March 2021	Public	Report setting out the key issues	Joanne Swift Head of Streetscene  Executive Member for Community and Environmental Services
Health & Safety Delivery Plan	To consider an updated plan for 2021	No (Full Council Decision-Policy Framework)	March 2021	Public	Report setting out the key issues	Joanne Swift Head of Streetscene Executive Member for Community and Environmental Services
Anti-Social Behaviour Policy	To approve the revised policy for the Borough	Yes	March 2021	Public	Report to set out the key issues	Joanne Swift Head of Streetscene Executive Member for Community and Environmental Services

Meetings of the Executive will be held on the following dates: 15<sup>th</sup> February, 23<sup>rd</sup> March and 20<sup>th</sup> April 2021. Meetings normally start at 6.30pm but times can change so please check the council website nearer the date of the meeting. All meetings are currently being held remotely and can be viewed on the Council's [Youtube channel](#)

This Notice will be further updated by the following dates: 23<sup>rd</sup> February and 18<sup>th</sup> March 2021.

A further Notice will be given 5 clear days before each meeting listed above if the meeting or part of the meeting is to be held in private. If you wish to make any representations about why any meeting or part of a meeting proposed to be held in private should be open to the public please send them to: Catherine Waudby, Head of Legal and Democratic Services, Town Hall, Manchester Road, Burnley BB11 9SA.

E-mail: HYPERLINK "mailto:"[cwaudby@burnley.gov.uk](mailto:cwaudby@burnley.gov.uk)  
2021 HYPERLINK "mailto:"HYPERLINK "mailto:"

Published: By 15th January

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## Community Safety Report 2020-21

### REPORT TO SCRUTINY COMMITTEE



DATE	15/02/2021
PORTFOLIO	Community Services
REPORT AUTHOR	Richard Brown
TEL NO	01282 425011 Ext 3375
EMAIL	rbrown@burnley.gov.uk

#### PURPOSE

1. To provide an update to the Scrutiny Committee of Burnley's community safety performance as part of the required statutory duty, in accordance with the Crime and Disorder Act 1998.

#### RECOMMENDATION

2. That the Scrutiny Committee notes the detail of the report.

#### REASONS FOR RECOMMENDATION

3. Burnley as part of the Pennine Community Safety Steering Group has agreed Pennine Lancashire's Community Safety Strategy priorities between 2018-2021. Please see the following link. <https://www.penninecsp.org.uk/priorities/>
4. The Strategic priorities for 2018-2021 are as follows; (Not in any ranked order)
  - Maintain low crime and anti-social behaviour levels
  - Keeping young people and adults with vulnerabilities safe
  - Tackling the causes of crime through prevention and early intervention
  - Targeting repeat offenders and those causing the greatest harm
  - Keeping our roads safe
5. The priorities are reviewed on a three-yearly cycle and work is currently ongoing, with the next full strategic assessment due to be completed and overseen by Pennine Community Safety Partnership during 2021.
6. Local community safety delivery in Burnley remains the responsibility of the Multi Agency Tasking and Coordinating (MATAC) group which meets monthly and is chaired by Councillor Afrasiab Anwar, Executive Member for Community and Environmental Services

7. Local activities and the response of the MATAC group also take into account emerging threats identified through the Partnership Analyst and/or data provided by partner agencies and the community monthly via the partner meetings.

<b>SUMMARY OF KEY POINTS</b>
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### **Community Safety Projects and Activity in Burnley 2020/21**

8. All local activities are agreed through the Multi Agency Tasking and Co-ordinating meeting and emerging and predictive threats, such as alcohol related crime in the run up to Christmas are considered. In addition, informing the community of our actions and their responsibilities in reducing crime are a key element in all local activities undertaken.
9. Officers have continued to support both local and Pennine CSP priorities. Thematic groups established across Pennine Lancashire's CSP continue to deliver against local priorities and concerns. Work continues to contribute to the delivery of the current 5 key strategic priorities that are outlined in para. 4. Both Pennine and local thematic groups have continued to meet virtually during the Pandemic and make progress. For instance, the low crime and anti-social behaviour Pennine Group is chaired by Joanne Swift, BBC Head of Streetscene and C.I John Bullas, Lancashire Constabulary.
- 10.6 new alleygate schemes will be completed in the Borough by the end of the 2020/21 financial year providing extra security for 126 properties in areas highlighted as experiencing high levels of anti-social behavior and crime related to the rear of properties. The new schemes will be installed in Gawthorpe, Daneshouse with Stoneyholme, Rosegrove with Lowerhouse, Trinity, and Queensgate.
11. A borough-wide Gating PSPO has been approved which will streamline the management of all schemes from a legal perspective. This will bring all gating schemes covered by PSPOs under one single order. This step was taken following work by a pan-Lancashire officer working group to look at the best approach to managing, in some cases, hundreds of schemes.
12. The Home Office's Safer Streets fund awarded a grant of £549,500 for home security project based focusing on parts of Burnley Wood and Bank Hall. The bid was chosen as the primary bid for Lancashire. Project will look to improve home security for properties within the focus areas, improve the amenity of the areas, add further alleygate schemes to the project areas, and improve strategic CCTV coverage. The project will also aim to work with the community to deliver a project with a long-lasting impact on the community.

13. Burnley Council have, in partnership with other East Lancashire districts and the PCC contributed funding for Operation Provide. The project will provide enhanced IDVA support for the police to engage with victims of domestic abuse at the earliest opportunity.
14. The Youth panel continues to bring together statutory agencies and youth service providers to co-ordinate youth activity across the borough and address youth related anti-social behavior. During the period of disruption experienced due to the current pandemic, the group has been a vital forum that has helped some smaller agencies and services remain connected to the local community safety scene.
15. The Town Centre Offender Group coordinates targeted work against prolific shoplifters, aggressive beggars, and other anti-social individuals affecting the town centre. Through coordinated work the group have been able to obtain restrictive orders against some of the most problematic individuals, helping to create a more pleasant environment for businesses and members of the public alike.
16. Prolific, high risk offenders are being targeted through the expanded Police MOSOVO unit. Local districts form the Pennine Lancashire screening panel and with partners from the police, probation services, and drug and alcohol services, identify candidates to be included on the enhanced project.
17. The Youth Endowment Fund grant (£343k for Pennine Lancashire) for the Pause 4 Thought programme, designed to divert young people (aged 10-14) from becoming involved in criminal behaviour has been extended to enable the project to be rolled out. Due to the nature of project delivery it has been affected by Covid factors however these have now been overcome and the project will commence in Burnley from January 2021.
18. Pennine Lancashire CSP (PLCSP) has launched its website <https://www.penninecsp.org.uk> The website contains information covering all districts in PLCSP.
19. A programme of interactive, theatre-based, awareness raising sessions have been developed to refresh the Council's approach to domestic abuse. Prior to the lockdown two sessions had been delivered with a further 4 planned. Working with the partner alternative methods of delivery will be developed.
20. The 2020 Resident Satisfaction Survey recorded that concerns around 'teenagers hanging around' had fallen from 58% in 2019 to 48% in 2020. Similarly, the survey reported that the percentage of residents responding that saw 'people using or dealing drugs' fell from 62% in 2019 to 54% in 2020. Both youth ASB and activity around the drugs trade remain priorities for local partners with strong operational groups dedicated to addressing those specific issues.
21. As part of the review through the Scrutiny Committee a brief overview of crime and anti-social behaviour performance for the Borough is provided.

The Coronavirus pandemic has had a profound impact on recorded crime and anti-social behaviour across the borough and this is replicated in trends across the county. In respect to all recorded crime during 2020 there was a 10% fall in reports to the police. This decrease has been driven by a significant fall 28% in acquisitive crime with Burnley recording the largest decrease in burglaries in East Lancashire.

Where there has been a marked decrease in crime rates during 2020 there has also been significant increase in reports of anti-social behaviour and this too is driven by factors relating to the coronavirus pandemic. From March 2020 reports to the police relating to coronavirus breaches were recorded as anti-social behaviour and during the first lockdown this precipitated a significant spike in reports to the police with April showing three times the number of complaints made in February. Once lockdown restrictions were gradually relaxed the volume of calls to the police fell but remained approximately double those of pre-covid levels. Reports of anti-social behaviour across all agencies in Burnley have been increased and this increase is driven by factors relating to the coronavirus pandemic.

#### **Proposed activity for 2020/21**

22. Burnley, in conjunction with all districts in Lancashire, is involved in the application to reaffirm the county's White Ribbon Status.
23. A coordinated programme of alleygate review will be taken during 2020/21 to identify schemes that are not meeting the expected standards of usage. Schemes that are identified as failing and show no improvement during the review will be removed and used to supplement the 2020/21 roll out of new schemes.
24. A further roll-out of alley gating with approximately 6 new schemes to be identified from existing applications.
25. A review of evidence gathering resources will be undertaken to ensure the Council and partners are best able to investigate crime and disorder.
26. Continue to support the development and delivery of key, pan-Lancashire, strategies around reducing reoffending, violence reduction and knife crime, as well as locally defined priorities through Pennine Lancashire CSP and MATAC.

<b>FINANCIAL IMPLICATIONS AND BUDGET PROVISION</b>
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27. Community Safety delivery has remained pro-active over recent years with strong partnership arrangements in place, collaborative and funding opportunities continue, wherever possible to be sought to support activities.

<b>POLICY IMPLICATIONS</b>
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28. The Strategic Assessment will be reviewed yearly with a full assessment to be carried out in 2021 overseen by the Pennine CSP.

<b>DETAILS OF CONSULTATION</b>
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29. Councillor Afrasiab Anwar  
30. Lukman Patel – Chief Operating Officer

<b>BACKGROUND PAPERS</b>
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31. None

<b>FURTHER INFORMATION</b>
----------------------------

**PLEASE CONTACT:** Richard Brown Community Safety Officer Ext 3375  
**ALSO:** Joanne Swift, Head of Streetscene x7301

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## Strategic Plan 2021

### REPORT TO EXECUTIVE



DATE	15/02/2021
PORTFOLIO	Leader
REPORT AUTHOR	Rob Dobson
TEL NO	3115
EMAIL	rdobson@burnley.gov.uk

### PURPOSE

1. To seek Executive endorsement of the Strategic Plan (appendix 1).

### RECOMMENDATION

2. That the Executive recommend the Strategic Plan to Full Council.

### REASONS FOR RECOMMENDATION

3. The Strategic Plan presents a clear vision for the future: one that is evidence based, shared by all units of the council, and is in tune with the aspirations of local people.

### SUMMARY OF KEY POINTS

4. The Strategic Plan sets out the council's strategic priorities during the next three years. It is reviewed annually. The latest draft contains the following updates to the current plan:
  - a. The council's economic and community covid recovery plans are referenced.
  - b. The strategic commitment to review the structure of the council has been removed following completion of this action. Members agreed to retain the existing governance structure. Member Structures will keep improvements to ways of working under constant review.
  - c. Cross party working groups on climate change, homelessness and dog fouling have been established so the commitment relating to these has been removed. The Dog fouling Working Group's recommendations have been adopted. Executive members will give updates on homelessness and climate change actions under commitments PE3 and PL5 respectively. The Executive may set up cross-party groups in the future, and will always respond to recommendations made by Scrutiny committee working groups.
  - d. The plan now includes commitments to deliver the COVID-19 economic and community recovery plans previously approved by Full Council.
  - e. A new, separate commitment to protect heritage assets complements the council's capital programme, with its investments in the Town hall and Towneley Hall.

5. The Strategic Plan has four themes: *People, Places, Prosperity and Performance*. The

*People* theme sets out how the council will support residents to achieve their full potential by, for example, supporting efforts to improve skills in the borough. The *Places* theme sets out our strategy in relation to the natural and built environment and community safety. i.e., maintaining a clean, green and safe borough. The *Prosperity* theme sets out the council's economic development priorities, and the *Performance* theme is about internal processes and improvement activity, i.e. the council's organisational development strategy.

6. Executive members will report progress against the strategic plan actions at future Full Council meetings.
7. The Strategic Plan covers the medium term: all the commitments will be delivered within the three-year period of the plan. Heads of Service use the Strategic Plan to develop their own unit plans. These set out in more detail the tasks associated with achieving the council's objectives over the course of the next year.

#### **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

8. As set out in the council's budget.

#### **POLICY IMPLICATIONS**

9. As set out in the strategic plan and the council's strategic risk register.

#### **DETAILS OF CONSULTATION**

10. A residents' survey is conducted bi-annually to help determine key priorities.

#### **BACKGROUND PAPERS**

11. The current strategic plan: <http://www.burnley.gov.uk/about-council/our-strategies-and-policies>

#### **FURTHER INFORMATION**

**PLEASE CONTACT:**

**Mick Cartledge, CEO.**

**ALSO:**





**Burnley**.gov.uk

# Burnley Borough Council's Strategic Plan

Update February 2021

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# Burnley Council's vision 10 year vision for the borough:

*Burnley and Padiham will be places where families choose to live because of our clean, safe neighbourhoods, beautiful parks and unspoilt countryside. Businesses will choose to invest in our borough because of our skilled workforce, our diverse, competitive, modern economy and a supportive council.*

## Our values:

**One Burnley –Leading the Way**

**One Council –Working Together**

**One Team –Ambitious for Burnley**

- T -Together
- E -Enterprising
- A - Ambitious
- M -Meeting Customer Need

## Burnley Council: adapting to change

The Covid-19 pandemic will continue to have significant impact on all our lives in 2021. Burnley Council will do everything it can to help the borough bounce back from its effects

In 2021, we will continue to support the most vulnerable with essential supplies, housing, and self-isolation payments. We will operate an efficient grants programme to all eligible local businesses. We will keep everyone informed about the latest rules and guidance. The council's priority in the first half of the year remains the defeat of the virus through a local test and trace service, and supporting health partners to deliver the vaccination programme.

At the end of 2020, we published two new strategies that set out our plans for recovery.

[Burnley's New Economy: A Strategy for Recovery and Growth](#) is our plan to help local businesses. We also committed to providing greater assistance to young residents whose employment prospects have been damaged by the pandemic.

We also published a [community recovery plan](#) that sets out how the council and its partners will tackle social isolation, poverty, debt, and poor mental health. We will do this by building on the success already achieved by the Burnley Together partnership.

The borough will recover from the pandemic, so this strategy also contains our longer-term objectives, including our contribution towards the biggest issues facing the town and the nation. Amongst these is the greatest challenge of our time: climate change.

There is, however, considerable uncertainty in the budget outlook; the council's prudent Medium-Term Financial Strategy shows that we need to plan for a possible cumulative budget gap of £4.1m over the next four financial years. This adds to the pressure on the council to make savings and find ways of raising income to protect priority services that help make the borough a cleaner, greener, safer and more prosperous place to live.

Our strategic plan guards against a "salami-slicing" approach to budget cuts. With a clear vision for the borough's future, the council will stay focussed on what really matters, and will adopt innovative ways to resource those priorities.

We are a confident, positive organisation, and together with our partners, we have a strong track record of delivering positive outcomes for the people of Burnley and Padiham.

## Our guiding principles

In leading the transformation of the Council, the Executive and Management Team have worked to the following principles:

- Burnley Council is pragmatic. The Council is not ideologically committed to a specific model of local government organisation. This means that the Council is open minded about how to achieve savings. It will pursue joint working arrangements, or seek to outsource services to the private sector, where there is a clear business case.
- A business case for change must take into account the impact on the local economy, as well as the cost and benefits in terms of service quality and efficiency gains. It will implement changes following appropriate consultation with residents and employees.

## Who is this document for?

The strategy is prepared to help Elected Members and officers execute the Council's business in a well-planned and effective manner. While it is primarily for an internal audience, it is also a public document. Local residents and businesses can use this document to stay informed about the Council's plans for the Borough. The Council's Executive members report progress against the strategic commitments at Full Council meetings.

## What is the purpose of the Strategic Plan?

1. The Strategic Plan describes how the Council will make its vision for the Borough reality.
2. The Strategic Plan unifies the Council's service units, and is used to articulate common purpose.
3. Strategic analysis helps anticipate and prepare for change. The strategic planning process helps the Council audit internal capacity, informing decisions about resource allocation (staff, budgets, technology, equipment, and premises).
4. Finally, the Strategic Plan encourages dialogue amongst different service units in the Council. This in turn should lead to more joined up working as council officers identify points of connection at the level of outcome, output, process or input.

The plan is structured around the themes of People, Places, Prosperity and Performance.

This structure helps:

- breakdown departmental silos, so that Service Units are encouraged to think collaboratively about how to achieve corporate objectives;
- ensure that the Council focuses on a balanced range of priorities, so that interventions are mutually supportive. For example, the Council wants to encourage business growth so that local people have access to good, well-paid jobs (an objective under the *prosperity* theme). But to achieve this we must make sure that educational attainment improves (an objective under the *people* theme) and that, also, the environment for doing business is good thanks to clean streets and safe neighbourhoods (an action under the *places* theme);
- design services around the needs of citizens and businesses that we serve, rather than around the structure of the Council.

**The strategic plan does not cover every service delivered by the Council. The emphasis is on planning for major change and challenges, and defining priority actions linked to corporate objectives. But an overriding concern of the Council is to protect core services. Though budget pressures could mean changes to how we provide services, the Council will continue to provide good quality frontline services that are a priority for local residents. An overview of these services is set out below.**

## Burnley Council Services

- We collect rubbish, recyclable or non-recyclable, from every household and clean every street. Resident satisfaction with waste collection has increased significantly following changes to how we manage collections in some neighbourhoods, and collections were not affected by the pandemic.
- We own and manage the historic Towneley Hall that attracts tens of thousands of visitors every year.
- We manage over 550 hectares of parks and green spaces including five Green Flag Parks. The large increase in park users during the pandemic shows how important they are to wellbeing.
- In partnership with Burnley Leisure, we fund three quality leisure facilities (St Peter's, Padiham and the Prairie), and the Mechanics theatre which attracts top names in comedy, music and the arts.
- We work with businesses to support job creation, business growth, and inward investment. We delivered a business grant programme during the pandemic that awarded well over £20 million in grants to over 2,000 businesses.
- We prosecute those who commit environmental crime in the borough.
- We support victims of antisocial behaviour and work with the police to take action against anti-social behaviour.
- We deal with around 2,500 calls and, during normal times, nearly 400 visitors every week at our contact centre.
- We award benefit to around 10,500 households a year and assess over 66,000 changes in circumstances.
- We provide a quality advice and enforcement service for vulnerable households and individuals and work to tackle homelessness.
- We provide public protection services: we conduct food safety checks on food establishments; we carry out health and safety inspections of warehouses and retail premises; we license pubs and clubs and taxis; we investigate environmental pollution complaints about noise, smoke and private water supplies; and we provide CCTV monitoring. During the pandemic we have contacted hundreds of individuals and business to help reduce transmission in the community, and helped set up testing stations and vaccination centres and the Burnley Together partnership to help protect the most vulnerable families and individuals.
- We work with the police and community organisations to help foster stronger community relations.
- We process around 500 planning applications per annum and aim to ensure that new development in Burnley is built to high design standard. We also protect the heritage of the town through conservation areas management and listed building protection, and take enforcement action to protect the quality of life of Burnley residents against unauthorised building activity.
- We conduct local land searches for buyers of land or property.
- We plan and deliver major regeneration projects, in partnership with the private sector.
- We manage car parks so parking in Burnley is easy.
- We ensure that taxpayers' money is spent prudently and that the Council allocates resources within its means by providing a professional treasury management and audit service.
- We make sure local citizens have a democratic voice, through proper and effective management of elections.

# What do we want to achieve during 2021 and beyond?

## People - creating flourishing, healthy and confident communities

### **What are the challenges and opportunities?**

The closure of leisure venues has significantly impacted on the income of Burnley Leisure: re-starting cultural life and promoting access to affordable, quality leisure facilities will be a priority.

Higher rates of hospitalisations from Covid-19 highlights that reducing health inequality is a significant challenge in Burnley. For example, alcohol related hospital admissions, the number of incapacity benefit claimants for poor mental health, and deaths from smoking are all higher than the national average. Levels of worklessness due to ill health are also high. As a district council, we are well positioned to influence and deliver many measures that can help prevent ill health, both through our key functions and our enabling role. Our quality parks and green spaces are a “Natural Health Service,” and our housing services, environmental health function, our role in improving community safety, and in particular our partnership with Burnley Leisure, are all key. Perhaps our biggest long-term contribution to preventing ill health is our commitment to help grow the local economy. Poverty is a significant cause of poor health, so we want to help more local people into secure, decently paid jobs, as described in the prosperity theme of this strategy.

Increasing educational attainment and skills remains a top priority for the borough. The Council will continue to work with partners in the education sector to help maintain the focus on this.

<b>What do we commit to?</b>	<b>Lead</b>
<b>PE1-</b> We will work with partners to make the borough a place of aspiration, including supporting efforts to increase education attainment and skills development.	Chief Executive Leader
<b>PE2-</b> We will continue to develop the leisure and cultural offer in partnership with Burnley Leisure.	Chief Operating Officer Executive Member for Health and Wellbeing
<b>PE3-</b> We will work with partners to provide necessary support systems to reduce homelessness and to end rough sleeping in the borough.	Head of Housing and Development Control Executive Member for Housing
<b>PE4-</b> We will work on the wider determinants of poor health and will deliver our COVID-19 community recovery plans	Head of Policy and Engagement Executive Member for Health and Wellbeing

## What are the challenges and opportunities?

Resident feedback tells us that maintaining the cleanliness is a priority with reducing dog fouling is a key local concern.

Compared with the Lancashire average, a higher proportionate of residents live in private rented accommodation. Unfortunately, not all of this accommodation is managed to a good standard, with some neighbourhoods blighted by incidents of antisocial behaviour, long term empty properties or properties that are unfit for habitation.

We are proud to maintain a significantly higher than average proportion of greenspace per head of population. Evidence suggests that access to parks and nature has major health benefits, as well as making the living environment attractive. Indeed, park use increased significantly during lockdown. Our parks are therefore a key asset in making the borough a good place to live and work. In addition, the Council has an obligation as a community leader to play a part in reducing harmful carbon emissions and responding to climate change.

The Council recognises that we are facing a climate change emergency that threatens our future. The Council will deliver reductions in single use plastic, bring forward de-carbonisation measures and will enable the uptake of electric vehicles and will provide financial support to help green businesses and shops.

What do we commit to?	Lead
<b>PL1-</b> We will implement a range of initiatives to maintain a clean, safe, attractive and environmentally friendly borough. This will include a focus on reducing dog fouling.	Head of Streetscene Executive Member for Community and Environmental Services
<b>PL2-</b> We will improve the management and condition of rented accommodation.	Head of Housing and Development Control Executive Member for Housing
<b>PL3-</b> We will work with partners to improve quality and choice in the borough's housing stock.	Chief Operating Officer Executive Member for Housing
<b>PL4-</b> We will implement our 2015-25 Green Space Strategy.	Head of Green Spaces and Amenities Executive Member for Health and Wellbeing
<b>PL5-</b> We will prepare and deliver a new Climate Emergency Strategy.	Head of Housing and Development Executive Member for Resources and Performance Management
<b>PL6-</b> We will invest in our heritage assets for the benefit of this, and future, generations.	Head of Finance and Property Management Executive Member for Resources and Performance Management





### **What are the challenges and opportunities?**

Prior to the COVID-19 pandemic, Burnley benefitted from a decade of employment growth and investment. For many years now, economic forecasts have shown that places such as Burnley, who are over-dependent on manufacturing, would continue to suffer job losses as the sector retracts and whilst this has not necessarily been the case in Burnley, there is a danger that the impact of COVID-19, the formal withdrawal of the UK from the EU, and any subsequent economic downturn could accelerate this trend and expose any underlying weaknesses in the economy. It is therefore vital that we respond, by providing businesses, people, and places with the support and interventions necessary to enable them to continue to operate in an ongoing pandemic and economic slowdown, whilst still continuing to address underlying issues and opportunities for future economic growth. The document [Burnley's New Economy: A Strategy for Recovery and Growth](#) sets out the issues and actions in detail.

With a retail catchment area of 300,000 people, Burnley is a major retail and service centre in Pennine Lancashire. The town centre has benefitted from significant investment in public realm, attracting new occupiers such as Primark. The council, in partnership with other key organisations, has developed a Town Centre and Canalside Masterplan setting out opportunities to diversify the leisure offer, introduce town centre living. The Council will progress key projects including "Pioneer Place", to deliver the masterplan.

The development and growth of UCLAN over the next four years will have a transformational impact on the town. The Council and UCLAN will work in partnership with the business community to deliver higher level skills and degree level apprenticeships as well as leverage the expertise of the University and other funding streams to support business innovation, business scale up and new business starts. The Council has also supported the expansion of Burnley College through a £7million loan.

By promoting Burnley as an investment opportunity, and by improving travel connections and kick starting development to attract investors, the Council is dedicated to getting the most out of Burnley's key assets: its rural setting, its proximity to the regional growth hub of Manchester, the economic development potential of Burnley's land and its education and skills infrastructure. The Local Plan will act as the key supporting framework for encouraging employment and housing investment, with the aim of maintaining the recent trend of private sector job growth and growing the borough's skilled workforce.

The Council is ambitious for Burnley. The devolution of powers from central government is an opportunity for the borough. To ensure that Burnley punches above its weight and gets a fair deal, the Council's Executive and Management Team will make sure that the business case for Burnley is heard at sub-regional, regional and national decision-making levels.

The Council will also prioritise its spending towards businesses within our local economic area and will encourage partners in the local public sector to do the same.

<b>What do we commit to?</b>	<b>Lead</b>
<b>PR1-</b> We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment.	Chief Executive Council Leader
<b>PR2-</b> We will proactively support the borough's businesses to innovate and expand, and make the borough a natural choice for business relocation.	Strategic Head of Economy and Growth Executive Member for Economy and Growth
<b>PR3-</b> We will deliver the Town Centre and Canalside Masterplan, and strategic projects in Padiham Town Centre.	Strategic Head of Economy and Growth Executive Member for Economy and Growth
<b>PR4-</b> We will implement the Local Plan, delivering new housing, employment sites, and infrastructure.	Strategic Head of Economy and Growth Executive Member for Economy and Growth
<b>PR5-</b> We will support UCLan's expansion, transforming Burnley into a University Town.	Chief Executive Council Leader
<b>PR6-</b> We will delivery our COVID-19 economic recovery plan.	Strategic Head of Economy and Growth Executive Member for Economy and Growth

## Performance- ensuring a continuous focus on improvement in all aspects of the Council's performance

Due to the lockdown, the council faced a projected budget deficit of £1.2m in 2020-21. While an estimated £1.1m is to be received through the Government's sales, fees and charges income compensation scheme, there is also an estimated deficit of £1.2m on the Council's Collection Fund. The Government announced financial support to help meet this deficit, as part of the Spending Review, and has introduced legislation that allows the balance of the deficit to be collected over the next three financial years. However, the longer-term effect of the pandemic on the economy, and consequently on council income, is a significant risk to the Council's finances.

The Council has a duty to deliver value for money for tax payers. The budget outlook remains challenging: services cannot continue to be delivered in the same way as in the past. New service delivery models will be required to achieve efficiencies. If services have to be cut the Council will be clear about the process that has been followed in reaching these decisions.

In September 2018, the council was told it "should be proud of its achievements" following a review of its services and plans for the borough by an independent peer review team. The Council will continuously improve service delivery, and will adapt to the needs of its customers.

<b>What do we commit to?</b>	<b>Lead</b>
<b>PF1-</b> We will manage our contract with Liberata robustly, so it delivers value for money and good services.	Chief Operating Officer Executive Member for Resources and Performance Management
<b>PF2-</b> We will adopt a Medium Term Financial Strategy that will put the Council on a sustainable financial footing. This strategy will set the framework for preparing annual budgets, ensuring the annual budget strategy is set within the context of the longer-term outlook.	Head of Finance and Property Management Executive Member for Resources and Performance Management
<b>PF3-</b> We will develop our digital strategy, so that more residents transact with us online and we will continue to deliver services more efficiently.	Chief Operating Officer Executive Member for Community and Environmental Services
<b>PF4-</b> We will deliver our Organisational Development strategy, ensuring we plan for the structures and capabilities that the organisation needs, and empowering our workforce to deliver the objectives of the Strategic Plan. This will include embedding hybrid working patterns where this improves productivity.	Head of Policy and Engagement Executive Member for Resources and Performance Management

## Revenue Monitoring Report 2020/21 – Quarter 3 (to 31 December 2020)

### REPORT TO EXECUTIVE



DATE	15 <sup>th</sup> February 2021
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Howard Hamilton-Smith
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### PURPOSE

1. To report the forecast outturn position for the year as at 31 March 2021 based upon actual spending and income to 31 December 2020.

### RECOMMENDATION

2. The Executive is asked to:
  - a. Note the projected revenue budget forecast position of a net overspend of £1.09m (excluding potential collection fund losses). An estimated £1.04m is to be received through the sales, fees and charges income compensation scheme which would reduce the forecast net overspend of £49k, as summarised in Table 1 and detailed in Appendix 1.
  - b. Note that the in-year collection fund losses will not impact on the current financial year but will be spread over the next three financial years (2021/24) in line with the Government's proposed change to legislation. Burnley's share of the current in year collection fund loss is estimated at £1.1m.
  - c. Note that the Council, along with other District Council's and industry groups continue to lobby Central Government for additional funding.

The Executive is also asked to seek approval from Full Council for:

- d. The latest revised net budget of **£15.693m** as shown in Table 1,
- e. The net transfers to earmarked reserves of **£1.334m** as shown in Appendix 2.

### REASONS FOR RECOMMENDATION

3. To give consideration to the level of revenue spending and income in 2020/21 as part of the effective governance of the Council and to ensure that appropriate management action is taken to ensure a balanced financial position.

## SUMMARY OF KEY POINTS

### 4. Financial Impact of Covid-19

This report shows the forecast outturn position based on the net budget forecast within the current reporting period. In previous years, the focus of this report has been on the net budget forecast and the achievement of the savings targets. Due to the Coronavirus pandemic, this year is unprecedented with the focus instead being on the forecast reductions in income and increases in expenditure. At the end of the current reporting period, the forecast year end net budget deficit stands at £49k (excluding the estimated collection fund deficit for the year). This is after taking into consideration £2.486m of direct Central Government funding received to date and estimated income from the sales, fees & charges compensation scheme. The deficit is based upon forecast income and expenditure as at the end of Quarter 3, a time at which there are many future unknowns. The budget is being continually monitored.

The provisional budget settlement 21/22 was announced in December 2020 which provided for a 2.6% increase in core spending power (compared to an England average of 4.5%). In addition, a Lower Tier Services Grant (£182k) was introduced to ensure that no authority has a lower core spending power than in 2020/21 along with a Council Tax Support Grant (£267k). This is an un-ringfenced grant aimed directly at supporting councils to meet the anticipated additional costs of providing Local Council Tax Support in 2021/22, resulting from increased unemployment.

As part of the November 2020 spending review the Government also announced an intention to compensate local authorities for 75% of irrecoverable collection fund losses (with local authorities funding 25% of the loss) as well as an intention to allow 2020/21 collection fund deficits to be spread over three years (currently two years). In addition, the fees & charges income compensation scheme will continue for the first quarter of 2021/22.

### 5. Revenue Budget Monitoring Process

All budget holders are required to review their budgets on a monthly basis. Three in-year reports on revenue budget monitoring are presented to the Executive and Scrutiny Committee during the course of the financial year. This is the third in-year report for 2020/21. In addition to these three reports there is a final report for revenue to consider the actual spending at the end of the financial year compared with the revised revenue budget. Under the scheme of delegation each budget area is delegated to a Head of Service who remains accountable for the effective discharge of financial management as an integral part of achieving strategic objectives and in turn meeting service delivery priorities.

All Heads of Service have been asked to consider their budgets and provide information and details of any actual or anticipated significant variations between spending / income and budgets.

## 6. Budget Changes

Since the budget was approved, the following proposed budget changes have been made and are shown in Appendix 1:

- Virements approved by Heads of Service and Management Team.
- Decisions confirming additional awards of grant and contributions up to £50k approved by Heads of Service and Management Team.
- Executive Member for Resources and Performance Management decisions confirming additional awards of grant and contribution over £50k.
- Decisions made by the Executive.
- Transfers to/from Earmarked Reserves in respect of grants/contributions and also approved carry forwards from 2019/20 (Appendix 2).

Members are asked to approve the latest revised net budget of £15.693m as shown in Table 1.

## 7. Revenue Budget Summary

Table 1 shows a summary by service area of the revised budget for the year along with the current forecast as at the end of Q3 and the anticipated variance.

At the end of Q3 the net budget forecast is currently £49k deficit (net of the estimated collection fund deficit for the year). Incorporated into the budget are two savings targets: a £154k salary savings target and a £59k non salary savings target. This report would normally focus on the savings identified in year and the achievement of these targets. In the current circumstances this is not feasible. The net budget forecast of £49k deficit is based upon the latest estimates of income and expenditure, of which there are still many future unknowns. Consideration has only been given to the short-term impact of the pandemic and there is a high probability that the impact will be longer-term spanning future financial years, with increased costs and income losses.

Over recent months the Government has announced a series of financial interventions to help support local authorities and their residents/businesses during the current Coronavirus pandemic. Of these financial interventions this Council has received a direct funding allocation of £2.486m out of a Central Government fund of £4.43bn. Of our £2.486m allocation, £6k is a ringfenced grant towards tackling homelessness and £79k is ringfenced as part of the 'Re-opening High Streets Safely' scheme. A further £2.106m was received in four tranches: £75k received in Tranche 1 which has been allocated to tackling homelessness, £882k in Tranche 2, £229k in Tranche 3 and £920k in Tranche 4. Tranche 2, 3 and 4 monies are un-ringfenced funding to assist with reductions in income received and additional cost pressures incurred by the Council. Approvals of £60k have already been made from Tranche 4 funding. It was approved that the balance of £860k was transferred into a Covid-19 reserve which can be called upon when required to fund any related additional expenditure or loss of income.

In addition, New Burdens grant funding of £295k has been received to mitigate the costs of administering various business grant schemes: Small Business, Retail, Hospitality & Leisure £190k, Council Tax Hardship & Business Rates Relief £28k and Small Business, Retail, Hospitality & Leisure Discretionary grants £77k. Additional Local Resilience

Supports Grants New Burdens funding of £130k has also been received, however an assessment of requirements is currently being carried so the impact on the budget is not yet known.

8. The Council was successful in its bid for an Arts & Culture Grant, receiving £116k. This money is to offset additional costs incurred at Towneley Hall and as such is not included within the Central Government funding figures identified in the paragraph above.
9. A further £10m Cold Weather Fund for local areas has also recently been announced by Government to enable local authorities to bring forward COVID-secure accommodation this winter. This fund is to provide a robust, local response to support rough sleepers off the streets over the winter period. This funding will be available until March 2021. We are currently awaiting further details of individual council allocations and how the funds can be accessed.
10. Included within the Tranche 3 £500m support package for Local Government announced by the Government on 2nd July 2020 was an announcement to support income losses. Where these income losses are more than 5% of a council's planned income from sales, fees and charges, the Government will cover them for 75p in every pound lost. The announcement also stated that council and business rates tax deficits can be repaid over three financial years rather than having to be met in-year (see para 14). Claims for income losses are to be submitted in three tranches: April – July, August – November and December – March. A claim for income losses for the period April to July has been submitted, requesting reimbursement of £0.4m for that period. The claim has been submitted on the basis of the guidance issued by MHCLG and has been verified and approved. A further claim for the period August – November has been submitted requesting compensation of £0.3. This claim is awaiting verification. It is estimated that the value of the claim for December to March will be £0.3m, taking the total to be claimed through the scheme to £1.0m. However, these estimates are based upon many future assumptions around income collection and there are many areas of uncertainty and may change.

#### **11. Council Tax and Business Rates Income (Collection Fund)**

The Government has announced an intention to allow current year collection fund deficits to be spread over three years (currently two years).

Presently the estimated surplus/deficit on the collection fund for the current financial year (to be calculated as at January 2021) will be recovered in 2021/22 and the variance between the estimate and final outturn recovered in 2022/23.

The new proposals relate to estimated deficits only, with estimated surplus continuing to be accounted for under the usual arrangement. Under the new proposals the estimated deficit calculated as at January 2021 will be spread over three financial years. The variance between the estimated deficit and the final outturn will continue to be recovered in 2022/23.

The estimated deficit will be split in equal proportions between the three years. Authorities do not have discretion to opt out of this scheme and it is compulsory to spread any deficit.

The current forecast in year deficit on the collection fund is £1.1m which will impact on the 2021/22 to 2023/24 financial years. Collection rates have not been as low as expected due to the government funded reliefs that have reduced the amounts collectable, however



it is likely that collection rates will be impacted when these schemes come to an end, for example, when Government support reduces.

#### 75% Collection Fund Compensation Scheme

12. As part of the November 2020 spending review the Government announced an intention to compensate local authorities for 75% of irrecoverable collection fund losses, with local authorities funding 25% of the loss.

The compensation guarantee for council tax will predominantly cover expected council tax liability at the time of budget setting for 2020-21, which did not materialise. The compensation will be for net collectable debt adjustments relating to 2020/21 only which may have occurred for example, due to an increase in local council tax support costs or unachieved council tax base growth.

The compensation guarantee for NDR includes the movement in bad debt provision between NNDR 1 estimate and NNDR 3 actual and will also include any prior year adjustments effected in 2020/21.

Central Government expects billing authorities to continue appropriate collection and enforcement action for outstanding collection fund debt in the usual way. The final amount of compensation will be based on the 2020/21 Quarter 4 Return of Council Taxes, National Non-Domestic Rates (NNDR) & Localised Council Tax Support (LCTS).

Table 1: Revenue Budget Forecast Position 2020/21

		Forecast position as at Quarter 2					Forecast position as at Quarter 3					For Info Only		
		Revised Budget £000s	Forecast Q2 £000s	Forecast Net Income from Sales, Fees & Charges £000s	Revised Forecast Q2 £000s	Variance Q2 £000s	Revised Budget £000s	Forecast Q3 £000s	Forecast Net Income from Sales, Fees & Charges £000s	Revised Forecast Q3 £000s	Variance Q3 £000s	Gross Income Loss from Sales, Fees & Charges £000s	Gross Income Loss from Sales, Fees & Charges £000s	Income Loss to be Borne by the Council £000s
a	Economy and Growth	905	1,096	(11)	1,085	180	905	1,023	(11)	1,012	107	15	(11)	4
b	Policy and Engagement	414	446	(22)	424	10	414	447	(22)	425	11	32	(22)	10
c	Management Team	352	352	0	352	0	352	353	0	353	1	0	0	0
d	Sport and Culture Leisure Client	703	1,015	(184)	831	128	703	1,015	(184)	831	128	257	(184)	73
e	Green Spaces and Amenities	952	1,074	(192)	882	(70)	957	1,030	(140)	890	(67)	208	(140)	68
f	Streetscene	3,061	3,602	(355)	3,247	186	3,061	3,605	(408)	3,197	136	604	(408)	196
g	Housing and Development Control	388	611	(107)	504	116	388	624	(35)	589	201	63	(35)	28
h	Strategic Partnership	3,880	3,880	0	3,880	0	3,880	3,920	0	3,920	40	0	0	0
i	Finance and Property	496	1,052	(32)	1,020	524	496	1,077	(31)	1,046	550	50	(31)	19
j	Revenues and Benefits Client	(1,341)	(1,035)	(203)	(1,238)	104	(1,341)	(1,035)	(203)	(1,238)	104	300	(203)	97
k	Legal and Democratic Services	1,063	971	(8)	963	(100)	1,063	974	(8)	966	(97)	10	(8)	3
l	People and Development	207	207	0	207	0	207	207	0	207	0	0	0	0
m	Central Budgets - Other (includes corporate costs eg utilities, apprenticeship levy)	254	448	0	448	194	220	414	0	414	194	0	0	0
	Central Budgets - Savings Targets (see Table 2)	(213)	0	0	0	213	(213)	0	0	0	213	0	0	0
	<b>NET SERVICE BUDGET</b>	<b>11,121</b>	<b>13,720</b>	<b>(1,114)</b>	<b>12,606</b>	<b>1,485</b>	<b>11,092</b>	<b>13,653</b>	<b>(1,042)</b>	<b>12,612</b>	<b>1,520</b>	<b>1,539</b>	<b>(1,042)</b>	<b>498</b>
	Pensions	761	761	0	761	0	761	761	0	761	0	0	0	0
	Provisions (Balance to be determined at year end)	0	0	0	0	0	0	0	0	0	0	0	0	0
	Impairments (Provisions for Bad Debt)	0	0	0	0	0	0	0	0	0	0	0	0	0
	Parish Precepts (Disbursement to Parishes)	166	166	0	166	0	166	166	0	166	0	0	0	0
	Treasury (Investment Income & Expenditure)	879	974	0	974	95	879	974	0	974	95	0	0	0
	Capital Financing	2,492	2,492	0	2,450	0	2,381	2,381	0	2,381	0	0	0	0
	Earmarked Reserves (to / (from))	871	1,791	0	1,791	920	831	1,752	0	1,752	920	0	0	0
	Strategic Reserves (to / (from))	(597)	(597)	0	(597)	0	(417)	(417)	0	(417)	0	0	0	0
	<b>NET CORPORATE ITEMS</b>	<b>4,572</b>	<b>5,587</b>	<b>0</b>	<b>5,544</b>	<b>1,015</b>	<b>4,600</b>	<b>5,616</b>	<b>0</b>	<b>5,616</b>	<b>1,015</b>	<b>0</b>	<b>0</b>	<b>0</b>
	Council Tax	(7,160)	(6,500)	0	(6,500)	660	(7,160)	(6,523)	0	(6,523)	636	0	0	0
	Parish Precepts (Receipts from Council Tax Payers)	(166)	(166)	0	(166)	0	(166)	(166)	0	(166)	0	0	0	0
	Business Rates: Retained Income	(4,513)	(3,985)	0	(3,985)	527	(4,513)	(4,000)	0	(4,000)	513	0	0	0
	Business Rates: S31 Grants (For award of business rates relief)	(1,219)	(1,219)	0	(1,219)	0	(1,219)	(1,219)	0	(1,219)	0	0	0	0
	Prior Year Collection Fund (Surplus)/Deficit	(301)	(301)	0	(301)	0	(301)	(301)	0	(301)	0	0	0	0
	Revenue Support Grant	(1,640)	(1,640)	0	(1,640)	0	(1,640)	(1,640)	0	(1,640)	0	0	0	0
	New Homes Bonus	(694)	(694)	0	(694)	0	(694)	(694)	0	(694)	0	0	0	0
	Other Government Grants	0	0	0	0	0	0	0	0	0	0	0	0	0
	<b>FUNDING</b>	<b>(15,693)</b>	<b>(14,505)</b>	<b>0</b>	<b>(14,505)</b>	<b>1,188</b>	<b>(15,693)</b>	<b>(14,543)</b>	<b>0</b>	<b>(14,543)</b>	<b>1,149</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>BUDGET BALANCE</b>	<b>0</b>	<b>4,802</b>	<b>(1,114)</b>	<b>3,645</b>	<b>3,688</b>	<b>0</b>	<b>4,726</b>	<b>(1,042)</b>	<b>3,684</b>	<b>3,684</b>	<b>1,539</b>	<b>(1,042)</b>	<b>498</b>
	Share of £3.2m Homelessness Funding (ringfenced grant)	0	(6)	0	(6)	(6)	0	(6)	0	(6)	(6)	0	0	0
	Tranche 1 - Share of £1.6bn allocated from £5bn Coronavirus Fund – Burnley allocation for homelessness	0	(75)	0	(75)	(75)	0	(75)	0	(75)	(75)	0	0	0
	Tranche 2 - Share of additional £1.6bn funding announced on 18 <sup>th</sup> April 2020 – non-ringfenced grant	0	(882)	0	(882)	(882)	0	(882)	0	(882)	(882)	0	0	0
	Share of £50m Re-opening High Streets Safety Fund (ringfenced grant)	0	(79)	0	(79)	(79)	0	(79)	0	(79)	(79)	0	0	0
	Tranche 3 - Share of additional £500m funding announced on 2nd July 2020- non ring fenced grant	0	(229)	0	(229)	(229)	0	(229)	0	(229)	(229)	0	0	0
	Tranche 4 - Share of additional £919m funding announced on 22nd October 2020- non ring fenced grant	0	(920)	0	(920)	(920)	0	(920)	0	(920)	(920)	0	0	0
	New Burdens Grant Funding - Small Business, Retail, Hospitality & Leisure Grants	0	(190)	0	(190)	(190)	0	(190)	0	(190)	(190)	0	0	0
	New Burdens Grant Funding - CT Hardship & Business Rates Relief	0	0	0	0	0	0	(28)	0	(28)	(28)	0	0	0
	New Burdens Grant Funding - Small Business, Retail, Hospitality & Leisure Discretionary Grants	0	0	0	0	0	0	(77)	0	(77)	(77)	0	0	0
	<b>Forecast Budget Gap Including Collection Fund</b>	<b>0</b>	<b>2,421</b>	<b>(1,114)</b>	<b>1,264</b>	<b>1,307</b>	<b>0</b>	<b>2,240</b>	<b>(1,042)</b>	<b>1,198</b>	<b>1,198</b>	<b>1,539</b>	<b>(1,042)</b>	<b>498</b>
	Less forecast loss on Collection Fund	0	(1,188)		(1,188)	(1,188)	0	(1,149)		(1,149)	(1,149)			
	<b>Forecast Budget Gap Excluding Collection Fund</b>	<b>0</b>	<b>1,233</b>	<b>(1,114)</b>	<b>76</b>	<b>119</b>	<b>0</b>	<b>1,091</b>	<b>(1,042)</b>	<b>49</b>	<b>49</b>	<b>1,539</b>	<b>(1,042)</b>	<b>498</b>

### 13. SAVINGS TARGETS

As previously mentioned, in setting the budget it was assumed that two savings targets would be achieved: £154k salary savings from not filling posts immediately and £59k in year savings/additional income target. In light of the financial pressures incurred as a result of the Coronavirus pandemic there is the potential that the operational underspend target will not be achieved. The salary savings target has been achieved due to staff turnover and vacant posts. At present the net forecast budget overspend is £49k. This is after Central Government funding has been taken into consideration and estimated income from the sales, fees & charges compensation scheme. A summary of the in-year targets and the projected budget forecasts categorised by salary and non-salary expenditure as at the end of Q3 can be seen in Table 2 below:

<b>Table 2: Summary of Corporate Savings</b>					
<b>Savings</b>	<b>Revised Budget</b>	<b>Savings Forecast Q1</b>	<b>Savings Forecast Q2</b>	<b>Savings Forecast Q3</b>	<b>Balance of Savings yet to be Identified</b>
	<b>£000</b>	<b>£000</b>			<b>£000</b>
Salary Savings	(154)	19	49	110	24
Non-Salary Savings	(59)	(3,768)	(884)	(16)	(4,727)
<b>TOTAL</b>	<b>(213)</b>	<b>(3,748)</b>	<b>(835)</b>	<b>94</b>	<b>(4,704)</b>
Plus Salary Pay Award					(20)
Less Central Government Funding Received					2,486
Less Estimated Collection Fund Deficit					1,149
Less Estimated Sales, Fees & Charges Compensation Income					1,041
<b>TOTAL SAVINGS YET TO BE IDENTIFIED</b>					<b>(49)</b>

#### Salary Savings Target

The position at the end of Q3 is that £178k of salary savings have been secured to date as can be seen in Table 2 above, exceeding the in-year target by £24k.

#### Non-Salary Savings Target

The latest position is that the estimated balance of non-salary savings yet to be identified is £4.7m.

The combined balance of savings (salary and non-salary) yet to be identified totals £4.7m which is reduced to a net budget deficit of £49k once Central Government funding received to date, collection fund losses and estimated income from the sales, fees & charges compensation scheme have been taken into consideration. The above estimates are based on forecasts at the end of Quarter 3, when there are still many future uncertainties. As such the budget is fluid in nature and may change (positively or negatively) as the year progresses.

## 14. SERVICE REPORTS

14.1 Departmental budgets and current forecast for each service area can be found in Appendix 1. Summarised below by service area are narratives explaining movements in the projected forecast along with any issues or concerns to be highlighted.

### a. Economy and Growth

**Forecast Variance: £107k net overspend**

*Previous forecast variance: £180k net overspend*

An estimated (£11k) to be reimbursed under the sales, fees & charges compensation scheme in respect of lost income from rechargeable work.

Increased salary costs £3k due to the 2020/21 pay award.

Reduction in general expenditure on supplies and services in respect of markets management (£5k) along with lower repairs and utilities expenditure (£26k) and forecast reduced expenditure on the purchase of supplies and services (£18k) at the Market Hall. All due the impact of the Covid-19 pandemic on the operation of the Market Hall.

Reduction in staff costs at the Market Hall (£11k) and Regeneration Section (£23k) (inclusive of (£12k) reported in Q2) due to vacant posts. The post with the Market Hall has now been filled however the post within Regeneration is to remain vacant until the end of the financial year. In addition, forecast reduction in the agency and overtime budget (£5k) at the Market Hall.

Reduction in leased/non leased stall income and storage charges at the Market Hall £97k (this is inclusive of the £37k reported in Q1 due to 50% rent and service charge reduction for the period June – September 2020 inclusive). In addition, increased agency staff costs £5k to provide cover for an Officer, offset in part by a reduction in salary costs (£2k) for the Assistant Market Manager post due to the previous postholder now working on Burnley BID. The vacancy has been filled. Increased provision for the non-payment of market stall rental income £20k due to the cancellation of several direct debit payments.

Reduction in printing and stationery (£12k) costs in respect of Burnley Branding as the Burnley Lifestyle magazine is not going to be produced in the same quantities this year (a smaller run may be produced). Offset in part by a reduction in advertising income within the magazine £8k. In addition (£15k) reduction in advertising, marketing and publicity spend offset in full by a reduction in Burnley Bondholders sponsorship income £15k. Estimated reduction in corporate regeneration grants to be paid (£8k) based upon commitments to date.

Reduction in staff costs within the RAPP Management service area (£8k) due to two vacant posts. There are plans to re-recruit to these posts. In addition, various reductions (£4k) in respect of mileage, travelling expenses etc due to the current situation.

Reduction in forecast income at Vision Park £74k. This is a culmination of reduced rental and service charge income due to vacant units and also a rent-free period offered to current tenants who would not attract a Small Business grant under the

Government's Business Grant Award Scheme. In addition, forecast increase in business rates payable on the vacant units £18k.

Reduced income from Business Support rechargeable work £15k due to rechargeable work no longer being carried out.

**b. Policy and Engagement**

**Forecast Variance: £11k net overspend**

*Previous forecast variance: £10k net overspend*

Increased salary costs £1k due to the 2020/21 pay award.

Forecast reduction in income from external works carried out by the Graphics Team £32k due to reduced demand in the current climate of which an estimated (£22k) is to be refunded through the sales, fees & charges compensation scheme.

**c. Management Team**

**Forecast Variance: £1k**

*Previous forecast variance: £0k*

Increased salary costs £1k due to the 2020/21 pay award.

**d. Sport and Culture Leisure Client**

**Forecast Variance: £128k net overspend**

*Previous forecast variance: £128k net overspend*

There are no additional variances or issues of concern to report in this quarter.

The annual Service Level Agreement of £257k for the current year is to be waived to assist Burnley Leisure to meet the budget gap resulting from the coronavirus pandemic. It also reflects the fact that Burnley Leisure have not been able to make full usage of the SLA this year due to the majority of it's staff being placed on furlough during the mandated closure of it's facilities and their heavy involvement with the response work in the borough during the pandemic. The Council is looking to claim (£184k) of the waived SLA income under the sales, fees and charges compensation scheme that would reduce the net cost to the Council to £73k.

Burnley Leisure is facing a potential in year cashflow shortfall of £275k which may require a financial contribution from the Council. The Government has also recently announced a £100m package that would be available for outsourced leisure providers to submit funding bids to recover lost income and additional spending pressures that have arisen due to the coronavirus pandemic. If successful, this may bridge any funding shortfall the Leisure Trust may have. However, any additional financial contribution from the Council would only be made if Burnley Leisure was unable to balance its budget. This would also require approval from Members.

Fees are the major source of income for Burnley Leisure however this income could not be collected during the period that their various facilities were mandated to close at a loss so far projected at £2.75 million. Like many other Leisure Trusts across the country Burnley Leisure is facing significant financial challenges due to the pandemic. The estimated in-year shortfall for Burnley Leisure is a current forecast incorporating the opening of leisure centres in accordance with government guidelines and the ability to earn income. Burnley Leisure has already undertaken a range of measures to help

mitigate the significant loss of income and through use of the Job Retention Scheme, Government Business Grants and the Cultural Recovery Fund have generated around £1 million to offset losses. Burnley Leisure will continue to make best use of these and other opportunities when they arise. The nationally mandated closures in November 2020 and January 2021 will further impact on Burnley Leisure's income and work is currently being undertaken to assess the scale of this.

e. **Green Spaces and Amenities**

**Forecast Variance: £67k net underspend**

*Previous forecast variance: £70k net underspend*

Increased salary costs £4k due to the 2020/21 pay award.

Forecast increase in medical reference fees £4k due to an increase in cremations along with additional overtime incurred £7k at the Cemetery due to weekend burials. In addition, an increase in the repair & purchase of equipment/materials £14k at the Grounds Maintenance workshop/stores.

Salary savings (£89k) due to 2 x vacant post and a reduction in working hours for 2 further posts. One vacant post has been replaced and the other is to remain vacant. The reduction in working hours are permanent and have been reflected in the 2021/22 revenue budget. Offset in part due to additional overtime and Agency costs £11k amongst the Grounds Maintenance and Rangers teams.

The Council is able to claim (£140k) through the sales, fees and charges compensation scheme. This is in respect of events income at Townley, income in respect of hire of the cemetery chapel and purchase of memorial plaques as well as lost income from the hire of football pitches and rechargeable works.

Additional burial and crematorium income (£104k) at the end of Q2, when compared to the same period during the previous financial year, due to excess deaths as a result of the coronavirus pandemic. However, excess death rates are reducing. It is uncertain whether the number of excess deaths will continue to fall as the year progresses or whether the trend will reverse if there is a second wave of the pandemic. As a consequence, the additional income received may level out as the year progresses.

Reduced cemetery/crematorium income £7k from the hire of the chapel and purchase of memorial wall plaques.

Reduction in catering rights/service charge income £60k at various establishments in Queens Park, Towneley Park & Old Stable Café as these facilities were required to close due to the Coronavirus pandemic. Car parking income at Towneley Park and Thompson Park are £55k lower than forecast as the car parks were closed during April and May.

A fall in football pitch bookings has resulted in a forecast reduction in income of £7k. No income is forecast to be received from the hire of Townley Park by the fairground of £8k as at present it is not anticipated that the fairground will be able to attend. Likewise, it is expected that the annual firework event will not take place resulting in a loss of income of £18k. In addition, no events are anticipated to be held at Thompson Park Pavillion resulting in a forecast reduction of income £5k.

Forecast reduction in expenditure at Towneley Hall (£38k) across several areas, for example, purchase of goods for resale, uniforms, catering supplies, marketing and publicity and exhibitions costs due to the current closure. Offset by a forecast reduction in income £104k relating to admissions, events, tours, sale of goods and donations.

f. **Streetscene**

**Forecast Variance: £136k net overspend**

*Previous forecast variance: £186k net overspend*

Increased salary costs £3k due to the 2020/21 pay award.

An estimated (£408k) of lost income is claimable under the sales, fees & charges compensation scheme. This is in respect of car parking income, FPN income, licensing and regulatory work income.

Forecast additional income from garden waste collections (£12k) due to demand for the service. In addition, salary savings (£10k) within Engineering Services due to a vacant post. This post is to remain vacant and the savings will be used to carry out a restructure within the service.

Reduction in car parking daily fee income forecast for the year of £291k due to no income being generated April – June and reductions throughout the rest of the year, as well as a reduction in contract parking income £68k. Car park enforcement action was also suspended April – June resulting in a forecast reduction in income from fines £26k.

The environmental enforcement contract is currently suspended leading to a forecast reduction in net income of £52k.

The provision of a limited pest control services has led to a reduction in pest control service costs (£4k). This has been offset by a reduction in domestic and commercial pest control income £31k.

The current suspension of the courts has resulted in a forecast reduction in court cost income and court compensation income £5k in respect of back yard clearances.

Forecast reduction in licensing income across several areas: street trader licences £9k and kennelling licences £2k due to a reduced take up of licences; taxi licences £40k as no new applications are being received and those expiring before 1<sup>st</sup> August are being renewed automatically for 4 months; other general licences £26k as auto renewal fees have been suspended resulting in 3 months loss of income.

Increased costs in relation to public funerals £17k due to an increase in demand during the Coronavirus pandemic.

g. **Housing and Development Control**

**Forecast Variance: £201k net overspend**

*Previous forecast variance: £211k net overspend*

Forecast increase in Agency costs £10k to provide additional Covid-19 resources.

Increased salary costs £4k due to the 2020/21 pay award.



An estimated (£35k) of lost income can be claimed under the sales, fees & charges compensation scheme in respect of lost planning fee and renovation grant fee income.

Increased net service charge £11k in respect of the building control shared service arrangement with Blackburn with Darwen Council.

Reduced renovation grant fee income £103k as no renovation grants have been carried out in the period April to June. This is because those in receipt of the grants are often those who are most vulnerable in society. In addition, the number of referrals from Occupational Therapists are falling.

Forecast shortfall in planning fee income £108k based on income received to date and comparisons to previous years.

**h. Strategic Partnership**

**Forecast Variance: £0**

*Previous forecast variance: £0k*

There are no variances or issues of concern to report in this quarter.

**i. Finance and Property**

**Forecast Variance: £550k net overspend**

*Previous forecast variance: £524k net overspend*

Forecast salary savings due to a vacant post (£13k). Recruitment is currently under way to fill the vacancy.

Increased salary costs £3k due to the 2020/21 pay award.

An estimated (£31k) of lost income can be claimed through the sales, fees & charges compensation scheme. This is in respect of bus station departure income and reduction in room hire income at the Town Hall.

Reduction in salary costs due to two vacant posts (£3k). Both posts have been filled.

Various costs £25k relating to the purchase of software, over-time incurred maintaining reception cover at the Town Hall and also a reduction in room hire income at the Town Hall.

Reduction in bus station departure income £34k due to the number of departures being less frequent during the period of lockdown. Forecast reduction in commercial rental income £535k due to the impact that the pandemic has had and is forecast to have on commercial businesses within the borough.

**j. Revenues and Benefits Client**

**Forecast Variance: £104k net overspend**

*Previous forecast variance: £104k net overspend*

There are no additional variances or issues of concern to report in this quarter.

Reduced courts cost income £300k relating to non-payment as recovery is currently suspended as the courts are not sitting. This equates to 49% of the annual budgeted income. It is estimated that (£203k) of this reduced income can be recovered through the sales, fees & charges compensation scheme.



Grant received regarding the administration of council tax support lower than initially estimated £7k.

**k. Legal and Democratic Services**

**Forecast Variance: (£97k) net underspend**

*Previous forecast variance: (£100k) net underspend*

Increased salary costs £2k due to the 2020/21 pay award.

An additional £1k printing & stationery costs due to an increased need to print meeting agendas as meetings are held remotely.

Reduction in legal fee income £11k due to reduced demand for the service in the current climate of which it is estimated (£8k) will be reimbursed under the sales, fees & charges compensation scheme. The previous reduction in land charges income forecast in Q1 has been reversed (£25k) as the property market has not slowed as originally anticipated and income levels are in line with the budget estimate.

There were no borough elections to be held in 20/21 resulting in a reduction in forecast spend (£74k).

Additional Agency Fee costs £12k in excess of those forecast in quarter 1 to provide staffing cover during a period of illness.

A re-tender of the Council's insurance services has resulted in a forecast net underspend (£75k). Offset in part by £30k Agency Staff costs to provide staffing cover during a period of illness. In addition, various small forecast increases in expenditure £4k in relation to democracy software costs, printing & stationery costs due to an increased need to print meeting agendas as meetings are held remotely.

**l. People and Development**

**Forecast Variance: £0k**

*Previous forecast variance: £0k*

There are no variances or issues of concern to report in this quarter.

**m. Central Budgets**

**Forecast Variance: £194k net overspend**

*Previous forecast variance: £194k net overspend*

There are no additional variances or issues of concern to report in this quarter.

Various costs in relation to the current pandemic, for example, food parcels, guidance literature, grants to community projects, costs relating to Burnley Hub, staffing costs in relation to the Business Grants Scheme, costs relating to the administration of the Council Tax Hardship Fund, PPE, IT costs, additional materials required to deal with the increase in burials due to the pandemic and homelessness costs.

n. **Corporate Items**

**Forecast Variance: £95k net overspend**

*Previous forecast variance: £95k net overspend*

There are no additional variances or issues of concern to report in this quarter.

A cut in the Bank of England base rate has led to a forecast reduction in temporary investment income £80k. In addition, the Property Funds are estimating a 25% reduction in dividends payable £15k.

o. **Funding**

**Forecast Variance: £1,149k net overspend**

*Previous forecast variance: £1,118k net overspend*

Income collected from council tax and business rates is slightly higher than previously anticipated with an additional (£38k) council tax and (£37k) business rates. This includes the increase to forecast income previously reported in Q2 (council tax (£14k) and business rates (£23k)). As mentioned in paragraph 14 the shortfall in collection fund income will not impact on the current financial year but will impact on the following three financial years (2021/22 to 2023/24).

In year collection rates of 97.5% for business rates and 94.5% for council tax have been revised down to 92.5% and 90% respectively, which has led to a forecast reduction in income from council tax £674k and business rates £550k. The Government announcement to award Retail, Hospitality & Leisure Discounts and Nursery Reliefs to qualifying businesses has reduced the amount of business rates to be collected (and in turn reduced the impact of non-collection), as these reliefs are fully funded by Central Government. There is still uncertainty around the future collection of council tax and business rates especially around the impact of a reduced Government support package and a second wave of the pandemic. The collection of council tax and business rates will continue to be monitored on a monthly basis to ascertain the drop-off of direct debits and cash payments to forecast-forward the level of loss.

**15. EARMARKED RESERVES**

The council holds a number of earmarked reserves, details of which can be seen in Appendix 2 which shows the opening balance at the start of the year and any in quarter movements.

A summary of the reserves can be seen in Table 3 below. Please note that the opening balances of the reserves are subject to change following the close-down of the 2019/20 Statement of Accounts:

	Transformation Reserve	Growth Reserve	Other Earmarked Reserves	TOTAL
	£000	£000	£000	£000
Balance as at 01/04/20	(1,808)	(2,124)	(5,600)	(9,532)
Movement in Q1	(750)	-	(930)	(1,680)
Drawn down in Q2	8	1,339	(861)	485
Drawn down in Q3	6	(185)	40	(140)
Balance as at 31/12/20	(2,545)	(970)	(7,352)	(10,866)

When the 2020/21 budget was prepared it was not proposed to use reserves to support revenue expenditure.

Any savings proposals for 2020/21 that are subsequently adopted and include proposed reductions in posts, will require the cost of any redundancies to be met in the current financial year.

#### **16. CAPITAL FINANCING**

Included in the revenue budget is a revenue contribution to capital outlay (RCCO) of £1.416m. This is where revenue funds are used to finance capital schemes. The contribution of £1.416m relates to vehicle and machinery replacement (£160k), Pioneer Place (£135k), Burnley-Pendle Growth Programme (£722k), Lower St James St Historic Action Zone (£215k), Finsley Wharf & Canal Towpath improvements (£33k), building infrastructure works (£141k) and energy efficiency (£10k).

### **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

17. As shown in the body of the report.

### **POLICY IMPLICATIONS**

18. The revenue budget determines the extent to which the Council's strategic objectives can be pursued and achieved.

### **DETAILS OF CONSULTATION**

19. None

<b>BACKGROUND PAPERS</b>
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20. None

<b>FURTHER INFORMATION</b>
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**Howard Hamilton-Smith – Head of Finance and Property**

**PLEASE CONTACT:**

**ALSO**

**Amy Johnson – Finance Manager**

# Revenue Budget Forecast Position 2020/21 by Service Area

Economy and Growth	RAPP Holding Accounts	RAPP Holding Accounts
Economy and Growth	Markets	Burnley Markets
Economy and Growth	Markets	Markets Shared Areas
Economy and Growth	Planning Policy	Local Plan
Economy and Growth	Planning Policy	Planning Policy
Economy and Growth	Economic Development	Town Centre Management
Economy and Growth	Economic Development	Business Support
Economy and Growth	Economic Development	Burnley Branding
Economy and Growth	Economic Development	Burnley Bondholders
Economy and Growth	Regeneration Development	Regeneration
Economy and Growth	Regeneration Development	Weavers Triangle
Economy and Growth	Regeneration Development	Padiham THI
sub-total		
Policy and Engagement	Corp Engage & Policy Hold Acc	Corp Engage Holding Accounts
Policy and Engagement	Emergency Planning	Emergency Planning
Policy and Engagement	Communications	Communications
Policy and Engagement	Community Engagement	Community Engagement
Policy and Engagement	Performance And Policy	Performance and Policy
sub-total		
Management Team	Management Team	Management Team
sub-total		
Sport and Culture Leisure Client	Burnley Mechanics And Arts Devt	Burnley Mechanics And Arts Devt
Sport and Culture Leisure Client	Leisure Centres	St Peters Centre
Sport and Culture Leisure Client	Leisure Centres	Leisure Trust Client
Sport and Culture Leisure Client	Leisure Centres	Padiham Leisure Centre
Sport and Culture Leisure Client	Leisure Centres	Prairie Sports Village
sub-total		
Green Spaces and Amenities	Bereavement Service	Cemeteries and Crematorium
Green Spaces and Amenities	Parks And Green Spaces	Community Parks and Open Space
Green Spaces and Amenities	Parks And Green Spaces	Recreation and Sport
Green Spaces and Amenities	Parks And Green Spaces	Allotments
Green Spaces and Amenities	Parks And Green Spaces	Parks Externally Funded
Green Spaces and Amenities	Art Gallery And Museums	Towneley Hall
Green Spaces and Amenities	Art Gallery And Museums	Towneley Hall Ext Fund Schemes
Green Spaces and Amenities	Transport	Grounds Maintenance
sub-total		
Streetscene	Streetscene Holding Accounts	Streetscene Holding Accounts
Streetscene	Engineering Services	Bus Shelters
Streetscene	Engineering Services	Highways
Streetscene	Engineering Services	Street Lighting
Streetscene	Engineering Services	Drainage
Streetscene	Community Safety	Community Safety
Streetscene	Car Parking	Car Parking
Streetscene	Car Parking	Car Parking Enforcement
Streetscene	CCTV	CCTV
Streetscene	Environmental Services	Waste Cleaning Contract
Streetscene	Environmental Services	Street Cleansing
Streetscene	Environmental Services	Waste Collection
Streetscene	Environmental Services	Pest Control
Streetscene	Environmental Services	Dog Warden
Streetscene	Environmental Services	Default Works
Streetscene	Regulation	Environmental Health Client
Streetscene	Regulation	Taxi Licensing
Streetscene	Regulation	Other Licensing
Streetscene	Regulation	Public Funerals
sub-total		
Housing and Development Control	Housing And Development Ctrl	Housing
Housing and Development Control	Development Control	Development Control
Housing and Development Control	Building Control	Building Control
Housing and Development Control	Selective Licensing	Selective Licensing
sub-total		
Strategic Partnership	Strategic Partnership	Strategic Partnership
sub-total		
Finance and Property	Finance Unit	Finance Unit
Finance and Property	External Audit	External Audit
Finance and Property	Internal Audit	Internal Audit
Finance and Property	Misc Income And Expenditure	Misc Income And Expenditure
Finance and Property	Property	Property
sub-total		
Revenues and Benefits Client	Revenues And Benefits Client	Revenues And Benefits Client
Revenues and Benefits Client	Housing Benefits Payments And Subs	Housing Benefits Payments And Subs
Revenues and Benefits Client	Council Tax Support	Council Tax Support
Revenues and Benefits Client	Cost Of Collection Accounts	Cost Of Collection Accounts

# Appendix 1

Quarter 3						
REVISED BUDGET 2020/21 £000s	Current Forecast £000s	Forecast Net Income from Sales, Fees & Charges £000s	Revised Forecast Q3 £000s	Current Variance £000s	Variance Reported Q2 £000s	Movement £000s
151	140	0	140	(11)	(11)	0
108	162	0	162	55	120	(65)
(29)	(29)	0	(29)	0	0	0
14	14	0	14	0	0	0
209	209	0	209	0	0	0
54	54	0	54	0	0	0
160	176	(11)	165	4	4	0
108	89	0	89	(19)	(19)	0
26	41	0	41	15	15	0
96	157	0	157	61	72	(11)
5	5	0	5	0	0	0
4	4	0	4	0	0	0
905	1,023	(11)	1,012	107	180	(74)
45	45	0	45	0	0	0
3	3	0	3	0	0	0
83	115	(22)	93	10	10	0
201	201	0	201	0	0	0
83	83	0	83	0	0	0
414	447	(22)	425	11	10	1
352	353	0	353	1	0	1
352	353	0	353	1	0	1
49	49	(37)	12	(37)	(37)	0
218	218	(37)	181	(37)	(37)	0
318	630	(37)	593	275	275	0
73	73	(37)	37	(37)	(37)	0
44	44	(37)	7	(37)	(37)	0
703	1,015	(184)	831	128	128	0
(881)	(966)	(12)	(978)	(97)	(116)	19
1,340	1,401	(54)	1,347	7	59	(51)
220	232	(14)	218	(2)	(3)	0
(18)	(18)	0	(18)	0	0	0
5	22	0	22	18	18	0
227	295	(60)	235	8	(29)	36
0	0	0	0	0	0	0
64	64	0	64	0	0	0
957	1,030	(140)	890	(67)	(71)	4
833	825	0	825	(7)	(9)	2
20	20	0	20	0	0	0
16	16	0	16	0	0	0
81	81	0	81	0	0	0
4	4	0	4	0	0	0
214	214	0	214	1	0	1
(562)	(203)	(312)	(515)	47	104	(57)
12	38	0	38	26	26	0
168	168	0	168	0	0	0
100	100	0	100	0	0	0
1,204	1,255	(59)	1,196	(8)	(8)	0
1,170	1,158	0	1,158	(12)	(12)	0
19	47	(17)	30	10	9	1
53	54	(1)	53	(1)	(1)	(0)
(24)	(19)	0	(19)	5	5	0
(35)	(24)	0	(24)	11	11	0
(124)	(84)	0	(84)	40	40	0
(97)	(71)	(19)	(90)	7	3	4
10	27	0	27	17	17	0
3,061	3,605	(408)	3,197	136	186	(50)
393	498	(33)	465	72	22	50
(28)	90	(2)	88	117	82	35
75	87	0	87	12	12	0
(52)	(51)	0	(51)	1	0	1
388	624	(35)	589	201	116	85
3,880	3,920	0	3,920	40	0	40
3,880	3,920	0	3,920	40	0	40
603	615	(2)	613	10	9	1
53	53	0	53	0	0	0
137	125	0	125	(12)	0	(12)
33	33	0	33	0	0	0
(329)	251	(29)	222	552	515	37
496	1,077	(31)	1,046	550	524	26
(389)	(389)	0	(389)	0	0	0
(76)	(76)	0	(76)	0	0	0
(163)	(156)	0	(156)	7	7	0
(714)	(414)	(203)	(617)	97	97	0

sub-total		
Legal and Democratic Services	Legal	Legal Services
Legal and Democratic Services	Legal	Local Land Charges
Legal and Democratic Services	Legal	FOI Requests
Legal and Democratic Services	Governance	Conducting Elections
Legal and Democratic Services	Governance	Register of Electors
Legal and Democratic Services	Governance	Charities Administration
Legal and Democratic Services	Governance	Parish Councils
Legal and Democratic Services	Governance	Democratic Services
Legal and Democratic Services	Governance	Civic Administration
Legal and Democratic Services	Governance	Mayoralty
Legal and Democratic Services	Governance	Members Expenses
sub-total		
People and Development	People And Development	People and Development
sub-total		
Central Budgets - Other	Central Budgets - Other	Central Budgets - Other
Central Budgets - Savings Targets	Central Budgets - Savings Targets	Salary Savings Target
Central Budgets - Savings Targets	Central Budgets - Savings Targets	Non-Salary Savings Target
sub-total		
NET SERVICE BUDGET		
Corporate Items	Pensions	
Corporate Items	Provisions	
Corporate Items	Impairments	
Corporate Items	Parish Precepts	
Corporate Items	Treasury Investments & Borrowing	
Corporate Items	Capital Financing	
Corporate Items	Earmarked Reserves	
Corporate Items	Strategic Reserves	
NET CORPORATE ITEMS		
Funding	Council Tax	
Funding	Council Tax - Parish Precepts	
Funding	Business Rates: Retained Income	
Funding	Business Rates: S31 Grants	
Funding	Revenue Support Grant	
Funding	Prior Year Collection Fund (Surplus)/Deficit	
Funding	New Homes Bonus	
Funding	Other Government Grants	
FUNDING		
BUDGET BALANCE		
Government Funding	Share of £3.2m Homelessness Funding (ringfenced grant)	
Government Funding	Tranche 1 - Share of £1.6bn allocated from £5bn Coronavirus Fund – Burnley allocation for homelessness	
Government Funding	Tranche 2 - Share of additional £1.6bn funding announced on 18 <sup>th</sup> April 2020 – non-ringfenced grant	
Government Funding	Share of £50m Re-opening High Streets Safely Fund (ringfenced grant)	
Government Funding	Tranche 3 - Share of additional £500m funding announced on 2nd July 2020 - non ring fenced grant	
Government Funding	Tranche 4 - Share of additional £919m funding announced on 22nd October 2020- non ring fenced grant	
Government Funding	New Burdens Grant Funding	
Government Funding	New Burdens Grant Funding - CT Hardship & Business Rates Relief	
Government Funding	New Burdens Grant Funding - Small Business, Retail, Hospitality & Leisure Discretionary Grants	
REVISED BUDGET BALANCE		
Less forecast loss on Collection Fund		
NET BUDGET BALANCE		

(1,341)	(1,035)	(203)	(1,238)	104	104	0
399	336	(7)	329	(70)	(72)	2
(45)	(45)	0	(45)	0	0	0
1	1	0	1	0	0	0
76	2	0	2	(74)	(74)	0
73	73	0	73	0	0	0
0	0	0	0	0	0	0
6	6	0	6	0	0	0
273	320	0	320	47	46	1
17	17	0	17	0	0	0
30	30	0	30	(0)	(0)	0
233	234	0	234	1	0	1
1,063	974	(7)	966	(98)	(100)	3
207	207	0	207	0	0	0
207	207	0	207	0	0	0
220	414	0	414	194	194	0
(154)	0	0	0	154	154	0
(59)	0	0	0	59	59	0
7	414	0	414	407	407	0
11,092	13,653	(1,041)	12,611	1,519	1,483	37
761	761	0	761	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
166	166	0	166	0	0	0
879	974	0	974	95	95	0
2,381	2,381	0	2,381	0	0	0
831	1,752	0	1,752	920	920	0
(417)	(417)	0	(417)	0	0	0
4,600	5,616	0	5,616	1,015	1,015	0
(7,160)	(6,523)	0	(6,523)	636	660	(24)
(166)	(166)	0	(166)	0	0	0
(4,513)	(4,000)	0	(4,000)	513	527	(15)
(1,219)	(1,219)	0	(1,219)	0	0	0
(1,640)	(1,640)	0	(1,640)	0	0	0
(301)	(301)	0	(301)	0	0	0
(694)	(694)	0	(694)	0	0	0
0	0	0	0	0	0	0
(15,693)	(14,543)	0	(14,543)	1,149	1,188	(38)
0	4,726	(1,041)	3,684	3,684	3,687	(2)
0	(6)	0	(6)	(6)	(6)	0
0	(75)	0	(75)	(75)	(75)	0
0	(882)	0	(882)	(882)	(882)	0
0	(79)	0	(79)	(79)	(79)	0
0	(229)	0	(229)	(229)	(229)	0
0	(920)	0	(920)	(920)	(920)	0
0	(190)	0	(190)	(190)	(190)	0
0	(28)	0	(28)	(28)	0	(28)
0	(77)	0	(77)	(77)	0	(77)
0	2,240	(1,041)	1,198	1,198	1,306	(107)
0	(1,149)	(1,149)	(1,149)	(1,149)	(1,188)	39
0	1,091	(2,190)	49	49	119	(68)

## Appendix 2

### Quarter 3 Movements in Reserves

	Transformation Reserve £000	Growth Reserve £000	TOTAL Strategic Reserves £000	Other Earmarked Reserves £000
Opening Balance	(1,808)	(2,124)	(3,932)	(5,600)
Original Budget 2020/21 - use of reserves	(750)	0	(750)	(979)
TOTAL	(2,558)	(2,124)	(4,682)	(6,579)
Change in cycle 1	0	0	0	50
Change in cycle 2	8	1,339	1,347	(861)
Change in cycle 3	6	(185)	(181)	40
Anticipated balance at 31 March 2021	(2,545)	(970)	(3,515)	(7,351)
Approved use of reserves future years	1,911	2,040	3,951	(2,930)
Movement between reserves	0	0	0	0
Balance after approvals	(634)	1,070	436	(10,281)

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## Capital Monitoring Report 2020/21 – Quarter 3 (to 31 December 2020)

### REPORT TO EXECUTIVE



DATE	15 <sup>th</sup> February 2021
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Howard Hamilton Smith
TEL NO	(01282) 477173
EMAIL	<a href="mailto:hhamilton-smith@burnley.gov.uk">hhamilton-smith@burnley.gov.uk</a>

### 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 decrease of £2,902,750 giving a revised capital budget for 2020/21 totalling £14,476,665 as detailed in Appendix 1.
  - b. Recommend to Full Council, approval of the proposed financing of the revised capital budget totalling £14,476,665 as shown in Appendix 2.
  - c. Note the latest estimated year end position on capital receipts and contributions showing an assumed balance of £1,531,092 at 31 March 2021 as shown in Appendix 3.

### REASONS FOR RECOMMENDATION

3. To effectively manage the 2020/21 capital programme.

### SUMMARY OF KEY POINTS

#### 4. Monitoring Information

On 26 February 2020 Full Council approved the 2020/21 original capital budget, totalling £19,468,103. Since February, several reports have been approved by the Executive, resulting in revising the 2020/21 capital budget to £17,379,145 (as at 8 December 2020 Executive).

This is the last of three in-year monitoring reports, and as such the appendices accompanying this report provide Members with the position as at 31 December 2020 on expenditure, along with providing Members with an update on the progress of the individual schemes delivery.

## 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 2020. The expenditure to date is £8,991,816 which is 62% of the proposed revised budget.
- b. **Revised budget and financing elements – Appendix 2** shows the revised budget of £14,476,665, along with identifying the recommended financing elements on a scheme by scheme basis. This is a reduction of £2,902,750.
- c. **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 assumed level of surplus available local resources, after taking into account the 2020/21 capital commitments, totals £1,531,092.

The resources are reducing each financial year, to an estimated balance on general capital receipts of £612k by March 2021. 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.

## 6. Revenue Implications

### a. Revenue Contributions / Reserves 2020/21

The Capital Programme includes Revenue Contributions / Reserves of £1,405,560 being:

Scheme	Funded	£
Vehicle & Machinery Replacement	Transport Reserve & Revenue	159,128
Pioneer Place	Growth Reserve	135,432
Burnley-Pendle Growth Programme	Growth Reserve	722,000
Lower St James Street Historic Action Zone	Growth Reserve	215,000
Finsley Wharf & Canal Towpath Improvements	Business Support Reserve	33,000
Building Infrastructure Works	Growth Reserve & Crem Re-Align	131,000
Energy Efficiency	Revenue	10,000
<b>Total Revenue Contributions</b>		<b>1,405,560</b>

Pioneer Place costs are to fund pre contract costs.

### b. Prudential Borrowing 2020/21

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 2020/21.

The original capital budget for 2020/21 of £19,468,103 included a planned borrowing requirement of £6,638,330.

The Outturn report dated 11 August 2020 approved slippage funded from borrowing of £610,647, revising the planned borrowing requirement to £7,248,977

The Cycle 1 report dated 11 August 2020 approved a reduction of £155k on borrowing, revising the planned borrowing requirement to £7,093,977

This Cycle 2 report dated 8 December approved a reduction of £667,455 on borrowing, revising the planned borrowing requirement to £6,426,522

Within the Cycle 3 report, we have reverse slipped pre-approved borrowing for Sandygate Square totalling £378,373 from 2021/22, to 2020/21.

We have also reprofiled from 2020/21 to 2021/22, borrowing for Building Infrastructure (£1,008,686), Extension of Burnley Cemetery (£25k), Town Centre & Weavers Triangle Project Work (£100k) and Former Open Market & Former Cinema Block (£50k).

This revised the borrowing requirement to £5,621,209

The revenue implications of borrowing £5,621,209 are a Minimum Revenue Provision (MRP) of £115k and an interest charge, assuming 3% on the borrowing, would equate to £167k for a full year.

#### **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

7. A decrease in the 2020/21 capital programme of £2,902,750 to give a revised budget of £14,476,665 and a decrease in the borrowing requirement of £805,313, from £6,426,522 to £5,621,209.

#### **POLICY IMPLICATIONS**

8. None arising directly from this report.

#### **DETAILS OF CONSULTATION**

9. None.

#### **BACKGROUND PAPERS**

10. None.

#### **FURTHER INFORMATION**

**PLEASE CONTACT:**

**Howard Hamilton Smith – Head of Finance & Property**

**ALSO**

**Martin Dixon – Finance Business Partner**

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## 2020/21 CAPITAL BUDGET CYCLE 3 MONITORING - UPDATE

APPENDIX 1

Scheme Name	Budget per Exec 08/12/20 £	Adjustments Per This Report		Changes to be	Revised Budget £	Total Spend as at 31/12/20 £	% Schemes Spend £	Financed by External Funding £	Narrative provided by Project Officers/Heads of Service
		Budget Adjustments A £	Reprofiled into Future Years B £	approved in this report A + B £					

## GREEN SPACES &amp; AMENITIES

Brun Valley Forest Park	45,607	(8,369)	(35,219)	(43,588)	2,019	2,019	100%	2,019	Further contract for path improvements and anti-motorcycle barriers progressing. Contract for meadow creation at Bank Hall to be picked up by new Parks Development Manager. £8.3k budget adjustment due to Revenue expenditure, and request to slip unspent balance to 2021/22.
Play Area Improvement Programme	20,000		(10,861)	(10,861)	9,139	9,139	100%	9,139	This scheme was on hold because of the review of the Play Strategy which has been indefinitely deferred. Request that budget reduced to £9.1k with balance reprofiled to 2021/22, as there will not be enough time to implement projects in the final quarter.
Worsthorne Recreation Ground Improvements	264,180		(69,180)	(69,180)	195,000	118,225	61%	148,000	Works in progress. Drainage works complete. Ball court/car park in construction. Scheme expected to spend £195k in 2020/21, with balance reprofiled into 2021/22
Vehicle and Machinery Replacement	137,924	21,204		21,204	159,128	159,128	100%	-	Three replacement electric vehicles for Streetscene are purchased and in use. Three Transit pick-up trucks have now been delivered for Green Spaces. Replacement ride-on mower delivered and in use. Budget adjustment to reflect income received on Vehicle sales
Thompson Park Restoration Project	84,065			-	84,065	76,205	91%	84,065	Toilet refurbishment, Installation of Octagonal shelter and surfacing complete. Other minor items such as replanting, signage etc. will complete.
Extension of Burnley Cemetery	25,000		(25,000)	(25,000)	-	-	0%	-	A brief for the design work has been prepared. Scheme to progress with aim of obtaining planning consent for future cemetery extension. This scheme will be picked up by the new Parks Development Manager and so request to slip budget to 2021/22
Stoops Wheeled Sport	3,792			-	3,792	2,617	69%	3,792	Retention money owed to contractor. Will complete.
Prairie Artificial Turf Pitch	46,221			-	46,221	5,059	11%	46,221	Retention money owed to contractor. Will complete.
	626,789	12,835	(140,260)	(127,425)	499,364	372,392	75%	293,236	

## STREETSCENE

Alleygate Programme	26,245			-	26,245	1,404	5%	-	6 Schemes identified for roll out and consultations starting. To be completed Quarter 4, all budget committed.
River Cleaning Walls	69,639		(51,255)	(51,255)	18,384	18,384	100%	-	Activity and spend re-profiled to 2021 in light of Covid response and prioritisation.
CCTV Infrastructure	2,409			-	2,409	2,409	100%	-	Scheme Complete
Purchase Replacement Vehicle	7,400			-	7,400	7,400	100%	-	Scheme Complete
Safer Streets	470,800			-	470,800	-	0%	470,800	Funding has been given approval via Executive and tender exercise to commence on two contracts - bespoke home security improvements & replacement back gates - with a combined value of £326,650. Contracts to be awarded in January 2021 with funding to have been committed by March 2021. Preparatory work has been undertaken on other work streams around CCTV, alleygating, and green space enhancement (£136,650) has commenced with works on these to be completed March 2021. Remaining crime reduction equipment to be purchased Q4.
	576,493	-	(51,255)	(51,255)	525,238	29,597	6%	470,800	

## APPENDIX 1

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## 2020/21 CAPITAL BUDGET CYCLE 3 MONITORING - UPDATE

## APPENDIX 1

Scheme Name	Budget per Exec 08/12/20 £	Adjustments Per This Report		Changes to be approved in this report A + B £	Revised Budget £	Total Spend as at 31/12/20 £	% Schemes Spend £	Financed by External Funding £	Narrative provided by Project Officers/Heads of Service
		Budget	Reprofiled into						
		Adjustments	Future Years						

## FINANCE &amp; PROPERTY

Leisure Centre Improvements	95,058			-	95,058	36,738	39%	-	Approximately £50k of works have been completed and a further £10k are in the course of being instructed to be carried out whilst St Peter's is closed. Other works identified in the programme are due to be carried out by the end of March. £20k has been allocated to the replacement of the Sauna at Padiham Leisure Centre. A decision on whether to proceed with these works is awaited and dependent upon this the progressing of other works will be reviewed.
Building Infrastructure Works	3,077,938		(1,429,000)	(1,429,000)	1,648,938	620,098	38%	-	No major changes are expected to building infrastructure projects. Alterations to the scaffold at Burnley Town Hall have been completed and works to the Stone Elevation repair are underway and progressing well - the project period remains 14 months with provisional completion in November 2021. The majority of Towneley Hall roof and other works will be started next year subject to our conservation Architect's final advice. Reprofile into next financial year. Burnley Crematorium roof repairs (£179k) have been reprogrammed to next financial year. Additional essential repair works at Padiham Town Hall (circa £60k) for the refurbishment of the Clock Tower have been identified and should be completed by the end of March 2021
	3,172,996	-	(1,429,000)	(1,429,000)	1,743,996	656,836	38%	-	

## HOUSING &amp; DEVELOPMENT CONTROL

Emergency Repairs	70,000			-	70,000	47,326	68%	70,000	Grant applications continue to be received and approved. There is however a back log of work to complete as contractors catch up from the original national lock down.
Better Care Grant	1,200,000			-	1,200,000	647,327	54%	1,200,000	Referrals are still being received from social services for disabled facilities grants. A further 70 grants have been approved and 105 are going through the application process.
Energy Efficiency	50,000	(10,000)		(10,000)	40,000	26,520	66%	30,000	Applications continue to be received. To date 43 heating rebate grants have been completed and a further 27 grants approved (£7,800) assisting 70 residents to improve the energy efficiency of their home. It is recommended that the budget is reduced to £40,000.
Employment Programme	1,300,000			-	1,300,000	601,827	46%	-	The programme is still on target to acquire 20 properties this year. Renovations of properties are still underway and hopefully supplies will still be able to be had despite difficult conditions. We currently have two properties on the market (with offers received on both) and will have another two properties on the market in January. Loans are progressing but enquiries have slowed over the holiday period.
Interventions, Acquisitions and Demolitions	100,000	(74,057)		(74,057)	25,943	25,943	100%	-	This programme is used to carry out small neighbourhood improvement schemes and to bring forward brownfield land for development. The spend to date is the final payment for the Padiham property improvement scheme on Thompson Street, supporting the wider work that Calico are doing at the former Perseverance Mill site and Station Road. No more expenditure expected, therefore budget reduced to match expenditure to date.
	2,720,000	(84,057)	-	(84,057)	2,635,943	1,348,943	51%	1,300,000	

## SPORTS &amp; CULTURE

Mechanics Lighting Equipment	55,000			-	55,000	50,532	92%	-	Key technical staff at the Mechanics are now on flexible furlough. Orders have been placed for the majority of the equipment and installation dates agreed.
	55,000	-	-	-	55,000	50,532	92%	-	

## CHIEF EXECUTIVE / CORPORATE INITIATIVES

Ward Opportunities Fund	14,500			-	14,500	14,500	100%	-	Scheme Complete
	14,500	-	-	-	14,500	14,500	100%	-	
	17,379,415	307,151	(3,209,901)	(2,902,750)	14,476,665	8,991,816	62%	5,637,862	

2019/20 Cycle 3

15,347,289

8,155,703

53%

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Scheme Name	Revised Budget £	FINANCING ELEMENTS						Total Revised Budget £
		Prudential Borrowing £	Revenue Cont'n / Reserves £	Capital Grants £	Capital Receipts £	Vacant Property Initiative Receipts £	3rd Party Contribution / Section 106 £	
<b><u>Green Spaces &amp; Amenities</u></b>								
Brun Valley Forest Park	2,019						2,019	2,019
Play Area Improvement Programme	9,139				-		9,139	9,139
Worsthorne Recreation Ground Improvements	195,000			114,131	47,000		33,869	195,000
Vehicle and Machinery Replacement	159,128		159,128				-	159,128
Thompson Park Restoration Project	84,065			84,065				84,065
Stoops Wheeled Sport	3,792			3,792				3,792
Prairie Artificial Turf Pitch	46,221			46,221				46,221
	499,364	-	159,128	248,209	47,000	-	45,027	499,364
<b><u>Streetscene</u></b>								
Alleygate Programme	26,245				26,245			26,245
River Training Walls	18,384				18,384			18,384
CCTV Infrastructure	2,409		-		2,409			2,409
Purchase Replacement Vehicle	7,400	7,400						7,400
Safer Streets	470,800			470,800				470,800
	525,238	7,400	-	470,800	47,038	-	-	525,238
<b><u>Economy &amp; Growth</u></b>								
Padiham Townscape Heritage Initiative	359,000			217,649	88,001		53,350	359,000
Pioneer Place	135,432		135,432					135,432
Sandygate Square	4,172,079	4,172,079						4,172,079
NW Burnley Growth Corridor	2,259,626			2,259,626				2,259,626
Burnley-Pendle Growth Programme	722,000		722,000					722,000
Lower St James Street Historic Action Zone	960,000	-	215,000	745,000			-	960,000
Padiham Town Hall Improvements	331,379	33,178		298,201				331,379
Finsley Wharf & Canal Towpath Improvements	33,000		33,000					33,000
Former Open Market & Former Cinema Block	30,108	30,108						30,108
	9,002,624	4,235,365	1,105,432	3,520,476	88,001	-	53,350	9,002,624
<b><u>Finance &amp; Property</u></b>								
Leisure Centre Improvements	95,058	95,058						95,058
Building Infrastructure Works	1,648,938	1,228,386	131,000		289,552			1,648,938
	1,743,996	1,323,444	131,000	-	289,552	-	-	1,743,996
<b><u>Sports &amp; Culture</u></b>								
Mechanics Lighting Equipment	55,000	55,000						55,000
	55,000	55,000	-	-	-	-	-	55,000
<b><u>Housing &amp; Development Control</u></b>								
Emergency Repairs	70,000			70,000				70,000
Better Care Grant	1,200,000			1,200,000				1,200,000
Energy Efficiency	40,000		10,000	30,000				40,000
Empty Homes Programme	1,300,000					1,300,000		1,300,000
Interventions, Acquisitions and Demolitions	25,943					25,943		25,943
	2,635,943	-	10,000	1,300,000	-	1,325,943	-	2,635,943
<b><u>Chief Executive</u></b>								
Ward Opportunities Fund	14,500				14,500			14,500
	14,500	-	-	-	14,500	-	-	14,500
TOTAL OF ALL SCHEMES	14,476,665	5,621,209	1,405,560	5,539,485	486,091	1,325,943	98,377	14,476,665

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## CAPITAL RECEIPTS AND CONTRIBUTIONS ANALYSIS FOR 2020/21 + CIP 2021-26

## APPENDIX 3

	<u>General Capital Receipts</u> £	<u>Vacant Property Initiatives Receipts</u> £	<u>Section 106 Money</u> £	<u>3rd Party Cont'ns</u> £	<u>Total</u> £
<b>Capital Resources Brought Forward on 1 April 2020</b>	<b>796,815</b>	<b>911,799</b>	<b>337,253</b>	<b>287,899</b>	<b>2,333,766</b>
<b>Add</b>					
Resources Received As At 31 December 2020	224,000	340,665	-	16,432	581,097
Further Resources Estimated to be Received during 2020/21:	77,000	605,000	-	17,889	699,889
<b>Potential Resources Available during 2020/21</b>	<b>1,097,815</b>	<b>1,857,464</b>	<b>337,253</b>	<b>322,220</b>	<b>3,614,752</b>
<b>Less</b>					
Required to finance Capital Programme	(486,091)	(1,325,943)	(65,714)	(32,663)	(1,910,411)
Earmarked for Revenue Expenditure	-	-	(10,933)	-	(10,933)
Earmarked for Delivery By Outside Bodies	-	-	(162,316)	-	(162,316)
<b>Estimated Surplus / (Shortfall) of Resources as at 31st March 2021</b>	<b>611,724</b>	<b>531,521</b>	<b>98,290</b>	<b>289,557</b>	<b>1,531,092</b>
<b>Add</b> - Resources Estimated to be Received during 2021/22	<b>884,000</b>	<b>1,423,000</b>	88,000	203,894	2,598,894
<b>Less</b> - 2021/22 Capital Budget	(533,979)	(1,300,000)	(123,219)	(268,321)	(2,225,519)
<b>Estimated Surplus / (Shortfall) of Resources as at 31st March 2022</b>	<b>961,745</b>	<b>654,521</b>	<b>63,071</b>	<b>225,130</b>	<b>1,904,467</b>
<b>Add</b> - Resources Estimated to be Received during 2022/23	<b>251,250</b>	<b>1,215,000</b>	116,000	289,807	1,872,057
<b>Less</b> - 2022/23 Capital Budget	(1,436,237)	(1,300,000)	(116,000)	(365,866)	(3,218,103)
<b>Estimated Surplus / (Shortfall) of Resources as at 31st March 2023</b>	<b>(223,242)</b>	<b>569,521</b>	<b>63,071</b>	<b>149,071</b>	<b>558,421</b>
<b>Add</b> - Resources Estimated to be Received during 2023/24	<b>50,000</b>	<b>1,200,000</b>	-	572,141	1,822,141
<b>Less</b> - 2023/24 Capital Budget	(466,948)	(1,300,000)	-	(572,141)	(2,339,089)
<b>Estimated Surplus / (Shortfall) of Resources as at 31st March 2024</b>	<b>(640,190)</b>	<b>469,521</b>	<b>63,071</b>	<b>149,071</b>	<b>41,473</b>
<b>Add</b> - Resources Estimated to be Received during 2024/25	<b>50,000</b>	<b>1,300,000</b>	-	15,000	1,365,000
<b>Less</b> - 2024/25 Capital Budget	(339,726)	(1,300,000)	-	(15,000)	(1,654,726)
<b>Estimated Surplus / (Shortfall) of Resources as at 31st March 2025</b>	<b>(929,916)</b>	<b>469,521</b>	<b>63,071</b>	<b>149,071</b>	<b>(248,253)</b>
<b>Add</b> - Resources Estimated to be Received during 2025/26	<b>50,000</b>	<b>1,300,000</b>	-	15,000	1,365,000
<b>Less</b> - 2025/26 Capital Budget	(288,635)	(1,300,000)	-	(15,000)	(1,603,635)
<b>Estimated Surplus / (Shortfall) of Resources as at 31st March 2026</b>	<b>(1,168,551)</b>	<b>469,521</b>	<b>63,071</b>	<b>149,071</b>	<b>(486,888)</b>

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## REPORT TO THE EXECUTIVE



<b>DATE</b>	<b>15th February 2021</b>
<b>PORTFOLIO</b>	<b>Resources &amp; Performance Management</b>
<b>REPORT AUTHOR</b>	<b>Howard Hamilton-Smith</b>
<b>TEL NO</b>	<b>01282 477173</b>
<b>EMAIL</b>	<b>HHamilton-Smith@burnley.gov.uk</b>

### Medium-Term Financial Strategy – 2022/23 to 2025/26 Incorporating the Reserves Strategy

#### PURPOSE

1. To consider the longer term financial outlook within the context of a Medium-Term Financial Strategy covering the financial years 2022/23 to 2025/26, highlighting uncertainties, underlying risks and make recommendations to Council. The Medium-Term Financial Strategy should be read in conjunction with the Revenue Budget 2021/22 and the associated statutory report of the Chief Finance Officer.

#### RECOMMENDATION

2. The Executive is asked to recommend to full Council:
  - 2.1 Approval of the latest Medium-Term Financial Strategy;
  - 2.2 Approval of the Reserves Strategy, as appended to the Medium-Term Financial Strategy; and
  - 2.3 Note that a refreshed document will be provided when required as an aid to monitoring the continued delivery of an annually balanced budget.

#### REASONS FOR RECOMMENDATION

3. Professional accounting practice recommends that a medium term financial strategy is in place to ensure that resources are aligned to strategic intent and business objectives. It also provides a firm and robust basis on which to prepare the annual budget. Given the current financial climate, the need for consideration of the medium term financial position is pertinent to ensuring sustainable service delivery and for the Council to remain viable as a going concern.

## **SUMMARY OF KEY POINTS**

4. A Medium-Term Financial Strategy (MTFS) is a key component of the Council's strategic planning process, aligning resources to service priorities and providing early identification of requirements for efficiency and cost improvement programmes. The MTFS provides an overarching framework for, and context to, the preparation of the annual budget. It provides an indicative headline position of the overall financial health of the Council, providing early sight of issues for full consideration by the Council and Executive.
5. Council will be aware that the 2021-25 MTFS was approved in February 2020. This report provides an update to the figures presented in that report based on the details issued by government as part of the provisional financial settlement for 2021/22 in December 2020, as well as incorporating a further year, namely 2025/26.
6. The Strategy has been developed using the latest information available. Assumptions and risks built into the Medium-Term Financial Strategy are documented within the Strategy. The headline reduction, over the four financial years 2022/23, 2023/24, 2024/25 and 2025/26, is a cumulative budget gap of £4.1m (27% of the 2021/22 net budget of £15.416m).
7. The financial environment in which the Council operates within is challenging, particularly within the context of continuing austerity. Given the reduced government funding during austerity and pressures on other income and uncertainty around future funding, the Council endeavours to meet those financial challenges taking a strategic view whilst protecting the quality of services and minimising impact on residents.

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

8. There are no direct financial implications arising from this report.

## **POLICY IMPLICATIONS**

9. The Medium Term Financial Strategy is a key document in ensuring the delivery of Council objectives and developing the strategic priorities.

## **DETAILS OF CONSULTATION**

10. None

## **BACKGROUND PAPERS**

11. None.

**FURTHER INFORMATION**

**PLEASE CONTACT:**

**Howard Hamilton-Smith, Head of Finance and Property**

**ALSO:**

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# **MEDIUM-TERM FINANCIAL STRATEGY**

## **2022/26**



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## **INTRODUCTION**

1. This strategy provides an overarching framework which sets out the context in which future decisions on resource allocation and budgeting will be taken. The primary purpose of this Strategy is to provide an indication of the future financial position of the Council and in turn inform the annual budget setting process. It quantifies the likely level of resources that are available to deliver the Council's services and achievement of its core strategic objectives as set out in the Strategic Plan.
2. The Council continues to face challenging reductions in funding and will do so for the foreseeable future. Increasingly the ability to achieve strategic objectives is coupled with the need to deliver cash savings and cost reductions. Consequently, it is imperative that resources are allocated following an assessment of strategic priorities and that annual budget decisions are aligned to those priorities.
3. This Strategy includes:
  - Financial context and a high-level overview of funding changes likely to affect the strategy;
  - An impact assessment of the Revenue Budget 2020/21 on future years;
  - Gap analysis for 2022/23, 2023/24, 2024/25 and 2025/26 and underlying assumptions;
  - Balancing the medium term;
  - Risks;
  - Reserves Forecast;
  - Monitoring and Review.
4. This Strategy reflects the approach adopted in a number of other strategies and policies adopted by the Council, which should be read in conjunction with this document. These include the Revenue Budget 2021/22, the Statutory Report of the Chief Finance Officer and the Treasury Management Policy. In addition, the Reserves Strategy is a key document and is included as an appendix to this document.
5. The medium-term financial planning process has been in place for a number of years and is now an established part of the budget setting process. It provides a forecast of the cost of continuing to provide existing levels of service and the resources that are likely to be available to the Council over the period. It sets out the potential budget gap to inform the Executive and Full Council and to determine the overall size of the efficiencies and cost reduction programme needed over the medium term.

## **FINANCIAL CONTEXT**

6. The major aspects of the local government provisional settlement for 2021/22 as they affect 2022/23, 2023/24, 2024/25 and 2025/26:
  - The Government's intention to phase out Revenue Support Grant by 2022
  - The level of Council Tax increase (excluding any social care) beyond which a referendum is required to remain at 2% for 2021/22 (2% in 2020/21 also)
  - The calculation of Core Spending Power
  - Continuation of New Homes Bonus but with changes. From 2017/18 the Government introduced a baseline for housing growth, 0.4% of a Council's band D equivalent properties, which will be deducted from the grant calculation each year. The scheme was amended in 2020/21 in that the grant allocation will be for one year only and will not attract any legacy payments. The scheme remains the same for 2021/22. It is likely the scheme won't exist in its current form from 2023/24, as it is being reviewed as part of the spending and fair funding review.
  - Delay of the Spending Review and Fair Funding Review. The Government is currently in the process of reviewing the components of the business rates retention system, both individually and in aggregate, and the role they can play in providing a strong incentive for local authorities to grow the business rates in their area while minimising complexity. This was originally planned to be implemented in 2020/21 but has been delayed to 2023/24 due to the Covid-19 pandemic.
  - Confirmation of the Lancashire Pool continuing under the 50% business rates pooling arrangements, as per 2020/21.
7. The final local government finance settlement is expected to be announced in February 2021.

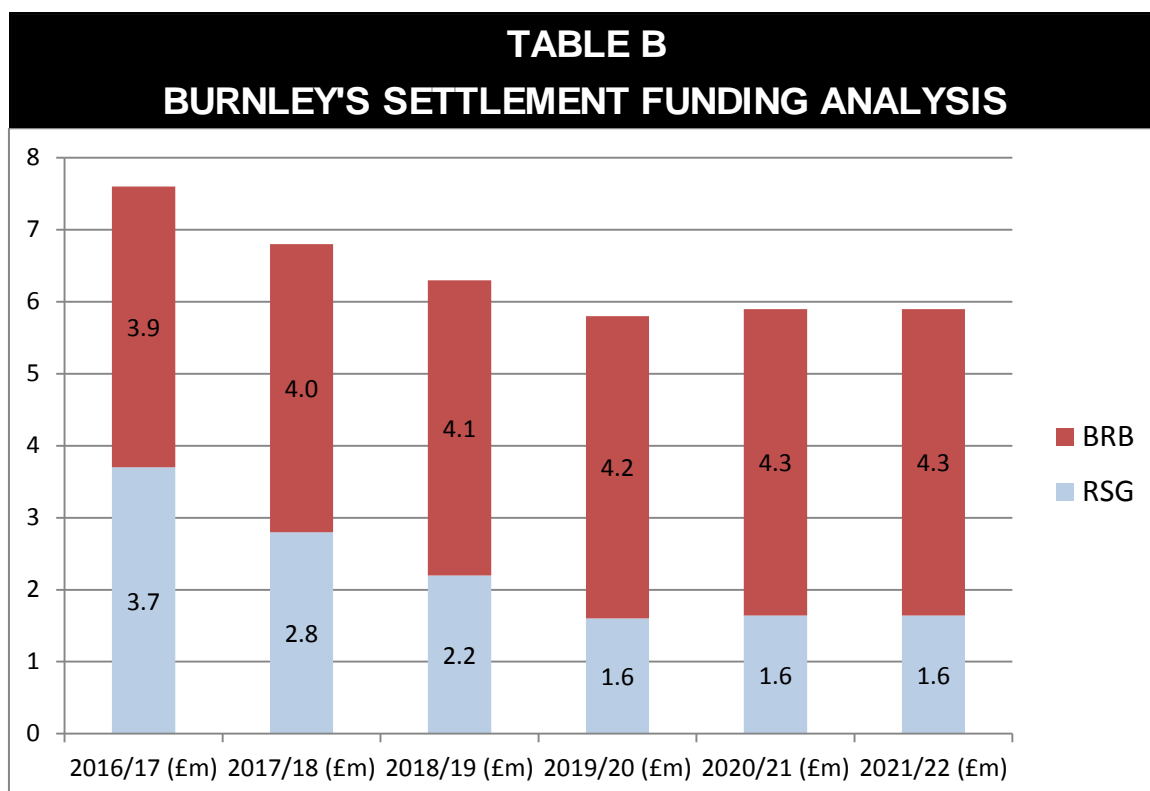
## **CORE SPENDING POWER**

8. In previous years, the government stated that Core Spending Power reductions between financial years was limited to a maximum reduction and additional grant was provided to those authorities to ensure that they did not experience losses greater than this maximum reduction. This was amended for 2021/22 following the impact of Covid – 19 on local authority finances, with the Government announcing that for 2021/22 no local authority will have a core spending power less than in 2020/21. As a consequence a one-off Lower Tier Services Grant was awarded to Councils. The calculation of Core Spending Power has changed over the years and is not limited to general government revenue grant and business rates but has also included Council Tax receipts, New Homes Bonus and other specific grants. This means that the headline percentage reduction quoted by the government also takes into account income from sources other than core general government revenue grant and is not representative of only direct government funding.

9. The methodology of the Core Spending Power calculation for 2021/22 includes Revenue Support Grant, Business Rates baseline funding, Council Tax and New Homes Bonus. For 2021/22 the Government has introduced the Lower Tier Services Grant to ensure that no local authority has a core spending power less than in 2020/21. This is due to the impact of the Covid-19 on local authority finances and demands for services. Burnley's Core Spending Power will increase by 2.6% in 2021/22 (compared to a 3.5% increase in 2020/21).
10. A comparison of Burnley Spending Power with other local authorities is shown in Table A. Burnley has consistently faced Spending Power reductions significantly above the national average. However, as 2021/22 is a 'roll forward' year with inflationary adjustments and the continuation of the New Homes Bonus scheme, Burnley's Core Spending Power is forecast to increase by 2.6%. However, this is in comparison to an England average of a 4.5% increase overall.

<b>TABLE A SPENDING POWER REDUCTION / (INCREASE)</b>		
<b>Year</b>	<b>Burnley (%)</b>	<b>England Average (%)</b>
2016/17	4.4	2.1
2017/18	3.9	(1.3)
2018/19	3.3	(1.8)
2019/20	1.5	(2.5)
2020/21	(3.5)	(6.3)
2021/22	(2.6)	(4.5)

11. The direction of travel nationally has been for local government to be funded from local revenues only in the longer term (as shown in Table B):



12. Whilst this would be a concern nationally, the reduction will impact Burnley greater as it is more heavily dependent on government funding than other Councils which have greater buoyancy in their Council Tax and Business Rates base. This can be shown in Table C below:

TABLE C % SPENDING POWER FINANCED THROUGH REVENUE SUPPORT GRANT & EFFICIENCY SUPPORT GRANT		
Year	Burnley (%)	England Average (%)
2016/17	25	16
2017/18	20	9
2018/19	16	3
2019/20	12	2
2020/21	11	3
2021/22	11	4

13. As mentioned earlier, the Government had proposed to revise the methodology for allocating funding to Councils from 2021/22, including changes to the current business rates system and a Fair Funding Review
14. However, in October 2020 the Government announced that the multi-year spending review proposed for 2021/22 – 2023/24 is to be delayed a further year until 2022/23 and replaced with a shorter one-year spending review for 2021/22 only. Therefore, the provisional settlement received for 2021/22 represents a 'roll

forward' year, with uplifts for inflation and the continuation of New Homes Bonus and the Revenue Support Grant.

15. Although this was welcomed, significant uncertainty exists for 2022/23 onwards as this Council awaits the result of the Spending and Fair Funding Review which is due to report back in the second half of 2021.

### **BUSINESS RATES POOLING 50% RETENTION**

16. During 2019/20 Burnley was part of the Government's 2019/20 pilots which tested a system at 75% Business Rates Retention. This was originally planned for one year, with 2020/21 being the national roll-out of the new funding regime. However, despite the fair funding and spending review being delayed by a year, disappointingly these pilots were not offered again.
17. Despite extensive lobbying, the Government did not reverse this decision and offered only the 50% scheme for 2020/21, as it had run previously.
18. Therefore in 2020/21 Burnley reverted to a similar Lancashire 50% pooling arrangement than in 2018/19 which 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 the tariff 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. This scheme will continue for 2021/22.
19. Prior to 2013/14, business rates were collected by local government and paid into a national pool and redistributed to local government as part of formula funding. This meant, for councils such as Burnley any variation in business rates collected (i.e., any increase in business rates or any reduction in business rates collected locally) did not affect the Council's financial performance as the Council's contribution from the national pool was fixed as part of the local government settlement.
20. Burnley has had some success in growing its business rate base over the last four years and an increase in business rates above the baseline figure has been factored into the 2021/21 revenue budget. Additional income of £1.2m is included within the 2021/22 budget. However, there is still a great deal of uncertainty over this funding due to the extent of business rate appeals and demands to invest in economic growth. As a consequence, no further increase in business rates has been factored into this financial forecast.
21. It should also be repeated that as the results of the spending and fair funding review are announced later in 2021, business rates retention will be an even more key funding source for the Council. It is uncertain how the results of these reviews will affect funding for the Council and remains a key risk for the Council.

## **NEW HOMES BONUS**

22. The national funding formula has been incentivised to encourage councils to build additional homes. As such councils are rewarded as part of the New Homes Bonus (NHB) to build homes or bring back into use existing stock. In addition, an enhanced rate is paid for social housing. The 2017/18 budget settlement changed the formula for the NHB calculations. NHB was originally paid for 6 years but was reduced to 5 years in 2017/18 and was further reduced to 4 years from 2018/19 onwards. This was applied retrospectively to existing NHB allocations.
23. The scheme was again amended in 2020/21 with the allocation being for one year only and will not attract any legacy payments. This will continue for 2021/22. It is likely the scheme won't exist in its current form from 2022/23, as it is being reviewed as part of the spending and fair funding review. This Council budgets for existing legacy payments and any new payments that are confirmed. Any future change by Government to reduce the amount or scope of existing legacy payments will cause a direct loss of income to the Council from the scheme of up to a total of £284k in 2022/23.
24. As mentioned earlier, the Government introduced a baseline for housing growth of 0.4% from 2017/18, up to which, the Council will receive no new allocation. The baseline for 2021/22 has remained at 0.4%. This means that for 2021/22's allocation, the first 125 properties do not attract a payment.

## **PENSIONS**

25. Burnley Borough Council is a member of the Lancashire County Pension Fund on behalf of former, current and future employees. Both employees and the employer make payments to the fund on a payroll basis, for employees who are in the scheme. The Council additionally makes annual payments to contribute towards the deficit the fund has (with regards to the Burnley element of the fund), when comparing the money paid out to scheme members versus money coming into the fund, which is evaluated on a per authority basis.
26. Every 3 years the Pension Fund revalues the assets and liabilities of the fund on a per-authority basis so that contribution and deficit payment rates are updated to ensure the fund is sustainable for each local authority.
27. The last revaluation was in 2019 which ascertains the payments required from the Council for the financial years 2020/21 to 2023/24. 2021/22 will be the second year of the current three-year revaluation cycle.
28. The 2022 revaluation will determine payments for the 3 years after this period and so on.
29. As a result of the 2019 preliminary valuation results, from 2020/21 the Council's Future Service Contribution Rate (employers pension contribution rate) increased from 15.4% to 17.6%. This is set by the fund at a rate that is being sufficient to meet the cost of new benefits being accrued by active members in the future.



30. Deficit is the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date and ignores the future build-up of pension (which in effect is assumed to be met by future contributions as described above). The amount of deficit is described by a cash value with a target length of time over which the current deficit is intended to be paid off (deficit recovery period). A shorter period will give rise to a higher annual contribution, and vice versa.
31. For the 2019 valuation, the assessed deficit payment for the Council has significantly decreased which meant a reduction in the annual pensions budget of £1.071m, due to the positive performance of the fund and changes in some actuarial assumptions.
32. This reduction has been used to cover the increased Service Contribution Rate, as set out above, as well as fund some of the cost pressures identified in the revenue budget (£419k). Increased contributions relating to the Liberata and Burnley Leisure schemes (see below) will also be funded from this reduction.
33. However, there is also a need to manage the inherent risks that Burnley face in the pension fund.
34. Investment returns can be volatile and any reduction in performance of the fund in the next three years will result in a reduction in valuation of the Council's assets in the Pension Fund, thereby potentially requiring a greater contribution in service rate and deficit payments from the next valuation in 2022, which would have to be funded by the Council for the 3 years from 2023/24 onwards. Changes in assumptions made by the actuaries from each valuation period can also have an effect on the scheme, both positive and negative, depending on the type of change.
35. Burnley is particularly sensitive to volatility of returns due to the value of its assets and liabilities in the fund in comparison to the value of Burnley's current contributors to the fund (current payroll), which is 25 times smaller than its liabilities.
36. This makes the Council vulnerable to relatively minor changes as it has a limited contribution base compared to its assets.
37. For example, if the pension fund's assets underperformed by 5% at the 2019 actuarial valuation, this reduction in the value of Burnley's share of assets in the fund would have required an additional £600k of annual revenue funding from the current provisional 2019 valuation. Although this could vary depending on a number of factors. This is illustrated in the table below:-

<b>2019 provisional actuarial valuation sensitivity analysis</b>		
	<b>Base as per 2019 valuation</b>	<b>Assets underperform by 5%</b>
Assets (£m)	146.2	138.9
Liabilities (£m)	150.7	150.7
Surplus / (Deficit) (£m)	(4.5)	(11.8)
Pay (£m)	6.0	6.0
Recovery period (yrs.)	16	16
“Maturity” (liabilities/pay)	25	25
Deficit Contributions (£m)	0.29	0.74
As a % of payroll	5%	12%
Increase	n/a	7%

38. This shows that if there was an underperformance of the fund over the next valuation cycle, there would be a considerable change in deficit payments required at the next valuation, circa £0.45m annually, and would be potentially greater if assets underperformed by more than 5%. It should be noted this is an illustrative example to show the relationship between the different elements of the fund profile.
39. Therefore, in partial mitigation, additional voluntary payments will be made to the fund, with a view to increase the Council’s assets in the fund and correspondingly enhancing returns. The overpayments will be funded from the reduction in deficit payments over the next 3 years, with the amount to be pre-paid assessed annually for the next 3 years.
40. These overpayments will be funded from a newly established pensions reserve, where a forecast balance of £400k will be placed into it annually over the next three years, funded from the reduction in assessed deficit payments. Any residual balance as at the end of this three-year period will contribute to some smoothing of any future increases in payment rates, assessed as part of the 2022 valuation exercise. For example, if there is an adverse funding valuation in 2022, the pensions reserve balance that is left will serve as a contribution to some of the increase in 2023/24 to allow the Council to plan to fund the increases for the subsequent years.
41. This balanced approach gives flexibility to increase the Council’s assets in the fund and mitigate some of the risk around volatility of performance as well as treating the Council’s structural exposure. The Council has a responsibility for sustainable pensions for its members.

42. Through assessing levels of overpayments over the next three years annually, the approach also allows the Council to be mindful of the funding environment it operates within. Therefore, if there is an adverse funding settlement as part of the Fair Funding review of local government funding or other significant financial challenges that present themselves, this approach gives flexibility for the Council to maintain financial resilience to meet its challenges.
43. It should be noted that it is likely that any significant volatility of the fund's performance would have a material impact on the Council's finances, even with the actions taken as per above.
44. The Council will continue to prepay the 3-year deficit payment and the service contribution rate payments annually up-front, as it did in 2020/21.
45. Further uncertainty exists around public sector pension schemes nationally after the Government announced in 2019 that they accepted a judgement that applies to all of the main public service pension schemes, known as 'The McCloud Judgement'. This judgement was based around transitional protections afforded to older members of schemes which were ruled unlawfully age discriminatory. It will be several years before the impacts of this ruling will be known, with regards to increased liabilities for pension funds. However, current actuarial valuations have included some assumptions around this, although the true financial impact won't be known for some time.
46. Performance of the fund is monitored annually and any further action that is required will be reported back, along with financial implications.

#### **Liberata and Burnley Leisure**

47. Liberata are members of the fund also, on behalf of those employees that TUPE'd over at the start of the Strategic Partnership in 2016. Contractually, the Council is liable for changes in their liabilities with regard to contribution rates for those employees. The change at this valuation is provisionally assessed at a maximum increase of £79k annually over the next cycle. This will be built into uplifts of contractual payments.
48. Burnley Leisure are also fund members. However, they have seen a provisional increase in payments of £65k from 2020/21. The Council will cover the cost of the increase in rates in accordance with the Agreement. The maximum liability would be £65k annually for the next 3 years.

#### **COUNCIL TAX INCREASES**

49. For 2020/21 guidance issued by central Government required a referendum where proposed Council Tax increases were 2% or more than 2% (previously 3% in 2019/20). This has remained at 2% in 2021/22.
50. The Council recognises the impact that Council Tax has on local residents and will always take their ability to pay into consideration when setting Council Tax levels. The Council should adopt an approach where local sources of funding are maximised as far as is reasonably practicable to do so. However, a 1.99% Council Tax increase has been factored into the medium-term financial forecast

for each year for financial planning purposes only. Clearly, any decisions on setting future Council Tax levels will be considered each year at Budget Council.

51. The financial impact each year of not increasing Council Tax at all is an additional pressure of around £142k, assuming a 1.99% rise is foregone.

## **COVID-19 PANDEMIC**

52. 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. To help mitigate the impact the Government has introduced a series of financial measures to assist local authorities and their residents/businesses during 2021/22. These consist of:

### Collection Fund Deficit

53. The Government has announced an intention to allow 2020/21 collection fund deficits to be spread over three years (currently two years). Presently the estimated surplus/deficit on the collection fund for the 2020/21 financial year (calculated as at January 2021) will be recovered in 2021/22 and the variance between the estimate and final outturn recovered in 2022/23. Under the new proposals the estimated surplus/deficit calculated as at January 2021 will be spread over three financial years in equal proportions. The variance between the estimated surplus/deficit and the final outturn will continue to be recovered in 2022/23. Authorities do not have the discretion to opt out of this scheme and it is compulsory to spread any deficit.

### 75% Collection Fund Compensation Scheme

54. As part of the November 2020 spending review the Government announced an intention to compensate local authorities for 75% of irrecoverable collection fund losses, with local authorities funding 25% of the loss. The compensation guarantee for council tax will predominantly cover expected council tax liability at the time of budget setting for 2020-21, which did not materialise. The compensation will be for net collectable debt adjustments relating to 2020/21 only which may have occurred for example, due to an increase in local council tax support costs or unachieved council tax base growth. The compensation guarantee for NDR includes the movement in bad debt provision between NNDR 1 estimate and NNDR 3 actual and will also include any prior year adjustments effected in 2020/21. Central Government expects billing authorities to continue appropriate collection and enforcement action for outstanding collection fund debt in the usual way. The final amount of compensation will be based on the 2020/21 Quarter 4 Return of Council Taxes, National Non-Domestic Rates (NNDR) & Localised Council Tax Support (LCTS).

### Fees and Charges Compensation Scheme

55. The fees and charges compensation scheme was introduced in 2020/21 and has been extended for the first quarter of 2021/22. Where income losses are more than 5% of a council's planned income from sales, fees and charges, the Government will cover them for 75p in every pound lost.

56. A Covid-19 reserve has been set up using financial support received from Central Government in 2020/21 into which is it forecast £860k will be deposited during 2020/21. The reserve can be called upon when required to fund any related additional expenditure or loss of income.

### **AN IMPACT ASSESSMENT OF THE REVENUE BUDGET 2021/22 ON FUTURE YEARS**

57. The Medium-Term Financial Strategy for 2022-26 is dependent on the delivery of a number of assumptions within the annual budget for 2021/22. This strategy assumes that:
- the Council will approve an annual budget that delivers savings totalling £0.151m (which includes £29k of previously approved savings proposals) without having to use reserves to support the delivery of the 2021/22 Revenue Budget;
  - the Council receives the estimated business rates assumed in the calculation of the baseline funding level and any additional business rates included as funding within the approved net revenue budget; and
  - the assumed costs of delivering the Council's services both directly and indirectly is in line with planning assumptions.
58. These assumptions are a realistic assessment of the underlying financial position as shown in the Medium-Term Financial Strategy. The annual budget will be approved in February 2021.

## **POTENTIAL GAP FOR 2022/23, 2023/24, 2024/25 and 2025/26**

59. The overall funding gap for 2021/25, using planning assumptions, is summarised below:

	<b>Reduction from 2021/22 Provisional Settlement (average 4% reduction of Core Spending Power)</b>	
	<b>(£m)</b>	<b>%</b>
Anticipated funding reduction	0.4	
Pay and Prices/other	0.6	
<b>Potential Gap 2022/23</b>	<b>1.0</b>	<b>6.5</b>
Anticipated funding reduction	0.8	
Pay and Prices/other	0.6	
<b>Potential Gap 2023/24</b>	<b>1.3</b>	<b>8.4</b>
Anticipated funding reduction	0.8	
Pay and Prices/other	0.5	
<b>Potential Gap 2024/25</b>	<b>1.3</b>	<b>8.4</b>
Anticipated funding reduction	0.8	
Pay and Prices/other	0.7	
<b>Potential Gap 2025/26</b>	<b>1.5</b>	<b>9.7</b>
<b>Cumulative Potential Gap 2022/26</b>	<b>5.1</b>	<b>33.1</b>

60. Underlying assumptions included within the forecast are:

- Council Tax will increase by 1.99% each year;
- No increase has been factored in for non-inflationary changes in Council Tax base; business rates or additional New Homes Bonus
- Pay award assumed at 2.5% per annum (1.5% 2021/22), fees and charges income at 2% per annum; and
- Transitional funding to replace the loss of Revenue Support Grant (RSG)
- No assumptions built into forecast regarding changes to Council Tax Support claimant numbers, although the impact of changes to the scheme have been included.

61. The above scenario assumes the Council will see a continuing reduction of government funding through the funding redesign, causing a reduction in Core Spending Power at a pace similar than that which has been seen over the last

decade that is circa 4% year-on-year (with Core Spending Power defined as RSG/Transitional Support, Business Rates, Council Tax and New Homes Bonus).

62. However, as 2022 may see the conclusion of the spending and fair funding review which will review and redesign the funding mechanism for local government, below are 2 further scenarios showing Core Spending Power reductions at 2% and at 0%. -:

	Reduction from 2021/22 Provisional Settlement (average 2% reduction of Core Spending Power)	
	(£m)	%
Anticipated funding reduction	0.1	
Pay and Prices/other	0.6	
<b>Potential Gap 2022/23</b>	<b>0.7</b>	<b>4.5</b>
Anticipated funding reduction	0.5	
Pay and Prices/other	0.6	
<b>Potential Gap 2023/24</b>	<b>1.1</b>	<b>7.1</b>
Anticipated funding reduction	0.6	
Pay and Prices/other	0.5	
<b>Potential Gap 2024/25</b>	<b>1.1</b>	<b>7.1</b>
Anticipated funding reduction	0.5	
Pay and Prices/other	0.7	
<b>Potential Gap 2025/26</b>	<b>1.2</b>	<b>6.4</b>
<b>Cumulative Potential Gap 2022/26</b>	<b>4.1</b>	<b>26.6</b>

	Reduction from 2021/22 Provisional Settlement (average 0% reduction of Core Spending Power)	
	(£m)	%
Anticipated funding reduction	-0.1	
Pay and Prices/other	0.6	
<b>Potential Gap 2022/23</b>	<b>0.5</b>	<b>3.2</b>
Anticipated funding reduction	0.2	
Pay and Prices/other	0.6	
<b>Potential Gap 2023/24</b>	<b>0.8</b>	<b>5.1</b>
Anticipated funding reduction	0.3	
Pay and Prices/other	0.5	
<b>Potential Gap 2024/25</b>	<b>0.8</b>	<b>5.1</b>
Anticipated funding reduction	0.3	
Pay and Prices/other	0.7	
<b>Potential Gap 2025/26</b>	<b>1.0</b>	<b>5.1</b>
<b>Cumulative Potential Gap 2022/26</b>	<b>3.1</b>	<b>20.1</b>

63. Until there are indicative allocations of funding for 2022/23 and beyond, the ability to forecast funding elements is severely restricted. Due to this uncertainty it is necessary to show various scenarios of funding changes in the above scenarios, which are summarised below:-

	4% reduction of Core Spending Power (£m)	2% reduction of Core Spending Power (£m)	0% reduction of Core Spending Power (£m)
<b>Potential Gap 2022/23</b>	<b>1.0</b>	<b>0.7</b>	<b>0.5</b>
<b>Potential Gap 2023/24</b>	<b>1.3</b>	<b>1.1</b>	<b>0.8</b>
<b>Potential Gap 2024/25</b>	<b>1.3</b>	<b>1.1</b>	<b>0.8</b>
<b>Potential Gap 2025/26</b>	<b>1.5</b>	<b>1.2</b>	<b>1.0</b>



<b>Cumulative Potential Gap 2022/26</b>	<b>5.1</b>	<b>4.1</b>	<b>3.1</b>
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## **BALANCING OVER THE MEDIUM TERM**

64. The Council operates in a generally challenging environment. Given the significant reductions in the Council's funding from Government over the last decade and forecasts of further pressures over the medium term there will need to be a continuing fundamental review of the core purpose of the Council. This will demand strategic and corporate leadership and it is essential that there is seen to be strategic ownership of such a review given the scope of changes which will result from this.
65. The overall size of the challenge that the Council faces is significant and the formulation of a balanced budget over the longer term requires the delivery of savings through strategic prioritisation, service transformation and continuous improvement. The Council continues to make and face key decisions affecting the way it delivers core Council services.
66. The Council will consider fully its strategic intent as encapsulated in the Strategic Plan and will seek not only to reduce costs and deliver the necessary savings but seize opportunities to use those cost saving programmes as leverage for wider strategic benefits.
67. The structure of the Council should be adapted to reflect the challenging operating environment. Furthermore, these structural changes will require that there is also sufficient flexibility to meet all challenges which may arise. Significant service reconfiguration will therefore continue to take place and further progress will be made to update the way the Council is structured. A review of internal business processes will continue so as to promote automation and to reduce back office workloads. This will change the way we work in line with the organisational development strategy and through the promotion of self-service wherever possible.
68. The Council has a strong track record of delivering efficiency savings over recent years and this work will need to continue for the foreseeable future. The outcome will be a Council which is more streamlined and focussed on key strategic objectives, delivered through transformed services working in partnership.
69. Given the challenges ahead, the Council will continue to use the commercial strategy which sets a framework for developing a commercial approach by everyone within and representing the Council. By doing this we will seek to maximise income from our activities and services whilst still having regard to the ability to pay. The Council will also minimise the costs involved in service provision through this approach by promoting better procurement and continuing to gain value from contracts with partner organisations and so aim to reduce the future funding gap.
70. Outcomes from the Spending Review and Fair Funding Review will be critical to determine the financial horizon for this authority. Without the outcome of this, there remains significant uncertainty for future funding of the Council, which makes it very difficult to plan over the medium term. Various scenarios for funding

have been presented in his report. However, until indicative allocations are given for future years later on in 2021, that uncertainty will remain.

71. 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 opened in time for the 2020/21 academic year. This scheme has been incorporated into the MTFS. A revised Pioneer Place development was approved by Full Council in November 2020.
72. Both these developments will require significant financial support from the Council, as well 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 very significant amounts of borrowing – circa £31m for both schemes. These present threats to the financial viability of the Council. However, in partial mitigation, various strategies have been put in place.
73. 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.
74. Finally, on 9 October 2019 the Treasury and PWLB announced an increase in the borrowing rate of 1%. Following the outcome of the Government's consultation process this increase was reversed with effect from 9am on the 26th November 2020. The reversal of the 1% increase in PWLB rates is beneficial to this authority due to the long-term borrowing required for Pioneer Place and future potential capital projects.

## **RISKS**

75. The significant risk areas are:

RISK	MITIGATION	ASSESSMENT
(i) Ability to maintain a balanced budget over the medium-term	Consideration of core purpose of the Council. Development of a multi-year planned and systematic programme of efficiency and cost reduction measures; Ensure effective programme management to ensure timely delivery. Maintain an effective reserves strategy. Undertake close monitoring of Pioneer Place/Sandygate Square schemes.	HIGH

(ii)	Funding uncertainty with regard to the proposed changes in NHB funding, changes in Business Rates funding and the fair funding review for local government.	Horizon scanning national developments and proactive contribution to help shape the funding framework. Lobby for additional resources with government and also through the LGA. Seek to maximise local funding sources.	HIGH
(iii)	Business rate volatility including appeals	No projected increase factored into MTFS, reserves available as buffer in short term. Active consideration of all appeals to minimise impact on revenues.	HIGH
(iv)	Partnership performance – achievement of planned savings and delivery of these savings on time	Continued development of enhanced contract management skills and procedures. Project management discipline. Consolidation of good working relationships with contract partners.	MEDIUM
(v)	Reserves - potential impact on reserves position, if they are required to support the delivery of a balanced budget over the medium-term.	Include policy on use of reserves within Medium-Term Financial Strategy (attached). Programme of action to increase reserve levels over the next 10 years.	HIGH
RISK		MITIGATION	ASSESSMENT
(vi)	Potential claw-back or loss of any external or grant funding.	Compliance to external and grant funding conditions, careful programme monitoring of capital projects.	MEDIUM
(vii)	Prices - the Strategy only allows for budget increases in specific areas, e.g. business rates and contractual requirements. The forecast for CPI and RPI is for bigger increases.	Review at each update of the Strategy	LOW

(viii)	Pay – 2.5% in Strategy but pressure for higher settlements may develop in the future	Review at each update of the Strategy	LOW
(ix)	Income and fees and charges.	Ensure that the Council's commercial strategy is used to maximise income opportunities. An allowance has been built into the Medium-Term Financial Strategy for an increase in line with the Council's commercial strategy. This will be reviewed as part of the annual fees and charges review.	LOW
(x)	Treasury Management.	Approved Treasury Management Policy, with regular monitoring with support from external advisors.	LOW
(xi)	Pensions – Managing the financial impact of the volatility of performance of pension fund investments and its impact on the Council's budgets	Additional employers' contributions will be made over the next 3-year period, as well as contributions to a pension reserve to partially fund any adverse impact on the Council's pensions liability position after the next triennial pension revaluation in 2022.	HIGH
RISK		MITIGATION	ASSESSMENT
(xii)	Brexit – Uncertainty of the outcome on the UK economy and corresponding impacts on interest rates, the local economy and further spending pressures	Continuation of resilience with regards to diversifying sources of income, driving further efficiencies, monitoring the outcome of Brexit negotiations and updating the MTFS as necessary	MEDIUM
(xiii)	Covid -19 pandemic – Uncertainty around the impact of the Covid – 19 pandemic on income and	Continue to monitor the Council's revenue budgets in respect of loss of income and additional expenditure as well as monitoring the collection of	MEDIUM

expenditure streams in future years	local taxation. To continue to lobby Central Government for additional funding as necessary.	
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## **RESERVES & BALANCES**

76. The overall forecast position on reserves is shown in the table below. This includes all strategic earmarked and general reserves. The forecast below includes approved commitments and anticipated spend and income into the reserves. The Reserves Strategy can be found in detail at Appendix 1.

	<b>Strategic Earmarked Reserves £'000</b>	<b>General Fund Reserve £'000</b>	<b>Revenue Support Reserve £'000</b>	<b>Total £'000</b>
<b>Balance as at 01/04/20</b>	3,932	1,379	404	5,715
<b>Approved use to Q3 2020/21</b>	-902	0	130	-772
<b>Balance available after approvals as at Q3</b>	3,030	1,379	534	4,943
<b>Future commitments and risk</b>	-2,713	0	1,084	-1,629
<b>Balance remaining as at 31/03/26</b>	<b>317</b>	<b>1,379</b>	<b>1,618</b>	<b>3,314</b>

77. The reserves position does not include any requirement to support the budget gap on an on-going basis.
78. General reserves are held to provide short term emergency funds for exceptional circumstances and to cover risks that could impact the Council as a going concern. The current level of the Council's General Reserve is set at £1.379m and has been reviewed as part of the re-assessment of the MTFs and it is proposed that it should remain at £1.379m.
79. Earmarked reserves are held for specific purposes either as a strategic reserve to give flexibility in the use of corporate resources or as specific ring-fenced reserves for operational needs.
80. 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, as well as awaiting the outcome of central government's funding review, which will govern local government funding from 2022/23 onwards, 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 5 years of this programme is shown in the above table to align with the timeframe of this MTFS.

81. Any resources that are released by savings on the approved budget will be transferred into an earmarked reserve, although it is expected that given the increased pressures on the annual revenue budget the ability for the Council to build up reserves will become increasingly difficult in future years. The purposes, for which reserves are held, are included within Appendix 1.
82. It is Council policy that earmarked reserves should not be used to pay for continuing expenditure. Earmarked reserves should be used for the specific purpose for which they were set aside. This includes funding one-off or non-recurring items, invest to save initiatives or to provide short term and time limited support to manage the transition from the withdrawal of funding.
83. The Council's reserves are not set at excessive levels and furthermore, it is prudent to protect and enhance earmarked reserves where there are opportunities to do so to provide one-off protection particularly given the uncertainty of the current financial climate and longer term risks associated with the local government funding arrangements. It can be seen in the table above however that it is anticipated that a substantial part of the Council's strategic earmarked reserves will be at, or below, their recommended minimum level by the end of the MTFS period. The adequacy of strategic earmarked reserves will continue to be monitored to meet future demands.

## **MONITORING & REVIEW**

84. The Council operates delegated financial management. Following approval of the annual budget, budgets are delegated to service units where each Head of Service has delegated responsibility to ensure that they monitor and maintain budgetary control, achieve efficiency plans built into the budget and follow financial procedure rules. Each Head of Service is charged with ensuring their lead Member is fully briefed on financial issues. Corrective action plans are required in the event of any underperformance against budget to ensure the budget remains on track by the end of the financial year. Conversely, any service underspend at the end of the financial year will be used to contribute towards corporate priorities - general carry forward of underspends by services is not permitted. Any requests for specific service commitments to be rolled into the following financial year will be considered on an exception basis.
85. The Council is committed to achieving value for money in all aspects of its operations. To achieve this, reviews are regularly undertaken to determine whether cost improvements can be made, and to ensure that resources are prioritised and are aligned to strategic intent.
86. Any new proposals for on-going revenue growth must be backed up by a clear business case that demonstrates delivery of efficiencies aligned to strategic

objectives. Criteria will be used to determine the relative priority of all capital projects.

87. The Council will operate a commercial strategy which will be reviewed periodically.
88. The Council will carry out three cycles of budget monitoring during each financial year together with a combined revenue and capital final outturn report, each of which will be reported formally to the Executive. These will also be reported to the Scrutiny Committee. Approval of any adjustments to capital or revenue budget control totals will then be sought from Full Council.
89. The financial modelling projections contained within this Medium-Term Financial Strategy are a dynamic model, which will be updated, revised and reported following receipt of business intelligence, changes to underlying assumptions and as the position becomes clearer.

# **APPENDIX 1: RESERVES STRATEGY**

## **BACKGROUND**

1. The Council continues to face significant financial challenges and uncertainty in funding. The Council however remains committed to its ambitions of delivering its place shaping strategic priorities. This means that the Council is not only prioritising resources for key service objectives but is also continuing to adjust to a reduced cost base to ensure financial sustainability over the medium term.
2. Within this context, reserves play a vital role in offering transitional support to act as a buffer and to ensure smooth service transition as the Council adapts to organisational changes and new ways of working; and to offer time limited opportunity for investment to aid strategic delivery.
3. It is imperative, therefore, that the Council has in place a strong and robust reserves strategy, that adequately reflects the future needs of the organisation, set at a level that mitigates against future risks and certainties and provides opportunity for investment within the confines of overall affordability and availability of resource.
4. Given the current context of operations there are no planned arrangements for replenishing reserves drawn down beyond that set out in the report, although a minimum level of reserve (general reserve) has been assessed for the Council to remain a going concern. As part of the finalisation of the year end position, opportunities will be taken, if possible, to replenish reserves in the light of risk appraisal.
5. This reserves strategy sets out the protocol for use of reserves and re-assesses the adequacy of reserves.

## **LEGISLATIVE/REGULATORY FRAMEWORK**

6. The requirement for financial reserves is acknowledged in statute. Sections 32 & 43 of the Local Government Finance Act 1992 require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure, when calculating the budget requirement.
7. There are no statutory minimum levels imposed and it is not considered appropriate or practical for the Chartered Institute of Public Finance and Accountancy (CIPFA), or other external agencies, to give prescriptive guidance on the minimum or maximum level of reserves required, either as an absolute amount or a percentage of the budget.
8. The adequacy of the level of reserves is therefore a matter of local judgement bearing in mind the level of risk the council faces together with the requirement to provide any non-recurring or one-off support for strategic priorities.
9. The management of reserves within the current difficult financial environment is not universally agreed. There is a conflict between the expectation of Government that Councils should utilise their reserves over the medium term and



the views of professional and regulatory bodies who suggest that reserves should be increasing over the same period.

## **ROLE OF THE CHIEF FINANCIAL OFFICER**

10. Within the existing statutory and regulatory framework, it is the responsibility of the Chief Financial Officer (in Burnley's case this is the Head of Finance and Property) to advise the local authority about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use.
11. This requirement is also reinforced by Section 114 of the Local Government Finance Act 1988, which requires the Chief Financial Officer to report to all the authority's councillors, if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year.

## **PURPOSE OF RESERVES & BALANCES**

12. Reserves can be classed as general reserves or earmarked reserves and represent funds that are not part of the normal recurring budget of the Council but are distinct "pots" of finite funds.
13. General reserves are set aside to provide a short-term cushion for the impact of uneven cash flow, to provide an emergency fund for exceptional unmitigated circumstances and to ensure that the Council remains a going concern. The current level of the Council's general reserves is set at £1.379m. This includes an assessment of volatility within the business rates retention scheme. This figure is judged as a prudent level of balance to be set aside to ensure the Council remains financially liquid as a going concern. This fund is held as a fund of "last resort" when all other reserves or budgets have been completely depleted for unknown risks.
14. Earmarked reserves are held to mitigate against potential specific risks that the Council faces; cushion against uncertainty; provide for anticipated liabilities and provide short term investment for strategic priorities or support the operational delivery of specific services. These reserves are held for either strategic purposes to give flexibility in the use of corporate resources or are held as specific ring-fenced reserves for operational needs.
15. Given the increased pressures on the annual revenue budget the ability for the Council to build up reserves will become increasingly difficult in future years. Clear protocols therefore should be in place for the use of each earmarked reserve that set out:
  - The reason for/purpose of the reserve;
  - How and when the reserve can be used;
  - An assessment of the adequacy of the reserve in light of risk factors;
  - Procedures for the reserve's management and control; and
  - A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

## **RISK FACTORS**

16. The table below identifies the key risks that are mitigated and managed through this reserves strategy:

<b>Risk</b>	<b>Reserve</b>
Short term liquidity and cash flow.	General
Unforeseen emergencies.	General
Strategic service transformation and ability to ensure services remain fit for purpose and deliver value for money.	Transformation
Achievement of high priority strategic objectives that require pump priming or inward investment.	Growth
Financial risks inherent in major developments and projects that are aligned to strategic priorities.	Revenue Support Specific scheme reserves
Provide interim support for emerging risks that were unknown at budget setting and are an unavoidable commitment through regulatory or legislative reform that are outside the direct control of the council	Transformation Revenue Support
Fluctuations, loss and uncertainty in funding or income levels coupled with the Council's ability to respond in a timely way, thereby providing a buffer to enable the Council to downsize.	Transformation
Variations in business rate yield due to the impact of appeals and other factors which can reduce funding availability	Funding Reform Volatility
Ensure resources available to provide for future unavoidable and non-recurrent specific needs.	Transport & Plant Local Development Framework (Local Plan) Town Centre Master Plan Burnley Bondholders Cremator Relining
Transparency in accounting arrangements for self-financing initiatives.	Taxi Licensing Selective Licensing
Respond to changes in demand for services.	Transformation
Volatility of pension fund performance	Pensions
Impact of Covid-19 pandemic on income and expenditure revenue streams.	Covid-19
To manage future repair demands to Sandygate Student Accommodation.	Sandygate Major Refurbishment Reserve
To manage fluctuations in rental income against expenditure demands.	Sandygate Smoothing Reserve
To make voluntary overpayments to the pension deficit to mitigate the potential impact of a	Pensions Reserve

potential increase in deficit payments following the next tri-ennial valuation.	
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## **REPORTING FRAMEWORK**

17. The level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the Head of Finance and Property. The protocols covering all reserves are set out below for strategic and operational reserves respectively.
18. The Medium-Term Financial Strategy and the Council's annual Revenue Budget report include a statement showing movements in reserves. In addition, the Medium-Term Financial Strategy includes a forward forecast of future balances for the relevant period.

## **STRATEGIC RESERVES PROTOCOL**

<b>Reserve</b>	<b>Level of reserve</b>	<b>Purpose</b>	<b>How &amp; When Used</b>	<b>Control Procedures</b>	<b>Timescale for review</b>
<b>Transformation</b>	Recommended to have available balance of £1.5m uncommitted	To support specific projects aimed at transforming services either to reduce the cost base; deliver value for money or ensure services remain fit for purpose	Used to mitigate the impact of any one-off expenditure that arises from organisational and transformational change and to assist with organisational downsizing	Managed by the Head of Finance and Property (Chief Financial Officer)	The overall level will be reviewed twice-yearly as part of the final accounts and budget processes and any movements monitored as part of the budget monitoring process
<b>Growth</b>	This reserve will cease to exist once depleted	To assist the Council in achieving its strategic objectives through the provision of one-off investment as leverage	Used to pump prime projects that deliver demonstrable wider strategic benefits that enable the council to fulfil its place shaping role	Managed by the Chief Executive	

## **OPERATIONAL RESERVES PROTOCOL**

Operational Reserve	Level of Reserve	Purpose	How & When Used	Procedures for Management & Control	Timescale for Review
<b>Funding Reform Volatility</b>	As assessed, depending on level of appeals and changes to the Council funding mechanisms	To safeguard against the inherent volatility within the business rates retention system particularly around the potential impact of appeals, as well as impact of changes to government funding of local authorities	Used to support the business rates funding figure included within the Council's net revenue budget in the event that actual business rates collected generate a figure below this estimated funding figure, as well as impact of changes to government funding of local authorities	Managed by the Head of Finance and Property (Chief Financial Officer)	Twice-yearly, as part of the final accounts and budget processes
Operational Reserve	Level of Reserve	Purpose	How & When Used	Procedures for Management & Control	Timescale for Review
<b>Transport &amp; Plant</b>	Dependent on planned replacement strategy for transport and plant financed from within service revenue budgets	To manage the financing of the Council's transport & plant requirements	There is an annual payment into the reserve, which helps to equalise spending, as transport & plant replacements are due	Managed by the Head of Green Spaces and Amenities	Twice-yearly, as part of the final accounts and budget processes
<b>Local Development Framework (Local Plan)</b>	Anticipated spending requirements	To fund the necessary work needed for the Core Strategy and other development plans	Any cost of the preparation of the Local Development framework will be funded through drawdown on this reserve	Managed by the Strategic Head of Economy and Growth	Monitored as part of budget monitoring process
<b>Taxi Licensing</b>	Self-financing	To ensure the costs associated with licensing is ring-fenced and recovered by the taxi trade	To manage annual surpluses and deficits on the account	Managed by the Monitoring Officer	The overall level will be reviewed twice-yearly as part of the final accounts and budget processes and

<b>Selective Licensing</b>	Self-financing	To ensure the costs associated with licensing are ring-fenced and recovered by landlords	To manage annual surpluses and deficits on the account	Managed by the Head of Housing and Development Control	any movements monitored as part of the budget monitoring process
<b>Primary Engineer Reserve</b>	Anticipated spending requirements	To support a training initiative in schools within Burnley	To fund delivery of the training on an annual basis	Managed by the Chief Executive	Monitored as part of budget monitoring process
<b>Town Centre Master Plan</b>	Anticipated spending requirements	To enable the Council to deliver a major Town Centre regeneration scheme	To assist in procuring the expertise to carry out an exercise to develop a vision and plan for the town centre	Managed by the Strategic Head of Economy & Growth	Monitored as part of budget monitoring process
<b>Burnley Bondholders Reserve</b>	Self-financing	To manage the excess sponsorship contributions for bondholder organisations	To fund Burnley brand and marketing initiatives in order to attract economic investment into the area	Managed by the Strategic Head of Economy and Growth	Monitored as part of budget monitoring process
<b>Cremator Relining Reserve</b>	Dependent on planned replacement strategy for cremator relining financed from within service revenue budgets	To manage the financing of the Council's cremator relining requirements	There is an annual payment into the reserve, which helps to equalise spending, as cremator relining are due	Managed by the Head of Green Spaces and Amenities	Monitored as part of budget monitoring process
<b>Revenue Support Reserve</b>	Anticipated spending requirements	To provide funding for unanticipated reductions in income and initiatives to offset budget reductions	To be used in response to income pressures identified during the budget monitoring process	Managed by the Head of Finance & Property (Chief Financial Officer)	Monitored as part of budget monitoring process
<b>Revenue Grants Unapplied</b>	Dependent upon revenue grants received	To hold revenue grants that have been received but not yet spent	To be used when expenditure on grant schemes is incurred	Managed by the Head of Finance & Property (Chief Financial Officer)	Monitored as part of budget monitoring process

<b>Regeneration Reserve</b>	Anticipated spending requirements	To manage minor projects within the regeneration department.	The reserve is financed by revenue contributions and grants received.	Managed by the Strategic Head of Economy & Growth	Monitored as part of budget monitoring process
<b>Covid-19 Reserve</b>	Anticipated reductions in income collection and additional expenditure demands.	To manage the impact of Covid-19 on income collection and additional expenditure pressures.	The reserve is financed from Government support received.	Managed by the Head of Finance & Property (Chief Financial Officer)	Monitored as part of budget monitoring process
<b>Sandygate Major Refurbishment Reserve</b>	Anticipated spending requirements	To manage future repair demands to Sandygate Student Accommodation.	The reserve is financed from rental receipts.	Managed by the Strategic Head of Economy & Growth	Monitored as part of budget monitoring process
<b>Sandygate Smoothing Reserve</b>	Anticipated spending requirements	To manage fluctuations in rental income against expenditure demands.	The reserve is financed from rental receipts.	Managed by the Strategic Head of Economy & Growth	Monitored as part of budget monitoring process
<b>Pension Reserve</b>	Funded from the reduction in the deficit payment following the 2019 Actuarial Review.	To mitigate the impact of future increases in pension deficit payments following future tri-ennial reviews.	The reserve is financed from a reduction in deficit payment following the 2019 Actuarial Review.	Managed by the Head of Finance & Property (Chief Financial Officer)	Monitored as part of budget monitoring process

## REPORT TO THE EXECUTIVE



<b>DATE</b>	<b>15th February 2021</b>
<b>PORTFOLIO</b>	<b>Resources &amp; Performance Management</b>
<b>REPORT AUTHOR</b>	<b>Howard Hamilton-Smith</b>
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## Revenue Budget 2021/22

### PURPOSE

1. To consider the estimates of revenue income and expenditure for 2021/22 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 2021/22;
- ii) Approve the proposals contained in this report;
- iii) Set a Council Tax Requirement of £7,266,131 for the financial year 2021/22;
- iv) Set a Net Budget Requirement of £15,415,612 for 2021/22;
- v) Receive and consider the statutory report issued by the Head of Finance and Property under the Local Government Act, 2003;
- vi) Authorise the Chief Operating Officer/Heads of Service to progress action plans to deliver the 2021/22 budget;
- vii) Approve a Council Tax (Band D) figure of £312.28 for this Council for the year commencing 1<sup>st</sup> April 2021 and adopt the statutory resolution to set the full Council Tax for the year. This is equivalent to a 1.99% 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 2021/22 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 2021/22. 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 2021/22
Appendix 2	Growth
Appendix 3	Further 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 16<sup>th</sup> December 2020.
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 2021/22**

12. The proposed net revenue budget for 2021/22 is as set out in the table below:

<b>SUMMARY OF THE REVENUE BUDGET POSITION 2021/22</b>		
Net Revenue Budget - original 2020/21		15,693
Savings approved at previous Council Meetings		79
Proposed Growth - Appendix 2		731
Savings on the re-tender of insurance services		(75)
Increase to MRP payable based upon capital schemes		233
Additional PWLB interest payable based upon planned future borrowing		162
Additional Investment income		(90)
Income pressures		31
Additional Fees & Charges income generation		(11)
Movements in Earmarked Reserves		(1,361)
Further Savings Proposed - Appendix 3		(102)
Increase to salary savings target		(20)
Increase to non salary savings target		(20)
Parish Precepts*		166
<b>Net Budget Requirement</b>		<b>15,416</b>
<u>Government Settlement Funding Assessment</u>		
Revenue Support Grant		1,649
Business Rates Baseline		4,265
New Homes Bonus		564
Council Tax Yield		7,266
Collection Fund Deficit - Council Tax		(41)
Collection Fund Deficit - NNDR		(591)
Council Tax - Parish Precepts*		166
<u>Business Rates in addition to Baseline Funding</u>		
Additional Business Rates above baseline	1,219	
Renewable Energy	248	1,467
Business Rates Multiplier Inflation Cap		222
Lower Tier Services Grant		182
Council Tax Support Grant		267
		<b>15,416</b>

- Please note that the Parish Precept figure is provisional. Any changes to this figure will not affect the Net Budget Requirement of the Council as the council acts as an agent in collecting the precept income and distributing it to Parish Councils.

## 13. **LOCAL GOVERNMENT PROVISIONAL SETTLEMENT**

The local government provisional settlement was announced in December 2020 and is likely to be confirmed February 2021. Any settlement figures included within this report are based upon the provisional settlement figures.

15. Spending Power  
The calculation of Spending Power only includes Revenue Support Grant, Business Rates, New Homes Bonus and Council Tax. The Council's Spending Power will increase by 2.6% in 2021/22 (3.5% increase in 2020/21). This compares to an England average of 4.5%.
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 2020/21 and will continue to be a member in 2021/22.
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 will accelerate 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 2021/22.
16. As announced in the 2020/21 finance settlement, the New Homes Bonus allocation for 2020/21 was for one year only, rather than for a period of four years. This change in policy remains unchanged for 2021/22, with the 2021/22 allocation being for one year only also.

### **BUDGET SAVINGS IDENTIFIED**

17. Following the announcement of the provisional local government finance settlement for 2021/22 further budget savings have, as is usual, been identified. It is expected the final finance settlement for 2021/22 will be announced by Government in February 2021. Appendix 3 shows the savings identified to balance the 2021/22 budget based on the provisional settlement.

### **GROWTH PROPOSALS**

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, five items of revenue budget growth are included within the proposals for 2021/22. The growth items are shown in Appendix 2 for information and have been included within the revenue budget for 2021/22. Details of each growth item can be seen below:
  - Repairs & Maintenance Budget Increase – increase to the general repairs & maintenance budget by £20k for 2021/22, with an additional £10k increase in 2022/23. This is the second year of the three-year agreement to increase the general repairs and maintenance budget, with the year one (2020/21) increase being £15k. This is required to continue to maintain the Council's large and diverse estate of buildings to keep them in good repair and to be able to carry out further preventative repairs and maintenance where needed.
  - Software maintenance costs – annual software maintenance costs of £11k following the purchase of a cloud-based case management system within Legal Services.

- Climate Change Emergency - The Council is well all aware of the requirements on all stakeholders to ensure that they contribute towards combating the climate crisis. As well as the existing initiatives that the Council has introduced or will be introducing as part of this budget, a further £50k has been set aside towards any in-year proposals.
- Community Recovery Fund – to set aside £100k to continue to support the Community Recovery Plan. A key focus of the Community Recovery Plan has been the development of the Burnley Together Hub which has been operating since the start of the Covid-19 pandemic. The Community Recovery Plan will complement Economic Recovery and Growth Strategy.
- Business Hardship Fund – to create a fund of £500k which will be open to businesses in key sectors that either provide an important service to the borough or provide a significant economic/employment benefit and are facing significant and potentially longer-term financial difficulties due to the COVID 19 pandemic.
- Streetscene Initiatives - to set aside a flexible fund of £50,000 for 2021/22 to target issues aimed at maintaining clean streets within the borough (this could include (without limitation) additional cleansing or targeted enforcement activities). This will help the Council achieve one of its strategic objectives to maintain a clean, safe, attractive and environmentally friendly borough.

## **COUNCIL TAX**

20. The proposals in this paper assume that the Council's Band D council tax will increase by 1.99% from the 2020/21 level of £306.19 to £312.28. This level of charge will yield an estimated total income of £7,266,131.
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 2021/22, 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 2021/22 is 2%, or more than 2%, greater than its relevant basic amount of council tax for 2012/21.
22. The financial impact each year of not increasing Council Tax at all is an additional pressure of around £142k, assuming a 1.99% rise is foregone. Over the five-year Medium Term Financial Strategy period this would result in loss of income of £746k. The increase is required to protect the services provided by the Council, to fund economic and community recovery initiatives required as a result of Covid-19 and the impact of ongoing financial pressures resulting from the pandemic 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 2021/22 funding provisional settlement. The business rates multiplier has been frozen for 2021/22 which means that the three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff/Top Up amounts) remain at 2020/21 levels, which is £4.265m (please see paragraph 29 for further details). It is also expected that the Council will receive Business Rates in excess of the announced figure – an extra £1.219m, 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 £248k 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 2021/22 and future years. This is the same amount that was received in 2020/21.
25. For 2021/22 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 the tariff 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.
26. As part of the ongoing consultation around the new business rate retention proposals, the Government is proposing a reset, or partial reset, of the amount of Business Rates each Council expects to receive. A reset would mean that any previous growth in business rate income above the expected amount, achieved under the existing system, would be lost. This would mean an additional pressure on Council's that had used any excess Business Rates income when balancing their annual budgets. It is expected that the new system of accounting for Business Rates will come into effect in 2023 and will be based on property values as at 1<sup>st</sup> April 2021. However, details at this stage of how funding will affect Burnley is not yet known.

### **COLLECTION FUND DEFICIT**

27. 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.

Due to the impact of the Covid-19 pandemic on the local economy, this year's calculation has produced an overall deficit figure of £845k of which this Council's share is £133k. This is 15.7% as a proportion of the overall total. As mentioned in paragraph 35 the Government has announced that the deficit can be spread over three years (rather than 2 years as present). This reduces the deficit for 21/22 to £44k. Due to a prior year surplus the total deficit charge for 21/22 is £41k.

As part of the provisional settlement the Government announced the 75% Collection Fund Compensation Scheme which will compensate local authorities for 75% of irrecoverable

collection find losses. Local authorities will fund the balancing 25%. Council tax irrecoverable losses relate to 2020/21 only. Please see paragraph 37 for further details.

28. **NNDR Element**

A surplus or deficit can arise for three 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

Again, due to the impact of the Covid-19 pandemic on the local economy, this year's calculation has produced an overall deficit figure of £964k of which this Council's share is £386k. As mentioned in paragraph 35 the Government has announced that the deficit can be spread over three years (rather than 2 years as present). This reduces the deficit for 21/22 to £129k. Due to a prior year deficit the total deficit charge for 21/22 is £591k.

29. As part of the provisional settlement the Government announced the 75% Collection Fund Compensation Scheme which will compensate local authorities for 75% of irrecoverable collection find losses relating to 2020/21. Local authorities will fund the balancing 25%. Further details of the scheme can be found in paragraphs 37 – 40.

**BUSINESS RATES UNDER-INDEXING MULTIPLIER GRANT**

30. As mentioned in paragraph 23, the business rates multiplier has been frozen for 2021/22 remaining at 49.9p which means that the three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff/Top Up amounts) remain at 2020/21 levels (£4.265m). To compensate, the under-indexing multiplier grant has been increased, in order that local authorities do not lose what would have been the increase to the business rate multiplier. The grant awarded to Burnley is £222k.

**LOWER TIER SERVICES GRANT**

31. A new un-ringfenced lower tier services grant of £111m was announced as part of the Spending Review to ensure that no authority has a total Core Spending Power less than in 2020/21. This is a one-off grant for 2021/22 year only of which Burnley is to receive £182k. The grant has been allocated using shares of lower tier funding within the 2013/14 Settlement Funding Assessment levels (£86m) along with a funding floor (£25m) to ensure no authority has a total Core Spending Power less than in 2020/21.

**COUNCIL TAX SUPPORT GRANT**

32. An un-ringfenced grant aimed directly at supporting councils to meet the anticipated additional costs of providing Local Council Tax Support in 2021/22, resulting from increased unemployment was announced as part of the Spending Review. Funding of £670m is to be allocated to individual billing and precepting authorities based on two factors, the average number of working age claimants at Q1 and Q2 for 2020/21 and

average council tax levels. The funding is not trying to replicate what will be the eventual cost of any increase to claimant numbers (which could be higher or lower nationally and locally). Burnley's grant allocation is £267k.

### **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 be undertaken in 2021/22 in this area.
34. During the budget process, it has been assumed that income budgets would increase in 2021/22 reflecting a corresponding increase, where practicable, in fees and charges levied. Heads of Service were therefore asked to review their fees and charges in the context of an assumed minimum overall increase of 2.5% in income generated except in areas where it was considered that no increase should take place. It was decided that the increase should take effect from 1<sup>st</sup> April 2021, rather than 1<sup>st</sup> January as in previous years. The tariff of fees and charges mainly effective from 1<sup>st</sup> April 2021 was approved by Full Council on 16<sup>th</sup> December 2020. The estimated additional increase in income in 2021/22 as a consequence of the approved increases is £11k.

### **COVID-19 PANDEMIC**

35. 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 Covid-19 reserve has been set up using financial support received from Central Government in 2020/21 into which is it forecast £860k will be deposited during 2020/21. The reserve can be called upon when required to fund any related additional expenditure or loss of income and to provide funding for recovery initiatives.

The Government has introduced a series of financial measures to assist local authorities and their residents/businesses during 2021/22. These consist of:

#### **Collection Fund Deficit**

36. The Government has announced an intention to allow 2020/21 collection fund deficits to be spread over three years (currently two years).

Presently the estimated surplus/deficit on the collection fund for the 2020/21 financial year (calculated as at January 2021) will be recovered in 2021/22 and the variance between the estimate and final outturn recovered in 2022/23.

Under the new proposals the estimated surplus/deficit calculated as at January 2021 will be spread over three financial years in equal proportions. The variance between the estimated surplus/deficit and the final outturn will continue to be recovered in 2022/23.

Authorities do not have the discretion to opt out of this scheme and it is compulsory to spread any deficit.

#### 75% Collection Fund Compensation Scheme

37. As part of the November 2020 spending review the Government announced an intention to compensate local authorities for 75% of irrecoverable collection fund losses, with local authorities funding 25% of the loss.
38. The compensation guarantee for council tax will predominantly cover expected council tax liability at the time of budget setting for 2020-21, which did not materialise. The compensation will be for net collectable debt adjustments relating to 2020/21 only which may have occurred for example, due to an increase in local council tax support costs or unachieved council tax base growth.
39. The compensation guarantee for NDR includes the movement in bad debt provision between NNDR 1 estimate and NNDR 3 actual and will also include any prior year adjustments effected in 2020/21.
40. Central Government expects billing authorities to continue appropriate collection and enforcement action for outstanding collection fund debt in the usual way. The final amount of compensation will be based on the 2020/21 Quarter 4 Return of Council Taxes, National Non-Domestic Rates (NNDR) & Localised Council Tax Support (LCTS).

#### Fees and Charges Compensation Scheme

41. The fees and charges compensation scheme was introduced in 2020/21 and has been extended for the first quarter of 2021/22. Where income losses are more than 5% of a council's planned income from sales, fees and charges, the Government will cover them for 75p in every pound lost.

### **STRATEGIC EARMARKED RESERVES AND GENERAL FUND RESERVE**

42. 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.
43. The table below shows the anticipated use of strategic reserves for 2021/22 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:

	<b>Strategic Earmarked Reserves £'000</b>	<b>General Fund Reserve £'000</b>	<b>Revenue Support Reserve £'000</b>	<b>Total £'000</b>
<b>Balance as at 01/04/20</b>	3,932	1,379	404	5,715
<b>Approved use to Q3 2020/21</b>	(902)	0	130	(772)
<b>Balance available after approvals as at Q3</b>	3,030	1,379	534	4,943
<b>Future commitments and risk</b>	(2,713)	0	1,084	(1,629)
<b>Balance remaining as at 31/03/26</b>	<b>317</b>	<b>1,379</b>	<b>1,618</b>	<b>3,314</b>

44. 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 5 years of this programme is shown in the above table to align with the timeframe of this MTFS.

## **RISK ASSESSMENT**

45. 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.
46. 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. A revised Pioneer Place scheme was later approved at Full Council in November 2020. The Student Accommodation development is complete and opened in time for the 2020/21 academic year. This scheme has been incorporated into the MTFS. Both of these schemes represent significant long-term costs for the Council and will require a material amount of borrowing over 30 to 50 years, with payback dependent on the success of the schemes. This carries significant financial risk for the authority and is an important element of the financial horizon of this Council. As part of mitigation strategies for these schemes a revenue support reserve has been set up with ongoing budget commitment to build up a balance over 10 years to somewhat protect the Council from shortfalls in income relating to this scheme or generally to support and budgetary shortfalls.



47. Any additional capital project 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 monitoring of the capital programme.
48. 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 2021/22 revenue budget is unduly onerous and the levels of reserves forecast will be sufficient in accordance with the medium-term financial strategy (MTFS).
49. The Government is in the process of revising the methodology for allocating funding to Councils from 2023/24 onwards. This includes changes to the current business rates system together with a Fair Funding Review.
50. It is uncertain at this stage how changes to Local Government funding will impact on the Council's funding in future years. The government announced in October 2020 that the Spending Review proposed for 2021/22 - 2023/24 will be delayed with a one-year spending round to be carried out for 2021/22.
51. 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 for 2021/22.
52. Pay inflation has been increased by 1.5% in 2021/22 due to the Government's announcement to introduce a pay freeze for 2021/22 with the exception of those earning below £24,000 who are to receive a minimum £250 increase. An increase of 2.5% has been applied in future years. However, if pay negotiations take place the actual increase may differ to that estimated. A +/-1% fluctuation in the pay award will equate to +/- £82k. There is little price inflation included within the estimates for non-salary budgets. However, 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.
53. Following the Bank of England's decision to cut the base rate to 0.25% and then 0.1% in March 2020 interest rates remain at a historically low level. Due to the current Covid-19 pandemic it is not expected that there will be any increases in the base rate during the 2021/22 and 2022/23 financial years. This will impact on the Council's revenue budget in these years as lower investment interest income will be received. As part of the spending review the Chancellor announced that the 1% increase in PWLB rates that took place in October 2019 would be reversed following the outcome of the Government's consultation process. This reversal took effect from 9am on the 26<sup>th</sup> November 2020. The reversal of the 1% increase in PWLB rates is beneficial to this authority due to the long-term borrowing required for Pioneer Place.

54. 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 Covid-19 pandemic has had a significant financial impact on the Leisure Trust during the 2020/21 financial year. The Trust has worked hard to find the savings and funding required to balance the budget in 2020/21. However, the future financial impact remains uncertain and the Council will continue to work with the Leisure Trust to help to minimise this risk. To help ensure that risk is minimised there will continue to be regular monitoring of activity and financial performance in 2021/22 and beyond.
55. The Council entered into a contract with Liberata as our external service provider for around a third of Council services from 1<sup>st</sup> 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.
56. Uncertainty around the impact of Brexit and the Covid-19 pandemic on the UK economy, especially around interest rates, the local economy, income generation and further spending pressures which may have an impact on future years budgets. The estimated shortfall in sales, fees and charges income for 2020/21 is £1.5m, of which compensation of £1.0m is estimated to be received. It is assumed that this shortfall will be replicated in 2021/22. Government assurance has been received that compensation will be received for lost sales, fees and charges income for quarter 1 of 2021/22, however no assurances have been received that compensation will be received after this time. In addition, an increase to the provision for bad debts may be required to compensate for non-payment of debts. Any shortfall that can't be met by Government intervention will need to be met from reserves.
57. In summary, after taking consideration of the issues in this report and the risks referred to above, the 2021/22 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.
58. The final decision that Members of the Council take will need to reflect the statutory (Section 25) report of the Chief Finance Officer as to the robustness of the assumptions that have been made in compiling the budget.

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

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

## **POLICY IMPLICATIONS**

60. The revenue budget determines the extent to which the Council's strategic objectives can be pursued and achieved.

61. Community Impact Assessment and Equality Impact Assessments have been completed for the additional savings proposals that are contained within Appendix 3. The Assessments are included as Appendix 4.

**DETAILS OF CONSULTATION**

62. None.

**BACKGROUND PAPERS**

63. None.

<b>FURTHER INFORMATION</b>	
<b>PLEASE CONTACT:</b>	<b>Howard Hamilton-Smith – Head of Finance and Property</b>
<b>ALSO:</b>	<b>Amy Johnson – Finance Manager</b>

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**Summary Revenue Budget 2021/22**

<u>Estimated Net Spending</u>	Pay	Non-Pay	Reserves	Net Spending
<u>Service</u>	£'000	£'000	£'000	£'000
Management Team	344	17	-	361
Policy & Engagement	356	187	-	543
People & Development	167	68	-	235
Green Spaces and Amenities	2,085	(990)	-	1,095
Legal & Democratic Services	709	244	-	953
Finance & Property	941	(403)	-	538
Revenues and Benefits	-	(1,287)	-	(1,287)
Leisure Trust Client	-	739	-	739
Streetscene	1,102	2,029	-	3,131
Housing and Development Control	1,513	(1,051)	-	462
Economy & Growth	1,256	(131)	-	1,125
Strategic Partnership	-	3,935	-	3,935
Central Budgets	19	(7)	-	12
Corporate Budgets	-	3,159	-	3,159
Earmarked Reserves	-	-	417	417
	8,492	6,507	417	15,416

**Net Budget Requirement**

	£'000	£'000
Revenue Support Grant		1,649
Business Rates Retention Scheme		
Business Rate Baseline Funding	5,484	
Additional Retained Income - Renewable Energy Schemes	248	5,732
Council Tax Yield		7,266
Collection Fund Deficit - Council Tax		(41)
Collection Fund Deficit - NNDR		(591)
Parish Precepts *		166
New Homes Bonus		564
Business Rates Multiplier Inflation Cap		222
Lower Tier Services Grant		182
Council Tax Support Grant		267
		15,416

\* Please note that the Parish Precept figure is provisional. Any changes to this figure will not affect the Net Budget Requirement of the Council as the council acts as an agent in collecting the precept income and distributing it to Parish Councils.

**2021/22 Revenue Budget**  
**Growth Proposals**

	Ongoing £'000	One-off £'000	Total £'000	
Repairs & Maintenance Budget Increase	20	-	20	(An additional £10k growth over and above this increase will be contributed in 22/23)
Annual software maintenance costs relating to Legal Services Case Management System	11	-	11	See paragraph 19 of report
Climate Change Emergency		50	50	See paragraph 19 of report
Community Recovery Fund		100	100	See paragraph 19 of report
Business Hardship Fund		500	500	See paragraph 19 of report
Streetscene Initiatives		50	50	See paragraph 19 of report
<b>Total Growth</b>	<b>31</b>	<b>700</b>	<b>731</b>	

**REVENUE BUDGET 2021/22**

**Summary of Savings**

	£'000	£'000
<b><u>Savings February 2021</u></b>		
Reduction in Growth Lancashire subscription costs	(13)	
Reduction in Regeneration Development consultancy support budget	(11)	
Streetscene restructure and deletion of vacant posts	(10)	
Back office efficiency savings within Green Spaces	(6)	
Savings from the flexible retirement of 1 x post	(34)	
Capitalisation of one officer remuneration costs within Empty Homes	(28)	
		(102)
		<u>(102)</u>

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## APPENDIX 4 - EQUALITY IMPACT ASSESSMENT

### REVENUE BUDGET SAVINGS PROPOSALS 2021/22

1.	Title of EIA	Equality Impact Assessment – Revenue Budget Savings Proposals 2021/22
2.	Person responsible for the assessment	Rob Dobson
3.	Contact details	01282 475 842 rdobson@burnley.gov.uk
4.	Date of assessment	Completed 12 January 2021

### SUMMARY

The outcome of this equality impact assessment is that all proposals being currently considered for savings in 2021/22 are neutral in terms of their impact on people with protected characteristics under equalities legislation.

### OBJECTIVE

1.	What is the main purpose of the project?	To set a budget for the council in 2021/22 that: <ul style="list-style-type: none"><li>• is in line with the agreed Medium Term Financial Strategy;</li><li>• responds to the financial challenges facing the council;</li><li>• enables the council to continue its focus on agreed priorities.</li></ul>
2.	Who are the main stakeholders?	Stakeholder analysis showed that the main stakeholders are Burnley Council's: <ul style="list-style-type: none"><li>• service users</li><li>• residents/Council tax payers</li><li>• Councillors; and</li><li>• Council employees.</li></ul>
3.	How are they expected to benefit?	Through the council ensuring a sustainable future for its services through good financial management and transparent decision making to determine priorities.
4.	How will the change be implemented?	The budget will be agreed through decision making structures and processes in line with the council constitution.

6.	Is the responsibility for the proposed function shared with another department or authority or organisation?	The decisions on council budget rest with the council.
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## A. DATA COLLECTION

1.	Approach and background to EIA analysis, including data collection	Budget proposals drawn up by service managers.
2.	What monitoring data do you have on the number of people (from different equality groups) who are using and could be impacted upon by the change in function?	<p>Various data sources are held, including:</p> <ul style="list-style-type: none"> <li>• Analysis of workforce profile</li> <li>• Analysis of services</li> <li>• Census data.</li> </ul> <p>However, these sources of monitoring data have not been used on this occasion as there is no equality impact arising.</p>

## B. COMMUNICATION AND INVOLVEMENT

1.	What information has assisted in completing this EIA?	Guidance including information contained on the Equalities and Human Rights Commission website and examples from other local authorities are considered in completing EQIAs.
2.	What communications activities have assisted in completing this EIA?	None- given the very low risk of there being an equality impact following the initial review of the savings proposals.

Group	Area/s of impact	Positive impact	Negative impact – specified as high, medium or low	Neutral impact	Reason
Age	All areas of impact <sup>1</sup>			✓	All impacts in respect of people in this group were identified as neutral.
Disability	All areas of impact			✓	All impacts in respect of people in this group were identified as neutral.
Gender reassignment	All areas of impact			✓	All impacts in respect of people in this group were identified as neutral.
Marriage and civil partnership	All areas of impact			✓	All impacts in respect of people in this group were identified as neutral.
Pregnancy / and maternity	All areas of impact			✓	All impacts in respect of people in this group were identified as neutral.
Ethnicity	All areas of impact			✓	All impacts in respect of people in this group were identified as neutral.
Religion and belief	All areas of impact			✓	All impacts in respect of people in this group were identified as neutral.
Sex (gender)	All areas of impact			✓	All impacts in respect of people in this group were identified as neutral.
Sexual orientation	All areas of impact			✓	All impacts in respect of people in this group were identified as neutral.

<b>Equality impact assessment action plan</b>
The savings proposals have a neutral impact: no actions arise.

<sup>1</sup> 'All areas of impact' refers to the list of proposed revenue budget savings proposals 2021 - 22

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## Capital Budget for 2021/22 and Capital Investment Programme 2021-26

### REPORT TO EXECUTIVE



DATE	15 February 2021
PORTFOLIO	Resources & Performance Management
REPORT AUTHOR	Howard Hamilton Smith
TEL NO	(01282) 477173
EMAIL	hhamiltonsmith@burnley.gov.uk

### PURPOSE

1. To recommend approval of the capital budget for 2021/22

### RECOMMENDATION

2. a) That Full Council be recommended to;
  - (i) Approve the 2021/22 Capital Budget, totalling £18,792,347, as set out in Appendix 1
  - (ii) Note the 2021-26 Capital Investment Programme as set out in Appendix 1.
  - (iii) Note the estimated position on capital resources as set out in Appendix 2.

b) That subject to 2a) i) above the Executive approve the release of capital scheme budgets including slippage from 2020/21, subject to compliance with the Financial Procedure Rules and that there will be full compliance with Standing Orders for Contracts.

c) Approve the Capital Strategy 2021-26, as set out in Appendix 4

### REASONS FOR RECOMMENDATION

3. To establish a capital budget that reflects the Council's overall priorities and provides a framework for capital spending to be undertaken during 2021/22.

### SUMMARY OF KEY POINTS

#### 4. Background:

In formulating the 2021/22 Capital Programme, Management Team declared that new bids would be limited, given the forecast position of available Capital Resources. The existing schemes and new bids were prioritised in accordance with the Council's Strategic Objectives as identified within the Council's Strategic Plan.

5. **Capital Budget / Programme Review Process:**

Officers have been asked to submit information for inclusion in the proposed 2021/22 capital budget and the 2021-26 CIP.

The review process has included:

- A review and revision of the existing schemes approved in the 2020-25 CIP, in February 2020.
- Provision of a breakdown of the type of capital expenditure to be incurred for each scheme to assist in estimating the level of capitalised staff recharges involved in delivering capital works.
- A review of the level of Resources within the Council.

Any use of Prudential Borrowing must be based upon the creation of an asset, repayment over the useful life of the asset, and the production of a business case outlining any income generation and future revenue costs.

6. **2020/21 Capital Budget:**

Appendix 1 provides Members with a summary of the capital investment programme for 2021/22 to 2025/26 and a list of those schemes being proposed for the 2021/22 capital budget totalling £18.792m, showing the financing elements for each individual scheme. It also shows draft capital budgets for 2022/23 to 2025/26 along with the financing elements for those years.

Members are asked to note that the level of estimated capital receipts is sufficient to finance the £533,979 required for all the schemes put forward for 2021/22.

It should be noted, that of the £59,206,880 within the proposed CIP 2021-26, external funding totalling £27,120,320 (46%) is to be used as financing of the schemes.

7. **Capital Resources:**

Appendix 2 provides Members with an analysis of the capital receipts and S106 / 3<sup>rd</sup> Party Contributions balances as follows;

- balances in hand as at 1<sup>st</sup> April 2020
- 2020/21 commitments approved to date
- level of resources assumed to be available as at 31<sup>st</sup> March 2021
- estimated “new” receipts to be received during 2020/21 to 2025/26
- resources required to finance part of the 2021/22 proposed capital budget
- resources required to finance the schemes proposed for future years
- anticipated balance as at 31<sup>st</sup> March 2026.

The resources are reducing each financial year, to an estimated negative balance by March 2023. This is due to reduced opportunities to realise capital receipts, as the estate reduces, which will leave a lesser capital programme going forward.

Please note, all capital schemes that are committed after 2021/22, do not require capital resources after March 2022.

8. **Revenue Budget Implications:**

Capitalised Salaries

Members will be already aware that capitalised salaries are a major element in balancing the Council's revenue budget. The expected revenue income for staff time recharged against identified capital projects is £315k in 2021/22

Costs of Prudential Borrowing

Of the proposed £8,792,580 prudential borrowing requirement for 2021/22, there are no new schemes.

9. **2021-26 Capital Investment Programme:**

As previously stated, Appendix 1 outlines a summary of the proposed 2021-26 capital investment programme, by Service Unit.

Appendix 3 provides Members with a brief scheme narrative, for all Capital Schemes within the 2021/22 proposed budget.

**2021-26 Capital Strategy:**

Appendix 4 provide Members with the 2021-26 proposed Capital Strategy.

The Council is committed to ensuring that the investment of capital resources reflects the Council's corporate priorities and is affordable, financially prudent and sustainable. This Capital Strategy is designed to assist in the delivery of that commitment.

The Capital Strategy is a key document and forms part of the Council's corporate strategic and planning framework with links to the overarching Strategic Plan, the Asset Management Strategy, the Treasury Management Strategy and individual Service Plans which, in turn, link the Strategic Plan to service delivery on the ground.

Providing a high level overview of how capital expenditure and capital financing contribute to the provision of Council services, the strategy also addresses the management of related risks and the implications for future financial sustainability. It outlines the governance processes for prioritisation and approval of capital scheme bids and the monitoring of the approved capital programme.

The preparation and publication of a capital strategy is a requirement of the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Code of Capital Finance in Local Authorities (the Prudential Code).

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

11. As referred to in the body of the report.

## **POLICY IMPLICATIONS**

12. The Capital programme gives authority for a number of policy decisions to be actioned in meeting the Council's corporate objectives.

## **DETAILS OF CONSULTATION**

13. None.

## **BACKGROUND PAPERS**

14. None.

## **FURTHER INFORMATION**

**PLEASE CONTACT:**

**Howard Hamilton Smith - Head of Finance & Property**

**ALSO**

**Martin Dixon - Finance Business Partner**



**Capital Investment Programme 2021/22 to 2025/26**

<u>Scheme Name</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>TOTAL</u>
	£	£	£	£	£	£
Burnley Mechanics MI Space HLF Scheme	-	994,800	1,255,360	-	-	2,250,160
Play Area Improvement Programme	110,927	68,000	45,000	-	-	223,927
Vehicle & Machinery Replacement	150,000	150,000	150,000	150,000	150,000	750,000
Changing Places	-	43,469	-	-	-	43,469
Playing Pitch Improvements	88,000	116,000	-	-	-	204,000
Crematorium Improvements	-	132,000	142,000	-	-	274,000
Extension of Burnley Cemetery	25,000	-	220,000	220,000	-	465,000
Brun Valley Forest Park	35,219	-	-	-	-	35,219
Worsthorne Recreation Ground Improvements	69,180	-	-	-	-	69,180
Thompson Park HLF	67,600	-	-	-	-	67,600
Scott Park HLF	-	25,000	500,000	-	-	525,000
<b>Green Spaces &amp; Amenities Total</b>	<b>545,926</b>	<b>1,529,269</b>	<b>2,312,360</b>	<b>370,000</b>	<b>150,000</b>	<b>4,907,555</b>
Alleygate Programme	25,000	25,000	25,000	25,000	25,000	125,000
River Training Walls	111,255	-	60,000	-	-	171,255
Refill Fountains	20,500	-	-	-	-	20,500
<b>Streetscene Total</b>	<b>156,755</b>	<b>25,000</b>	<b>85,000</b>	<b>25,000</b>	<b>25,000</b>	<b>316,755</b>
Padiham Townscape Heritage Initiative	731,651	568,947	-	-	-	1,300,598
Pioneer Place	5,000,000	11,000,000	5,000,000	305,368	-	21,305,368
NW Burnley Growth Corridor - Phase 1	900,000	-	-	-	-	900,000
NW Burnley Growth Corridor - Phase 2	1,030,000	350,000	-	-	-	1,380,000
Lower St James Street Historic Action Zone	1,116,926	258,397	188,904	-	-	1,564,227
Finsley Wharf & Canal Towpath Improvements	33,000	34,000	-	-	-	67,000
Vision Park	39,386	-	-	-	-	39,386
Former Open Market & Former Cinema Block	50,000	-	-	-	-	50,000
Town Centre & Weavers Triangle Project Work	536,370	-	-	-	-	536,370
<b>Economy &amp; Growth Total</b>	<b>9,437,333</b>	<b>12,211,344</b>	<b>5,188,904</b>	<b>305,368</b>	<b>-</b>	<b>27,142,949</b>
Leisure Centre Improvements	75,000	75,000	75,000	75,000	75,000	375,000
Building Infrastructure Works	3,323,326	2,214,264	660,596	594,528	577,900	7,370,614
<b>Finance &amp; Property Total</b>	<b>3,398,326</b>	<b>2,289,264</b>	<b>735,596</b>	<b>669,528</b>	<b>652,900</b>	<b>7,745,614</b>
Emergency Repairs	120,000	120,000	120,000	120,000	120,000	600,000
Better Care Grant	3,794,007	2,000,000	2,000,000	2,000,000	2,000,000	11,794,007
Energy Efficiency	40,000	40,000	40,000	40,000	40,000	200,000
Empty Homes Programme	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	6,500,000
<b>Total of Housing Investment Programme</b>	<b>5,254,007</b>	<b>3,460,000</b>	<b>3,460,000</b>	<b>3,460,000</b>	<b>3,460,000</b>	<b>19,094,007</b>
<b>Total of All Schemes</b>	<b>18,792,347</b>	<b>19,514,877</b>	<b>11,781,860</b>	<b>4,829,896</b>	<b>4,287,900</b>	<b>59,206,880</b>

FINANCING				
<u>External Funding</u>	<u>Borrowing</u>	<u>Revenue / Reserves</u>	<u>Capital Receipts</u>	<u>TOTAL</u>
£	£	£	£	£
1,946,720	303,440	-	-	2,250,160
85,927	-	-	138,000	223,927
75,000	-	675,000	-	750,000
43,469	-	-	-	43,469
204,000	-	-	-	204,000
-	274,000	-	-	274,000
-	465,000	-	-	465,000
35,219	-	-	-	35,219
69,180	-	-	-	69,180
67,600	-	-	-	67,600
500,000	-	-	25,000	525,000
<b>3,027,115</b>	<b>1,042,440</b>	<b>675,000</b>	<b>163,000</b>	<b>4,907,555</b>
-	-	-	125,000	125,000
-	-	-	171,255	171,255
-	-	20,500	-	20,500
<b>-</b>	<b>-</b>	<b>20,500</b>	<b>296,255</b>	<b>316,755</b>
1,294,693	-	-	5,905	1,300,598
6,640,000	14,665,368	-	-	21,305,368
900,000	-	-	-	900,000
1,380,000	-	-	-	1,380,000
1,251,772	127,455	185,000	-	1,564,227
-	-	67,000	-	67,000
32,733	-	-	6,653	39,386
-	50,000	-	-	50,000
-	500,000	-	36,370	536,370
<b>11,499,198</b>	<b>15,342,823</b>	<b>252,000</b>	<b>48,928</b>	<b>27,142,949</b>
-	375,000	-	-	375,000
-	4,813,272	-	2,557,342	7,370,614
<b>-</b>	<b>5,188,272</b>	<b>-</b>	<b>2,557,342</b>	<b>7,745,614</b>
600,000	-	-	-	600,000
11,794,007	-	-	-	11,794,007
200,000	-	-	-	200,000
-	-	-	6,500,000	6,500,000
<b>12,594,007</b>	<b>-</b>	<b>-</b>	<b>6,500,000</b>	<b>19,094,007</b>
<b>27,120,320</b>	<b>21,573,535</b>	<b>947,500</b>	<b>9,565,525</b>	<b>59,206,880</b>

## 2021/22 CAPITAL BUDGET AND FINANCING ELEMENTS

## APPENDIX 1

Service Unit	Scheme Name	Original Budget £	Reprofiled from 2020/21 £	Budget Adjustments £	Reverse Slippage £	Proposed Budget £	FINANCING ELEMENTS												Total Proposed Budget £
							Prudential Borrowing £	Revenue Cont'n / Reserves £	Better Care Grant £	Historic England Fund £	LCC £	Heritage Lottery Fund £	Lancashire Enterprise Partnership £	ERDF £	Football Foundation £	Capital Receipts £	Vacant Property Initiative Receipts £	3rd Party / Section 106 Unsecured £	
Green Spaces & Amenities	Burnley Mechanics MI Space HLF Scheme	994,800	-	(994,800)	-	-													-
Green Spaces & Amenities	Play Area Improvement Programme	68,000	110,927	(68,000)	-	110,927										46,500		64,427	110,927
Green Spaces & Amenities	Vehicle and Machinery Replacement	108,975	-	41,025	-	150,000		135,000										15,000	150,000
Green Spaces & Amenities	Playing Pitch Improvements	116,000	88,000	(116,000)	-	88,000												88,000	88,000
Green Spaces & Amenities	Changing Places	-	43,469	(43,469)	-	-												-	-
Green Spaces & Amenities	Extension of Burnley Cemetery	-	25,000	-	-	25,000	25,000												25,000
Green Spaces & Amenities	Brun Valley Forest Park	-	35,219	-	-	35,219												35,219	35,219
Green Spaces & Amenities	Worsthorne Recreation Ground	-	69,180	-	-	69,180									69,180				69,180
Green Spaces & Amenities	Thompson Park HLF	-	-	67,600	-	67,600						52,600						15,000	67,600
Streetscene	Alleygate Programme	25,000	-	-	-	25,000										25,000			25,000
Streetscene	River Training Walls	60,000	51,255	-	-	111,255										111,255			111,255
Streetscene	Refill Fountains	-	20,500	-	-	20,500		20,500											20,500
Economy & Growth	Padiham Townscape Heritage Initiative	122,420	609,231	-	-	731,651						731,651							731,651
Economy & Growth	Pioneer Place	5,000,000	-	-	-	5,000,000	5,000,000	-			-								5,000,000
Economy & Growth	Sandygate Square	308,373	-	-	(308,373)	-	-												-
Economy & Growth	NW Burnley Growth Corridor - Phase 1	180,000	720,000	-	-	900,000						180,000	720,000			-			900,000
Economy & Growth	NW Burnley Growth Corridor - Phase 2	-	680,000	350,000	-	1,030,000							680,000	350,000		-			1,030,000
Economy & Growth	Lower St James Street Historic Action Zone	499,412	617,514	-	-	1,116,926	127,455	185,000		630,577								173,894	1,116,926
Economy & Growth	Finsley Wharf & Canal Towpath Improvements	33,000	-	-	-	33,000		33,000											33,000
Economy & Growth	Vision Park	-	39,386	-	-	39,386							32,733			6,653			39,386
Economy & Growth	Former Open Market & Former Cinema Block	-	50,000	-	-	50,000	50,000												50,000
Economy & Growth	Town Centre & Weavers Triangle Project Work	-	536,370	-	-	536,370	500,000									36,370			536,370
Finance & Property	Leisure Centre Improvements	75,000	-	-	-	75,000	75,000												75,000
Finance & Property	Building Infrastructure Works	2,376,250	1,679,000	(731,924)	-	3,323,326	3,015,125									308,201			3,323,326
Housing & Development	Emergency Repairs	120,000	-	-	-	120,000			120,000										120,000
Housing & Development	Better Care Grant	2,000,000	1,794,007	-	-	3,794,007			3,794,007										3,794,007
Housing & Development	Energy Efficiency	40,000	-	-	-	40,000			40,000										40,000
Housing & Development	Empty Homes Programme	1,300,000	-	-	-	1,300,000											1,300,000		1,300,000
Housing & Development	Interventions, Acquisitions and Demolitions	100,000	-	(100,000)	-	-													-
TOTAL OF ALL SCHEMES		13,527,230	7,169,058	(1,595,568)	(308,373)	18,792,347	8,792,580	373,500	3,954,007	630,577	-	964,251	1,432,733	350,000	69,180	533,979	1,300,000	391,540	18,792,347

## 2022/23 CAPITAL BUDGET AND FINANCING ELEMENTS

## APPENDIX 1

Service Unit	Scheme Name	Proposed Budget £	FINANCING ELEMENTS											Total Proposed Budget £
			Prudential Borrowing £	Revenue Cont'n / Reserves £	Better Care Grant £	Historic England Fund £	LCC £	Heritage Lottery Fund £	Lancashire Enterprise Partnership £	ERDF £	Capital Receipts £	Vacant Property Initiative Receipts £	3rd Party / Section 106 Unsecured £	
Green Spaces & Amenities	Burnley Mechanics MI Space HLF Scheme	994,800	303,440					573,000					118,360	994,800
Green Spaces & Amenities	Play Area Improvement Scheme	68,000									46,500		21,500	68,000
Green Spaces & Amenities	Vehicle and Machinery Replacement	150,000		135,000									15,000	150,000
Green Spaces & Amenities	Changing Place	43,469											43,469	43,469
Green Spaces & Amenities	Playing Pitch Improvements	116,000											116,000	116,000
Green Spaces & Amenities	Crematorium Improvements	132,000	132,000											132,000
Green Spaces & Amenities	Scott Park HLF	25,000						-			25,000			25,000
Streetscene	Alleygate Programme	25,000									25,000			25,000
Economy & Growth	Padiham Townscape Heritage Initiative	568,947						436,184			5,905		126,858	568,947
Economy & Growth	Pioneer Place	11,000,000	4,360,000				3,000,000		3,640,000					11,000,000
Economy & Growth	NW Burnley Growth Corridor - Phase 2	350,000								350,000				350,000
Economy & Growth	Lower St James Street Historic Action Zone	258,397				217,718							40,679	258,397
Economy & Growth	Finsley Wharf & Canal Towpath Improvements	34,000		34,000										34,000
Finance & Property	Leisure Centre Improvements	75,000	75,000											75,000
Finance & Property	Building Infrastructure Works	2,214,264	880,432								1,333,832			2,214,264
Housing & Development	Emergency Repairs	120,000			120,000									120,000
Housing & Development	Better Care Grant	2,000,000			2,000,000									2,000,000
Housing & Development	Energy Efficiency	40,000			40,000									40,000
Housing & Development	Empty Homes Programme	1,300,000										1,300,000		1,300,000
TOTAL OF ALL SCHEMES		19,514,877	5,750,872	169,000	2,160,000	217,718	3,000,000	1,009,184	3,640,000	350,000	1,436,237	1,300,000	481,866	19,514,877

## 2023/24 CAPITAL BUDGET AND FINANCING ELEMENTS

## APPENDIX 1

Service Unit	Scheme Name	Proposed Budget £	FINANCING ELEMENTS									Total Proposed Budget £
			Prudential Borrowing £	Revenue Cont'n / Reserves £	Better Care Grant £	Historic England Fund £	LCC £	Heritage Lottery Fund £	Capital Receipts £	Vacant Property Initiative Receipts £	3rd Party / Section 106 Unsecured £	
Green Spaces & Amenities	Burnley Mechanics MI Space HLF Scheme	1,255,360						724,000			531,360	1,255,360
Green Spaces & Amenities	Play Area Improvement Scheme	45,000							45,000			45,000
Green Spaces & Amenities	Vehicle and Machinery Replacement	150,000		135,000							15,000	150,000
Green Spaces & Amenities	Crematorium Improvements	142,000	142,000									142,000
Green Spaces & Amenities	Extension of Burnley Cemetery	220,000	220,000									220,000
Green Spaces & Amenities	Scott Park HLF	500,000						500,000				500,000
Streetscene	River Training Walls	60,000							60,000			60,000
Streetscene	Alleygate Programme	25,000							25,000			25,000
Economy & Growth	Lower St James Street Historic Action Zone	188,904				163,123					25,781	188,904
Finance & Property	Leisure Centre Improvements	75,000	75,000									75,000
Finance & Property	Building Infrastructure Works	660,596	323,648						336,948			660,596
Economy & Growth	Pioneer Place	5,000,000	5,000,000									5,000,000
Housing & Development	Emergency Repairs	120,000			120,000							120,000
Housing & Development	Better Care Grant	2,000,000			2,000,000							2,000,000
Housing & Development	Energy Efficiency	40,000			40,000							40,000
Housing & Development	Empty Homes Programme	1,300,000								1,300,000		1,300,000
TOTAL OF ALL SCHEMES		11,781,860	5,760,648	135,000	2,160,000	163,123	-	1,224,000	466,948	1,300,000	572,141	11,781,860

2024/25 CAPITAL BUDGET AND FINANCING ELEMENTS

APPENDIX 1

Service Unit	Scheme Name	Proposed Budget £	FINANCING ELEMENTS									Total Proposed Budget £
			Prudential Borrowing £	Revenue Cont'n / Reserves £	Better Care Grant £	Heritage Lottery Fund £	Lancashire Enterprise Partnership £	Football Foundation £	Capital Receipts £	Vacant Property Initiative Receipts £	3rd Party / Section 106 Unsecured £	
Green Spaces & Amenities	Vehicle and Machinery Replacement	150,000		135,000							15,000	150,000
Green Spaces & Amenities	Extension of Burnley Cemetery	220,000	220,000									220,000
Streetscene	Alleygate Programme	25,000							25,000			25,000
Finance & Property	Leisure Centre Improvements	75,000	75,000									75,000
Finance & Property	Building Infrastructure Works	594,528	279,802						314,726			594,528
Economy & Growth	Pioneer Place	305,368	305,368									305,368
Housing & Development	Emergency Repairs	120,000			120,000							120,000
Housing & Development	Better Care Grant	2,000,000			2,000,000							2,000,000
Housing & Development	Energy Efficiency	40,000			40,000							40,000
Housing & Development	Empty Homes Programme	1,300,000								1,300,000		1,300,000
TOTAL OF ALL SCHEMES		4,829,896	880,170	135,000	2,160,000	-	-	-	339,726	1,300,000	15,000	4,829,896

2025/26 CAPITAL BUDGET AND FINANCING ELEMENTS

APPENDIX 1

Service Unit	Scheme Name	Proposed Budget £	FINANCING ELEMENTS									Total Proposed Budget £
			Prudential Borrowing £	Revenue Cont'n / Reserves £	Better Care Grant £	Heritage Lottery Fund £	Lancashire Enterprise Partnership £	Football Foundation £	Capital Receipts £	Vacant Property Initiative Receipts £	3rd Party / Section 106 Unsecured £	
Green Spaces & Amenities	Vehicle and Machinery Replacement	150,000		135,000							15,000	150,000
Streetscene	Alleygate Programme	25,000							25,000			25,000
Finance & Property	Leisure Centre Improvements	75,000	75,000									75,000
Finance & Property	Building Infrastructure Works	577,900	314,265						263,635			577,900
Housing & Development	Emergency Repairs	120,000			120,000							120,000
Housing & Development	Better Care Grant	2,000,000			2,000,000							2,000,000
Housing & Development	Energy Efficiency	40,000			40,000							40,000
Housing & Development	Empty Homes Programme	1,300,000								1,300,000		1,300,000
TOTAL OF ALL SCHEMES		4,287,900	389,265	135,000	2,160,000	-	-	-	288,635	1,300,000	15,000	4,287,900

## CAPITAL RECEIPTS AND CONTRIBUTIONS ANALYSIS FOR 2020/21 + CIP 2021-26

## APPENDIX 2

	<u>General Capital Receipts</u> £	<u>Vacant Property Initiatives Receipts</u> £	<u>Section 106 Money</u> £	<u>3rd Party Cont'ns</u> £	<u>Total</u> £
<b>Capital Resources Brought Forward on 1 April 2020</b>	<b>796,815</b>	<b>911,799</b>	<b>337,253</b>	<b>287,899</b>	<b>2,333,766</b>
<b>Add</b>					
Resources Received As At 31 December 2020	224,000	340,665	-	16,432	581,097
Further Resources Estimated to be Received during 2020/21:	77,000	605,000	-	17,889	699,889
<b>Potential Resources Available during 2020/21</b>	<b>1,097,815</b>	<b>1,857,464</b>	<b>337,253</b>	<b>322,220</b>	<b>3,614,752</b>
<b>Less</b>					
Required to finance Capital Programme	(486,091)	(1,325,943)	(65,714)	(32,663)	(1,910,411)
Earmarked for Revenue Expenditure	-	-	(10,933)	-	(10,933)
Earmarked for Delivery By Outside Bodies	-	-	(162,316)	-	(162,316)
<b>Estimated Surplus / (Shortfall) of Resources as at 31st March 2021</b>	<b>611,724</b>	<b>531,521</b>	<b>98,290</b>	<b>289,557</b>	<b>1,531,092</b>
<b>Add</b> - Resources Estimated to be Received during 2021/22	<b>884,000</b>	<b>1,423,000</b>	88,000	203,894	2,598,894
<b>Less</b> - 2021/22 Capital Budget	(533,979)	(1,300,000)	(123,219)	(268,321)	(2,225,519)
<b>Estimated Surplus / (Shortfall) of Resources as at 31st March 2022</b>	<b>961,745</b>	<b>654,521</b>	<b>63,071</b>	<b>225,130</b>	<b>1,904,467</b>
<b>Add</b> - Resources Estimated to be Received during 2022/23	<b>251,250</b>	<b>1,215,000</b>	116,000	289,807	1,872,057
<b>Less</b> - 2022/23 Capital Budget	(1,436,237)	(1,300,000)	(116,000)	(365,866)	(3,218,103)
<b>Estimated Surplus / (Shortfall) of Resources as at 31st March 2023</b>	<b>(223,242)</b>	<b>569,521</b>	<b>63,071</b>	<b>149,071</b>	<b>558,421</b>
<b>Add</b> - Resources Estimated to be Received during 2023/24	<b>50,000</b>	<b>1,200,000</b>	-	572,141	1,822,141
<b>Less</b> - 2023/24 Capital Budget	(466,948)	(1,300,000)	-	(572,141)	(2,339,089)
<b>Estimated Surplus / (Shortfall) of Resources as at 31st March 2024</b>	<b>(640,190)</b>	<b>469,521</b>	<b>63,071</b>	<b>149,071</b>	<b>41,473</b>
<b>Add</b> - Resources Estimated to be Received during 2024/25	<b>50,000</b>	<b>1,300,000</b>	-	15,000	1,365,000
<b>Less</b> - 2024/25 Capital Budget	(339,726)	(1,300,000)	-	(15,000)	(1,654,726)
<b>Estimated Surplus / (Shortfall) of Resources as at 31st March 2025</b>	<b>(929,916)</b>	<b>469,521</b>	<b>63,071</b>	<b>149,071</b>	<b>(248,253)</b>
<b>Add</b> - Resources Estimated to be Received during 2025/26	<b>50,000</b>	<b>1,300,000</b>	-	15,000	1,365,000

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**2021/22 PROPOSED CAPITAL BUDGET - BRIEF DESCRIPTIONS OF INDIVIDUAL SCHEME**

<u>Scheme Name</u>	<u>Budget (£)</u>	<u>Scheme Narrative</u>
Play Area Improvement Programme	110,927	To refurbish children's play areas in-line with the recommendations of the adopted Play Provision Strategy 2017 - 2026.
Vehicle & Machinery Replacement	150,000	Replacement of Vehicle & Machinery, as per Green Spaces & Amenities programme
Playing Pitch Improvements	88,000	To undertake drainage improvements on Lockyer Ave playing fields and Burnley High School/Fennyfold playing fields funded by the S106 contribution from the McDermott housing development on Kidrow Lane.
Extension of Burnley Cemetery	25,000	Professional fees for specialist consultancy firm to develop design and costings, progress planning application and obtain Environment Agency and other necessary consents for phase 1 of proposed cemetery extension on land adjoining Burnley Cemetery.
Brun Valley Forest Park	35,219	To implement a habitat improvement scheme which is a planning condition of the BooHoo and Rolfe carpets developments and is funded from a S106 contribution
Worsthorne Recreation Ground Improvements	69,180	Completion of scheme to improve Worsthorne Recreation Ground including drainage works, changing room and installation of a multi use games area.
Thompson Park Restoration Project	67,600	Completion of outstanding footpath resurfacing and fencing works and replacement of drainage, pipe and valve gear to control water in paddling pool and lake
Alleygate Programme	25,000	Burnley Council have been operating an alleygating program since 2004, providing increased home security to properties. Alleygating is an effective method of reducing crime and antisocial behaviour by erecting gates on back streets. The gates are effective not just in the reduction of crime itself, but in reducing the fear of crime for residents. They provide a safe and clean environment that residents can enjoy and this leads to an increase in sense of community. They are a tangible product of the Council and the Community Safety Partnership's efforts to work towards and safer and cleaner Burnley.
River Training Walls	111,255	Eliminate the risk of further deterioration and collapse of Council owned training walls along River Brun, River Calder, Sweetclough and Greenbrook. Including rebuilding of collapsed sections of wall, removal of self seeded trees and removal of walls and battering back of embankments where practical.
Refill Fountains	20,500	2 water bottle refill fountains in Towneley Park and 1 each in Thompson, Ightenhill, Scott and Memorial Park Padiham. 2 Refill fountains in Burnley centre and 1 in Padiham
Padiham Townscape Heritage Initiative	731,651	Comprehensive scheme with HLF funding of £1.4m between 2017/18 and 2021/22, involving repairs and restoration to key building in the Conservation area, together with highways and public realm improvements, and an engagement programme.
Pioneer Place	5,000,000	The proposed redevelopment of the Curzon Street site in the town centre will supplement the existing thriving retail and service centre with a wider leisure, cultural and social experience during the day and into the evening that will underpin Burnley as an attractive place to live work and visit. The site provides an opportunity for a major leisure-led development, bringing a cinema and new restaurants and shops into the town centre.
NW Burnley Growth Corridor - Phase 1	900,000	£10m Environment Agency and LEP scheme including Flood Defence Works and Town Centre Public Realm improvements in Padiham and Junction Improvements to
NW Burnley Growth Corridor - Phase 2	1,030,000	Shuttleworth Mead.
Lower St James Street	1,116,926	Historic building restoration scheme with funding from Historic England (Subject to approvals), involving conservation works to key buildings within the conservation area, public realm improvements and a wider community/cultural engagement programme.
Finsley Wharf & Canal Towpath Improvements	33,000	Contribution of £100k over 3 years to the Finsley Gate Wharf project, led by the Canals & River Trust, to transform and regenerate this area with restoration works and to the Wharf to create new businesses and facilities and improvements to 4 km of the canal corridor across Burnley. The overall cost of the project is £3.3 million
Vision Park	39,386	It has been agreed with the LEP, that the money can be used towards new proposed external signage at the entrance to the site.
Former Open Market & Former Cinema Block	50,000	Cladding of the concrete parapet on the Bankfield elevation.
Town Centre & Weavers Triangle Project Work	536,370	Council funding to assist in bringing forward key projects identified in the emerging Town Centre and Weavers triangle masterplan.
Leisure Centre Improvements	75,000	Delivery of condition survey related capital based works to ensure continuity of business, compliance with undertakings and improvement in appearance in order to continue to attract patronage.

**2021/22 PROPOSED CAPITAL BUDGET - BRIEF DESCRIPTIONS OF INDIVIDUAL SCHEME**

<u>Scheme Name</u>	<u>Budget (£)</u>	<u>Scheme Narrative</u>
Building Infrastructure Works	3,323,326	Contribution towards larger scale works arising out of the building condition surveys currently being undertaken, with particular focus on Burnley Town Hall and Towneley Hall. Further details on the Town Hall and Towneley Hall works are included elsewhere on this agenda.
Emergency Repairs	120,000	Emergency Repairs is a discretionary grant that is made available to owner-occupiers to remedy repairs where there is a serious and imminent risk to the health and safety of the occupants. The grant is eligible to owner-occupiers in receipt of income-related benefits and aged 60 or over, or a disabled person who is in receipt of income related benefits.
Better Care Grant	3,794,007	The funding is allocated by the Government through the Better Care fund. It enables grants to be provided to disabled people, to adapt their house so that they can remain living as independently as possible in the home of their choice.
Energy Efficiency	40,000	<p>The Council's Energy Efficiency Programme allows the Council to achieve its strategic objective of reducing carbon emissions and reducing fuel poverty in the most vulnerable households.</p> <p>The scheme seeks to do this through increasing the energy efficiency of domestic properties in the borough. Funding is used on a variety of projects that provide loft and cavity wall insulation, replacing inefficient boilers with "A" rated boilers, installing central heating in properties that do not have central heating, helping residents with their contribution to the government's ECO funding scheme and promoting energy efficiency in the town.</p>
Empty Homes Programme	1,300,000	The Empty Homes Programme brings long term empty properties back in to use in the borough of Burnley, funded through recycled Housing Capital Receipts
<b>TOTAL OF ALL SCHEMES</b>	<b><u>18,792,347</u></b>	

Burnley Borough Council  
CAPITAL STRATEGY 2021 to 2026

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# Burnley Borough Council

## CAPITAL STRATEGY 2021 to 2026

### 1. BACKGROUND

The Council is committed to ensuring that the investment of capital resources reflects the Council's corporate priorities and is affordable, financially prudent and sustainable. This Capital Strategy is designed to assist in the delivery of that commitment.

The Capital Strategy is a key document and forms part of the Council's corporate strategic and planning framework with links to the overarching Strategic Plan, the Asset Management Strategy, the Treasury Management Strategy and individual Service Plans which, in turn, link the Strategic Plan to service delivery on the ground.

Providing a high level overview of how capital expenditure and capital financing contribute to the provision of Council services, the strategy also addresses the management of related risks and the implications for future financial sustainability. It outlines the governance processes for prioritisation and approval of capital scheme bids and the monitoring of the approved capital programme.

The preparation and publication of a capital strategy is a requirement of the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Code of Capital Finance in Local Authorities (the Prudential Code).

### 2. LINKS TO OTHER COUNCIL STRATEGIES AND PLANS

#### The Strategic Plan

The current Strategic Plan sets out the Council's overarching priorities and is developed around four main themes:

People – creating flourishing, healthy and confident communities.

Places – making the Borough a place of choice

Prosperity – promoting transformational economic change for Burnley, and

Performance – ensuring a continuous focus on improvement in all aspects of the Council's performance.

The Plan highlights a number of key commitments set against each of these themes which will guide the Council's activity.

This Capital Strategy is designed to ensure that the schemes in the capital programme are linked to and aligned with the above.

### **Asset Management Strategy (AMS)**

The AMS sets out a framework to secure the effective use of all property assets and investment in the Borough within the context of the Council's Corporate Strategy. Informed by individual Council Service Plans and working with other private and public bodies the AMS identifies ongoing requirements and opportunities to maintain, develop and optimise the Council's asset base. The results are fed into the capital programme bidding process providing an essential input to the Capital Strategy. The AMS will also identify existing property assets which are no longer required for service delivery. Where appropriate the Council's Property Disposals Framework deals with disposal of these assets generating capital receipts which may be used to fund the capital programme.

### **Treasury Management Strategy (TMS)**

The Council's capital expenditure plans and the borrowing to finance those plans are key drivers of treasury management activity. This Capital Strategy is designed to ensure, amongst other things, that the capital expenditure and associated financing as set out in the approved capital programme is affordable, financially prudent and sustainable. To assist with this, and to meet the requirements of the Prudential Code, the Council has developed a range of prudential indicators relating to levels of capital expenditure, financing costs and borrowing. In addition, the Council makes a specified minimum charge to revenue each year for the repayment of accumulated borrowing for capital purposes (the minimum revenue provision or MRP). The minimum amount is determined in accordance with Government Regulations. The Council's policies in relation to both the prudential indicators and the MRP, which are reviewed annually, are set out in the TMS.

Treasury management is also involved with ensuring the Council's day to day cash flows are adequately planned, with surplus monies being invested to minimise risk and to guarantee sufficient funds are available when needed (liquidity). These two priorities are satisfied before considering the maximisation of investment return. The TMS outlines in detail the proposed approach to deliver these objectives.

Full Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive, and for the execution and administration of treasury management decisions to the Head of Finance and Property.

## **3. CAPITAL EXPENDITURE AND INVESTMENTS**

### **Capital Expenditure**

Capital expenditure is incurred on the acquisition or creation of fixed assets and investments, or expenditure that enhances or adds to the life or value of an existing asset that is needed to provide Council services. Fixed assets are tangible or intangible assets that yield benefits to the Council for a period of more than one year, for example, land, buildings, vehicles, IT software. This is in contrast to revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services. Major schemes will be subject to a greater degree of rigour regarding bidding (detailed business case required), monitoring and review (both during the project and post-completion). Current examples of such schemes are those for the Development of

Student Accommodation at Sandygate Square and Pioneer Place - Development of Land at Curzon Street and Manchester Road.

Schemes which meet the definition of capital expenditure but with a cost lower than £10,000 are treated as revenue.

### **Capital Investments**

These are investments made for policy reasons and do not include treasury management investments which arise from the Council's cash flows and debt management activity and represent balances which need to be invested until the funds are required.

Capital investments potentially fall into two categories i.e. service investments, which are held for the purposes of operational services including regeneration, and commercial investments.

Commercial investments may include, for example, fixed assets which are held primarily for financial benefit. The Council's current commercial investment portfolio is dominated by a relatively small number of high value town centre freehold assets, the largest of which is the freehold of Charter Walk Shopping Centre.

Proposals for commercial investments will be rigorously assessed in line with other major projects. The Head of Finance and Property will ensure that the Council does not undertake a level of investment which exposes it to excessive risk compared to its financial resources.

### **Other Long-Term Liabilities**

There is a potential for the Council to make certain payments under existing contractual obligations. These are fully provided for and explained in the Statutory Statement of Accounts. Any further long-term liabilities which arise in the future will be identified and recorded by the Head of Finance and Property.

## **4. THE CAPITAL PROGRAMME**

The capital programme represents the Council's approved plan of capital expenditure and investments for the current and future years. It includes details of the funding of each individual capital scheme and will, in future, include the associated revenue implications.

### **Development of the Capital Programme**

The capital expenditure and investment included in the Council's approved capital programme should align with the main themes and key commitments set out in the Council's Strategic Plan. The governance processes outlined below are designed to ensure this happens.

### **Capital Bids**

Proposals for new capital schemes, which should align with the priorities set out in the Strategic Plan, will emerge from Individual Service Plans and the Asset Management Strategy as part of the annual planning process.

Full details of proposed schemes will be presented in a pro forma Capital Bid Form issued to Heads of Service at the start of the capital programme preparation process in October each year. The bid form must include the estimated capital costs, the proposed financing of those costs and any estimated future ongoing revenue costs of the scheme, together with details of the benefits the project brings to service delivery, the risks, threats and opportunities involved and links to the four themes identified in the Strategic Plan.

### **Assessment of the Bids**

The individual bids will be assessed by Management Team, who then make recommendations through the decision-making process.

Major capital schemes' bid forms are accompanied with a Business Case. These business cases must demonstrate a link between the outcomes of the project and the benefits to the Council. They must provide evidence of strategic fit, demonstrate that the scheme is affordable, achievable and financially sustainable over the long term and, where appropriate, provide sensitivity analysis of the key financial variables to illustrate the impact of changes in the original assumptions. There must also be a full analysis of the risks, threats and opportunities involved with the project.

### **Approval of Capital Programme**

A draft capital programme including previously committed schemes (both costs and financing over a five year period) is prepared and submitted for approval by the Executive/Full Council in February prior to the start of the first financial year of the new programme.

In the event that a new and essential/urgent capital scheme emerges during the financial year and must be progressed in advance of the annual process, the same disciplines of bidding, assessment and approval must be applied as appropriate.

### **Current Major Scheme Developments**

Two capital schemes are currently being developed. Both schemes address key Council priorities.

#### *Pioneer Place – Development of Land at Curzon Street and Manchester Road*

The proposed redevelopment of the Curzon Street site in the town centre will supplement the existing thriving retail and service centre with a wider leisure, cultural and social experience during the day and into the evening that will underpin Burnley as an attractive place to live work and visit. The site provides an opportunity for a major leisure-led development, bringing a cinema and new restaurants and shops into the town centre.

This scheme is also seen by UCLAN as important to its own growth in Burnley, a key component of the town centre student offer which will attract students to Burnley.

The capital cost of the project is currently forecast to be in the region of **£21.3m** and will be a major financial commitment for the Council. Currently the net cost to the Council after taking account of partners contributions is planned to be funded by borrowing. For such a major project it is essential to consider the long-term financial implications to ensure they are sustainable. Whole life costing including servicing the debt (both interest and repayment) and other associated revenue costs and

income over a 50 year period has been modelled. The model also includes a sensitivity analysis of the key financial variables to provide an indication of the financial impact should any of the original assumptions change.

#### *North West Burnley Growth Corridor*

This [£4.9m](#) project aims to deliver vital infrastructure projects, designed to support housing growth and to revitalise Padiham Town Centre, bringing in funding sources from the Lancashire Local Enterprise Partnership (LEP), the Environment Agency (DEFRA) and Padiham Townscape Heritage. The project brings together two key infrastructure schemes – Flood defence work along the River Calder, unlocking 240 new homes and public realm improvements along Burnley Road in Padiham Town Centre.

## **5. FUNDING THE CAPITAL PROGRAMME**

The availability, affordability and financial sustainability of capital funding will limit the number and value of capital schemes which can be progressed.

The main sources of capital funding are summarised below:

### Borrowing

Under the Local Government Act 2003 local authorities are free to decide their own borrowing limits but, under CIPFA's Prudential Code must ensure that, having regard to the Council's financial situation set out in the Medium Term Financial Strategy, any new capital expenditure and the associated financing is prudent, affordable and sustainable.

The annual costs of borrowing (both interest payable and provision for repayment) will be met by the Council and therefore impact directly on affordability and financial sustainability considerations. For this reason borrowing should be kept to a minimum with other sources of funding secured/used where possible.

The Prudential Code specifies certain indicators that the Council must consider and approve annually as part of its budget setting process. These include limits on external borrowing and are designed to assist in assessing the affordability and sustainability of the capital programme. While these indicators provide a useful aid to ensuring a prudent approach to capital financing they do not replace the need for a comprehensive review of the affordability of capital programme proposals.

### Capital Receipts

A capital receipt is any income (exceeding £10,000 in each individual case) from the sale of an asset. Any individual capital receipt with a value of £10,000 or less will be treated as revenue income. Capital receipts are an important source of funding for the capital programme.

Through the Asset Management Strategy the Council will identify existing assets which become surplus to requirements through, for example, changes in service delivery or transformation of ways of working. The Council's Property Disposals Framework addresses the process of surplus asset



disposal. The sale of these assets generates a capital receipt which can either be used to fund the capital programme or repay outstanding debt on assets financed from loans, subject to regulations, to reduce debt servicing costs.

It is recognised that the ability to generate capital receipts may diminish over time and this will be reflected in forward looking assumptions about the level of receipts available to finance the capital programme, showing pressures on capital budgets from 2021/22 onwards due to a projected shortfall of receipts against capital projects. This will have to be managed through a combination of sourcing additional funding, prioritisation of capital projects and reduction in scope of works where possible.

The Government has issued statutory guidance on the flexible use of capital receipts in the period to March 2022. Subject to certain limits, receipts can be used to offset the revenue cost of transformational projects which are expected to deliver future ongoing revenue savings. The guidance requires local authorities to prepare, approve, publish and maintain a Flexible Use of Capital Receipts Strategy if they wish to take advantage of this flexibility. Capital receipts are already earmarked for funding capital projects in the period covered by the statutory guidance and the Council has no current plans to use the flexibility. The position will however be kept under review.

#### Revenue Funding

Funding of capital schemes using contributions from revenue is allowed.

However, given the ongoing pressures on the Council's revenue spending, opportunities to do this are currently limited. The issues of prudence, affordability and sustainability apply equally in the case of capital expenditure funded by revenue contributions.

#### External Funding (Grants and Contributions)

The Council will seek to secure external funding to support the capital programme wherever possible.

Grants are often available in relation to specific programmes or projects and the Council will seek to maximise grant income.

However, capital schemes will not be prioritised simply because they attract either full or partial external funding. They must fit with the Council's key priorities set out in the Strategic Plan and be assessed in the same way as other capital bids.

Contributions will be sought from private sector developers where appropriate under Section 106 of the Town and Country Planning Act 1990. These contributions may be used to mitigate the impact of a development on communities by, for example, improving the infrastructure to support the development.

Contributions may also be available from local partners towards the costs of schemes.

#### Leasing

With the introduction of Prudential Borrowing this source of financing capital expenditure has become less attractive and the Council decided not to pursue the leasing option for future financing of capital assets. However, it is recognized that conditions can change and there may be instances where leasing could offer value for money. This policy will be kept under review.

### **Revenue Implications of the Capital Programme**

Capital expenditure must be sustainable in the long term through revenue support by the Council. The revenue implications of capital schemes will include the costs of associated borrowing (interest and debt repayment) and all ongoing running costs/income of the assets created.

In order to ensure that capital proposals are affordable and sustainable, the whole life revenue implications of each major capital scheme will be considered at the bidding stage and reviewed periodically during the life of the project.

The revenue impact of all capital schemes will be incorporated into the Council's Medium Term Financial Strategy (MTFS) and a longer term view taken where the financial implications of major schemes extend beyond the medium term horizon.

## **6. MANAGEMENT OF THE CAPITAL PROGRAMME**

### **In Year Capital Monitoring**

For each individual approved capital scheme the Head of Service will nominate a senior officer responsible for managing, monitoring and reporting on scheme progress. This includes providing updated scheme capital costs and producing a narrative explanation of progress including how any deviation from the approved costs, both in terms of amount and phasing between years will be managed.

Changes in forecast revenue costs identified as the project progresses must be reported through the regular revenue and capital monitoring processes.

The individual scheme reports are consolidated by Finance into an overall capital programme monitoring report which is submitted quarterly to the Executive and Full Council for approval. The monitoring report focuses on the overall costs of the programme and the financing of those costs. It also highlights any material changes to the programme together with an explanation of how these changes will be managed and any additional impact on the Council's revenue budget which should also be reflected in the revenue budget monitoring process.

This process is supplemented by further detailed governance requirements and controls set out in the Council's Financial Procedure Rules and Contracts Procedure Rules.

## **7. RISK MANAGEMENT**

Risk management forms an essential part of the Capital Strategy. Major capital schemes require careful management to mitigate, transfer or eliminate the potential risks which can arise. Where key

risks or opportunities are identified they should subject to the provisions and processes set out in the Council's Corporate Risk Management Strategy.

To manage risk effectively, the risks and opportunities associated with each individual capital scheme need to be identified, analysed, monitored and appropriate action taken to mitigate the threats and maximise the opportunities on an ongoing basis. Many risks will be beyond the control of the Council but must nevertheless be monitored closely throughout the project and appropriate action taken where necessary.

In the case of capital schemes risks may include the accuracy of capital cost estimates, the effect of interest rate changes on assumed borrowing costs, inflation and other market changes on estimated construction costs and future running costs/income. There is also a risk that future changes in laws or regulations may affect the costs and timing of projects potentially affecting the viability of the scheme. Specifically in relation to externally funded schemes there is a potentially significant risk that the conditions set by the funding body in terms of both the type and timing of expenditure are not met leading to a loss of anticipated grant.

Where capital investments are planned, risks will include security of capital, liquidity and yield assumptions. In such cases, the Head of Finance and Property will ensure that Members are adequately informed and understand the risk exposure.

The referendum on 23 June 2016 resulted in a decision for the United Kingdom to leave the European Union. From 1<sup>st</sup> January 2021 new trading arrangements are in place with the and there is currently a degree of uncertainty around the economic situation which the Council will face. This may impact a number of the risk elements set out above. The position and its effect on the Council's capital strategy will continue to be closely monitored.

The identification of the risks of each proposed scheme is a part of the capital bidding process and officers must set out the risks when submitting a bid. For major schemes the risks will be identified in the detailed business case together with mitigation actions and an assessment of the residual risk following mitigation. The Council has developed a Corporate Risk/Opportunity Impact Grid to assist in the assessment of key risks and this will be used where risks are identified in relation to major capital schemes as appropriate.

## **8. PERFORMANCE MANAGEMENT**

Progress of all schemes in the capital programme is monitored quarterly through the established capital monitoring process.

A further process will be developed for a formal annual review of performance (both financial and otherwise) of all major capital schemes.

There will also be a final post-completion review of each major scheme.

These reviews will be undertaken by the Capital Programme Officer Group.

The results of these reviews and lessons learned will be used to inform and improve the management of current/future projects.

## **9. KNOWLEDGE AND SKILLS**

At the strategic level governance involves both Council Members and senior officers and it is important to ensure that they possess the appropriate skills and knowledge to ensure that decisions can be properly debated and understood and that scrutiny functions can be effective. Comprehensive training is provided annually to Members and key officers on a wide range of relevant issues to ensure an understanding of their roles and effective engagement in capital and treasury management matters.

At the operational level Finance plays a key role in initiating and supporting the capital programme bidding and monitoring processes. Finance Business Partners play an important role in advising service managers in the preparation of capital bids which have emerged from the service planning process and in the development of business cases for major schemes. Finance also manages the day to day treasury management processes. Training on operational treasury management issues is undertaken periodically, primarily through externally delivered courses, and regular communication from the Council's external advisers keeps staff informed and up to date on latest developments.

The Council employs external treasury management advisers. It is acknowledged that responsibility for treasury management decisions remains with the Council at all times and undue reliance will not be placed upon external advisers. However, they do provide access to valuable specialist skills and resources when required, particularly for a district council with limited in house resources.

In the recent past staffing levels and personnel have changed significantly. It is the Council's intention to carry out a review of the knowledge and skills of all involved in capital activities to ensure they are commensurate with the task. Ongoing assessments will be undertaken during each individual officer's annual Performance and Development Review. Any gaps identified will be addressed through appropriate training.

## REPORT TO EXECUTIVE



DATE	15 February 2021
PORTFOLIO	Resources & Performance Management
REPORT AUTHOR	Howard Hamilton-Smith
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## 2021/22 Treasury Management Strategy and 2021/22 – 2023/24 Prudential and Treasury Indicators

### PURPOSE

1.
  - a) To comply with the amended Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011.
  - b) To outline a treasury management strategy statement for the financial year 2021/22.
  - c) To set out prudential indicators for the financial years 2021/24 in line with the CIPFA's Prudential Code 2017.
  - d) To seek approval for the Council's Minimum Revenue Provision (MRP) Policy Statement for the financial year 2021/22 in accordance with Government regulations.

### RECOMMENDATION

2. That the Executive recommend to Full Council approval of;
  - a) The treasury management strategy statement for 2021/22 as set out in Appendix 1
  - b) The prudential and treasury indicators for 2021/22 to 2023/24 per Appendix 2 including the authorised limit for external debt of £61.103m in 2021/22.
  - c) The list of Counterparties for Deposits outlined within Appendix 3.
  - d) The Council's MRP Statement for 2021/22 as set out in Appendix 4 of this report.

## REASONS FOR RECOMMENDATION

- 3 a) To provide the proper basis required by current Government regulations and guidance to make charges for debt repayment (MRP) to the Council's revenue account.
- 3 b) To fulfil statutory and regulatory requirements and to provide a clear framework for local authority capital finance and treasury management.

## SUMMARY OF KEY POINTS

### 4. **Background**

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

*As a consequence treasury management is defined as:*

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

### 5. **Treasury Management Statutory & Regulatory Requirements**

The Council is required to adopt a Treasury Management Strategy each year in advance of the forthcoming year. This report sets out the Treasury Management Strategy Statement for 2021/22 in Appendix 1 as well as the Prudential and Treasury Indicators for 2021/22 to 2023/24 in Appendix 2.

*The primary requirements of the Code are as follows:*

The Council is required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- Treasury strategy and prudential and treasury indicators (this report) covering:
  1. the capital plans (including prudential indicators);
  2. a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
  3. the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
  4. an investment strategy (the parameters on how investments are to be managed).
- A mid-year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is being met or whether any policies require revision.
- An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy during the previous year.

*Scrutiny*

Full Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive, and for the execution and administration of treasury management decisions to the Head of Finance & Property, who will act in accordance with the Council's policy statement and Treasury Management Practices (TMP's) and CIPFA's Standard of Professional Practice on Treasury Management.

*Capital Strategy*

The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2021-22, all local authorities to prepare an additional report, a Capital Strategy report, which will provide the following;

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- An overview of how the associated risk is managed
- The implications for future financial sustainability

The aim of this capital strategy report is to ensure that all elected members on the Full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite entailed by this Strategy.

The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

### *Increase in Borrowing Requirement*

Tables 1 and 2 in Appendix 1 show an increase in the council's borrowing need for 2021/22 and a maintained level of borrowing for the following two years. This is due to the major development, Pioneer Place, as approved for inclusion in the Capital Programme by Full Council in December 2018. A revised scheme was submitted and approved at Full Council in November 2020.

### *List of Counterparties*

Appendix 3 summarises the proposed limits and methodology for choosing counterparties for deposits.

### *Burnley College*

The council proposes to make a treasury investment of £4m with Burnley College in the current financial year. This has been updated in the Counterparty list in Appendix 3 to this report. Burnley College was added to the counterparty list and approved at Full Council in December 2020.

### *Minimum Revenue Provision (MRP)*

Attached in Appendix 4 is the Council's annual policy statement for making minimum revenue provision on outstanding debt.

### *Economic Update*

Appendix 5 shows an abridged version of Link Asset Services, the Council's treasury management advisors, view of the current economic climate and the prospects for interest rates.

### *Scheme of Delegation*

Appendix 6 contains the council's Treasury Management Scheme of delegation.

### *Role of the Section 151 Officer*

Appendix 7 lists the Treasury Management role of the Section 151 Officer.

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

6.
  - The maximum value of deposits over 364 days and up to 2 years is to be £4m (with a maximum of £2m with any one counterparty, with the exception of the banking institutions whose individual limit is £4m). See Appendix 3.
  - The new limits for external debt for 2021/22 will be £55.548m for the operational boundary and £61.103m for the authorised limit (2020/21 = £52.976m).

## **POLICY IMPLICATIONS**

7. Compliance with the revised CIPFA Code of Practice on Treasury Management.

## **DETAILS OF CONSULTATION**

8. None



<b>BACKGROUND PAPERS</b>
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9. None

<b>FURTHER INFORMATION</b>
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<b>PLEASE CONTACT:</b>
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<b>Howard Hamilton-Smith Head of Finance &amp; Property</b>
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## **Treasury Management Strategy for 2021/22**

The strategy for 2021/22 covers two main areas:

### **Capital Issues**

- the capital expenditure plans and the associated prudential indicators; the Minimum Revenue Policy (MRP) in Appendix 4.

### **Treasury Management Issues**

- the current treasury position;
- treasury indicators which will limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on the use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Ministry of Housing, Communities and Local Government (MHCLG) MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

### **Capital issues**

#### **The Capital Prudential Indicators 2021/22 – 2023/24 (See Table 1 in Appendix 2)**

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

**Capital Expenditure.** This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

The table below summarises the capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing).

## Appendix 1

<b>Table 1 Capital Expenditure</b>	<b>2019/20 Actual £000</b>	<b>2020/21 Revised Estimate £000</b>	<b>2021/22 Estimate £000</b>	<b>2022/23 Estimate £000</b>	<b>2023/24 Estimate £000</b>
Programmed Spend	14,026	15,906	17,759	20,168	12,492
<b>Financed by:</b>					
Capital receipts	2,138	2,222	2,111	2,464	2,227
3rd Party Contributions	533	98	377	482	572
Capital grants	3,078	5,540	7,448	11,277	3,797
Revenue	223	1,416	399	194	135
<b>Net borrowing need for the year</b>	<b>8,054</b>	<b>6,630</b>	<b>7,424</b>	<b>5,751</b>	<b>5,761</b>

### Ratio of Financing Costs to Net Revenue Streams

This indicator shows the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) expressed as a percentage against the net revenue stream. Table 1 in Appendix 2 shows there is a general trend that financing costs are taking up a higher percentage of the revenue budget. This is due to forecast reductions in future aggregate external funding based on 'revenue spending power' for the Council through reduced Government grant.

### The Council's Borrowing Need (the Capital Financing Requirement)

This prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR and is represented by the net financing need for the year line. The Council's CFR is shown in Table 1 of Appendix 2 and below.

The CFR does not increase indefinitely, as the MRP is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life, and so charges the economic consumption of capital assets as they are used.

<b>Table 2</b>	<b>2019/20 Actual £000</b>	<b>2020/21 Revised Estimate £000</b>	<b>2021/22 Estimate £000</b>	<b>2022/23 Estimate £000</b>	<b>2023/24 Estimate £000</b>
<b>Capital Financing Requirement</b>					
Total CFR at 31 <sup>st</sup> March	38,597	44,293	50,498	54,978	59,423
<b>Net financing need for the year</b>	<b>7,202</b>	<b>5,696</b>	<b>6,205</b>	<b>4,480</b>	<b>4,445</b>

<b>£m</b>	<b>2019/20 Actual £000</b>	<b>2020/21 Revised Estimate £000</b>	<b>2021/22 Estimate £000</b>	<b>2022/23 Estimate £000</b>	<b>2023/24 Estimate £000</b>
<b>Movement in CFR represented by</b>					
Net borrowing need for the year (Table 1 above)	8,054	6,630	7,424	5,751	5,761
Less MRP and other financing movements	(852)	(934)	(1,219)	(1,271)	(1,316)

<b>Movement in CFR in Year</b>	<b>7,202</b>	<b>5,696</b>	<b>6,205</b>	<b>4,480</b>	<b>4,445</b>
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### **Treasury Management Issues**

The capital expenditure plans set out above, provide details of the activity of the Council. The treasury management function ensures that the Council's cash is organised within the relevant professional codes, so that sufficient cash is available to meet these activities. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/prudential indicators, the current and projected debt positions and the annual investment strategy.

### **The Council's Current Portfolio Position**

Within the prudential indicators in Appendix 2 there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes. In the Council's case, the estimated external debt at 31<sup>st</sup> March 2021 of £40.1m is less than the CFR which ranges from £44.3m to £59.4m which means that the Council 'borrows internally' (using reserves and balances) to finance past capital spending as this tends to be cheaper than external debt.

### **Treasury Limits for 2021/22 to 2023/24**

It is a statutory duty under Section 3 of the Act and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Authorised Borrowing Limit".

The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is 'acceptable'.

Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years, details of the Authorised Limit can be found in Table 2 in Appendix 2 of this report outlining the prudential and treasury indicators for 2021/22 – 2023/24.

**The Operational Boundary** is the limit beyond which external debt is not normally expected to exceed and is normally similar to the CFR. It is proposed to set this at 10% above the CFR.

**The Authorised Limit** is a further key indicator representing a control on the maximum level of borrowing, beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, whilst not desired,

could be afforded in the short term, but is not sustainable in the longer term. It is proposed to set this at 10% above the operational boundary and includes provision for 'unusual cash movements'.

### **IFRS16 – Leased Assets**

A requirement for closing of the council's accounts for 2021/22 is to bring operational leased assets onto the balance sheet. This will have the effect of increasing the council's CFR, External Debt, Authorised Limit and Operational Boundary. The Authorised Limit and Operational Boundary may therefore need to be amended mid-year, once the detailed impact is known.

### **The Borrowing Strategy**

The Council is currently maintaining an under-borrowed position which means that the capital borrowing need (the CFR), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

The Head of Finance & Property will monitor interest rates and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp fall in long and short term rates, then long term borrowings will be postponed,
- if it was felt that there was a significant risk of a much sharper rise than that currently forecast, then the portfolio will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.
- will take a view on prevailing and perceived future interest rates and take decisions on whether to borrow longer-term or short-term accordingly whenever a borrowing requirement arises. As well as taking a view on the appropriate mix of fixed and variable interest rate exposure in the light of prevailing and perceived future market conditions.
- undertake a constant review of the Council's total external debt portfolio to determine the scope for any restructuring possibilities and make recommendations to Full Council accordingly.

### **Treasury Management - Limits on Activity**

There are three debt related treasury activity limits, the purpose of which is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. The indicators are:

- Upper limits on variable rate exposure;
- Upper limits on fixed rate exposure;
- Maturity structure on borrowing limits which are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

### **The Borrowing Policy and Borrowing Requirement**

The Council will not borrow more than or in advance of its need purely in order to profit from the investment of the extra sums borrowed.

The Council's maximum borrowing requirement (Authorised Limit for external debt) is £61.103m next year. This is limited to 10% above the operational boundary of £55.548m, which has been set at 10% above the CFR.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

### **Debt Rescheduling**

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 1% increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment portfolios

The reasons for any rescheduling to take place will include: -

- the generation of cash savings and / or discounted cash flow savings
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential left for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Council at the earliest meeting following its action.

### **New Financial Institutions as a source of borrowing**

Currently the PWLB Certainty Rate is set at gilts plus 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources:

- Local Authorities (primarily shorter date maturities)
- Financial Institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a cost of carry or to achieve refinancing certainty over the next few years)
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time)

Our advisors, Link Asset Serves, will keep us informed as to the relative merits of each of these alternative funding sources.

### **Annual Investment Strategy**

#### **Investment Policy – management of risk**

The Council's investment policy has regard to the following;

- MHCLG's Guidance on Local Government Investments ("The Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("The Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's deposit priorities focus on;

- Security of Capital
- Liquidity, and

- Yield

The Council will aim to achieve optimum return [yield] on deposits commensurate with proper levels of security and liquidity.

### Monitoring Performance:

The council has retained HSBC UK Bank plc as the provider for administering the Council's banking facilities [contract renewed in December 2018 for a three-year term]. The Council continues to have a 'sweep' facility for our current account. This means that if we do not deposit monies with other counterparties but leave the balance with HSBC, they will automatically transfer the money into an interest earning deposit account. This account is effectively a call account whereby we can get the money back instantly if required. The current rate the Council is achieving on these deposits is in line with that achieved with other counterparties.

### Approved list of Counterparties for Deposits

There are strict limits in terms of the type of institution with which funds may be deposited and the length of time funds can be invested for.

As part of the Treasury Policy Statement, as a minimum, the approved list of counterparties is reviewed annually and reported to Council. The current list was revised in the 2020/21 Treasury Management Mid-Year report and approved on 16 December 2020.

It is proposed that the maximum amount that can be deposited with other counterparties for a period exceeding 364 days and up to 2 years remains limited to £4m which is shown in Appendix 3.

### Creditworthiness Policy

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: -

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service gives a much



improved level of security for its investments. It is also a service which the Council would not be able to replicate using in house resources.

The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

In addition to the use of Credit Ratings the Council will be advised of information on:

- movements in CDS against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Councils lending list.

Sole reliance will not be placed on the use of this external service. In addition, this Council will also use market data and market information, and information on any external support for banks to help support its decision making process.

### **Creditworthiness**

Although the credit rating agencies changed their outlook on many UK banks from Stable to Negative during the quarter ended 30.6.2020 due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of major financial institutions, including UK banks. However, during quarter 1 and quarter 2 of 2020, banks made provisions for expected credit losses and the rating changes reflected these provisions. As we move into future quarters, more information will emerge on actual levels of credit losses. This has the potential to cause rating agencies to revisit their initial rating adjustments earlier in the current year. These adjustments could be negative or positive, although it should also be borne in mind that banks went into this pandemic with strong balance sheets.

### **Policy on the use of treasury management consultants**

The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Head of Finance & Property through recommendations to Full Council, will ensure that the terms of their appointment and the methods by which their value will be assessed, are properly agreed and documented, and will be subject to regular review.

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## **PRUDENTIAL AND TREASURY INDICATORS**

### **PRUDENTIAL INDICATORS - A Brief Description**

#### **Capital Expenditure**

This shows the capital programme as it currently stands. Members will note that the amount estimated within the programme for 2021/22 is £17.759 million.

This is an increase in value to the previous year, and is due to significant projects being undertaken including Pioneer Place.

It is not known exactly at this stage what the effects on revenue of sustaining a high level of capital investment will be in future years. It is however envisaged that there will continue to be a significant number of grants. This will minimise borrowing to within prudential levels and thus keep the resultant financing revenue budget within prudent limits.

#### **Ratio of Financing Costs to Net Revenue**

The net revenue stream is the estimated amount of spending to be met from Government Grants and Income Tax. It is used in projections and for estimating the need for budget savings. It is based upon the system of Government Grants support and assumes a 1.99% increase in Council Tax for 2021/22 and for the following two years.

Financing costs include interest on borrowing and the amount included in the budget for repayment of borrowing (Revenue Provision)

#### **Net Borrowing Requirement**

This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only increase for a purpose, the Council should ensure that net external borrowing does not, except in the short term, exceed the capital financing requirement (CFR) in the previous year plus the estimates of any additional capital financing required in the current year and the next two financial years. At all times the level of borrowing will be monitored to ensure it does not exceed the estimated capital financing requirement in two years time.

#### **Capital Financing Requirement as at 31 March**

The capital financing requirement is an indication of how much the Council needs to borrow for capital projects as a result of not financing capital expenditure "up front" by means of capital receipts, grants etc. It is the amount of borrowing, which is ultimately repaid and then replaced if required.

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## PRUDENTIAL AND TREASURY INDICATORS 2021/22 - 2023/24

TABLE 1 - PRUDENTIAL INDICATORS	2019/20 Actual £' 000	2020/21 Revised Estimate £' 000	2021/22 Estimate £' 000	2022/23 Estimate £' 000	2023/24 Estimate £' 000
Capital Expenditure	14,026	15,906	17,759	20,168	12,492
Ratio of financing costs to net revenue stream	12.1%	13.3%	15.6%	16.3%	16.2%
Net borrowing requirement brought forward 1 April			55,548	60,476	65,365
Capital Financing Requirement as at 31 March	38,597	44,293	50,498	54,978	59,423

TABLE 2 - TREASURY MANAGEMENT INDICATORS	2019/20 Actual £' 000	2020/21 Revised Estimate £' 000	2021/22 Estimate £' 000	2022/23 Estimate £' 000	2023/24 Estimate £' 000
Authorised Limit for external debt -			61,103	66,524	71,902
<i>For 201/22, this is the Council's statutory limit for debt as determined under section 3(1) of the Local Government Act 2003. Limits have also been provisionally set for the following two financial years. These limits include provision for "unusual cash movements" as referred to in the Code.</i>					
Operational Boundary for external debt -			55,548	60,476	65,365
<i>This is lower than the authorised limit by the additional headroom provided for "unusual cash movements". It equates to the maximum level of external debt projected in estimates.</i>					
Actual/Estimated external debt at year end	37,680	40,138			
Upper limit for fixed interest rate exposure expressed as :- Net interest re fixed rate borrowing / investments			100%	100%	100%
Upper limit for variable rate exposure expressed as :- Net interest re variable rate borrowing / investments			25%	25%	25%
Upper limit for total principal sums invested over 364 days	0	4,000	4,000	4,000	4,000

TABLE 3 - Maturity Structure of fixed rate borrowing during 2021/22		lower limit	upper limit
This indicator limits the period to repayment of overall expected debt outstanding and shows five bands. There are minimum and maximum proportions of overall debt within each band. This means that the amount of debt in each band will fall within this range as a proportion of overall debt.	under 12 months	0%	20%
	12 months - within 24 months	0%	20%
	24 months - within 5 years	0%	25%
	5 years - within 10 years	0%	30%
	10 years and above	0%	90%

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### **TREASURY MANAGEMENT PRACTICE (TMP1) – Credit and Counterparty Risk Management**

**Specified Investments:** All such investments will be sterling denominated, with maturities up to a maximum of one year, meeting the minimum “high” quality criteria where applicable.

**Non-Specified Investments:** These are any investments which do not meet the specified investment criteria, and in the council’s case will include investment in Property Funds and Burnley College.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the above categories.

### **Link Asset Services Methodology in Determining Creditworthiness of Counterparties:**

Link Asset Services’ creditworthiness service employs a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap [CDS] spreads to give early warning of likely changes in credit ratings and gauge a market view of the counterparty
- sovereign ratings to select counterparties from only the most creditworthy countries

Link Asset Services’ modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are used to determine the maximum duration for deposits and are therefore referred to as durational bands. This approach gives a much improved level of security for its deposits. The table below also shows the current limits for deposits with any bank or group of banks which is £2m except for the Councils own bank, HSBC, which has an individual limit of £50m and other named institutions below (£4m) .

### **Banks / Groups of Banks & Building Societies whose Individual Limit is £4m**

The following banking institutions have individual limits of £4m:-

Lloyds Banking Group plc including Bank of Scotland and Lloyds Bank  
 Royal Bank of Scotland Group plc including National Westminster Bank and Royal Bank of Scotland  
 Abbey National Treasury Services plc  
 Barclays Bank  
 Santander UK plc  
 Nationwide Building Society  
 Goldman Sachs International Bank

<b>Banking Institutions Colour Bandings</b>	<b>Maximum Duration ( Per Link Asset Services)</b>	<b>Current Individual Limits per Bank/Group of Banks (£)</b>
White	0 months	No deposits to be placed
Green	100 Days	Unlimited, but no more than 4m per Bank/Group of Banks
Red	6 months	Unlimited, but no more than 4m per Bank/Group of Banks
Orange/Blue	12 months	To a maximum of 4m over 364 days, and no more than 4m per Bank/Group of Banks
Purple	24 months	To a maximum of 4m over 364 days, and no more than 4m per Bank/Group of Banks
<b>Other Institutions</b>	<b>Maximum Duration</b>	<b>Individual Limits (£)</b>
Local Authorities*	12 months	6m
Government Debt Management Office	12 months	Unlimited
Money Market Fund **	12 months	2m
Property Funds ***	N/A	2m
Burnley College	15 Years	4m

\* the total amount deposited with Local Authorities not to exceed £8m and no more than £6m per Local Authority.

\*\* the total amount deposited in Money Market Funds not to exceed £8m and no more than £2m per MMF.

\*\*\* the maximum amount invested in Property Funds not to exceed £2m.



## Minimum Revenue Provision (MRP) policy statement 2021/22

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

### Annual Statement on Policy for Making Minimum Revenue Provision on Outstanding Debt (Annual MRP Statement)

#### Relating to the Financial Year 2011/22

The Council's policy on making the minimum revenue provision (MRP) for the repayment of debt to be charged to the Council's revenue account for the financial year 2021/22 is as follows:

The MRP shall be calculated in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 and the guidance issued under section 21(1A) of the Local Government Act 2003.

### **The Council is recommended to approve the following MRP Statement:**

The MRP shall be calculated:

- a) For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, MRP will be charged on a 2% straight line basis. This ensures that the debt will be repaid within 50 years.
- b) For capital expenditure funded from prudential borrowing in accordance with option 3 of the guidance for financial years 2008/09 to 2018/19.

Calculated on the asset life method - using the equal instalment method. The calculation will divide the borrowing relating to each particular asset and divide this by the estimated life of the asset to produce an equal annual charge to the revenue account. This will also be the method used when the asset is not Burnley Council's asset but where the Council has made a capital contribution to the cost.

- c) For capital expenditure incurred for financial years 2019/20 onward, MRP will be calculated on the asset life method – using the annuity method. Under this calculation, the revenue budget bears an equal annual charge (for principal and interest) over the life of the asset by taking into account the time value of money.

The schedule of charges produced by the annuity method results in a consistent charge over an asset's life, taking into account the real value of the annual charges when they fall due.

The annuity method also matches the repayment profile to how the benefits of the asset are consumed over its useful life (i.e. asset deterioration is slower in the early years of an asset's life than later years)

The total of a) b) and c) above will be the overall annual MRP.

Regulations allow Authorities to apply an 'MRP holiday', whereby the MRP charge is deferred until a year after the practical completion of the asset. The Authority will apply this allowance where appropriate.

## **Economic Background**

*(provided by the Council's external service providers, Link Asset Services):*

### **5.3 ECONOMIC BACKGROUND**

- **UK.** The key quarterly meeting of the Bank of England Monetary Policy Committee kept Bank Rate unchanged on 5.11.20. However, it revised its economic forecasts to take account of a second national lockdown from 5.11.20 to 2.12.20 which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of quantitative easing (QE) of £150bn, to start in January when the current programme of £300bn of QE, announced in March to June, runs out.
- Its forecasts appeared, at that time, to be rather optimistic in terms of three areas:
  - The economy would recover to reach its pre-pandemic level in Q1 2022
  - The Bank also expected there to be excess demand in the economy by Q4 2022.
  - CPI inflation was therefore projected to be above its 2% target by the start of 2023 and the “inflation risks were judged to be balanced”.
- Significantly, there was no mention of negative interest rates in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it “stands ready to adjust monetary policy”, the MPC this time said that it will take “whatever additional action was necessary to achieve its remit”. The latter seems stronger and wider and may indicate the Bank’s willingness to embrace new tools.
- One key addition to the Bank’s forward guidance in August was a new phrase in the policy statement, namely that “it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably”. Our Bank Rate forecast currently shows no increase, (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. Inflation is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern.
- However, the minutes did contain several references to downside risks. The MPC reiterated that the “recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside”. It also said “the risk of a more persistent period of elevated unemployment remained material”. Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. Upside risks included the early roll out of effective vaccines.
- **COVID-19 vaccines.** The announcements of the arrival of approved vaccines, plus expected further announcements that other vaccines could be approved soon,

have enormously boosted confidence that life could largely return to normal during the second half of 2021, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels; this would help to bring the unemployment rate down. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% in 2021 instead of 9%.

- **Public borrowing** was forecast in November by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.
- Overall, the pace of recovery was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. It is likely that the one month national lockdown that started on 5<sup>th</sup> November, will have caused a further contraction of 8% m/m in November so the economy may have then been 14% below its pre-crisis level.
- **December 2020 / January 2021.** Since then, there has been rapid back-tracking on easing restrictions due to the spread of a new mutation of the virus, and severe restrictions were imposed across all four nations. These restrictions were changed on 5.1.21 to national lockdowns of various initial lengths in each of the four nations as the NHS was under extreme pressure. It is now likely that wide swathes of the UK will remain under these new restrictions for some months; this means that the near-term outlook for the economy is grim. However, the distribution of vaccines and the expected consequent removal of COVID-19 restrictions, should allow GDP to rebound rapidly in the second half of 2021 so that the economy could climb back to its pre-pandemic peak as soon as late in 2022. Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant caveat is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development and vaccine production facilities are being ramped up around the world.

This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade would have major repercussions for public finances as it would be consistent with the government deficit falling to around 2.5% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth.

- There will still be some painful longer term adjustments as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.
- **Brexit.** While the UK has been gripped by the long running saga of whether or not a deal would be made by 31.12.20, the final agreement on 24.12.20, followed by ratification by Parliament and all 27 EU countries in the following week, has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.
- **Monetary Policy Committee meeting of 17 December.** All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downside risks to the economy that it had highlighted in November. But this was caveated by it saying, "Although all members agreed that this would reduce downside risks, they placed different weights on the degree to which this was also expected to lead to stronger GDP growth in the central case." So, while the vaccine is a positive development, in the eyes of the MPC at least, the economy is far from out of the woods. As a result of these continued concerns, the MPC voted to extend the availability of the Term Funding Scheme, (cheap borrowing), with additional incentives for small and medium size enterprises for six months from 30.4.21 until 31.10.21. (The MPC had assumed that a Brexit deal would be agreed.)
- **Fiscal policy.** In the same week as the MPC meeting, the Chancellor made a series of announcements to provide further support to the economy: -
  - An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.
  - The furlough scheme was lengthened from the end of March to the end of April.
  - The Budget on 3.3.21 will lay out the "next phase of the plan to tackle the virus and protect jobs". This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).
- The Financial Policy Committee (FPC) report on 6.8.20 revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to

absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

- **US.** The result of the November elections meant that while the Democrats gained the presidency and a majority in the House of Representatives, it looks as if the Republicans could retain their slim majority in the Senate provided they keep hold of two key seats in Georgia in elections in early January. If those two seats do swing to the Democrats, they will then control both Houses and President Biden will consequently have a free hand to determine policy and to implement his election manifesto.
- The economy had been recovering quite strongly from its contraction in 2020 of 10.2% due to the pandemic with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a fourth wave. The latest upturn poses a threat that the recovery in the economy could stall. This is the single biggest downside risk to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.
- **EU.** In early December, the figures for Q3 GDP confirmed that the economy staged a rapid rebound from the first lockdowns. This provides grounds for optimism about growth prospects for next year. In Q2, GDP was 15% below its pre-pandemic level. But in Q3 the economy grew by 12.5% q/q leaving GDP down by "only" 4.4%. That was much better than had been expected earlier in the year. However, growth is likely to stagnate during Q4 and in Q1 of 2021, as a second wave of the virus has affected many countries: it is likely to hit hardest those countries more dependent on tourism. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the countries most affected by the first wave.
- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could,

therefore, lead to a further misallocation of resources which will weigh on growth in future years.

- **Japan.** A third round of fiscal stimulus in early December took total fresh fiscal spending this year in response to the virus close to 12% of pre-virus GDP. This is huge by past standards, and one of the largest national fiscal responses. The budget deficit is now likely to reach 16% of GDP this year. Coupled with Japan's relative success in containing the virus without draconian measures so far, and the likelihood of effective vaccines being available in the coming months, the government's latest fiscal effort should help ensure a strong recovery and to get back to pre-virus levels by Q3 2021 – around the same time as the US and much sooner than the Eurozone.
- **World growth.** World growth will have been in recession in 2020. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

## Summary

Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand in their economies.

If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

## Prospects for Interest Rates

Part of the service provided by Link Asset Services is to assist the Council to formulate a view on interest rates and the table below gives Link Asset Services forecast.

Link Group Interest Rate View 9.11.20													
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20													
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 16<sup>th</sup> December, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the near-term as economic recovery is expected to be only gradual and, therefore, prolonged. These forecasts were based on an assumption that a Brexit trade deal would be agreed by 31.12.20: as this has now occurred, these forecasts do not need to be revised.

### **Investment and borrowing rates**

- Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two years.
- Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. The unexpected increase of 100 basis point (bps) in PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure. On 25.11.2020, the Chancellor announced the conclusion to the review and as a result the standard and certainty margins were reduced by 1% (100 bps)

While this authority will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.



**TREASURY MANAGEMENT SCHEME OF DELEGATION**

The following is a list of the main tasks involved in treasury management and the allocation of responsibilities

**(i) Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of the Annual Treasury Management Strategy/Annual Investment Strategy and Policy on the Minimum Revenue Provision.

**(ii) Executive Committee**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

**(iii) Scrutiny Committee**

- scrutiny of the treasury management policy and procedures and making recommendations to the responsible body.

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**THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER**

**The S151 (responsible) officer has responsibility for the following;**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

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## Scrutiny Work Programme 2020/21

Wednesday 10 <sup>th</sup> June 2020	Covid 19 – The Council's response Reviews for 2020/21 Notice of key decisions and private meetings
Wednesday 1 <sup>st</sup> July 2020	Notice of Key Decisions and Private Meetings COVID 19 review and Housing Review update Work Programme
Friday 9 <sup>th</sup> October 2020	Contact Centre Dilapidations Private report
Monday 21 <sup>st</sup> September 2020 Meeting postponed to 19 October	Notice of Key Decisions and Private Meetings Leisure Trust Annual Report – now expected early 2021 due to Covid 2019/20 Treasury Management activity 2019/20 Capital outturn Revenue Monitoring 2020/21 Quarter 1 Capital Monitoring 2020/21 Quarter 1 2019/20 Final Revenue Outturn Single Use Plastics – Executive response to Council Motion Licensing Act 2003 Policy Covid grants PSPO Gating Air Quality SPD Draft Homelessness and Rough Sleeping Strategy 2020-15 Review Groups Work Programme
Monday 7 <sup>th</sup> December 2020 Budget Scrutiny Panel	NKDPM Resident Satisfaction Survey -(moved to December 2020) Revenue Budget Monitoring Q2 Capital Budget Monitoring - Q2 Fees & Charges Treasury Management Mid-year update Food Delivery Programme (annual update) (moved to February 2021) Health & Safety Delivery Programme (annual update) (moved to February 2021) Half Year performance report Review Groups Work Programme

Thursday 11 <sup>th</sup> February 2021 Budget Scrutiny Panel	NKDPM Revenue Budget Monitoring Q3 Capital Budget Monitoring - Q3 Revenue Budget 2021/22 Capital Budget 2021/22 and Cap Investment Prog 21/22 Treasury Management & Prudential Borrowing. Medium Term Financial Strategy Revenue Budget 2021-24 – Latest Position & Saving Proposals Community Safety Annual Report Review Groups Work Programme
Wednesday 17 <sup>th</sup> March 2021	Notice of Key Decisions and Private Meetings State of the Local Economy (reduced to annual reporting) Review Groups Leisure Trust Annual Report (moved from February 2021) Food Safety Delivery Plan (Annual Update) (moved from February 2021) Health & Safety Delivery Plan (Annual Update) (moved from February 2021)