

SCRUTINY COMMITTEE

Thursday, 9th February, 2017
6.30 pm





SCRUTINY COMMITTEE

BURNLEY TOWN HALL

Thursday, 9th February, 2017 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 Governance, Law & Regulation by 5.00pm on the day before the meeting. Forms can be obtained for this purpose from the reception desk at Burnley Town Hall or the Contact Centre, Parker Lane, Burnley. Forms are also available on the Council's website www.burnley.gov.uk/meetings.

AGENDA

1) Apologies

To receive any apologies for absence.

2) Minutes

To approve as a correct record the minutes of the last 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

- 7) Notice of Key Decisions and Private Meetings** 5 - 6
To consider the Key Decisions to be taken for the period February to April 2017.
- 8) Resident Satisfaction Survey**
To receive a presentation on the results of the Annual Resident Satisfaction Survey.
- 9) Strategic Plan 2017/18** 7 - 22
To receive a report on the updated Strategic Plan for 2017/18.
- 10) Community Buildings** 23 - 40
To receive an update on the development of a policy for Community Buildings.
- 11) Capital Budget Monitoring Q3 2016/17** 41 - 52
To consider capital budget monitoring for the period October – December 2016.
- 12) Revenue Budget Monitoring Q3 2016/17** 53 - 64
To consider revenue budget monitoring for the period October – December 2016.
- 13) Capital Budget 2017/18 and Capital Investment Programme 2017/18 - 2019/20** 65 - 80
To consider a report on the Capital Budget for 2017/18 and the Capital Programme for 2017/18 – 2019/20, and make any recommendations to the Executive.
- 14) Revenue Budget 2017/18**
To receive a report on the Revenue Budget for 2017/18, and to make any recommendations to the Executive. (to follow)
- 15) Treasury Management Strategy 2017/18 and Prudential and Treasury Indicators 2017/18 - 2019/20** 81 - 102
To consider a report on the setting of prudential indicators 2017/18 – 2019/20 and the strategy for undertaking Treasury Management activities for the financial year 2017/18 and make any recommendations to the Executive.
- 16) Medium Term Financial Strategy 2018/19 to 2020/21**
To consider the Medium Term Financial Strategy 2018/19 – 2020/21 and make any recommendations to the Executive. (report to follow)
- 17) Scrutiny Review Groups**
To receive an update on the work of any active Scrutiny Review Groups.
- 18) Work Programme 2016/17** 103 - 104
To consider any additions to the draft Work Plan for 2016/17

MEMBERSHIP OF COMMITTEE

Councillor Andrew Tatchell (Chair)
Councillor Anne Kelly (Vice-Chair)
Councillor Howard Baker
Councillor Gordon Birtwistle
Councillor Margaret Brindle
Councillor Jean Cunningham
Councillor Danny Fleming
Councillor Joanne Greenwood
Councillor David Heginbotham

Councillor Mohammed Ishtiaq
Councillor Marcus Johnstone
Councillor Lubna Khan
Councillor Sobia Malik
Councillor Andrew Newhouse
Councillor Mark Payne
Councillor Paul Reynolds
Councillor Ann Royle

PUBLISHED

Wednesday, 1 February 2017

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 during the months February to April 2017, published on 13th January 2017.
- 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.

Meetings of the Executive will be held on the following dates: 25th January, 13th February, 27th March and 25th April 2017. Meetings normally start at 6.30pm but times can change so please check the council website nearer the date of the meeting. This Notice will be further updated on the following dates: 24th February, 23rd March and 5th May 2017.

| Matter for decision | Purpose | Key Decision Yes or No | Anticipated date of decision | Public or Private report. If Private give reasons | List of Documents to be submitted including any background papers | Contact person & Executive Portfolio |
|--|--|-------------------------------|-------------------------------------|--|--|---|
| Council Tax Renovated Property Discount | To consider a Council Tax Renovated Property Discount | No | February 2017 | Public | Report setting out the issues | Paul Gatrell Head of Housing and Development Control Executive Member for Resources and Performance Management |
| Conservation Area Management Plan (CAMP) for the Padiham Conservation Area | To consider a Conservation Area Management Plan (CAMP) for the Padiham Conservation Area | Yes | February 2017 | Public | Report setting out the issues | Kate Ingram Head of Regeneration and Planning Policy Executive Member for Regeneration and Economic Development |
| Play Strategy | To consider a Play Strategy | Yes | March 2017 | Public | Report setting out the issues | Simon Goff, Head of Green Spaces and Amenities Executive Member for Leisure and Culture |

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: Lukman Patel, Head of Governance, Law & Regulation, Town Hall, Manchester Road, Burnley BB11 9SA.

E-mail: lpatel@burnley.gov.uk

Published: 13th January 2017

Strategic Plan 2017/8

REPORT TO SCRUTINY COMMITTEE



| | |
|----------------------|-------------------------------|
| DATE | 09/02/2017 |
| PORTFOLIO | Leader |
| REPORT AUTHOR | Rob Dobson |
| TEL NO | 3115 |
| EMAIL | rdobson@burnley.gov.uk |

PURPOSE

1. To consult members on the updated Strategic Plan (appendix 1).

RECOMMENDATION

2. That members note the updated plan, which will be recommended to Budget Council.

REASONS FOR RECOMMENDATION

3. The Strategic Plan sets out a clear vision for the future at a time of challenging budget decisions: 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 is updated annually. It sets out the Council's strategic priorities for the next three years.
5. The Strategic Plan has four themes: *People, Places, Prosperity* and *Performance*. The *People* theme deals with client centred services that 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 of the strategic commitments will be delivered within the next three years. 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 draft 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 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:

Pam Smith, CEO.

ALSO:



Burnley.gov.uk

Burnley Council's Strategic Plan 2017/18 to 2019/20

For further information contact:
Rob Dobson
rdobson@burnley.gov.uk

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

The Council wants to make the borough a place of choice. It will be a place where businesses want to invest, because of its skilled workforce and its competitive, modern economy. It will be a place where people want to live because of its clean and safe neighbourhoods, its reputation as a centre of educational excellence, and its beautiful parks and wild countryside.

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 Needs

Burnley Council: adapting to change

From 2010 to 2016, the Council has managed budget reductions totalling £11.6m. It has absorbed and delivered annual budget savings 7.5 times the national average. Workforce planning has resulted in a reduction to the establishment of 173 F.T.E posts, and there has been TUPE transfer of a further 183 F.T.Es to our strategic partners, Burnley Leisure Trust and Liberata.

The budget challenge remains immense. The 2017/18 Local Government Finance Settlement (LGFS) for next three years from means that the cumulative budget gap for Burnley Council is greater than projected, rising from an estimated £4 million to £4.5 million, out of a current budget of £15 million.

This adds to the pressure on the Council to make savings and find ways of raising income in a way that protects the priority services that help to strengthen the local economy, and that help make the Borough a cleaner, greener, safer and more prosperous place to live.

In recent years, the Council has successfully lobbied for additional investment in Burnley, and will continue to press the case for the borough at the highest levels of Government. However, if the Council is to continue delivering quality services that meet the needs of the borough, then further change is inevitable if the Council is to remain financially viable. Lower priority services may have to be reduced or stopped, and charges may increase for discretionary services.

Our strategic plan ensures that we do not take a salami-slicing approach to making efficiencies. In having clear vision for the borough, the Council will stay focussed on what really matters and will seek innovative ways of resourcing those priorities. We are a confident, positive organisation, and together with our partners, we have 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.

These principles were applied in selecting Liberata as our strategic partner. The business case showed that the Council would be able to save money and maintain priority service levels, while also being the best option for local employment opportunities.

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 the vision for the Borough, which is described in the [Community Strategy](#),¹ a reality. The Community Strategy is about achieving better quality of life outcomes for local residents.
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 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. However, as stated above, an overriding concern of the Council is to protect core services. Though budget pressures may mean that how we provide services may have to change, 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.

¹ See: <http://www.burnley.gov.uk/about-council/burnley-action-partnership>

Burnley Council Services

- We collect rubbish, recyclable or non-recyclable, from every household every week. On the next working day following a general refuse collection, every residential street is swept by manual litter pickers. Following a recycling collection, the street receives a mechanical sweep.
- 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.
- 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 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 4,000 calls and 2,000 visitors every week at our contact centre.
- We award benefit to around 12,000 households a year.
- 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.
- 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 historical heritage of the town through the management of conservation areas 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.

Strategic Plan 2016/17- what did we achieve?

Places

- The Council's Rethinking Parks project was selected as the winning entry in the Horticulture Week Custodian Awards under the category of 'Best Urban Park Initiative'.
- Between April and December 2016, the Council received and dealt with 205 new disrepair complaints from private rented sector tenants, and carried out 65 proactive housing inspections. The Empty Homes programme worked on 7 renovations and 3 sales, returning properties that had become a blight on local neighbourhoods back into good homes.
- We continued to work with the private sector and our registered social landlords to bring forward new development across the Borough. Keepmoat are making progress in both Burnley Wood and South West Burnley, where development continues to transform these neighbourhoods into popular residential locations. Gleeson homes continue to develop in Daneshouse and Stoneyholme and are reporting an increase in demand for the properties, which together with the Great Places development of 50 affordable homes at Grey Street, are offering real choice for residents. Gleesons have also secured planning permission for 202 homes in Hapton on the former Blythe chemical works site which will see the redevelopment of a complex brownfield site for new family homes. Calico Homes submitted a planning application to develop 56 affordable homes on the former Perseverance Mill site at Dryden Street, Padiham. This development will see new housing built on a site that for many years was a significant blight on the local neighbourhood. McDermott Homes are also preparing to start on site following their planning permission for 86 high quality family homes on the former Waterside Mill site off Sycamore Avenue in Rosegrove, again ensuring that home buyers in the borough are offered real choice.

Prosperity

- In partnership with Addington Capital, the owners of Charter Walk, our investments in the Town Centre helped to draw a high profile retailer into the Town Centre.
- The Burnley Bridge Business Park has proved to be immensely attractive to expanding and re-locating businesses. The Council approved plans to extend the 70-acre scheme with a new ten-acre development comprising 110,000 sq. ft. of accommodation.
- The Council's work on promoting growth was recognised nationally with a shortlisting for the LGC's award for growth. Recent figures from the Office of National Statistics show that the number of jobs in Burnley increased by 4.2% in the last twelve months. This is twice the growth rate seen in Lancashire, Greater Manchester, the North West and Great Britain.

People

- Our Primary, Secondary Engineer Programme is now being delivered to both primary and secondary schools and over 80 teachers in Burnley are involved.
- Burnley hosted a range of popular events including the Burnley 10k, the Burnley Literary Festival, and the Towneley Bonfire and Firework Display.

Performance

- The first year of our 10 year partnership with Liberata to provide transactional services was a success. A transformation of business systems is well underway.
- The Council participated in an independent peer review. The review team reported that: the political and managerial leadership of the Council is strong; we have committed and loyal staff who are proud of Burnley; we have grown the economy, and; the Council is financially well managed.

What do we want to achieve during 2017 and beyond?

Much of what the Council has or plans to achieve, involves working in partnership. The [Sustainable Community Strategy](#) sets out the vision for the Borough that is shared by statutory agencies, local businesses and the third sector. It includes a list of long term commitments which will help us achieve a cleaner, greener, safer and more prosperous Borough in the future.

The Community Strategy describes the Borough's challenges, its assets and opportunities. The following section of this document sets out the Council's role in meeting those challenges, exploiting the assets and the opportunities that exist in the Borough. It is structured around the themes of **People, Places, Prosperity**, in line with the Sustainable Community Strategy. A fourth theme, **Performance**, sets out the Council's approach to organisational development.

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 (and 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.

People - creating flourishing, healthy and confident communities

What are the challenges and opportunities?

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

Health inequality is a significant factor 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.

| What do we commit to? | Lead |
|--|---|
| PE1- We will work with partners to make the borough a place of aspiration, including supporting efforts to increase education attainment and skills development, and improve residents' health. | Chief Executive Leader |
| PE2- We will continue to develop the leisure and cultural offer of Burnley in partnership with Burnley Leisure. | Chief Operating Officer Executive Member for Leisure and Culture |

Places: making the Borough a place of choice

What are the challenges and opportunities?

Resident feedback tells us that maintaining the cleanliness of the borough matters to our residents. Though falling, the number of flytipping incidents and dirty back yards is high compared with other areas.

Feedback from residents also shows that reducing crime and antisocial behaviour is another priority. The level of crime is higher than the Lancashire average.

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. 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 borough also has a significant number of cultural and sporting assets; the Mechanics, Towneley Hall, modern leisure centres and well attended community sport and other events.

| What do we commit to? | Lead |
|--|---|
| PL1- We will implement a range of initiatives to maintain a clean, safe borough. | Head of Streetscene Executive Member for Community Services |
| PL2- We will improve the management of private rented accommodation. | Head of Housing and Development Control Executive Member for Housing and Environment |
| PL3- We will work with partners to improve quality and choice in the borough's housing stock. | Chief Operating Officer Executive Member for Housing and Environment |
| PL4- We will implement our 2015-25 Green Space Strategy. | Head of Green Spaces and Amenities Executive Member for Leisure and Culture |

Prosperity – promoting transformational economic change for Burnley

What are the challenges and opportunities?

Advanced manufacturing, particularly within the aerospace industry, is a key component of the economy of Burnley and the wider region. Employees in the sector tend to be relatively well paid and highly skilled. Burnley and Pennine Lancashire already have a strong reputation in this sector which helps to attract foreign investment and new jobs. At the same time, the local economy should not be overly dependent on this sector. It also needs to adapt to a declining number of public sector jobs. Strong and resilient economies require a diverse range of businesses and for the stock to be constantly replenished with new enterprises.

With a retail catchment area of 300,000 people, Burnley is a major retail and service centre in Pennine Lancashire. Being vital for local jobs, the Council should take action to protect and develop the existing Town Centre offer.

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 new Local Plan should 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.

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.

| What do we commit to? | Lead |
|--|--|
| PR1- 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 |
| PR2- We will proactively support the borough's businesses to innovate and expand, and make the borough a natural choice for business relocation. | Head of Regeneration and Planning Policy Executive Member for Regeneration and Economic Development |
| PR3- We will make the borough attractive to retail and leisure developers, and will identify a sustainable future for the Burnley Market. | Chief Operating Officer Executive Member for Regeneration and Economic Development |
| PR4- We will deliver the Local Plan. This will act as the key supporting framework for encouraging future employment and investment in a range of housing stock. | Head of Regeneration and Planning Policy Executive Member for Regeneration and Economic Development |

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

The Council always has a duty to ensure that tax payers get value for money, and the current era of austerity means that 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 2016, the Council was peer reviewed. The peer reviewers' report told us that the Council has strong political and managerial leadership and that the performance of many core services is good. Staff members are committed and loyal, despite the workforce experiencing challenging reductions in their number. The peer reviewers also reported that though the Council's future funding position is "challenging", it has "clear plans in place" and "a record of strong financial management."

| What do we commit to? | Lead |
|---|---|
| PF1- We will embed the partnership with Liberata within the Council's budget, strategic vision and commercial strategy. | Chief Operating Officer Executive Member for Resources and Performance |
| PF2- 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. | Chief Operating Officer Executive Member for Resources and Performance |
| PF3- We will develop our digital strategy, so that more residents transact with us online and we are able to deliver services more efficiently. | Chief Operating Officer Executive Member for Community Services |

Corporate Performance Scorecard 2015-2016

| Measure | Target | Result | On target |
|--|---------------|-------------|-----------|
| Outcomes | | | |
| % of residents satisfied with the Council overall | 48% | 56% | ★ |
| % users satisfied with parks and open spaces (A) | 70% | 85% | ★ |
| % satisfied with leisure facilities | 55% | 58% | ★ |
| % satisfied with general household waste collection | 80% | 84% | ★ |
| % satisfied with litter free public land | 47% | 59% | ★ |
| % stating that ASB is a problem in the local area | 28% | 25% | ★ |
| Private sector investment levered through inward investment service and development projects | £10m year end | £30,913,207 | ★ |
| Internal processes | | | |
| Average number of days to process new claims and change of circumstances (benefits processing) | 9 | 6 | ★ |
| Telephone calls answered within target time (%) | 80% | 73% | ▲ |
| No. of businesses relocation assists | 10 | 20 | ★ |
| Organisational development | | | |
| Average number of days sickness absence per employee | 6 | 8.29 | ▲ |
| Spend on training as % of total revenue budget | 1% | 1% | ★ |
| Finance | | | |
| Forecast revenue budget outturn (£) | £15,889,000 | £15,284,000 | ★ |
| Forecast Earmarked Reserves at year end | £5.437m | £6.974m | ★ |
| External Borrowing | £20.7m | £20.6m | ★ |

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REPORT TO EXECUTIVE

COMMUNITY BUILDINGS – ESTABLISHING LEASES / COMMUNITY ASSET TRANSFER



| | |
|----------------------|---------------------------------------|
| DATE | 6 December 2016 |
| PORTFOLIO | Community Services / Resources |
| REPORT AUTHOR | Mike Waite |
| TEL NO | 01282 425011 ext 7198 |
| EMAIL | mwaite@burnley.gov.uk |

PURPOSE

1. To approve a draft Community Asset Transfer Policy for consultation.
2. To approve further negotiations with existing community building users with a view to agreeing community asset transfers by way of long lease for continued community use.

RECOMMENDATION

3. To authorise the finalisation of a Community Asset Transfer Policy by the Head of Governance, Property, Law and Regulation in consultation with the Executive Member for Resources, following a two month period of consultation.
4. To authorise agreement of heads of terms for, and the subsequent completion of, the long lease of six community buildings, to the Head of Governance, Property, Law and Regulation in consultation with the Executive Member for Resources.

REASONS FOR RECOMMENDATION

5. The recommendation is in line with the Council's Medium Term Financial Strategy, and the 2016 Asset Management Strategy agreed by Executive. This set out that the plan in respect of the community buildings 'for 2016/17 is to a) establish robust cost, condition, suitability and management criteria and b) consider community asset transfer where appropriate'.
6. Adoption of a Community Asset Transfer Policy following appropriate consultation would set a framework for requests to transfer land and buildings to be considered under.

SUMMARY OF KEY POINTS

7. Over the last year, community engagement officers have liaised with volunteers at six community buildings, Property Services colleagues, the Council for Voluntary Services and other organisations.
8. In relation to three of the buildings, sufficient progress has been made for a target for a community asset transfer to take place with effect from a date during or after April 2017, and before the end of September 2017, such that the buildings will become the property

of established charitable companies:

- Burnley Wood Community Centre (Terracefields), 96 Springfield Road, Burnley, BB11 3LR (*Rosehill with Burnley Wood ward*)
 - Swinless Street, former Housing Area Office (Linkbridge Community Support Centre), 1 Swinless Street, Burnley, BB10 3BN (*border of Bank Hall and Queensgate wards*)
 - Vanguard Community Centre, 65 Bevington Close, Burnley, BB11 5SH (*Trinity ward*)
9. In the case of the following two buildings, officers' view is that initial leases could be established from April 2017 as a preparatory step towards the grant of a full 99 year lease within two years, i.e. by April 2019.
- Ennismore Street Community Centre, Ennismore Street, Burnley, BB10 3EU (*Lanehead ward*)
 - Middlesex Avenue Community Centre, Middlesex Avenue, Burnley, BB12 6AA (*'border' of Gannow and Rosegrove with Lowerhouse wards*)
10. The sixth building is Kibble Bank Community Centre, Underley Street, Burnley, BB10 2BX (*Lanehead ward*). In spite of a series of efforts by officers and local ward members, no stable group of volunteers has been established to run activities at this centre, and no timetable can currently be set for getting to the point where this building could be transferred to a local community based organisation. Other options now need to be considered for this building, and a further report on this will come forward in due course.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

11. Community Asset Transfer involves the transfer of ownership and management of land or buildings from a statutory body (such as a local council) to a community based organisation or group (such as a charity or community interest company) at less than market value for local social, economic or environmental benefit. The legal process of transferring the assets would involve putting a long term lease in place such that the buildings can only be used for community benefit.
12. Where such leases are granted, the proposal is that a 'peppercorn rent' (nil rent) is put in place.
13. Any such lease over 7 years in length would constitute a disposal at an undervalue. Once detailed terms have been agreed Executive approval to the disposal and approval of the amount of undervalue as an opportunity cost would be sought.
14. There are two impacts on the Council's revenue budget from the recommendation:
- Rental income from Linkbridge would be lost following a transfer. This rent is set at £5,100 for this year and is assumed in the continuation budget for 2017/18. (There is no rental income to the council from any of the other buildings).

- There will be a potential budget saving to the council as a result of transferring responsibility for bills, water charges, insurances etc. to the management committees of the buildings. These budgets amount to £8,634 for this year, and are assumed in the continuation budget for 2017/18

15. If all of the buildings transferred the net revenue saving would be up to £3,534. If as seems likely however the first lease to be granted is that of Swinless Street, which is let on a full repairing lease, there would initially be a revenue loss equivalent to the rent they pay without the council necessarily achieving any cost saving at the same time.

16. Costs of maintenance and repair of the buildings are covered by the Council through Liberata, under budgets transferred to them. These liabilities would no longer arise once full repairing leases are in place and any ongoing savings could be spent elsewhere on the Council's estate.

POLICY IMPLICATIONS

17. The recommended actions are in line with existing policy, and amount to confirmation that the provision of community buildings is no longer considered 'core business' of Burnley Council. At the same time, the Council wishes to dispose of its buildings in a way likely to continue their availability to residents as community assets.

DETAILS OF CONSULTATION

18. Mohammed Essak, Building Maintenance Manager, Liberata
Volunteers at all community centres named in appendices
Council for Voluntary Service

BACKGROUND PAPERS

19. None

FURTHER INFORMATION
PLEASE CONTACT: Mike Waite, mwaite@burnley.gov.uk 01282 425011 ext 7198
ALSO:

Appendix: Community buildings – establishing leases: moving towards asset transfer

This appendix details the stages that the buildings will have gone through before a full repairing lease and / or asset transfer is agreed.

1. Volunteers in place running activities. *Track record of this happening over a significant period of time, with activities generating funds which contribute towards running of centre*
2. Fund raising through sponsorship and / or grant application. *Track record of this happening over a significant period of time, with funds contributed towards running of centre.*
3. Management committee established to oversee activities.
4. Management committee constituted as a legal entity.
5. Burnley Council / Liberata identifies and carries out a programme of works so that the building is in a proper state to transfer on a full repairing lease.
6. Management committee members take part in training to be delivered by / arranged by the Council for Voluntary Service covering the legal duties and good practices involved in running a community centre; appropriate business planning; financial management; health and safety; insurances etc.
7. Management committee members are briefed about the benefits of opting to tag onto the contract run by Liberata in respect of Burnley Council buildings so as to meet statutory requirements (*this would deliver economies of scale, confidence etc.*)
8. Management committee members are briefed about the benefits of joining a forum or consortium of community building management committees, to be convened by the Council for Voluntary Service. (*This would be the focus for sharing and promoting good practice, providing mutual support, and generating economies of scale through purchasing some services, licenses, insurances etc. etc. collectively for all members of the forum / consortium*).
9. Management committee agrees to take on a full repairing lease. The length of the lease would be agreed in discussion, and could vary from building to building. *Responsibilities covered by the lease would be: paying all bills on behalf of the centre; carrying out and paying for routine repairs; gaining approval from the council before carrying out / paying for any structural work; meeting all statutory requirements in respect of a community building, e.g. fire safety inspections, legionella's disease inspections, public liability insurance etc.*

Or – alternative step to step 9

10. Management committee agrees to take ownership of the building through asset transfer, and draws up an appropriate business plan. All rights and responsibilities of ownership would rest with the management committee. *The terms of asset transfer would ensure that the buildings will continue to be used primarily for community benefit, and that in the event of the management committee wanting to sell or transfer the building, or in the event of the management committee failing to sustain, the council will have the option of taking back ownership of the building / land at no cost.*

Burnley Borough Council
Draft Community Asset Transfer Policy

Date: 24 October 2016

Contents

Introduction

What is Community Asset Transfer?

Aim of this Policy

Benefits and Challenges of Asset Transfer

Principles of Community Asset Transfer

Asset Transfer Process

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Appendix C: Guidance for Community Organisations

Introduction

Council owned buildings, land and premises have been occupied by various local groups, organisations and sports clubs for many years. This Policy sets out a framework for the Council to follow when it considers the transfer of its buildings or land to different forms of community ownership. It will ensure the Council can work in a consistent manner when embarking on community asset transfer. The purpose of this Policy is to enable the Council to assess applications for community asset transfer against clear criteria that ensures any transfer meets Council objectives and is in the best interests of the community.

What is Community Asset Transfer?

Community Asset Transfer involves the transfer of management and/or ownership of land or buildings from the local authority to community based organisations or other public sector organisations. Examples of community based organisations are a local charity, Community Interest Company or industrial and provident society. The transfer applies to buildings, land and green space where the primary purpose is to enable community activities to take place.

There is a growing trend that community asset transfer is now happening in response to the requirement of local government to reduce its budgets. The pace of reducing budgets can place additional challenge for managing the transfer of assets to voluntary organisations.

Burnley Borough Council has a record of transferring the management of certain facilities over to the community. This has included licensing playing fields and pavilions to local community sports clubs and leasing golf clubhouses, community centres and other space to community organisations and associations. Previously there has been no clear policy for the Council to follow when undertaking this transfer, so licences and leases have often been negotiated and agreed in a reactive and ad-hoc manner.

The Council's Corporate Objectives as restated in the **Councils Strategic Plan 2016/17** highlight the theme of **"People:-** "creating opportunities and sustaining ambition and **"Places":-** "making "the Borough a place of choice".

By providing an opportunities for local communities to participate through the management and ownership of community assets the Council can further meet these objectives and might also enable budget efficiencies for the Council.

Aims of this Policy

To identify the process and tools that will enable the successful delivery of a future asset transfer programme.

- *To recognise the capacity needs of local groups wishing to take on Council assets.*
- *To ensure a thorough risk assessment of asset transfer is undertaken.*
- *To define the legal form a transfer agreement would take.*

Benefits and Challenges of Asset Transfer

The potential benefits that community asset transfer can bring:

- *Facilities under financial pressure can remain open*
- *Costs are reduced and volunteer run facilities can access more funding opportunities*
- *Community run facilities can be more responsive to local need.*
- *Community organisations are in a better position to plan for their future*
- *Opportunities for greater creativity and innovation if the running of community facilities are outside Council management or ownership*
- *Development of individual volunteers and the rewards that volunteering brings*
- *Continued community empowerment to enable a secure future for local organisations through the management of local assets*
- *Strong community organisations working in partnership with the Council to achieve its Strategic Objectives*
- *Budget efficiencies for the Council*
- *Positive relationships developed between the Council and local community partners*
- *Assets playing a greater role in bringing communities together for social, economic and wellbeing purposes.*
- *They can become a point for neighbourhood service provision.*

A recent report on the transfer of leisure facilities has also identified the potential challenges posed by community asset transfer:

- *Loss of control by the local authority over community run facilities could mean reduced ability to strategically plan the provision of community facilities*
- *Sustaining the long-term enthusiasm for a group of volunteers to run facilities*
- *The ability of volunteers to succession plan in the management of community facilities*
- *Developing trust between the community organisations and the local authority*
- *Sustaining the long-term financial viability of facilities run by volunteers*
- *The reality of community capacity – this may be higher in more advantaged areas. More disadvantaged areas will require capacity community building support*
- *Capacity building and development of volunteers and community organisations takes time.*
- *Will the expectation of budget reductions over take this? Both in terms of reducing the costs of facilities and reducing the community development support to volunteers and groups*
- *Reduced standards of provision and loss of skilled facility managers and workers.*

Principles of Community Asset Transfer

1. Meeting Community Need

The transfer of an asset must be in the best interests of the community and contribute to the aims and priorities of the Council. This includes ensuring an asset remains accessible to the community, in particular for those with the protected characteristics defined by the Equality Act.

2. Transparency

The Council will provide a clear point of contact, have defined criteria for assessing eligibility of a community organisation and the viability of an asset and each stage of the transfer will be clearly defined and agreed by both parties from the outset.

3. Community Engagement and Empowerment

The Council sees asset transfer as a means to further empower community organisations and to support them in shaping how local need can best be met. It is not about transferring risk and liability over to the community. For any asset transfer to happen the community must be supported to ensure they are in the best position to take on the long-term succession management of that community asset. The Council will ensure any community organisations' meet our viability criteria for taking on an asset.

4. Role of Community Assets

An assessment of the potential for Council assets being eligible for transfer will be made. An options appraisal will include whether an asset is fit-for-purpose for community ownership or management and its proposed future use is of benefit to the wider community. The Council's Asset Management Group will oversee this options appraisal.

5. Robust Business Planning

Any transfer must be financially viable for both the community organisation and the Council. The asset must be fit-for-purpose so the financial implications of this will be considered. The Council will work with community organisations to establish a strong long-term business plan for the future.

6. Preferred Model of Transfer

There is more than one model of community asset transfer that could be adopted in each case. The Council is committed to pursuing the best one in each case that is in the interests of the Council, community organisation and the wider community.

7. Council Support Post Transfer

A transfer agreement will set out the relevant benefits of transfer and how these will be monitored and measured over time. The Council will have a clear point of contact to manage the relationship with the community organisation that has taken on the asset.

8. Property Development and Protecting Community Assets

The Council will seek to safeguard that assets continue to be of benefit to the community and this will be detailed in any agreement of transfer. Such agreements will need to define circumstances when an asset is no longer viable as a community facility. Any future income from the sale of a property needs to be distributed in the best interests of the local community.

9. Timescales

There is not one set timescale for progressing community asset transfer. This will be established on a case-by-case basis. Agreement to transfer an asset will only take place when the Council is satisfied that this is a sustainable option.

The Asset Transfer Process

When embarking on asset transfer the Council will follow a clear process that ensures any decision taken is in the best interests of the Council and community need.

Mapping the Viability of Assets for Transfer

The Council will use a matrix for assessing the viability of assets for transfer to community organisations. This matrix will assess criteria such as health and safety, financial liabilities, existing covenants and asset condition. These assets may include buildings, land, open space or other structures that are in the freehold ownership of the Council.

This options appraisal matrix will be developed and overseen by the Council's Asset Management Group that will determine whether asset transfer is a viable option.

Community Consultation Regarding Potential Asset Transfer

If the Council decides it wishes to pursue community asset transfer as an option for any of its assets it will commence consultation that will:

- *be undertaken once an asset or group of assets have been identified as being eligible for community transfer*
- *provide clarity as to why the Council is considering community transfer as an option*
- *provide sufficient time for the community to respond to the proposals*
- *include consultation with local ward members*
- *be used when making final decisions on transfer.*

Asset Transfer Checklist

1. *Is the asset currently fit-for-purpose for transfer to community ownership or management?*
2. *Does the community organisation meet the Council's viability criteria?*
3. *Consultation on any proposal to transfer an asset, including local ward members.*
4. *What support does it need to fill the gaps?*

5. *Support the development of a robust business plan for asset transfer.*
6. *What is the preferred model of community asset transfer in this instance?*
7. *A transfer agreement addressing all legal and financial liabilities and which determines appropriate governance arrangements.*
8. *Post transfer relationship between the Council and community organisation.*

Eligibility Criteria for Community Organisations

The Council will develop a clear framework for assessing whether a community organisation is appropriate and ready to take on one of its assets. The Council will make the final decision as to whether an organisation/s meets its criteria. This framework will assess an organisation in the following ways:

- *Does the community organisation's governance allows it to be influenced by the local community?*
- *Is it a voluntary and community sector or statutory body?*
- *What is the status of the organisation, is it constituted, a registered charity, community interest company, charitable trust or a not for profit company?*
- *What is the organisation's track record in meeting community need?*
- *Does the organisation have the capability to manage an asset, such as health and safety planning, experience in facility management, a robust plan to develop this expertise and a clear management structure?*
- *Is the organisation's financial status robust enough?*
- *Risk associated with transfer for both the Council and the organisation?*
- *Financial implications for the Council?*
- *Contribution to the Council's aims and objectives and wider community benefit?*
- *Does the organisation have a robust business and development plan, including capacity building needs?*
- *Has the organisation prepared a robust business case for asset transfer?*
- *Does the organisation adhere to equality and diversity principles?*
- *Does the organisation have clear aims and objectives?*

This is about ensuring the community organisation has a robust business plan to enable it to embark on asset transfer. **Appendix A** gives an overview of the key considerations such a business plan will need to have, while **Appendix B** provides a risk assessment framework to guide the Council.

Support for Community Organisations

If an asset is deemed eligible for potential transfer, a support plan may be offered to an interested community organisation by either the Council directly or another organisation with the skills and expertise to offer capacity building, business planning advice and potential feasibility planning. Such an organisation could be a current partner organisation of the Council working locally or a body contracted to offer such support.

The type of support offered to any community organisation or group of volunteers willing to take on a Council's asset may include:

- *assessing the viability of a group taking on a facility*

- *practical advice and support in business planning and accessing external funding*
- *advice in appropriate legal status of a community organisation*
- *support and guidance in the development of a community organisation*
- *skills development of groups in business planning, facility management and volunteer succession planning*
- *financial support for legal advice, stock condition surveys, pre and post transfer capital programme.*
- *advice regarding the liabilities any trustees could face.*

Appendix C offers links to useful guidance to assist in the support of community organisations wishing to explore asset transfer.

Transfer Options;

For whatever form of transfer that is pursued a legal agreement will be drawn up between the Council and the community organisation that receives the asset. Such an agreement will determine the legal and financial liabilities as a consequence of asset transfer. In all cases appropriate legal mechanisms will be established to protect the Council's financial position.

If asset transfer is considered feasible the most likely forms of legal agreement are a licence, lease or a freehold transfer.

| Legal Agreement | Definition |
|------------------------|--|
| Licence | a community organisation is given permission to use an asset but on a shared basis with other community users for the duration of the agreement. |
| Lease | a community organisation is given permission to use an asset on an exclusive basis for its activities for the duration of the agreement. |
| Freehold | Where the complete ownership of the asset is passed on to the community organisation. |

Licences

The duration of a licence agreement can be as short or as long as required and will be at the discretion of the Council.

Where there is a licence agreement in place it may be that the Council retains some control over the management of the asset given the shared community use. The type of licence agreement covered by this policy is where an asset is going to be used by a community organisation for a specific purpose. The most common example of this, is where a local sports clubs will use a pitch and pavilion on a recreation ground for a period of many years. This policy does not cover a very short term licence where an organisation seeks to use a piece of land for a one-off event.

Leases

A lease could be as short as 5 years or as long as 99 years. However, it should be noted that external funders often look favourably upon a longer-term tenure when offering capital

funding to community organisations. A lease agreement would pass responsibility for building or grounds maintenance, running costs, opening and closing and general management of the site to the community organisation. With a long lease, a community organisation has a sufficient interest to seek external funding and will take full responsibility for the building or land. However, at the end of the term the building or land would return to the Council. Alternatively, it can be re-negotiated with the existing organisation or any other community group providing the Council's eligibility criteria are met.

Freehold

When entering into a freehold arrangement the Council may wish to consider certain covenants to protect the community asset. This is not only to safeguard the legal and financial interest of the Council, but also to prevent local organisations from being deterred from taking on responsibility given the potential risk it involves. Covenants can also ensure an asset continues to be used for the benefit of the wider community.

Options could be:

- *its use remains for local people and meets community need*
- *protection for existing groups to continue to use the asset*
- *future failure of the community organisation means the asset reverts back to the ownership and control of the Council rather than being sold for development*
- *in a situation where it is agreed the asset can be sold, the receipts will be allocated for community rather than individual benefit, i.e. paid to the Council or other public body associated with the asset*
- *in the event of any commercial benefit of a sizeable amount received through use of the asset, an obligation to share part with the Council*
- *the asset is maintained to a reasonable standard.*

Sale Price and Rental Value

The Council will consider current market value of an asset when considering rental or sale price. By virtue of Section 123, Local Government Act 1972, the Council has the power to dispose of land held by it in any manner it wishes but, except with the consent of the Secretary of State, it may not do for a consideration less than the best that can reasonably be obtained (unless the disposal consists of a grant of a term not exceeding seven years).

The Council can, in reliance on the General Disposal Consent (England) 2003, dispose of land at less than best consideration that can be reasonably be obtained in the following circumstances:

- a) where the local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of anyone or more of the following objects in respect of the whole or any part of its area, or of all or any persons resident or present in its area;
 - i) the promotion or improvement of economic well-being;
 - ii) the promotion or improvement of social well-being;
 - iii) the promotion or improvement of environmental well-being; and

- b) the difference between the unrestricted value of the land to be disposed of and the consideration for the disposal does not exceed £2,000,000 .

Any decision would need to balance the Council's own financial need against the wider community wellbeing that asset transfer at an under-value may bring.

State Aid

All Disposals also need to comply with the European Commission's State Aid Rules. When disposing of land at less than best consideration, the Council is providing a subsidy to the owner, developer and/or the occupier of the land and property, depending on the nature of the development. Where this occurs the Council must ensure that the nature and amount of subsidy complies with the State Aid Rules particularly if there is no element of competition in the sales process. Failure to comply with the rules means that the aid is unlawful, and may result in the benefit being recovered with interest from the recipient.

Alternatives to Asset Transfer

If an asset is no longer being required by the Council or is no longer suitable for ongoing community use, the authority would consider the sale of the asset on the open market where no community organisation is willing or eligible to take the asset.

Equality Impact Assessment

The Council will conduct an Equality Impact Assessment of any proposed transfer of a facility.

Final Decision

Asset transfer that involves lease or freehold is an Executive decision and given its significance and public interest, final Executive approval will be sought before a transfer takes place. In the case of a simple licence agreement is proposed that a decision can be made according to the constitutional delegations of the relevant Portfolio Holder.

Post Transfer Relationship

The Council will still need to have an on-going relationship with community organisations once asset transfer is complete. This will be as much about relationship management as it will to monitor all requirements set out in a licence, lease or freehold agreement are being fulfilled. In the event of an asset transfer venture failing the Council must be prepared to resource any resulting work. This could include bringing it back into Council control, assessing maintenance liabilities, making necessary repairs, re-housing organisations at alternative sites, managing public relations in such circumstances and identifying and pursuing alternative transfer options.

Appendix A: Business Plan Elements

Organisations which support voluntary sector organisations have developed principles about how to draw up a robust business plan, which include the following:

- *clear purpose and goals of the organisation*
- *motivation for wanting asset transfer*
- *legal structure of the organisation, such as the constitution*
- *turnover or profitability of the organisation*
- *existing or proposed assets of the organisation*
- *profit and loss account and balance sheets*
- *funding available now or in the future*
- *the service the organisation will be providing*
- *why the community or customers would want to use the service*
- *the identified need for the service*
- *what will the service involve and how will it benefit the community*
- *who will use the service and the market research which identifies this*
- *assessment of any competitors*
- *any barriers for delivering the service*
- *marketing objectives and goals*
- *skills and capacity of the organisation to deliver the service*
- *succession plan for volunteers within the organisation*
- *how the service will be provided*
- *description of premises, including planning requirements and permissions,*
- *health and safety expectations and license requirements.*
- *building work required including quotes*
- *financial forecast to assess organisational viability*
- *risk management plan and actions to reduce these*
- *money required and where this comes from*

Appendix B: Risk Management – Viability of Transfer

In order to assess the viability of any transfer of a community asset, the Council will conduct a risk assessment. This will be done in partnership with the community organisation that proposes to take on management or ownership of an asset.

Community organisation has capacity to manage the asset?

If no, transfer will not be successful and will have a negative impact for the wider community.

Action:

Development plan for the community organisation that addresses the gaps in capacity before asset transfer is implemented.

Community organisation has sufficient finances to buy or refurbish the asset?

If no, the asset may not be fit-for-purpose, may not be able to operate at full potential.

Action:

Support and advice regarding external funding opportunities and Council consideration of its capital fund to enable asset to become fit-for-purpose.

Are their limitations regarding State Aid or other public body restrictions?

If yes, external funding potential may be limited.

Action:

Expert legal advice is sought for both parties so the limitations or exemptions are clear.

Community organisation has a robust management plan in place?

If no, risk of financial liability and insufficient capacity to manage the asset effectively, making transfer not viable.

Action:

Support and advice for the development of a robust business plan before transfer is agreed.

Asset to be used to the benefit of the community?

If no, negative reaction or resentment from the wider community and a possible breakdown in community relations.

Action:

Legal transfer agreement to stipulate requirement that the organisation's governing documents give a strong ambition for addressing wider needs of the community.

Community organisation has the financial capacity to upgrade and maintain the asset in the long-term?

If no, in the long-term the asset may depreciate in value and no longer be fit-for purpose.

Action:

Support and advice for the development of a robust business plan before transfer is agreed. Consideration of financial contribution to support the on-going maintenance of the asset.

Community organisation relies on volunteers as opposed to paid staff?

If yes, risk of increased burden on a few volunteers and a lack of new volunteers to take on future management.

Action:

A partnership network to support volunteers, encourage succession planning, enterprise and commercial opportunities.

Community organisation wishes to employ paid staff to manage a facility?

If yes, TUPE implications regarding existing local authority employees would need to be considered.

Action:

Expert legal advice is sought for both parties so the limitations or exemptions are clear.

Ownership of assets across the Council area increasingly fragmented?

If yes, the Council will have less scope to deliver local services and invest in the renewal of local assets.

Action:

Partnership working encouraged to enable greater investment in local facilities.

Transfer agreements to set out the expectations of the Council with regard to the strategic management of assets.

Are all roles, responsibilities and liabilities clear from the outset?

If no, this could cause a breakdown in partnership working with the Council and mean unexpected liabilities to either party.

Action:

Transfer agreements to include all legal, financial and statutory liabilities.

Is there conflict from community organisations competing for transfer of an asset?

If yes, this could mean a breakdown in community relations and cause resentment in the community.

Action:

A clear criteria for being eligible for taking on an asset that advocates strong, well governed, financially viable organisations whose ambitions will ultimately benefit the wider community.

Appendix C: Guidance for Community Organisations

Useful resources for community organisations include:

Ethical Property Foundation

<http://www.ethicalproperty.org.uk/>

To Have and To Hold is a guide to long-term community ownership and development of land and buildings

<http://locality.org.uk/resources/hold/>

Sport England Community Sport Asset Transfer Toolkit - for community groups and local authorities

<http://assettoolkit.sportengland.org/>

Bury St Edmunds Rugby Club

<http://assettoolkit.sportengland.org/BuryStEdmundsRugbyFootballClub.html>

Asset transfer legal information including jargon busters

http://locality.org.uk/?s=as_perform_advancedsearch&as_perform_advancedsearch=true&as_querytype=words&as_posts_pages=both&as_sortby=relevance&s=legal+toolkit

References & Acknowledgements

- 1 "The transfer of public leisure facilities to volunteer delivery." Research report, September 2014, Geoff Nichols, Sheffield University Management School, Deborah Forbes, Newcastle University Business School.
2. Gelding Borough Council Community Asset Transfer Policy.

REPORT TO THE EXECUTIVE



| | |
|----------------------|---|
| DATE | 13th February 2017 |
| PORTFOLIO | Resources & Performance Management |
| REPORT AUTHOR | David Donlan |
| TEL NO | (01282) 477172 |
| EMAIL | ddonlan@burnley.gov.uk |

Capital Budget Monitoring Report 2016/17 Cycle 3 (to 31st December 2016)

PURPOSE

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

RECOMMENDATION

- 2 The Executive is asked to:
 - Recommend to Full Council, approval of the revised capital budget for 2016/17 totalling £7,500,591, as outlined in Appendix 1.
 - Recommend to Full Council, approval of the proposed financing of the revised capital budget totalling £7,500,591 as shown in Appendix 2.
 - Note the latest estimated year end position on capital receipts and contributions showing an assumed balance of £2,749,051 at 31st March 2017, in Appendix 3.

REASONS FOR RECOMMENDATION

- 3 To effectively manage the 2016/17 capital programme.

SUMMARY OF KEY POINTS

2016/17 CAPITAL PROGRAMME:

4 **MONITORING INFORMATION:**

On the 24th February 2016 Full Council approved the 2016/17 original capital budget, totalling £6,931,488. Since February, a number of individual reports have been approved by the Executive, along with approvals under delegated powers, resulting in revising the 2016/17 capital budget to £8,878,322 [as at the 16th December 2016 Executive Meeting].

This is the third round of in-year cyclical monitoring, and as such the appendices accompanying this report provide Members with the position as at 31st December 2016 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 2016. The expenditure to date is £3,079,464 which is 41% of the proposed revised budget.
- b) Revised Budget and Financing Elements - Appendix 2 shows the revised budget of £7,500,591 along with identifying the approved financing elements on a scheme by scheme basis.
- c) Council Resources Position - Appendix 3 shows the latest position on capital receipts, section 106 monies and 3rd 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 2016/17 capital commitments, totals £2,749,051.

REVENUE IMPLICATIONS

Revenue Contributions 2016/17

6 The Capital Programme includes Revenue Contributions totalling £665,789, being:

| Scheme Name | £ |
|---|----------------|
| Vehicle and Machinery Replacement | 205,467 |
| Padiham Pump Track - Phase 2 | 3,000 |
| Vision Park | 82,608 |
| Market Safety Works | 22,520 |
| Energy Efficiency of Council Buildings | 12,320 |
| Padiham Town Hall Non-Insured Flood Works | 114,874 |
| Town Centre & Shopping Centre Works | 225,000 |
| Total Revenue Contributions | 665,789 |

Prudential Borrowing 2016/17

The Capital Programme includes a use of Prudential Borrowing totalling £1,958,054.

The revenue implications through expenditure funded from Prudential Borrowing of £1,958,054, are a net increase in the Minimum Revenue Provision [MRP] of £37k. The net notional interest charge on the borrowing is also £46k.

The MRP costs are not incurred until 2017/18, and the notional interest cost will be dependent on the timing of the borrowing but is anticipated to be at year end and therefore also not likely to be incurred until 2017/18. This will be included within the revenue budget for 2017/18.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

7 As set out in the body of the report.

POLICY IMPLICATIONS

8 None arise directly from this report.

DETAILS OF CONSULTATION

9 Management Team and Heads of Service

BACKGROUND PAPERS

10 None.

FURTHER INFORMATION

PLEASE CONTACT:

David Donlan,

Accountancy Division Manager

Ext 7172

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| Scheme Name | Revised Budget | Adjustments Per This Report | | Revised Budget | Total Spend | % Schemes | Narrative provided by Project Officers/Heads of Service |
|-------------------------------------|----------------|-----------------------------|------------------------------|----------------|----------------|------------|--|
| | Exec 16/12/16 | Budget Adjustments | Reprofiled into Future Years | to be Approved | as at 31/12/16 | Spend | |
| | £ | £ | £ | £ | £ | £ | |
| GREEN SPACES & AMENITIES | | | | | | | |
| Thompson Park Restoration Project | 36,061 | | | 36,061 | 36,055 | 100% | Complete. The Stage 2 Application was submitted and funding of £861k from HLF has now been approved for the restoration of Thompson Park and is included in the 2017/18 capital programme. |
| Play Area Improvement Programme | 9,800 | | | 9,800 | 9,302 | 95% | Complete. Balance of budget to be spent on installation of fencing Hargher Clough Park. |
| Prairie Sports Complex | 16,630 | | | 16,630 | - | 0% | Complete |
| Towneley Hall Works | 1,468 | | | 1,468 | 1,124 | 77% | Balance to be spent upgrading the alarms in the Long Gallery. |
| Brun Valley Forest Park | 14,549 | | | 14,549 | 5,747 | 40% | Installation of 45 finger posts and 11 large maps and interpretive panels signage starts at beginning of February and the scheme will be complete by end of March |
| Vehicle & Machinery Replacement | 233,169 | (27,702) | | 205,467 | 131,177 | 64% | In progress. The order for replacement pick-up vans has been delayed as we are reviewing vehicle requirements in light of reduced workforce. It is likely that one new pick up will be purchased and two smaller utility vehicles which will provide greater flexibility |
| Extension of Burnley Cemetery | 21,087 | | (16,087) | 5,000 | - | 0% | The contract for design work on new extension is being tendered. Spend to end of financial year expected to be £5k, with balance requested to be slipped to 2017/18 |
| | 332,764 | (27,702) | (16,087) | 288,975 | 183,405 | 63% | |

| STREETSCENE | | | | | | | |
|---|------------------|--------------|-----------------|------------------|----------------|------------|---|
| River Training Walls | 170,672 | | (47,000) | 123,672 | 93,505 | 76% | The footbridge over the River Brun at Bank Hall was completed in September 2016 (estimated cost £60k) and is now open to the public. Phase 2 River Brun Training Wall Work completed (cost £6k). River Brun de-silting works completed (£5k). River Calder Training Wall works part completed, further work to be undertaken in February/March at an estimated cost of £30k, weather permitting. It will not be possible to complete the allocated spend this financial year due to the Environment Agency not being able to grant licences as speedily as is normal due to their commitments after the Boxing Day floods of 2015. All remaining monies (£47k) need to be re-profiled into 2017/18 to enable us to complete the essential work next financial year, in particular to the River Brun in Bank Hall which has got progressively worse and is now close to full collapse. |
| Car Park Improvements | 10,000 | | | 10,000 | - | 0% | Infrastructure improvements (lighting, drainage, surfacing, lining, machines etc.) are out to tender, with site works to be completed in the last quarter. |
| Burnley Town Centre Pedestrianisation Upgrade | 782,104 | | | 782,104 | 214,001 | 27% | Works complete at Manchester Road, The Mall and Curzon Street from the 'Next' retail outlet to St James Street. Works are virtually complete along St James's Street from Manchester Road to Hammerton Street. Advance works on St James's Street from Manchester Road to Hall Street are continuing with the bandstand and charity arch demolished. (The bandstand has been re-erected in Memorial Park, Padiham). Overall work is progressing on-time and to budget. All the budget has been allocated for spend this financial year and it will be spent this financial year. |
| Alleygate Programme | 58,900 | (800) | | 58,100 | - | 0% | Final spend to be £58,100. Underspend due to reduction of gates required. Installation Q4. All orders placed. |
| CCTV Infrastructure | 69,000 | | (39,000) | 30,000 | 1,218 | 4% | Works on hold until the outcome of the CCTV hub project is known. No change for the third quarter. There is some anticipated spend in quarter 4 linked to relocation of cctv control room due to market demolition, approximately £30k. The remainder will need to be rolled over to the next financial year to complete the works. |
| Bus Shelter Replacement | 8,700 | | | 8,700 | 3,387 | 39% | Installed one shelter and upgraded three shelters at a cost of £3,400. Remaining budget is committed for shelters at Thompson Street, Padiham and Lancaster Drive, Padiham. Lancashire County Council are proposing to resurface Thompson Street in the near future so these two shelters are on hold until we receive the LCC programme. The three shelters have now been ordered and works will be completed in quarter 4. |
| Padiham Pump Track - Phase 2 | 18,000 | | | 18,000 | 17,680 | 98% | Scheme complete |
| | 1,117,376 | (800) | (86,000) | 1,030,576 | 329,791 | 32% | |

| Scheme Name | Revised Budget | Adjustments Per This Report | | Revised Budget | Total Spend | % Schemes | Narrative provided by Project Officers/Heads of Service |
|---|------------------|-----------------------------|------------------------------|------------------|----------------|------------|---|
| | Exec 16/12/16 | Budget Adjustments | Reprofiled into Future Years | to be Approved | as at 31/12/16 | Spend | |
| | £ | £ | £ | £ | £ | £ | |
| REGENERATION & PLANNING POLICY | | | | | | | |
| University Technical College | 22,500 | | | 22,500 | - | 0% | Access works to the roof are still outstanding. Retention held. |
| Vision Park | 1,614,448 | 7,725 | (277,835) | 1,344,338 | 271,777 | 20% | Site works commenced in January 2017. The cashflow forecast for the construction programme now underway shows that the revised budget will be met. |
| Weavers Triangle - Starter Homes | 445,836 | | (330,000) | 115,836 | 4,208 | 4% | Works are due to start on site in January 2017 with a 12 month build out period. Majority of spend in 2017/18, and therefore reprofile £330k |
| Infrastructure & Highways Works | 40,009 | | | 40,009 | - | 0% | Retention period has now ended, awaiting final invoice from LCC |
| Public Realm | 32,191 | | | 32,191 | 32,191 | 100% | Completed |
| Market Safety Works | 222,520 | | | 222,520 | 30,787 | 14% | Survey work has been completed and a start on site will take place once necessary permissions have been given from adjoining interests. |
| | 2,377,504 | 7,725 | (607,835) | 1,777,394 | 338,963 | 19% | |
| FACILITIES MANAGEMENT | | | | | | | |
| Energy Efficiency of Council Buildings | 12,320 | | | 12,320 | - | 0% | Committed £1,013 for Mechanics Inverter for Heating Pumps and £2,200 towards Towneley Hall LED Spot Lights in Art Gallery |
| Padiham Town Hall - Flood Works | 751,219 | | | 751,219 | 129,185 | 17% | Enabling and asbestos works were understood to be substantially complete. A problem has arisen however in respect of the asbestos "encapsulation" treatment used in the basement. Discussions are underway with our insurers and the specialist asbestos contractor appointed by them to resolve this as soon as possible. In the meantime we are trying to bring forward works areas unaffected by this problem e.g. the bar/refreshment building. |
| Leisure Centre Improvements | 101,301 | | | 101,301 | 38,795 | 38% | Currently committed the following: £1,034 for Bio sulphate Dosing System at Padiham Leisure Centre, £27,789 for New Boilers and Hot Water Vessels at Mechanics and £2,775 Refurbish Pump & Reinstall & test. |
| Contribution to Shopping Centre Redevelopment | 750,000 | | (375,000) | 375,000 | 375,000 | 100% | The funding agreement has been completed and the first 50% tranche payment made. Preparation works to the former Poundland unit on St James Street are underway with a view to enabling the relocation of Wilko's freeing up their existing store on Curzon Street for Primark. The next tranche will not be payable until next year, once Primark opens for trade. |
| | 1,614,840 | - | (375,000) | 1,239,840 | 542,980 | 44% | |

| Scheme Name | Revised Budget | Adjustments Per This Report | | Revised Budget | Total Spend | % Schemes | Narrative provided by Project Officers/Heads of Service |
|--|------------------|-----------------------------|--------------------|------------------------|------------------|------------------|---|
| | Exec 16/12/16 | Budget | Reprofiled into | to be Approved | as at | Spend | |
| | £ | £ | £ | £ | £ | £ | |
| HOUSING & DEVELOPMENT CONTROL | | | | | | | |
| Emergency Work Grant | 83,751 | | | 83,751 | 53,223 | 64% | 20 grants have been approved totalling £78,362. |
| Disabled Facilities Grant | 1,400,000 | | | 1,400,000 | 916,835 | 65% | A total of £1,774,976 has been committed with 223 adaptations approved and 149 being completed. Although contractors will start on the majority of the approved adaptations before the end of the financial year, not all work will be finished and therefore the final payment will be made in 2017/18. |
| Energy Efficiency | 60,669 | 27,968 | | 88,637 | 42,464 | 48% | 73 grants have been approved totalling £54,739. The Council has again been successful in bidding for Affordable Warmth funding from Lancashire County Council, this funding is to ensure vulnerable residents have adequate heating in their homes. |
| Empty Homes Programme | 1,250,000 | | (300,000) | 950,000 | 555,149 | 58% | At the beginning of the financial year it was predicted that the Council would pay compensation/acquisitions costs to the owners of 12 properties. So far, only one owner has claimed the compensation. Despite this, 11 empty properties have vested into the councils ownership. The renovation target of 10 will be met with 7 already complete and a further 3 completing before the end of the year. The lack of compensation claims from owners will mean that £100k of committed resources will require slipping into 2017/18. In addition, £200k from this budget will be utilised to support housing development in Padiham. |
| Interventions, Acquisitions and Demolitions | 441,086 | | | 441,086 | 86,550 | 20% | Part of this budget is used to fund outstanding compensation claims from completed demolition projects. In addition, an environmental scheme on Accrington Road has been completed. This scheme will continue to now include two commercial blocks and the backs of one block overlooking a new Keepmoat development. The £250k that had been committed for the Perseverance Mill site will be rolled forward into 2017/18 programme and be replaced in 2016/17 with a contribution to support housing redevelopment in Padiham. |
| Housing Market Support | 75,617 | | | 75,617 | - | 0% | This scheme is utilised to bring forward site/opportunities for development and associated expenditure. |
| | 3,311,123 | 27,968 | (300,000) | 3,039,091 | 1,654,221 | 54% | |
| CHIEF EXECUTIVE / CORPORATE INITIATIVES | | | | | | | |
| Ward Opportunities Fund | 124,715 | | | 124,715 | 30,104 | 24% | As reported in previous quarters, the overall spend on this programme is largely determined by the extent to which proposals come forward from ward councillors. |
| | 124,715 | - | - | 124,715 | 30,104 | 24% | |
| | 8,878,322 | 7,191 | (1,384,922) | 7,500,591 | 3,079,464 | 41% | |
| | | | | 2015/16 Cycle 3 | 6,638,274 | 3,796,772 | 57% |

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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 £ | |
| Green Spaces & Amenities | | | | | | | | |
| Thompson Park Restoration Project | 36,061 | | | 32,600 | | | 3,461 | 36,061 |
| Play Area Improvement Programme | 9,800 | | | | 8,536 | | 1,264 | 9,800 |
| Prairie Sports Complex | 16,630 | | | | 16,630 | | | 16,630 |
| Towneley Hall Works | 1,468 | | | | 1,468 | | | 1,468 |
| Brun Valley Forest Park | 14,549 | | | | 1,942 | | 12,607 | 14,549 |
| Vehicle & Machinery Replacement | 205,467 | | 205,467 | | | | | 205,467 |
| Extension of Burnley Cemetery | 5,000 | 5,000 | | | | | | 5,000 |
| | 288,975 | 5,000 | 205,467 | 32,600 | 28,576 | - | 17,332 | 288,975 |
| Streetscene | | | | | | | | |
| River Training Walls | 123,672 | | | | 123,672 | | | 123,672 |
| Car Park Improvements | 10,000 | | | | 10,000 | | | 10,000 |
| Burnley Town Centre Pedestrianisation Upgrade | 782,104 | 671,753 | | | 110,351 | | | 782,104 |
| Alleygate Programme | 58,100 | | | | 58,100 | | | 58,100 |
| CCTV Infrastructure | 30,000 | 30,000 | | | | | | 30,000 |
| Bus Shelter Replacement | 8,700 | | | | 8,000 | | 700 | 8,700 |
| Padiham Pump Track - Phase 2 | 18,000 | | 3,000 | 10,000 | 3,000 | | 2,000 | 18,000 |
| | 1,030,576 | 701,753 | 3,000 | 10,000 | 313,123 | - | 2,700 | 1,030,576 |
| Regeneration & Planning Policy | | | | | | | | |
| University Technical College | 22,500 | | | 7,275 | 15,225 | | | 22,500 |
| Vision Park | 1,344,338 | 800,000 | 82,608 | 454,005 | 7,725 | | | 1,344,338 |
| Weavers Triangle - Starter Homes | 115,836 | | | 115,836 | | | | 115,836 |
| Infrastructure & Highways Works | 40,009 | | | | | | 40,009 | 40,009 |
| Public Realm | 32,191 | | | 21,344 | | | 10,847 | 32,191 |
| Market Safety Works | 222,520 | 200,000 | 22,520 | | | | | 222,520 |
| | 1,777,394 | 1,000,000 | 105,128 | 598,460 | 22,950 | - | 50,856 | 1,777,394 |
| Facilities Management | | | | | | | | |
| Energy Efficiency of Council Buildings | 12,320 | | 12,320 | | | | | 12,320 |
| Padiham Town Hall - Flood Works | 751,219 | | 114,874 | | | | 636,345 | 751,219 |
| Leisure Centre Improvements | 101,301 | 101,301 | | | | | | 101,301 |
| Contribution to Shopping Centre Redevelopment | 375,000 | 150,000 | 225,000 | | | | | 375,000 |
| | 1,239,840 | 251,301 | 352,194 | - | - | - | 636,345 | 1,239,840 |
| Housing & Development | | | | | | | | |
| Emergency Work Grant | 83,751 | | | | | 83,751 | | 83,751 |
| Disabled Facilities Grant | 1,400,000 | | | 1,400,000 | | | | 1,400,000 |
| Energy Efficiency | 88,637 | | | | | 60,669 | 27,968 | 88,637 |
| Empty Homes Programme | 950,000 | - | | | | 950,000 | | 950,000 |
| Interventions, Acquisitions and Demolitions | 441,086 | | | 441,086 | | | | 441,086 |
| Housing Market Support | 75,617 | | | 75,617 | | | | 75,617 |
| | 3,039,091 | - | - | 1,916,703 | - | 1,094,420 | 27,968 | 3,039,091 |
| Chief Executive | | | | | | | | |
| Ward Opportunities Fund | 124,715 | | | | 124,715 | | | 124,715 |
| | 124,715 | - | - | - | 124,715 | - | - | 124,715 |
| TOTAL OF ALL SCHEMES | 7,500,591 | 1,958,054 | 665,789 | 2,557,763 | 489,364 | 1,094,420 | 735,201 | 7,500,591 |

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CAPITAL RECEIPTS AND CONTRIBUTIONS ANALYSIS FOR 2016/17 AND CIP 2017-20

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> £ |
|---|--|--|---------------------------------------|---------------------------------------|-------------------|
| <u>Capital Resources Brought Forward on 1st April 2016</u> | 894,254 | 2,851,124 | 182,583 | 119,816 | 4,047,777 |
| <u>Add</u> | | | | | |
| Resources Received As At 31st December 2016: | 68,580 | 328,302 | 9,905 | 39,154 | 445,941 |
| Further Resources Estimated to be Received during 2016/17: | 150,000 | - | - | 613,345 | 763,345 |
| <u>Potential Resources Available during 2016/17</u> | 1,112,834 | 3,179,426 | 192,488 | 772,315 | 5,257,063 |
| <u>Less</u> | | | | | |
| Required to finance Capital Programme | (489,364) | (1,094,420) | (3,461) | (731,740) | (2,318,985) |
| Repayment Liabilities | - | - | - | - | - |
| Earmarked for Revenue Expenditure | - | - | (63,255) | - | (63,255) |
| Earmarked for Delivery By Outside Bodies | - | - | (125,772) | - | (125,772) |
| <u>Potential Capital Resources Carried Forward on 31st March 2017</u> | 623,470 | 2,085,006 | - | 40,575 | 2,749,051 |
| <u>Add</u> | | | | | |
| Resources Estimated to be Received during 2017/20 | 1,100,000 | 1,614,994 | - | 1,497,759 | 4,212,753 |
| <u>Less</u> | | | | | |
| 2017/18 Capital Budget - plus reprofiled 2016/17 Budget | (468,500) | (1,540,000) | - | (249,423) | (2,257,923) |
| 2018/19 Capital Budget | (393,000) | (1,200,000) | - | (149,773) | (1,742,773) |
| 2019/20 Capital Budget | (393,000) | (960,000) | - | (1,098,563) | (2,451,563) |
| <u>Total Surplus / (Shortfall) of Resources available for Further Capital Investment Programme needs</u> | 468,970 | - | - | 40,575 | 509,545 |

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REPORT TO EXECUTIVE



| | |
|----------------------|---|
| DATE | 13th February 2017 |
| PORTFOLIO | Resources and Performance Management |
| REPORT AUTHOR | David Donlan |
| TEL NO | (01282) 477172 |
| EMAIL | ddonlan@burnley.gov.uk |

Revenue Budget Monitoring 2016/2017

PURPOSE

1. To report the forecast outturn position for the year as at 31st March 2017 based upon actual spending and income to **31st December 2016**.

RECOMMENDATION

2. The Executive is asked to:
 - a. Note the projected revenue budget forecast underspend of £276k (see the overview table in paragraph 6) which includes utility savings and an improved income position.

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

 - b. The latest revised budget of £15.223m as shown in Appendix 1.
 - c. The creation of a new reserve, Burnley bondholders, and the transfer of the balance of contributions totalling £35k from the Growth reserve.
 - d. The creation of a new reserve, Town Centre Masterplan, utilising the £89k balance on the Housing Benefits Administration Subsidy reserve and £54k of the balance on the Rail Services reserve.
 - e. The net transfers to earmarked reserves of £721k as shown in Appendix 4.
 - f. The carry forward of forecast unspent budgets as requested by Heads of Service in Appendix 5. These amounts totalling £90k to be transferred into the transformation reserve and transferred back out to create additional revenue budgets in 2017/18 or when required.

REASONS FOR RECOMMENDATION

3. To give consideration to the level of revenue spending and income in 2016/17 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. **Revenue Budget Monitoring Process**

There are 3 in-year reports on revenue budget monitoring presented to the Executive and the Scrutiny Committee during the course of the financial year. This is the final in-year report for 2016/17. In addition to these 3 reports there is a final combined report for revenue and capital 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.

5. **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.
- Executive Member for Resources and Performance Management decisions confirming additional awards of grant and contributions.
- Decisions made by the Executive.

Members are asked to approve the latest revised budget of £15.223m as shown in Appendix 1.

6. **Revenue Budget Summary**

As at the end of December 2016, the overall financial position is currently projected to be a £276k underspend, as shown in the table below:

| | Latest Revised Budget £'000's | Forecast Outturn £'000's | Variance £'000's | Paragraph |
|---|--|-------------------------------------|-----------------------------|------------------|
| Pay | 9,322 | 9,563 | 241 | |
| Other revenue budgets | 7,004 | 6,487 | (517) | |
| Reserves | (1,103) | (1,103) | 0 | 12 |
| | 15,223 | 14,947 | (276) | |
| Financed by: | | | | |
| Collection Fund surplus | (81) | (81) | | |
| Business Rates | (4,356) | (4,356) | | |
| Revenue Support Grant | (3,660) | (3,660) | | |
| Council Tax | (6,130) | (6,130) | | |
| New Homes Bonus | (996) | (996) | | |
| Forecast underspend at end December 2016 | 0 | (276) | (276) | |
| Reported position previously | | | (123) | |
| Movement this period | | | (153) | |
| Due to: | | | | |
| <u>Recurring variations</u> | | | | |
| Community services income from shared service | | | (15) | 7 |
| <u>One-off variations:</u> | | | | |
| Increased income | | | (43) | 7 |
| Burnley Business Awards Bi-annual event saving | | | (20) | 8 |
| Energy costs savings | | | (20) | 9 |
| Water cost savings | | | (25) | 10 |
| Other net savings | | | (30) | |
| | | | (153) | |

In setting the budget for 2016/17, it was assumed that £250k would be saved through not filling posts immediately. The latest position is that £239k of salary savings have been secured to date. In forecasting the outturn position above to the 31st March 2017, it is assumed that the target will be achieved.

7. **Increased income (£58k)**
Heads of service have reported an increase in forecast income for the year from cycle 2. This includes a contribution of £15k from Hyndburn Concil towards the shared community safety service.
8. **Burnley Business Awards savings (£20k)**
This is a biannual event and therefore the budget for 2016/17 is not required.
9. **Energy cost savings (£20k)**
Based on current trends and consumption, it is now estimated that a £85k saving on gas and electricity costs can be achieved in 2016/17. £65k of this has been previously reported and where considered appropriate, these savings have been reflected in the 2017/18 budget proposals.
10. **Water cost savings (£25k)**
Based on current trends and consumption, it is now estimated there will be a saving of £65k in 2016/17. £40k of this has been previously reported and where considered appropriate, these savings have been reflected in the 2017/18 budget proposals.
11. **Budget Carry Forward Requests**
Heads of Service have made requests for up to £90k of budgets to be moved from 2016/17 to 2017/18. Appendix 5 gives the getails.
12. **Earmarked Reserves**
The table in Appendix 4 summarises the latest position. The forecast revenue budget underspending is £276k. Any revenue underspends at year end, will, if achieved, be transferred to the transformation reserve.
13. **Revenue Implications of the Changes to the Capital Budget**
The 2016/17 capital monitoring report is elsewhere on your agenda. The report states that the full year revenue impact from prudential borrowing of £1.958m are the net costs of the Minimum Revenue Provision [MRP] of £37k and the net interest costs on the borrowing which is estimated to be £46k. The MRP costs are not incurred until 2017/18. The interest costs are dependent on the timing of the borrowing but is anticipated to be at year end and therefore also not likely to be incurred until 2017/18. These will be included within the revenue budget for 2017/18.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

14. As shown in the body of the report.

POLICY IMPLICATIONS

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

DETAILS OF CONSULTATION

- 16. Management Team
Heads of Service

BACKGROUND PAPERS

- 17. None

FURTHER INFORMATION

PLEASE CONTACT:

**David Donlan - Accountancy Division
Manager**

ALSO:

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Movements in Revenue Budget 2016/17 - to 31st December 2016

| Directorate | Service Unit | Original Budget | Latest Revised Budget | Changes this Cycle (Cycle 3) | Changes Previous Cycle | Transfers to /(from) Earmarked Reserves | Grants Unapplied carried forward from 2015/16 | TOTAL OVERALL MOVEMENT | Revised Budget |
|-------------------------|--|-----------------|-----------------------|------------------------------|------------------------|---|---|-------------------------------|----------------|
| | | £'000's | £'000's | £'000's | £'000's | £'000's | £'000's | £'000's | £'000's |
| Chief Executives Office | Management | 447 | 440 | - | (7) | - | - | (7) | 440 |
| | Regeneration and Planning Policy | 1,420 | 1,570 | 35 | (1) | 112 | 4 | 150 | 1,570 |
| Community Service | Leisure Trust Management Fee | 711 | 610 | (101) | - | - | - | (101) | 610 |
| | Leisure Trust Client | 197 | 201 | 7 | (3) | - | - | 4 | 201 |
| | Green Spaces and Amenities | 1,094 | 1,203 | (6) | 63 | - | 52 | 109 | 1,203 |
| | Streetscene | 3,148 | 3,031 | (51) | (83) | - | 17 | (117) | 3,031 |
| | Housing and Development Control | 566 | 577 | - | - | - | 11 | 11 | 577 |
| | Comms Servcs Performance & Policy | 471 | 499 | - | 5 | - | 23 | 28 | 499 |
| Resources | Governance, Law and Reg'n (inc Property) | 846 | 552 | (7) | (291) | - | 4 | (294) | 552 |
| | People & Development | 296 | 283 | (10) | (3) | - | - | (13) | 283 |
| | Finance | 444 | 692 | (8) | 256 | - | - | 248 | 692 |
| | Strategic Partnership | 3,566 | 3,563 | (3) | - | - | - | (3) | 3,563 |
| | Revenues and Benefits | (1,373) | (1,348) | - | - | 25 | - | 25 | (1,348) |
| | Treasury Management | 931 | 1,032 | 101 | - | - | - | 101 | 1,032 |
| | Corporate Budgets | 5,272 | 3,421 | 43 | 25 | (1,808) | (111) | (1,851) | 3,421 |
| | Use of Earmarked Reserves | (2,813) | (1,103) | - | 39 | 1,671 | - | 1,710 | (1,103) |
| | | 15,223 | 15,223 | - | - | - | - | Revenue Budg | 15,223 |

Revenue Budget Update by Service Area as at 31st December 2016

Appendix 2

| Directorate | Service Unit | Revised budget for year | | | Forecast outturn for year | | | Forecast Variance | | |
|-------------------------|--|-------------------------|---------------|-----------------|---------------------------|---------------|-----------------|-------------------|--------------|-------------|
| | | Pay | Non Pay | Income | Pay | Non Pay | Income | Pay | Non Pay | Income |
| | | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Chief Executives Office | Management | 425 | 15 | - | 399 | 15 | - | (26) | - | - |
| | Regeneration and Planning Policy | 1,151 | 1,165 | (746) | 1,150 | 1,115 | (722) | (1) | (50) | 24 |
| Community Service | Leisure Trust Management Fee | - | 610 | - | - | 610 | - | - | - | - |
| | Leisure Trust Client | - | 439 | (238) | - | 439 | (238) | - | - | - |
| | Green Spaces and Amenities | 1,826 | 1,383 | (2,006) | 1,826 | 1,383 | (1,998) | - | - | 8 |
| | Streetscene | 1,022 | 4,067 | (2,058) | 1,007 | 3,956 | (2,086) | (15) | (111) | (28) |
| | Housing and Development Control | 1,226 | 401 | (1,050) | 1,226 | 333 | (1,146) | - | (68) | (96) |
| | Comms Servcs Performance & Policy | 408 | 260 | (169) | 409 | 258 | (177) | 1 | (2) | (8) |
| Resources | Governance, Law & Reg'n (inc Property) | 981 | 1,913 | (2,342) | 973 | 1,882 | (2,289) | (8) | (31) | 53 |
| | People & Development | 206 | 77 | - | 200 | 87 | - | (6) | 10 | - |
| | Finance | 629 | 143 | (80) | 643 | 139 | (80) | 14 | (4) | - |
| | Strategic Partnership | - | 3,563 | - | - | 3,563 | - | - | - | - |
| | Revenues and Benefits | - | 34,180 | (35,528) | - | 34,180 | (35,528) | - | - | - |
| | Treasury Management | - | 1,074 | (42) | - | 915 | (70) | - | (159) | (28) |
| Corporate | Corporate Budgets | 1,448 | 2,056 | (83) | 1,730 | 2,038 | (92) | 282 | (18) | (9) |
| | Use of Earmarked Reserves | | | (1,103) | | | (1,103) | - | - | - |
| | Total | 9,322 | 51,346 | (45,445) | 9,563 | 50,913 | (45,529) | 241 | (433) | (84) |
| | | | | 15,223 | | | 14,947 | | | (276) |

Revenue Budget Variance Analysis 2016/17 (as at 31st December 2016)
Appendix 3

| Service Unit | Last Report | | | Current Report | | | Movement | | | Explanation (Non pay/income £20k and over) |
|---|-------------------|--------------|-------------|-------------------|--------------|-------------|-----------|--------------|-------------|--|
| | Forecast Variance | | | Forecast Variance | | | Movement | | | |
| | Pay | Non Pay | Income | Pay | Non Pay | Income | Pay | Non Pay | Income | |
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | |
| Management | - | - | - | (26) | - | - | (26) | - | - | |
| Regen & Planning Policy | - | - | 42 | (1) | (50) | 24 | (1) | (50) | (18) | Non Pay - (£50k) Budget for Burnley Business Awards not required in 2016/17 saving £20k and general minor underspendings forecast of £30k. |
| Leisure Trust Management Fee | - | - | - | - | - | - | - | - | - | |
| Leisure Trust Client | - | - | - | - | - | - | - | - | - | |
| Green Spaces | - | - | 8 | - | - | 8 | - | - | - | |
| Streetscene | - | (73) | (8) | (15) | (111) | (28) | (15) | (38) | (20) | Non Pay - (£38k) Savings in cctv costs following a shared service with Blackburn of £22k and forecast net general minor underspendings of £16k. Income - (£20k) Additional income for Hyndburn contribution to shared service of £15k and other increased income £5k. |
| Housing & Devt Ctrl | - | (40) | (84) | - | (68) | (96) | - | (28) | (12) | Non Pay - (£28k) Savings of £15k in temporary accomodation costs and £14k costs of homelessness. |
| Communications, Performance & Policy | - | - | - | 1 | (2) | (8) | 1 | (2) | (8) | |
| Governance, Law & Regulation (inc Property) | - | (31) | 53 | (8) | (31) | 53 | (8) | - | - | |
| People & Development | - | 10 | - | (6) | 10 | - | (6) | - | - | |
| Finance | - | (4) | - | 14 | (4) | - | 14 | - | - | |
| Strategic Partnership | - | - | - | - | - | - | - | - | - | |
| Revenues & Benefits | - | - | - | - | - | - | - | - | - | |
| Treasury | - | (159) | (28) | - | (159) | (28) | - | - | - | |
| Corporate Budgets | 191 | 9 | (9) | 282 | (18) | (9) | 91 | (27) | - | Pay (£91k) - Further salary savings by service units above towards the corporate budget target of £250k and related costs. Non-Pay - (£27k) - Further estimated savings on both energy (£20k) and water charges (£25k). Council's Rates costs increased by £18k. |
| Transfers to / (from) Reserves | - | - | - | - | - | - | - | - | - | |
| Total | 191 | (288) | (26) | 241 | (433) | (84) | 50 | (145) | (58) | |

 Net Est. Revenue Budget
 (Underspend)/Overspend

(123)

(276)

(153)

Position on Earmarked Reserves as at 31st December 2016

Appendix 4

| Position on Earmarked Reserves | Transformation £'000 | Growth £'000 | Town Centre Management £'000 | Primary Engineer £'000 | Other Specific £'000 | Total £'000 |
|--|-------------------------|-----------------|------------------------------------|---------------------------|-------------------------|----------------|
| Opening Balance 1/4/16 | (2,714) | (2,181) | (600) | (165) | (1,202) | (6,862) |
| Original Budget 2016/17 - Use of Reserves 2016/17 | 250 | 710 | - | - | 1,853 | 2,813 |
| Adjustment for the Business Rates Volatility Reserve as part of the final accounts closure | - | - | - | - | (1,756) | (1,756) |
| | (2,464) | (1,471) | (600) | (165) | (1,105) | (5,805) |
| Total changes in cycle 1 | (12) | - | 600 | 55 | 92 | 735 |
| Total changes in cycle 2 | (13) | 13 | - | - | 32 | 32 |
| Total changes in this report | 32 | (432) | (375) | (25) | 79 | (721) |
| Anticipated Balance at 31st March 2017 | (2,457) | (1,890) | (375) | (135) | (902) | (5,759) |
| Approved Use of Reserves in future years | - | 1,722 | 375 | 135 | 170 | 2,402 |
| Balance after approvals | (2,457) | (168) | - | - | (732) | (3,357) |

Requests for Revenue Budget Carry Forwards from 2016/17 into 2017/18

APPENDIX 5

| <u>Service Unit / Task</u> | <u>Details</u> | <u>Amount Requested</u> £ | <u>Code</u> | <u>Budget 2016/17</u> £ | <u>Forecast Spending 2016/17</u> £ | <u>Remaining 2016/17</u> £ | <u>Approved by Management Team</u> £ | <u>Forecast Underspend in previous Cycle 2 monitoring (if any)</u> £ |
|---|--|------------------------------|----------------------------------|----------------------------|---------------------------------------|-------------------------------|---|---|
| <u>Regeneration and Planning Policy</u> | Remaining balance of the £50k agreed contribution to the Barnfield and Burnley Joint Venture company, that is funded 50 : 50 between Barnfield Investment Properties and | 30,000 | R5322/2021 | 30,000 | - | 30,000 | - | - |
| | | 30,000 | | 30,000 | - | 30,000 | - | - |
| <u>People & Development</u> | With the new structure just coming into place and with the intention to run a more commercially-focussed leadership programme, carry forward of potentially remaining funds is required. | 10,000 | Various/0153 | 55,318 | 45,318 | 10,000 | - | - |
| | | 10,000 | | 55,318 | 45,318 | 10,000 | - | - |
| <u>Streetscene</u> | £30k of existing budgets has been identified within Streetscene budgets to procure chewing gum removal equipment. The 'carry over' request is made in the event that the procurement cannot be completed by the end of the existing financial yr. | 30,000 | Various R6060/1811 & CMS18 | 30,000 | - | 30,000 | - | - |
| | | 30,000 | | 30,000 | - | 30,000 | - | - |
| <u>Finance</u> | The work on the finance transformation is on-going. There have been a few issues that required resolving that have made the overall project slip. The project strands of intelligent scanning of creditor invoices and asset management accounting will require development in the new year. | 20,000 | R2021/2106 | 50,000 | 30,000 | 20,000 | - | - |
| | | 20,000 | | 50,000 | 30,000 | 20,000 | - | - |
| Totals | | 90,000 | | 165,318 | 75,318 | 90,000 | 0 | 0 |

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REPORT TO EXECUTIVE



| | |
|----------------------|---|
| DATE | 13th February 2017 |
| PORTFOLIO | Resources & Performance Management |
| REPORT AUTHOR | David Donlan |
| TEL NO | (01282) 477172 |
| EMAIL | ddonlan@burnley.gov.uk |

CAPITAL BUDGET FOR 2017/18 AND 2017-20 CAPITAL INVESTMENT PROGRAMME

PURPOSE

1. To recommend approval of the capital budget for 2017/18

RECOMMENDATION

2. a) That Full Council be recommended to;
 - (i) Approve the 2017/18 Capital Budget, totalling £12,027,721, as set out in Appendix 1
 - (ii) Note the 2017/20 Capital Investment Programme as also 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:
 - (i) Approve the release of capital scheme budgets including slippage from 2016/17, subject to compliance with the Financial Procedure Rules and that there will be full compliance with Standing Orders for Contracts.

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 2017/18.

SUMMARY OF KEY POINTS

4. **Background:**

In formulating the 2017/18 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 2017/18 capital budget and the 2017/20 CIP.

The review process has included:

- A review and revision of the existing schemes approved in the 2016/19 CIP, in February 2016.
- 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. **2017/18 Capital Budget:**

Appendix 1 provides Members with a summary of the capital investment programme for 2017/18 to 2019/20 and a list of those schemes being proposed for the 2017/18 capital budget totalling £12.028m showing the financing elements for each individual scheme. It also shows draft capital budgets for 2018/19 and 2019/20 along with the financing elements for those years.

Members are asked to note the following factors whilst considering the list of schemes being proposed for 2017/18;

- The level of estimated capital receipts is sufficient to finance the £468,500 required for all the schemes put forward for 2017/18.
- The 5 new schemes proposed are:
 - Building Alteration Works
 - Towneley Hall Overspill Car Park
 - Leisure Centre Improvements
 - Lower St James Street
 - Towneley Hall Building Works

Appendix 4 gives a brief description of each scheme.

7. **Capital Resources:**

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

- balances in hand as at the 1st April 2016
- 2016/17 commitments approved to date
- level of resources assumed to be available as at 31st March 2017
- estimated “new” receipts to be received during 2016/17 and 2017-20
- resources required to finance part of the 2017/18 proposed capital budget
- resources required to finance the schemes proposed for future years
- anticipated balance (surplus) as at 31st March 2020.

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 £183k in 2017/18, as shown in Appendix 3.

Costs of Prudential Borrowing

Of the proposed £4.021m, there are three new schemes requiring additional borrowing of £630k by the Council. The estimated full year interest cost for the additional borrowing is £18k. This cost may not be required until 2018/19, dependant on the timing of the borrowing.

The additional Minimum Revenue Provision (notional debt repayment) charge for the £630k additional borrowing would be £19k, and would not be required until 2018/19.

Both are shown in Appendix 1

9. **2017-20 Capital Investment Programme:**

As previously stated, Appendix 1 outlines a summary of the proposed 2017/20 capital investment programme. These schemes are listed in priority order, in line with the approved methodology for ranking proposed capital scheme bids, reflecting the priorities of the Council's strategic objectives.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

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

POLICY IMPLICATIONS

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

DETAILS OF CONSULTATION

12. None.

BACKGROUND PAPERS

13. None.

**FURTHER INFORMATION
PLEASE CONTACT:**

**David Donlan,
Accountancy Division Manager**

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Capital Investment Programme 2017/18 to 2019/20

| <u>Service Unit</u> | <u>Scheme Name</u> | <u>2017/18</u> | <u>2018/19</u> | <u>2019/20</u> | <u>TOTAL</u> |
|---|---|-------------------|------------------|------------------|-------------------|
| | | £ | £ | £ | £ |
| <u>Schemes Committed By Decision of the Council</u> | | | | | |
| Regeneration & Planning Policy | Vision Park | 3,618,938 | 58,897 | - | 3,677,835 |
| Green Spaces & Amenities | Thompson Park Restoration Project | 941,022 | 96,351 | 19,750 | 1,057,123 |
| Regeneration & Planning Policy | Weavers Triangle - Starter Homes | 330,000 | - | - | 330,000 |
| Governance, Law, Property & Regulation | Contribution of Shopping Centre Redevelopment | 375,000 | - | - | 375,000 |
| Total of Schemes Committed By Decision of the Council | | 5,264,960 | 155,248 | 19,750 | 5,439,958 |
| <u>Housing Investment Programme</u> | | | | | |
| Housing & Development | Emergency Repairs | 60,000 | 60,000 | 60,000 | 180,000 |
| Housing & Development | Disabled Facilities Grant | 1,658,235 | 1,211,000 | 1,211,000 | 4,080,235 |
| Housing & Development | Energy Efficiency | 40,000 | 40,000 | - | 80,000 |
| Housing & Development | Empty Homes Programme | 1,200,000 | 700,000 | 500,000 | 2,400,000 |
| Housing & Development | Interventions, Acquisitions and Demolitions | 400,000 | 400,000 | 400,000 | 1,200,000 |
| Housing & Development | Flood Relief Works | - | 2,000,000 | 2,000,000 | 4,000,000 |
| Total of Housing Investment Programme | | 3,358,235 | 4,411,000 | 4,171,000 | 11,940,235 |
| <u>Schemes Scoring "3" for Commitment & At Least 5 Overall</u> | | | | | |
| Green Spaces & Amenities | Vehicle & Machinery Replacement | 92,586 | 138,183 | 233,262 | 464,031 |
| Green Spaces & Amenities | Extension of Burnley Cemetery | 416,087 | - | - | 416,087 |
| Streetscene | River Training Walls | 107,000 | 60,000 | 60,000 | 227,000 |
| Streetscene | Car Park Improvements | 10,000 | - | - | 10,000 |
| Governance, Law, Property & Regulation | Leisure Centre Improvements | 75,000 | 75,000 | 75,000 | 225,000 |
| Regeneration & Planning Policy | Lower St James Street | 280,000 | 280,000 | - | 560,000 |
| Regeneration & Planning Policy | Market Safety Works | 1,440,480 | - | - | 1,440,480 |
| Total of Schemes Scoring "3" for Commitment & At Least 5 Overall | | 2,421,153 | 553,183 | 368,262 | 3,342,598 |
| <u>Schemes Scoring "3" for Strategic Objectives & At Least 5 Overall</u> | | | | | |
| Streetscene | Burnley Town Centre Pedestrianisation Upgrade | 150,000 | - | - | 150,000 |
| Total of Schemes Scoring "3" for Strategic Objectives & At Least 5 Overall | | 150,000 | - | - | 150,000 |
| <u>Schemes Scoring 4 Points Overall</u> | | | | | |
| Governance, Law, Property & Regulation | Building Alteration Works | 100,000 | 100,000 | 100,000 | 300,000 |
| Green Spaces & Amenities | Towneley Hall Building Works | 100,000 | 100,000 | 100,000 | 300,000 |
| Chief Executive | Ward Opportunities Fund | 100,000 | 100,000 | 100,000 | 300,000 |
| Streetscene | Alleygate Programme | 25,000 | 25,000 | 25,000 | 75,000 |
| Streetscene | CCTV Infrastructure | 62,000 | - | - | 62,000 |
| Regeneration & Planning Policy | Padiham Townscape Heritage Initiative | 399,873 | 399,873 | 399,872 | 1,199,618 |
| Total of Schemes Scoring 4 Points Overall | | 786,873 | 724,873 | 724,872 | 2,236,618 |
| <u>Schemes Scoring Below 4</u> | | | | | |
| Streetscene | Bus Shelter Replacement | 8,000 | 8,000 | 8,000 | 24,000 |
| Green Spaces & Amenities | Towneley Hall Overspill Car Park | 38,500 | - | - | 38,500 |
| Total of Schemes Scoring Below 4 | | 46,500 | 8,000 | 8,000 | 62,500 |
| Total of All Schemes | | 12,027,721 | 5,852,304 | 5,291,884 | 23,171,909 |

2017/18 CAPITAL BUDGET AND FINANCING ELEMENTS

| Classification Heading | Score | Service Unit | Scheme Name | Proposed Budget £ | FINANCING ELEMENTS | | | | | | | | | | Total Proposed Budget £ |
|---|-------|--|---|-------------------|------------------------|-----------------------------|-----------------------------|----------------------|-----------------------------|-------------------------|-------------------------------------|--------------------|---------------------------------------|-----------------------|-------------------------|
| | | | | | Prudential Borrowing £ | Revenue Cont'n / Reserves £ | Disabled Facilities Grant £ | Residual HMR Grant £ | Home & Communities Agency £ | Heritage Lottery Fund £ | Lancashire Enterprise Partnership £ | Capital Receipts £ | Vacant Property Initiative Receipts £ | 3rd Party Unsecured £ | |
| Committed By Decision of the Council | - | Regeneration & Planning Policy | Vision Park | 3,618,938 | 2,200,000 | 231,840 | | | | | 1,187,098 | | | | 3,618,938 |
| | - | Green Spaces & Amenities | Thompson Park Restoration Project | 941,022 | | 164,759 | | | | 755,240 | | | | 21,023 | 941,022 |
| | - | Regeneration & Planning Policy | Weavers Triangle - Starter Homes | 330,000 | | | | 330,000 | | | | | | | 330,000 |
| | - | Governance, Law, Property & Regulation | Contribution of Shopping Centre Redevelopment | 375,000 | | 375,000 | | | | | | | | | 375,000 |
| Housing Investment Programme | 3 : 3 | Housing & Development | Emergency Repairs | 60,000 | | | | | | | | | 60,000 | | 60,000 |
| | 3 : 3 | Housing & Development | Disabled Facilities Grant | 1,658,235 | | 1,658,235 | | | | | | | | | 1,658,235 |
| | 3 : 3 | Housing & Development | Energy Efficiency | 40,000 | | | | | | | | | 40,000 | | 40,000 |
| | 3 : 3 | Housing & Development | Empty Homes Programme Interventions, Acquisitions and Demolitions | 1,200,000 | | | | | | | | | 1,200,000 | | 1,200,000 |
| | 3 : 3 | Housing & Development | Interventions, Acquisitions and Demolitions | 400,000 | | | 160,000 | | | | | | 240,000 | | 400,000 |
| Schemes Scoring "3" for Commitment & At Least 5 Overall | 3 : 2 | Green Spaces & Amenities | Vehicle and Machinery Replacement | 92,586 | | 92,586 | | | | | | | | | 92,586 |
| | 2 : 2 | Green Spaces & Amenities | Extension of Burnley Cemetery | 416,087 | 416,087 | | | | | | | | | | 416,087 |
| | 3 : 2 | Streetscene | River Training Walls | 107,000 | | | | | | | | 107,000 | | | 107,000 |
| | 3 : 2 | Streetscene | Car Park Improvements | 10,000 | | | | | | | | 10,000 | | | 10,000 |
| | 3 : 2 | Governance, Law, Property & Regulation | Leisure Centre Improvements | 75,000 | 75,000 | | | | | | | | | | 75,000 |
| | 3 : 2 | Regeneration & Planning Policy | Lower St James Street | 280,000 | 155,000 | | | | | | | | | 125,000 | 280,000 |
| | 3 : 2 | Regeneration & Planning Policy | Market Safety Works | 1,440,480 | 963,000 | 477,480 | | | | | | | | | 1,440,480 |
| Schemes Scoring "3" for Strategic Objectives & At Least 5 Overall | 2 : 3 | Streetscene | Burnley Town Centre Pedestrianisation Upgrade | 150,000 | 150,000 | | | | | | | | | | 150,000 |
| Schemes Scoring 4 Points Overall | 3 : 1 | Governance, Law, Property & Regulation | Building Alteration Works | 100,000 | | | | | | | | 100,000 | | | 100,000 |
| | 3 : 1 | Green Spaces & Amenities | Towneley Hall Building Works | 100,000 | | | | | | | | 100,000 | | | 100,000 |
| | 2 : 2 | Chief Executive | Ward Opportunities Fund | 100,000 | | | | | | | | 100,000 | | | 100,000 |
| | 2 : 2 | Streetscene | Alleygate Programme | 25,000 | | | | | | | | 25,000 | | | 25,000 |
| | 2 : 2 | Streetscene | CCTV Infrastructure | 62,000 | 62,000 | | | | | | | | | | 62,000 |
| | 2 : 2 | Regeneration & Planning Policy | Padiham Townscape Heritage Initiative | 399,873 | | 36,373 | | | | 280,100 | | | | 83,400 | 399,873 |
| Schemes Scoring Below 4 | 2 : 1 | Streetscene | Bus Shelter Replacement | 8,000 | | | | | | | | 8,000 | | | 8,000 |
| | 1 : 2 | Green Spaces & Amenities | Towneley Hall Overspill Car Park | 38,500 | | | | | | | | 18,500 | | 20,000 | 38,500 |

Additional Revenue Implications Full Year Effect

| Borrowing Interest (3%) £'000 | Debt Repayments (MRP) £'000 | Total Cost of Borrowing £'000 |
|-------------------------------|-----------------------------|-------------------------------|
| 18 | 8 | 20 |
| 2 | 8 | 10 |
| 5 | 3 | 8 |

| | | | | | | | | | | | | | | | |
|-----------------------------|--|--|--|-------------------|------------------|------------------|------------------|----------------|----------------|------------------|------------------|----------------|------------------|----------------|-------------------|
| TOTAL OF ALL SCHEMES | | | | 12,027,721 | 4,021,087 | 1,378,038 | 1,658,235 | 160,000 | 330,000 | 1,035,340 | 1,187,098 | 468,500 | 1,540,000 | 249,423 | 12,027,721 |
|-----------------------------|--|--|--|-------------------|------------------|------------------|------------------|----------------|----------------|------------------|------------------|----------------|------------------|----------------|-------------------|

| | | |
|-----------|----------|-----------|
| 18 | 8 | 20 |
|-----------|----------|-----------|

2018/19 CAPITAL BUDGET AND FINANCING ELEMENTS

APPENDIX 1

| Classification Heading | Score | Service Unit | Scheme Name | Proposed Budget £ | FINANCING ELEMENTS | | | | | | | | Total Proposed Budget £ | |
|--------------------------------------|---|--|---|-----------------------------------|---------------------------|--------------------------------|--------------------------------|----------------------------|--|-----------------------|--|--------------------------|----------------------------|-----------|
| | | | | | Prudential Borrowing £ | Revenue Cont'n / Reserves £ | Disabled Facilities Grant £ | Heritage Lottery Fund £ | Lancashire Enterprise Partnership £ | Capital Receipts £ | Vacant Property Initiative Receipts £ | 3rd Party Unsecured £ | | |
| Committed By Decision of the Council | - | Regeneration & Planning Policy | Vision Park | 58,897 | | | | | 58,897 | | | | | 58,897 |
| | - | Green Spaces & Amenities | Thompson Park Restoration Project | 96,351 | | 5,241 | | 86,110 | | | | | 5,000 | 96,351 |
| Housing Investment Programme | 3 : 3 | Housing & Development | Emergency Repairs | 60,000 | | | | | | | | 60,000 | | 60,000 |
| | 3 : 3 | Housing & Development | Disabled Facilities Grant | 1,211,000 | | | 1,211,000 | | | | | | | 1,211,000 |
| | 3 : 3 | Housing & Development | Energy Efficiency | 40,000 | | | | | | | | 40,000 | | 40,000 |
| | 3 : 3 | Housing & Development | Empty Homes Programme | 700,000 | | | | | | | | 700,000 | | 700,000 |
| | 3 : 3 | Housing & Development | Interventions, Acquisitions and Demolitions | 400,000 | | | | | | | | 400,000 | | 400,000 |
| | - | Housing & Development | Flood Relief Works | 2,000,000 | | | | | 2,000,000 | | | | | 2,000,000 |
| | Schemes Scoring "3" for Commitment & At Least 5 Overall | 3 : 2 | Green Spaces & Amenities | Vehicle and Machinery Replacement | 138,183 | | 138,183 | | | | | | | |
| 3 : 2 | | Governance, Law, Property & Regulation | Leisure Centre Improvements | 75,000 | 75,000 | | | | | | | | | 75,000 |
| 3 : 2 | | Regeneration & Planning Policy | Lower St James Street | 280,000 | 155,000 | | | | | | | | 125,000 | 280,000 |
| 3 : 2 | | Streetscene | River Training Walls | 60,000 | | | | | | | 60,000 | | | 60,000 |
| Schemes Scoring 4 Points Overall | 3 : 1 | Governance, Law, Property & Regulation | Building Alteration Works | 100,000 | | | | | | | 100,000 | | | 100,000 |
| | 3 : 1 | Green Spaces & Amenities | Towneley Hall Building Works | 100,000 | | | | | | | 100,000 | | | 100,000 |
| | 2 : 2 | Chief Executive | Ward Opportunities Fund | 100,000 | | | | | | | 100,000 | | | 100,000 |
| | 2 : 2 | Streetscene | Alleygate Programme | 25,000 | | | | | | | 25,000 | | | 25,000 |
| | 2 : 2 | Regeneration & Planning Policy | Padiham Townscape Heritage Initiative | 399,873 | | 100,000 | | 280,100 | | | | | 19,773 | 399,873 |
| Schemes Scoring Below 4 | 2 : 1 | Streetscene | Bus Shelter Replacement | 8,000 | | | | | | | 8,000 | | | 8,000 |
| TOTAL OF ALL SCHEMES | | | | 5,852,304 | 230,000 | 243,424 | 1,211,000 | 366,210 | 2,058,897 | 393,000 | 1,200,000 | 149,773 | 5,852,304 | |

2019/20 CAPITAL BUDGET AND FINANCING ELEMENTS

APPENDIX 1

| Classification Heading | Score | Service Unit | Scheme Name | Proposed Budget £ | FINANCING ELEMENTS | | | | | | | | Total Proposed Budget £ | |
|---|-------|--|---|----------------------|---------------------------|--------------------------------|--------------------------------|----------------------------|--|-----------------------|--|--------------------------|----------------------------|-----------|
| | | | | | Prudential Borrowing £ | Revenue Cont'n / Reserves £ | Disabled Facilities Grant £ | Heritage Lottery Fund £ | Lancashire Enterprise Partnership £ | Capital Receipts £ | Vacant Property Initiative Receipts £ | 3rd Party Unsecured £ | | |
| Committed By Decision of the Council | - | Green Spaces & Amenities | Thompson Park Restoration Project | 19,750 | | | | 19,750 | | | | | | 19,750 |
| Housing Investment Programme | 3 : 3 | Housing & Development | Emergency Repairs | 60,000 | | | | | | | 60,000 | | | 60,000 |
| | 3 : 3 | Housing & Development | Disabled Facilities Grant | 1,211,000 | | | 1,211,000 | | | | | | | 1,211,000 |
| | 3 : 3 | Housing & Development | Empty Homes Programme Interventions, Acquisitions and Demolitions | 500,000 | | | | | | | 500,000 | | | 500,000 |
| | 3 : 3 | Housing & Development | | 400,000 | | | | | | | 400,000 | | | 400,000 |
| | - | Housing & Development | Flood Relief Works | 2,000,000 | | | | | 1,000,000 | | | 1,000,000 | | 2,000,000 |
| Schemes Scoring "3" for Commitment & At least 5 Overall | 3 : 2 | Green Spaces & Amenities | Vehicle and Machinery Replacement | 233,262 | | 233,262 | | | | | | | | 233,262 |
| | 3 : 2 | Governance, Law, Property & Regulation | Leisure Centre Improvements | 75,000 | 75,000 | | | | | | | | | 75,000 |
| | 3 : 2 | Streetscene | River Training Walls | 60,000 | | | | | | 60,000 | | | | 60,000 |
| Schemes Scoring 4 Points Overall | 3 : 1 | Governance, Law, Property & Regulation | Building Alteration Works | 100,000 | | | | | | 100,000 | | | | 100,000 |
| | 3 : 1 | Green Spaces & Amenities | Towneley Hall Building Works | 100,000 | | | | | | 100,000 | | | | 100,000 |
| | 2 : 2 | Chief Executive | Ward Opportunities Fund | 100,000 | | | | | | 100,000 | | | | 100,000 |
| | 2 : 2 | Streetscene | Alleygate Programme | 25,000 | | | | | | 25,000 | | | | 25,000 |
| | 2 : 2 | Regeneration & Planning Policy | Padiham Townscape Heritage Initiative | 399,872 | | 21,209 | | 280,100 | | | | | 98,563 | 399,872 |
| Schemes Scoring Below 4 | 2 : 1 | Streetscene | Bus Shelter Replacement | 8,000 | | | | | | 8,000 | | | | 8,000 |
| TOTAL OF ALL SCHEMES | | | | 5,291,884 | 75,000 | 254,471 | 1,211,000 | 299,850 | 1,000,000 | 393,000 | 960,000 | 1,098,563 | 5,291,884 | |

CAPITAL RECEIPTS AND CONTRIBUTIONS ANALYSIS FOR 2016/17 AND CIP 2017-20

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> £ |
|---|--|--|---------------------------------------|---------------------------------------|-------------------|
| <u>Capital Resources Brought Forward on 1st April 2016</u> | 894,254 | 2,851,124 | 182,583 | 119,816 | 4,047,777 |
| <u>Add</u> | | | | | |
| Resources Received As At 31st December 2016: | 68,580 | 328,302 | 9,905 | 39,154 | 445,941 |
| Further Resources Estimated to be Received during 2016/17: | 150,000 | - | - | 613,345 | 763,345 |
| <u>Potential Resources Available during 2016/17</u> | 1,112,834 | 3,179,426 | 192,488 | 772,315 | 5,257,063 |
| <u>Less</u> | | | | | |
| Required to finance Capital Programme | (489,364) | (1,094,420) | (3,461) | (731,740) | (2,318,985) |
| Repayment Liabilities | - | - | - | - | - |
| Earmarked for Revenue Expenditure | - | - | (63,255) | - | (63,255) |
| Earmarked for Delivery By Outside Bodies | - | - | (125,772) | - | (125,772) |
| <u>Potential Capital Resources Carried Forward on 31st March 2017</u> | 623,470 | 2,085,006 | - | 40,575 | 2,749,051 |
| <u>Add</u> | | | | | |
| Resources Estimated to be Received during 2017/20 | 1,100,000 | 1,614,994 | - | 1,497,759 | 4,212,753 |
| <u>Less</u> | | | | | |
| 2017/18 Capital Budget - plus reprofiled 2016/17 Budget | (468,500) | (1,540,000) | - | (249,423) | (2,257,923) |
| 2018/19 Capital Budget | (393,000) | (1,200,000) | - | (149,773) | (1,742,773) |
| 2019/20 Capital Budget | (393,000) | (960,000) | - | (1,098,563) | (2,451,563) |
| <u>Total Surplus / (Shortfall) of Resources available for Further Capital Investment Programme needs</u> | 468,970 | - | - | 40,575 | 509,545 |

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2017/18 CAPITAL BUDGET PER EXPENDITURE DETAIL

APPENDIX 3

| Scheme Name | Budget £ | Purchase of Land & Prop Detail 3801 £ | Grants Detail 3814 £ | Payment to Contractors Detail 3815 £ | Bricking Up Detail 3821 £ | Plant & Equipment Detail 3832 £ | Professional Fees Detail 3844 £ | Property Management Detail 3852 £ | Engineers Detail 3853 £ | Legal Services Detail 3856 £ | Housing Services Detail 3859 £ | 1996 Act Detail 3909 £ | Advertising Detail 3935 £ | Total Budget £ |
|--|-------------------|--|----------------------------|---|---------------------------------|--|--|--|-------------------------------|------------------------------------|---|------------------------------|---------------------------------|----------------------|
| Vision Park | 3,618,938 | | | 3,618,938 | | | | | | | | | | 3,618,938 |
| Thompson Park Restoration Project | 941,022 | | | 906,022 | | | | | 35,000 | | | | | 941,022 |
| Weavers Triangle - Starter Homes | 330,000 | | | 330,000 | | | | | | | | | | 330,000 |
| Contribution of Shopping Centre Redevelopment | 375,000 | | | 375,000 | | | | | | | | | | 375,000 |
| Emergency Repairs | 60,000 | | | 60,000 | | | | | | | | | | 60,000 |
| Disabled Facilities Grant | 1,658,235 | | | | | | | | | | | 1,658,235 | | 1,658,235 |
| Energy Efficiency | 40,000 | | | 40,000 | | | | | | | | | | 40,000 |
| Empty Homes Programme | 1,200,000 | 350,000 | 220,000 | 550,000 | 10,000 | | 10,000 | 5,000 | | 15,000 | 33,000 | | 7,000 | 1,200,000 |
| Interventions, Acquisitions and Demolitions | 400,000 | 200,000 | | 163,000 | 5,000 | | | 12,500 | 10,000 | 9,500 | | | | 400,000 |
| Vehicle and Machinery Replacement | 92,586 | | | | | 92,586 | | | | | | | | 92,586 |
| Extension of Burnley Cemetery | 416,087 | | | 366,087 | | | 50,000 | | | | | | | 416,087 |
| River Training Walls | 107,000 | | | 87,000 | | | | | 20,000 | | | | | 107,000 |
| Car Park Improvements | 10,000 | | | 8,000 | | | | | 2,000 | | | | | 10,000 |
| Leisure Centre Improvements | 75,000 | | | 75,000 | | | | | | | | | | 75,000 |
| Lower St James Street | 280,000 | | | 280,000 | | | | | | | | | | 280,000 |
| Market Safety Works | 1,440,480 | | | 1,409,480 | | | | | 31,000 | | | | | 1,440,480 |
| Burnley Town Centre Pedestrianisation Upgrade | 150,000 | | | 140,000 | | | | | 10,000 | | | | | 150,000 |
| Building Alteration Works | 100,000 | | | 100,000 | | | | | | | | | | 100,000 |
| Towneley Hall Building Works | 100,000 | | | 100,000 | | | | | | | | | | 100,000 |
| Ward Opportunities Fund | 100,000 | | | 100,000 | | | | | | | | | | 100,000 |
| Alleygate Programme | 25,000 | | | 25,000 | | | | | | | | | | 25,000 |
| CCTV Infrastructure | 62,000 | | | | | 62,000 | | | | | | | | 62,000 |
| Padiham Townscape Heritage Initiative | 399,873 | | | 399,873 | | | | | | | | | | 399,873 |
| Bus Shelter Replacement | 8,000 | | | 8,000 | | | | | | | | | | 8,000 |
| Towneley Hall Overspill Car Park | 38,500 | | | 38,500 | | | | | | | | | | 38,500 |
| TOTAL OF 2017/18 CAPITAL BUDGET | 12,027,721 | 550,000 | 220,000 | 9,179,900 | 15,000 | 154,586 | 60,000 | 17,500 | 108,000 | 24,500 | 33,000 | 1,658,235 | 7,000 | 12,027,721 |

CAPITAL SALARY BUDGET 2017/18 **183,000**

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2017/18 PROPOSED CAPITAL BUDGET - BRIEF DESCRIPTIONS OF INDIVIDUAL SCHEME

| <u>Scheme Name</u> | <u>Budget (£)</u> | <u>Scheme Narrative</u> |
|---|-------------------|---|
| Vision Park | 3,618,938 | The Burnley Knowledge Park (now Vision Park) is a key priority in Burnley Borough Council. The project will contribute to the Council's Objectives on Prosperity, creating a new facility that will foster new and growing businesses in key priority sectors. The recommendations will enable the completion of phase 1 . |
| Thompson Park Restoration Project | 941,022 | £1.2 million HLF funded restoration of Thompson park. |
| Weavers Triangle - Starter Homes | 330,000 | The Council has been awarded funding from HCA as part of the Starter Homes Local Authority Funding Programme. The proposed scheme is for apartments on land at Sandygate (adjacent to the canal). |
| Contribution of Shopping Centre Redevelopment | 375,000 | Remaining 50% tranche payment for Primark |
| Emergency Repairs | 60,000 | 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. |
| Disabled Facilities Grant | 1,658,235 | The funding is allocated by Communities and Local Government and the programme is a grants scheme that funds adaptations and aids for disabled residents to enable them to remain living independently in a home of their choice. |
| Energy Efficiency | 40,000 | The Council's Energy Efficiency Programme allows the Council to achieve its strategic objective of reducing carbon emissions and reducing fuel poverty. The scheme seeks to 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 governments Warm Front scheme and promoting energy efficiency in the town. |
| Empty Homes Programme | 1,200,000 | The Empty Homes Programme brings long term empty properties back in to use in the borough of Burnley. |
| Interventions, Acquisitions and Demolitions | 400,000 | This programme funds the acquisition and clearance of obsolete properties in priority neighbourhoods across inner Burnley to assemble sufficient land for the redevelopment of those neighbourhoods with modern new housing. |
| Vehicle and Machinery Replacement | 92,586 | Replacement of Transport (Fleet Vehicles) and Horticultural Machinery |
| Extension of Burnley Cemetery | 416,087 | This project will develop an extension to Burnley Cemetery on land situated to the north of Cemetery Lane and which has been reserved for this purpose. The extension will provide approximately 1,750 spaces, which is sufficient to meet demand for new graves for approx. 2 years |
| River Training Walls | 107,000 | The river Calder training walls through Towneley Park from Deer Park Road Bridge to the West of the Riverside Car Park are in very poor condition after having been battered by the environment for the last 150 years. They are not 'fit for purpose'. Local collapses are becoming more frequent. These present a danger to the general public and also contravene the Environment Agency's statutory obligations to maintain the river flow and the flood storage capacity under the Flood and Water Management Act 2010. The Environment Agency will serve notice on the Council as 'riparian land-owner' if the danger increases and further collapses impede flow. It is proposed that the liability of maintaining these walls be reduced as much as possible by removing them and replacing with engineered embankments. The embankments will have low maintenance and will also improve flood storage capacity, thereby reducing the risk of flooding to the Plumbe Street area of town. These works would secure 'fit for purpose' for the next 75 years with very low annual maintenance costs. |
| Car Park Improvements | 10,000 | The work is for new ticket machines, lighting, signing etc. for the majority. There may be a small amount used for re-surfacing. |
| 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. |
| Lower St James Street | 280,000 | £250,000 LCC commitment to the titled works, over 2 years, will be put before LCC Cabinet on 13th March 2017 for inclusion in their capital programme. |

2017/18 PROPOSED CAPITAL BUDGET - BRIEF DESCRIPTIONS OF INDIVIDUAL SCHEME

| <u>Scheme Name</u> | <u>Budget (£)</u> | <u>Scheme Narrative</u> |
|---|-------------------|--|
| Market Safety Works | 1,440,480 | The cost of this scheme is due to be funded from savings made by relocating the CCTV office and also by a contribution from the Growth Reserve |
| Burnley Town Centre Pedestrianisation Upgrade | 150,000 | This is the Councils final contribution (totalling £1.5m) to the LCC scheme costing £3m. |
| Building Alteration Works | 100,000 | Contribution towards larger scale and "capital" works arising out of the Building condition surveys currently being undertaken. |

2017/18 PROPOSED CAPITAL BUDGET - BRIEF DESCRIPTIONS OF INDIVIDUAL SCHEME

| <u>Scheme Name</u> | <u>Budget (£)</u> | <u>Scheme Narrative</u> |
|---------------------------------------|--------------------------|--|
| Towneley Hall Building Works | 100,000 | Essential repair work is required at Towneley Hall. This includes the removal of loose and flaking stonework to the facades of the building, the re-roofing of the north Tower, repair work associated with the ingress of water to the North Tower and repairs to other parts of the roof. The work is outside the scope of the budget for building maintenance that is allocated to Liberata. The repairs to Towneley Hall will be managed by Liberata and contracted out to firms that specialise in building restoration. |
| Ward Opportunities Fund | 100,000 | This scheme enables Councillors to spend funds to enhance the lives of communities living in their wards, therefore fitting in with the Council's Community Strategy |
| 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 CSP's efforts to work towards and safer and cleaner Burnley. Alleygating remains popular with residents and members alike and each application period is vastly oversubscribed. |
| CCTV Infrastructure | 62,000 | Transfer to Blackburn expected December 2016. Uncertainty regarding Market Demolition and associated capital works, and also wireless network. May require provision for 2017/18 |
| Padiham Townscape Heritage Initiative | 399,873 | Comprehensive scheme costing £1.421m 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 |
| Bus Shelter Replacement | 8,000 | To provide new shelters on Quality Bus Routes, if required. |
| Towneley Hall Overspill Car Park | 38,500 | The project will provide an overspill car park for approximately 50 cars on Higher Towneley Playing Fields, adjacent to the existing Hall car park, which does not provide sufficient spaces to meet the parking requirements for events at the Hall. At present there are only 56 spaces (including disabled) which is inadequate to cater for events at the Hall such as weddings, conferences, and Towneley Hall Society meetings, etc. |
| TOTAL OF ALL SCHEMES | <u>12,027,721</u> | |

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REPORT TO EXECUTIVE



| | |
|----------------------|---|
| DATE | 13th February 2017 |
| PORTFOLIO | Resources & Performance Management |
| REPORT AUTHOR | David Donlan |
| TEL NO | 01282 477172 |
| EMAIL | ddonlan@burnley.gov.uk |

2017/18 Treasury Management Strategy and 2017/18 – 2019/20 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 2017/18.
 - c) To set out prudential indicators for the financial years 2017/20 in line with the CIPFA's Prudential Code 2013.
 - d) To seek approval for the Council's Minimum Revenue Provision (MRP) Policy Statement for the financial year 2017/18 in accordance with Government regulations.

RECOMMENDATION

2. That the Executive recommend to Full Council approval of ;
 - a) The treasury management strategy statement for 2017/18 as set out in Appendix 1
 - b) The prudential and treasury indicators for 2017/18 to 2019/20 per Appendix 2 including the authorised limit for external debt of £35.067m in 2017/18.
 - c) The list of Counterparties for Deposits outlined within Appendix 3.
 - d) The Council's MRP Statement for 2017/18 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 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.

As a consequence treasury management is defined as:

"The management of the local authority's 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 2017/18 as well as the Prudential and Treasury Indicators for 2017/18 to 2019/20.

The primary requirements of the Code are as follows:

The Council is required to receive and approve, as a minimum, three main 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, 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.

List of Counterparties

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

Minimum Revenue Provision (MRP)

Attached in Appendix 4 is the Council's Annual Statement on Policy for Making Minimum Revenue Provision on Outstanding Debt.

Economic Update

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

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

6.
 - The limit which can be deposited with the Council's bankers is to remain at £15m per Appendix 3.
 - 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 2017/18 will be £33.397m for the operational boundary and £35.067m for the authorised limit (2016/17 = £32.577m).
 - Borrowing has a longer term impact on the revenue budget because of the costs of finance. The cost of borrowing is increasing as a percentage of the net revenue stream in future years because of the forecast reductions in the Council's 'net budget requirement'.

POLICY IMPLICATIONS

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

DETAILS OF CONSULTATION

8. Capita Asset Services guidance briefs.

BACKGROUND PAPERS

9. None

FURTHER INFORMATION

PLEASE CONTACT:

**David Donlan
Accountancy Division Manager**

**Asad Mushtaq
Head of Finance**

Treasury Management Strategy for 2017/18

The strategy for 2017/18 covers two main areas:

Capital Issues

- the capital plans and the prudential indicators; the MRP strategy (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, Department of Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

Capital issues

The Capital Prudential Indicators 2017/18 – 2019/20 (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. Members are asked to approve the capital expenditure forecasts:

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).

| Table 1 Capital Expenditure | 2015/16 Actual £000 | 2016/17 Revised Estimate £000 | 2017/18 Estimate £000 | 2018/19 Estimate £000 | 2019/20 Estimate £000 |
|--|------------------------------------|--|--------------------------------------|--------------------------------------|--------------------------------------|
| Programmed Spend | 5,542 | 7,501 | 12,027 | 5,352 | 4,291 |
| Financed by: | | | | | |
| Capital receipts | 943 | 1,584 | 2,008 | 1,593 | 1,353 |
| 3rd Party Contributions | 175 | 735 | 249 | 150 | 98 |
| Capital grants | 2,332 | 2,558 | 4,371 | 1,636 | 1,511 |
| Revenue | 332 | 666 | 1,378 | 243 | 254 |
| Net borrowing need for the year | 1,760 | 1,958 | 4,021 | 1,730 | 1,075 |

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.

| Table 2 | 2015/16 Actual £000 | 2016/17 Revised Estimate £000 | 2017/18 Estimate £000 | 2018/19 Estimate £000 | 2019/20 Estimate £000 |
|--|------------------------------------|--|--------------------------------------|--------------------------------------|--------------------------------------|
| Capital Financing Requirement | | | | | |
| Total CFR at 31 st March | 27,438 | 28,607 | 31,807 | 32,553 | 32,606 |
| Net financing need for the year | 1,065 | 1,169 | 3,200 | 746 | 53 |

| £m | 2015/16 Actual £000 | 2016/17 Revised Estimate £000 | 2017/18 Estimate £000 | 2018/19 Estimate £000 | 2019/20 Estimate £000 |
|---|------------------------------------|--|--------------------------------------|--------------------------------------|--------------------------------------|
| Movement in CFR represented by | | | | | |
| Net borrowing need for the year (Table 1 above) | 1,760 | 1,958 | 4,021 | 1,730 | 1,075 |
| Less MRP and other financing movements | (695) | (789) | (821) | (984) | (1,022) |
| Movement in CFR in Year | 1,065 | 1,169 | 3,200 | 746 | 53 |

Incremental Impact of Capital Investment Decisions on Council Tax

This indicator identifies the revenue costs associated with the proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The costs include the investment interest to be foregone by using capital receipts and the proposed revenue contributions to capital (RCCO). The costs are expressed as an amount per Band D property using the 2017/18 council tax base of 22,579 for comparative purposes.

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 total debt, net of any investments, does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and the following two financial years. In the Council's case, the estimated external debt at 31st March 2017 of £20.6m is less than the CFR which ranges from £31.8m to £32.6m 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 2017/18 to 2019/20

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 2017/18 – 2019/20.

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 5% 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 5% above the operational boundary and includes provision for 'unusual cash movements'.

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 relatively high.

The Head of Finance 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 still relatively low.
- 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 £35.067m next year. This is limited to 5% above the operational boundary of £33.397m, which has been set at 5% 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

As short term borrowing rates will be considerably cheaper than longer term rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

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.

Municipal Bond Agency

It is likely that the Municipal Bond Agency will be offering loans to local authorities in the near future. It is hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). Officers intend to keep a watching brief of this new source of borrowing.

Investment Strategy

Background:

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. These limits are reviewed annually [as a minimum] and the current listing was incorporated into the treasury management report approved by Full Council on 24th February 2016.

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:

Within the counter parties listing we have retained a £15m limit with HSBC Bank plc, coinciding with retaining HSBC as the provider for administering the Council's banking facilities [contract renewed in December 2015 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 higher than that achieved with some other counterparties.

Approved list of Counterparties for Deposits

As part of the Treasury Policy Statement as a minimum the approved list of counterparties are reviewed annually and reported to Council. The current list was approved on 24th February 2016. It is proposed that the maximum amount that can be deposited with 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 Capita 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 Sector 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 weekly basis. 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, information on government support for banks and the credit ratings of that government support.

Policy on the use of treasury management consultants

The Council uses Capita Asset Services 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 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 to be included within the programme for 2017/18 is £12.027 million.

It is a reduced value from the previous year but still a significant amount. Through obtaining the associated funding through grants, capital receipts and other contributions the borrowing required has been minimised. This means that the effect of the investment on the Council's revenue account has been factored into the 2017/18 revenue budget within prudent limits. There is still uncertainty about the levels of spend in future years.

It is not known exactly at this stage what the effects on revenue of sustaining a high level of capital programme investment will be in future years. It is however envisaged that there will continue to be a significant contribution from grants. This will again minimise borrowing to within prudential levels and thus keep the resultant financing charge to the 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 local taxpayers. It is used in projections and for estimating the need for budget savings. It is based upon the system of Government revenue support and assumes a 1.90% increase in Council Tax for 2017/18 and a 1.90% increase for the following two years. The Council tax base used for assessing the impact on revenue is 22,579 which is the calculation given under the system of Council tax funding (22,071 for 2016/17)

Financing costs include interest on borrowing and the amount included in the budget for repayment of debt.

Net Borrowing Requirement

This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement (CFR) in the previous year plus the estimates of any additional capital financing requirement in the current year and the next two financial years. At all times the level of borrowing will be monitored to ensure that 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 purposes. This is as a result of not financing capital expenditure "up front" by means of capital receipts, grants etc. and relying on borrowing, which is ultimately repaid and then replaced if required.

Incremental impact of capital investment decisions

This indicator requires a comparison between the total budgetary requirement of the Council including and excluding the costs of changes to the existing capital programme. The proposed Burnley Borough Council Band D Council Tax for 2017/18 is £283.04 and includes the borrowing costs of capital investment decisions prior to 2017/18. The indicator shows, in terms of a Band D charge, how much extra will be paid by Council Tax payers as a result of capital programme spending during the next three years.

PRUDENTIAL AND TREASURY INDICATORS 2017/18 - 2019/20

| TABLE 1 - PRUDENTIAL INDICATORS | 2015/16 Actual £' 000 | 2016/17 Revised Estimate £' 000 | 2017/18 Estimate £' 000 | 2018/19 Estimate £' 000 | 2019/20 Estimate £' 000 |
|--|-----------------------------|--|-------------------------------|-------------------------------|-------------------------------|
| Capital Expenditure | 5,542 | 7,501 | 12,027 | 5,352 | 4,291 |
| Ratio of financing costs to net revenue stream | 9.9% | 11.0% | 12.3% | 15.1% | 16.0% |
| Net borrowing requirement brought forward 1 April | | | 33,397 | 34,181 | 34,236 |
| Capital Financing Requirement as at 31 March | 27,438 | 28,607 | 31,807 | 32,553 | 32,606 |
| Incremental impact of capital investment decisions Increase in council tax (band D) per annum | | | 2.67 | 3.14 | 2.44 |

| TABLE 2 - TREASURY MANAGEMENT INDICATORS | 2015/16 Actual £' 000 | 2016/17 Revised Estimate £' 000 | 2017/18 Estimate £' 000 | 2018/19 Estimate £' 000 | 2019/20 Estimate £' 000 |
|--|-----------------------------|--|-------------------------------|-------------------------------|-------------------------------|
| Authorised Limit for external debt - | | | 35,067 | 35,890 | 35,948 |
| <i>For 2017/18, 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 - | | | 33,397 | 34,181 | 34,236 |
| <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 | 20,607 | 20,607 | | | |
| 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 2015/16 | | 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% | 35% |
| | 12 months - within 24 months | 0% | 20% |
| | 24 months - within 5 years | 10% | 30% |
| | 5 years - within 10 years | 10% | 55% |
| | 10 years and above | 15% | 60% |

Capita Methodology in Determining Creditworthiness of Counterparties:

Capita's 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

Capita's 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 £15m and other named institutions below (£4m) .

| Banking Institutions Colour Bandings | Maximum Duration [per Capita] | Current Individual Limits per Bank / Group of Banks (£) |
|---|--------------------------------------|---|
| 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 |

As previously stated, an exception to the above is that the Councils own bank, HSBC, has an individual limit of £15m.

| Other Institutions | Maximum Duration | Individual Limits (£) |
|--|-------------------------|------------------------------|
| Local Authorities | 12 months | 2m |
| Government Debt Management Office | 12 months | Unlimited |
| Lancashire County Council Call Account | 12 months | 2m |
| Money Market Fund* | 12 months | 1m |

* the total amount deposited in Money Market Funds not to exceed the lower of £2m or 40% of the Council's total deposits.

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

Minimum Revenue Provision (MRP) policy statement 2017/18

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 2017/18

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 2017/18 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 2016/17 and assumed for 2017/18.

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.

The total of a) and b) 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.

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Economic update

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

1/ Global economy:

The Eurozone (EZ). In the Eurozone, the ECB commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%. Consequently, at its December meeting it extended its asset purchases programme by continuing purchases at the current monthly pace of €80 billion until the end of March 2017, but then continuing at a pace of €60 billion until the end of December 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. It also stated that if, in the meantime, the outlook were to become less favourable or if financial conditions became inconsistent with further progress towards a sustained adjustment of the path of inflation, the Governing Council intended to increase the programme in terms of size and/or duration.

USA. The American economy had a patchy 2015 with sharp swings in the quarterly growth rate leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 at +0.8%, (on an annualised basis), and quarter 2 at 1.4% left average growth for the first half at a weak 1.1%. However, quarter 3 at 3.2% signalled a rebound to strong growth. The Fed. embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene, and then the Brexit vote, have caused a delay in the timing of the second increase of 0.25% which came, as expected, in December 2016 to a range of 0.50% to 0.75%. Overall, despite some data setbacks, the US is still, probably, the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis. The Fed. therefore also indicated that it expected three further increases of 0.25% in 2017 to deal with rising inflationary pressures.

The result of the presidential election in November is expected to lead to a strengthening of US growth if Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment.

China. Economic growth in **China** has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending.

Japan. Economic growth in **Japan** is still patchy, at best, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

2/ UK economy:

Economic Growth UK GDP growth rates in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.5%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

The **referendum vote for Brexit** in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016.

Inflation. The **Monetary Policy Committee, (MPC), meeting of 4th August** was dominated by countering the expected sharp slowdown in the economy and resulted in a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals.

Forward guidance. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017; (Capital Economics are forecasting a peak of just under 3% in 2018). This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, although during November, sterling has recovered some of this fall to end up 15% down against the dollar, and 8% down against the euro (as at the MPC meeting date – 15.12.16). This depreciation will feed through into a sharp increase in the cost of imports and materials used in production in the UK. However, the MPC is expected to look through the acceleration in inflation caused by external, (outside of the UK),

influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.

Capita Asset Services forward view

The latest MPC decision included a forward view that Bank Rate could go either up or down depending on how economic data evolves in the coming months. Our central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in quarter 2 2019 (unchanged from our previous forecast). However, we would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely. We would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts.

The pace of Bank Rate increases in our forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

Prospects for Interest Rates

Part of the service provided by Capita Asset Services is to assist the Council to formulate a view on interest rates and the table below gives Capita's forecast.

Capita's interest rate forecast:

| Annual Average % | Bank Rate % | PWL B Borrowing Rates % (including certainty rate adjustment) | | |
|------------------|-------------|--|---------|---------|
| | | 5 year | 25 year | 50 year |
| Mar 2017 | 0.25 | 1.60 | 2.90 | 2.70 |
| Jun 2017 | 0.25 | 1.60 | 2.90 | 2.70 |
| Sep 2017 | 0.25 | 1.60 | 2.90 | 2.70 |
| Dec 2017 | 0.25 | 1.60 | 3.00 | 2.80 |
| Mar 2018 | 0.25 | 1.70 | 3.00 | 2.80 |
| Jun 2018 | 0.25 | 1.70 | 3.00 | 2.80 |
| Sep 2018 | 0.25 | 1.70 | 3.10 | 2.90 |
| Dec 2018 | 0.25 | 1.80 | 3.10 | 2.90 |
| Mar 2019 | 0.25 | 1.80 | 3.20 | 3.00 |
| Jun 2019 | 0.50 | 1.90 | 3.20 | 3.00 |
| Sep 2019 | 0.50 | 1.90 | 3.30 | 3.10 |
| Dec 2019 | 0.75 | 2.00 | 3.30 | 3.10 |
| Mar 2020 | 0.75 | 2.00 | 3.40 | 3.20 |

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Scrutiny Draft Work Programme 2016/17

| | |
|--|--|
| 29 th June | <p>Notice of Key Decisions and Private Meetings Report/presentation from Liberata Capital Budget Monitoring Quarter 4 (to 31st March 2016) Revenue Budget Monitoring Quarter 4 (to 31st March 2016) Year-end performance report – this will provide a summary of performance across the Council for 2015/16 Leisure Trust Annual Report</p> |
| 14 th September | <p>Notice of Key Decisions and Private Meetings Revenue Budget Monitoring Q1 Capital Budget Monitoring - Q1 <i>MTFS/Budget Setting Process 2017/18</i></p> <p><i>State of the Local Economy Review Groups Work Programme</i></p> |
| 5th December Budget Scrutiny Panel | <p>NKDPM Revenue Budget Monitoring Q2 Capital Budget Monitoring - Q2 <i>Q2 performance report Treasury Management Community Safety Annual Report Review Groups Work Plan</i></p> |
| 9th February Budget Scrutiny Panel | <p>NKDPM Resident Satisfaction Survey (presentation) Rob Revenue Budget Monitoring Q3 Capital Budget Monitoring - Q3 2017/18 Budget Reports <i>Community Buildings – Draft Strategic Plan – Review Groups Work Plan</i></p> |
| 22 nd March | <p>Notice of Key Decisions and Private Meetings <i>State of the Local Economy The PREVENT agenda Review Groups Work Plan 2017-18</i></p> |

Liberata Reports as required

Waste Contract monitoring as required – none in 2015/16

Ongoing review groups.

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