

EXECUTIVE

Wednesday, 20th September, 2023
6.30 pm





EXECUTIVE

ROOMS 2 & 3, BURNLEY TOWN HALL

Wednesday, 20th September, 2023 at
6.30 pm

This agenda gives notice of items to be considered in private as required by Regulations (4) and (5) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

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

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

Notice in writing of the subject matter must be given to the Head of Legal & Democracy by 5.00pm on the day before the meeting. Forms can be obtained for this purpose from the reception desk at Burnley Town Hall, Manchester Road or at the Contact Centre, Parker Lane, Burnley or from the web at: [Register to Speak form](#). You can also register to speak via the online agenda. Requests will be dealt with in the order in which they are received.

AGENDA

1) *Apologies*

To receive any apologies for absence.

2) *Minutes*

To approve as a correct record the Minutes of the last meeting.

5 - 10

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) *Declaration of Interest*

In accordance with the Regulations, Members are required to declare any personal or personal and prejudicial interests they may have and the nature of those interests in respect of items on this agenda 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) Right To Speak

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

7) Minutes of Individual Decisions

11 - 14

To receive for information details of any Executive Individual Decisions or Urgent Executive Decisions.

8) Changes to Officer Representation on Outside Body - Housing Joint Venture Contract

15 - 16

To approve changes to officer Council and Stakeholder Representation on the Housing Joint Venture Contract Outside Body.

9) Climate Action Fund

17 - 18

To accept grant funding from Burnley Leisure for a climate action project.

10) Article 4 Direction - Houses in Multiple Occupation

19 - 72

To consider the case for the making of an Article 4 Direction to remove the permitted development rights that allow the change of use of a single dwelling house into a small house in multiple occupation (HMO), subject to consultation.

11) Revenue Budget Monitoring Report Q1 2023-24

73 - 86

To report the forecast outturn position for the year ending 31 March 2024 based upon actual spending and income to 30 June 2023.

12) Capital Budget Monitoring Report Q1 2023-24

87 - 100

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

13) Treasury Management 2023-24 Q1 Report

101 - 112

To report treasury management activity for the first quarter of 2023/24 covering the period 1 April to 30 June 2023.

14) Revenue Budget 2024-27 - Latest Position and Savings Proposals 113 - 128

To update The Executive on the latest position regarding balancing the Council's 2024/27 revenue budgets and to outline proposed savings for recommendation to Full Council.

15) Council Tax Support Scheme Consultation 129 - 132

To seek approval to commence a public consultation on the plans to temporarily revise Burnley Borough Council's Council Tax Support Scheme for 2024/25 and 2025/26.

16) Exclusion of the Public

To determine during which items, if any, the public are to be excluded from the meeting and to consider the exclusion of the public from the meeting before discussion takes place on the following items of business on the grounds that in view of the nature of the business to be transacted if the public were present there would be a disclosure to them of exempt information within the meaning of Schedule 12A of the Local Government Act 1972.

PRIVATE ITEMS

Details of any representations received by the Executive about why any of the following reports should be considered in public – None received.

Statement in response to any representations – Not required

17) Building Control IT Procurement 133 - 134

To seek approval to procure a new IT system for the building control service.

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

MEMBERSHIP OF COMMITTEE

Councillor Afrasiab Anwar (Chair)
Councillor Sue Graham (Vice-Chair)
Councillor John Harbour

Councillor Lubna Khan
Councillor Mark Townsend

PUBLISHED

Tuesday, 12 September 2023



EXECUTIVE

BURNLEY TOWN HALL

Wednesday, 16th August, 2023 at 6.30 pm

PRESENT

MEMBERS

Councillors A Anwar (Chair), S Graham (Vice-Chair), J Harbour, L Khan and M Townsend

OFFICERS

Paul Gatrell	– Head of Housing & Development Control
Simon Goff	– Head of Green Spaces and Amenities
Howard Hamilton-Smith	– Director of Resources
Carol Eddleston	– Democracy Officer

Also in Attendance

Councillor Gail Barton.

19. Apologies

All members of the Executive were present.

20. Minutes

The Minutes of the last meeting, held on 12th July 2023, were approved as a correct record and signed by the Chair.

21. Additional Items of Business

There were no additional items of business.

22. Declaration of Interest

There were no declarations of interest in any of the items on the agenda.

23. Right To Speak

No requests to speak had been received.

24. Delegated Decisions Taken Since the Last Meeting

Members of the Executive noted three decisions that had been taken under delegated authority by the Strategic Head of Economy and Growth in consultation with the Lead Member for Economy and Growth.

25. Burnley Playing Pitch and Outdoor Sport Strategy (BPPOSS)

PURPOSE

To seek approval of the Executive to adopt the Burnley Playing Pitch & Outdoor Sports Strategy (PPOSS).

REASONS FOR DECISION

1. The PPOSS (Strategy & Action Plan - Appendix 2) will guide the management and development of Burnley's playing pitches over the next 5+ years.
2. The PPOSS will provide a strategic framework to ensure that the provision of outdoor sports facilities meets the needs of residents (both existing and future) and visitors across Burnley. It will also support those organisations, including the Council, involved in the provision of outdoor sports facilities across Burnley.

DECISION

The Executive resolved to adopt the Burnley Playing Pitch & Outdoor Sport Strategy.

26. The Empty Homes Programme

PURPOSE

1. To seek approval to make several Compulsory Purchase Orders (CPOs) for long term vacant properties in the private sector.
2. To dispose of the properties in accordance with the Council's Disposal of Empty Dwellings Policy and scheme of delegation or to Calico Homes as appropriate.

REASONS FOR DECISION

1. The owners/trustees of these properties have been contacted and have either not responded at all or due to circumstances beyond their control are unable to sell the property with a view that it would be brought back in to use.
2. The listed properties are long term vacant properties, being empty, in one case it is understood for some 16 years. Council Officers have inspected the properties and verified that they are vacant, one of the properties is in serious disrepair and has recently been served notices in respect of pest control with no response. Without intervention by the Council through acquisition by agreement or compulsory purchase the properties may remain vacant, continue to deteriorate, attract anti-social behaviour, fly-tipping and arson, all of which cause fear in local residents, resulting in a declining neighbourhood.

The Burnley (4 Oat Street Padiham) vacant since 25th March 2016

The Burnley (32 Hurtley Street Burnley) vacant since 28th September 2007

3. Through the Vacant Property Initiative and Empty Homes Programme over 150 properties have been acquired, refurbished and re-sold or re let, bringing those properties back into use and providing high quality accommodation.

DECISION

The Executive resolved to :

1. Authorise the Head of Housing and Development Control in consultation with the relevant Executive Member approve in pursuance of the powers obtained under Section 17 of the Housing Act 1985 (as amended) to make the following compulsory purchase orders for the purpose of renovation and/or re-sale by the most appropriate method:

The Burnley (4 Oat Street Padiham) Compulsory Purchase Order 2023

The Burnley (32 Hurtley Street Burnley) Compulsory Purchase Order 2023

2. Authorise the Head of Legal and Democratic Services to agree terms for the acquisition of the properties and to acquire the properties in this report by agreement as an alternative to compulsory purchase in accordance with the terms of delegation.
3. Authorise the Head of Legal and Democratic Services to make minor amendments, modifications or deletions to the CPO schedule of interests and map, should this be necessary, and to finalise the making and submission of the CPO, including promoting the Council's case at public inquiry, if necessary.
4. Subject to confirmation by the Secretary of State, authorise the Head of Legal and Democratic Services to secure full title to and possession of the CPO land as appropriate by:
 - Serving notice of confirmation of the CPO on all interested parties
 - Serving notice of intention to execute a General Vesting Declaration
 - Executing the General Vesting Declaration
 - Serving Notices to Treat and/or Entry as appropriate
 - Acquiring land and interests by agreement if possible

5. Authorise the tendering of any renovation/building works in accordance with SOC 1, 15 and 16 and delegate power to accept the tender to the Head of Housing and Development Control.
6. Approve that the proceeds from the sale of the properties be recycled back into the Empty Homes Programme for further acquisitions and renovations.

27. Exclusion of the Public

Members determined to exclude the public from the meeting before discussion took place on Minutes 28, 29, 30 and 31 on the grounds that in view of the nature of the business to be transacted if the public were present there would be a disclosure to them of exempt information within the meaning of Schedule 12A of the Local Government Act 1972.

28. Acquisition of Properties for Temporary Accommodation

Members noted that the timescales for receipt of the signed Memorandum of Understanding associated with this item was 14th August 2023. Failure to submit would have put the grant funding at risk and, as such, the Chief Executive had taken an urgent Executive Delegated Decision on 14th August.

In accordance with, and following the requirements set out in Paragraph 16 of Part 4.5 of the Constitution regarding the agreement of the Chair of the Scrutiny Committee, it was stated that in the opinion of the Chief Executive, the decision was an urgent one and was therefore not subject to call-in.

29. Replacement of Fitness Equipment at St Peter's and Padiham Leisure Centres

PURPOSE

To seek approval for funding to replace the fitness equipment and refurbish the associated fitness areas at St Peter's and Padiham leisure centres.

REASONS FOR DECISION

The main income stream for Burnley Leisure & Culture comes from gym memberships and it is essential that the Trust continues to offer high-quality, up to date fitness equipment in a modern environment to retain customers and develop the business.

DECISION

The Executive resolved to:

1. Approve the replacement of fitness equipment and refurbishment of fitness areas at St Peter's and Padiham leisure centres.
2. Recommend to Full Council the establishment of a new budget in the 2023/24 Capital programme of £563,000.

3. Approve the part financing of the capital borrowing from the client contingency budget, with the remainder being funded by Burnley Leisure & Culture as set out in paragraph 13 of the report.
4. Note that the equipment will be owned by Burnley Council.

30. Levelling Up Fund - Newtown Mill

PURPOSE

To seek approval of the payments set out in the report in advance of the Agreement for Sale with UCLAN being completed, to avoid incurring further costs.

REASON FOR DECISION

To ensure that the project is delivered on schedule and within budget in advance of the finalisation of the Agreement for Sale with UCLAN.

DECISION

The Executive resolved to:

1. Approve the payment set out in paragraph 10 of the report.
2. Note that the Chair of Scrutiny has agreed to waive call-in to avoid the risks of incurring delays in the construction programme and potential additional costs.

In accordance with, and following the requirements set out in Paragraph 16 of Part 4.5 of the Constitution regarding the agreement of the Chair of the Scrutiny Committee, it is stated that in the opinion of the Executive, this decision is an urgent one to avoid the risks of incurring delays in the construction programme and potential additional costs and is therefore not subject to call-in.

31. Nicholas Street Redevelopment

PURPOSE

To seek approval to proceed with proposals for the re-development of Nicholas Street, through the Council's Housing Partnering Agreement with Barnfield Investment Properties.

REASONS FOR DECISION

1. The redevelopment of Nicholas Street is identified as a key project in the Burnley Town Centre and Canalside masterplan.
2. The building is surplus to requirements and no alternative viable uses have been found leaving the Council with on-going maintenance and management costs.
3. The Council has been awarded a grant of £416,312 to bring forward the site for residential development.

DECISION

The Executive resolved to:

1. Approve the proposals set out in paragraphs 12 to 14 of the report.
2. Approve match funding, as set out in paragraphs 18 to 22 of the report.
3. Delegate authority to the Director of Resources, in consultation with the Director of Economy and Development and the Executive Member for Resources and Performance Management to agree the Site Business Plan as set out in Part 1 Schedule 3 of the Housing JV Partnering Agreement.
4. Delegate authority to the Director of Resources to enter into the Grant Funding agreement as set out in paragraph 18 of the report.
5. Delegate authority to the Director of Resources in consultation with the Director of Economy and Development and the Executive Member for Resources and Performance Management to agree terms and dispose of the building on completion of the works to a Registered Social Landlord.
6. Delegate authority to the Head of Housing and Development Control to agree the terms of the instruction to Barnfield Investment Properties to authorise the remainder of the upfront design work to be instructed at risk to enable the completion of the Site Business Plan and Development Agreement.
7. Delegate authority to the Head of Legal and Democratic Services to appoint solicitors via the NW Legal Consortium Framework to draft the documents necessary to give effect to the decision.
8. Delegate authority to the Head of Housing and Development Control to accept tenders and appoint a consultant to undertake a benchmarking and monitoring role.
9. Delegate authority to the Head of Legal and Democratic Services to execute all documents necessary to give effect to this decision.
10. Note that the Chair of Scrutiny has agreed to waive call-in to allow the council to enter into the Grant Funding Agreement no later than the deadline of 16th August.

In accordance with, and following the requirements set out in Paragraph 16 of Part 4.5 of the Constitution regarding the agreement of the Chair of the Scrutiny Committee, it is stated that in the opinion of the Executive, this decision is an urgent one to meet deadlines to sign a funding agreement and deliver the project within timescales.

URGENT OFFICER DECISIONS- EXECUTIVE DECISIONS

Monday, 14th August, 2023
10.28 am





URGENT OFFICER DECISIONS- EXECUTIVE DECISIONS

Monday, 14th August, 2023 at 10.28 am

AGENDA

1) *Acquisition of Properties for Temporary Accommodation*

3 - 4

PUBLISHED

14th August 2023



URGENT EXECUTIVE DELEGATED DECISION BY THE CHIEF EXECUTIVE

BURNLEY TOWN HALL

PRESENT

OFFICERS Alison McEwan - Democracy Officer

1. Acquisition of Properties for Temporary Accommodation

Purpose To seek approval to acquire six residential properties for the continued use of temporary accommodation for homeless households and for the Afghan Resettlement Programme.

Reason For Decision

1. To continue to use the three properties for temporary accommodation which have proven to be in good locations and popular with homeless families until permanent settled accommodation is found.
2. To reduce the ongoing revenue cost of temporary accommodation as the Council will no longer pay the annual lease cost to the property owners.
3. To have control of the temporary accommodation to ensure the properties are maintained to a good standard, well managed for homeless families and remain in use as temporary accommodation for as long as the Council determines there is a need.
4. To support the Government's Afghan resettlement programme by providing homes for those people who risked their lives alongside the British Armed Forces.
5. Immediately increase the number of Council owned temporary accommodation properties by three and over time an additional three as the Afghan families are re-housed into permanent social accommodation.

Decision That the Chief Executive using urgency powers under Part 3 of the Constitution (Executive Functions) and following consultation with the Executive Member:

1. Delegates authority to the Head of Housing and Development Control in consultation with the portfolio holder to enter into negotiations to acquire three occupied properties from accredited landlords for continued use as temporary accommodation.
2. Authorises the Head of Legal and Democratic Services to agree terms for the acquisition of the properties, in this report by agreement as an

alternative to compulsory purchase in accordance with the terms of delegation.

3. Authorises the Head of Legal & Democratic Services enter into an agreement with the Home Office to deliver the Local Authority Housing Fund 23-24 (Round 2) for the purposes of acquiring the three occupied properties for temporary accommodation as detailed in paragraph 2 and to acquire a further three empty properties to use as temporary accommodation for Afghan families.

In accordance with, and following the requirements set out in Paragraph 16 of Part 4.2 of the Constitution regarding the agreement of the Chair of the Scrutiny Committee, it is stated that in the opinion of the Chief Executive, this decision is an urgent one to ensure external funding is secured and is therefore not subject to call-in.

Decision made by: Lukman Patel, Chief Executive



Date: 14th August 2023

Decision Published on: 14th August 2023

Agenda Item 8

Changes to Officer Representation on Housing Joint Venture Contract Outside Body

EXECUTIVE



DATE	20 September 2023
PORTFOLIO	Leader
REPORT AUTHOR	Carol Eddleston
TEL NO	01282 475973
EMAIL	ceddleston@burnley.gov.uk

PURPOSE

1. To amend officer Council and Stakeholder Representation on the Housing Joint Venture Contract Outside Body to reflect recent changes in Senior Management Team responsibilities.

RECOMMENDATION

2. That, in relation to officer representation on the Housing Joint Venture Contract Outside Body, the Executive agree to:
 - i) appoint the Director of Economy and Development as the officer Council Representative in place of the Chief Operating Officer, and
 - ii) appoint the Head of Housing and Development Control as the officer Stakeholder Representative in place of the Director of Economy and Development.

REASONS FOR RECOMMENDATION

3. Recent changes to roles and responsibilities following the Senior Management Team review mean that it is now timely to review officer representation on this Outside Body.
4. The Housing Joint Venture Contract is one of the small number of Outside Bodies to which the Executive appoints, rather than Full Council.

SUMMARY OF KEY POINTS

5. At its meeting on 12th June 2023, the Executive appointed the Chief Operating Officer as the officer Council representative on the Housing Joint Venture Contract and the then Strategic Head of Economy and Growth as one of two officer Stakeholder representatives, the other being the Chief Executive.
6. The recent Senior Management Team review resulted in changes to responsibilities and reporting arrangements associated with both the Chief Operating Officer and Director of Economy and Development roles. Consequently it is now considered appropriate for the Director of Economy and Development to be appointed as the

officer Council representative instead of the Chief Operating Officer and for the Head of Housing and Development Control to be appointed as an officer Stakeholder representative instead of the now Director of Economy and Development. The Chief Executive appointment as an officer Stakeholder representative is to remain.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

7. None.

POLICY IMPLICATIONS

8. The proposed new appointments reflect the strategic importance of the role of the Director of Economy and Development and the closer collaboration between that role and that of the Head of Housing and Development Control, and allow the Chief Operating Officer to focus on the immediate priority of the re-procurement/extension of the council's two key strategic partnerships.

DETAILS OF CONSULTATION

9. N/A

BACKGROUND PAPERS

10. N/A

FURTHER INFORMATION

PLEASE CONTACT: Carol Eddleston 01282 475973

ALSO:

Report to Executive



DATE	September 20 th 2023
PORTFOLIO	Leisure
REPORT AUTHOR	Simon Goff
TEL NO	07971 0331907
EMAIL	sgoff@burnley.gov.uk

Climate Action Fund: Burnley Green Activities Project

PURPOSE

1. To accept grant funding from Burnley Leisure and Culture for a climate action project.

RECOMMENDATION

2. The Executive is recommended to:
 1. Approve the acceptance of grant funding of £330,000 over 4 years from Burnley Leisure & Culture for the Burnley Green Activities Project.
 2. Authorise the Head of Legal & Democracy Services to complete Deeds of Dedication for Council owned land where micro woodlands will be planted.
 3. Recommend that Full Council approve establishment of the budgets outlined in this report.

REASONS FOR RECOMMENDATION

3. To enable the Council to accept grant funding .

SUMMARY OF KEY POINTS

4. Burnley Leisure & Culture has secured funding of £380K from the National Lottery Community Fund's Climate Action programme which focuses on the link between nature and climate and aims to fund projects that encourage community-led climate action.
5. BLC will act as the accountable body and will work in partnership with the Council to deliver the project as part of the 'Burnley and Outdoor Town' initiative.
6. The Council will receive £330K from BLC over a four-year period and will use the funding to organise and deliver volunteer activities involving people of all ages and abilities in Burnley's parks and greenspaces across the borough.

7. Volunteer activities will include tree and woodland planting, creation of wildflower meadows and other environmental activities and improvements. The budget will employ a Green Activities Coordinator, provide EV transport and pay for materials and equipment including trees and wildflower seed, etc.
8. The Executive is requested to approve acceptance of the £330K funding.
9. The project plan identifies that 15 new micro woodlands will be planted on Council owned green spaces. The funding agreement requires the Council to complete a Deed of Dedication which obliges the Council to maintain each site as woodland in future. (Similar Deeds of Dedication were completed for the lottery funded Forest of Burnley woodland schemes).
10. The Executive is requested to authorise the Head of Legal and Democracy Services to complete Deeds of Dedication in respect of the 15 woodland sites.
11. The £50K that BLC retains will provide funding for future editions of Beat the Street and project management.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

12. The project is fully funded by the payments received from BLC. The Council is not required to make any financial contribution.

13.

Expenditure:	23/24	24/25	25/26	26/27	Total
salaries	40,000	40,000	40,000	40,000	160,000
training	1,000	1,000	1,000	1,000	4,000
wrapping van	2,500				2,500
tools	2,000				2,000
workshops	1,250	1,250	1,250	1,250	5,000
trees & wildflower supplies	19,500	25,000		25,000	69,500
interpretation boards		6,000		6,000	12,000
operational budget	10,000	10,000	10,000	10,000	40,000
vehicle costs	35,000				35,000
Total Expenditure	111,250	83,250	52,250	83,250	330,000

POLICY IMPLICATIONS

14. The project will help the Council to delivery on commitments made in the Climate Change Strategy.

DETAILS OF CONSULTATION

BACKGROUND PAPERS

FURTHER INFORMATION **Simon Goff**

ARTICLE 4 DIRECTION: HOUSES IN MULTIPLE OCCUPATION (HMOs)

REPORT TO THE EXECUTIVE



DATE	20 September 2023
PORTFOLIO	Economy and Growth
REPORT AUTHOR	Pete Milward
TEL NO	Ext. 3296
EMAIL	pmilward@burnley.gov.uk

PURPOSE

1. The purpose of this report is to consider the case for the making of an Article 4 direction to remove the permitted development rights that allow the change of use of a single dwelling house into a small house in multiple occupation (HMO), subject to consultation as set out in paragraph 31.

RECOMMENDATION

2. It is recommended that the Executive:
 - i) approve the making of a non-immediate Article 4 direction to remove permitted development rights for changes of use from individual dwellinghouses to smaller houses in multiple occupation, with 12 months' notice, in line with the details set out in the background report; to be consulted on as per paragraph 31.
 - ii) authorise the Director of Economy and Development to prepare the necessary documentation and carry out consultation as required by the Regulations and set out in paragraph 31, prior to the confirmation of an Article 4 direction.

REASONS FOR RECOMMENDATION

3. The Houses in Multiple Occupation and Small Flats SPD (2022) highlighted that, should the need arise, the Council could consider an Article 4 direction to better manage the creation of small HMOs and their impacts on the amenity of certain areas. The report in Appendix A demonstrates that there is a need to implement an Article 4 direction.
4. In accordance with the statutory requirements, a further report will be brought back to the Executive to consider the outcome of the consultation and to determine whether to confirm the Article 4 direction.

SUMMARY OF KEY POINTS

Background

5. The background report at Appendix A outlines the extent of current houses in multiple occupation (HMOs) in the borough; the current legislative and policy position in respect of HMOs; the justification for introducing an Article 4 direction to remove the permitted development rights allowing conversion of a single dwellinghouse into a small house in multiple occupation; and the process for doing so.
6. A house in multiple occupation (HMO) is a property rented out by at least 3 people who are not from one household (such as a family) and share facilities such as a bathroom or kitchen.
7. At present, a change of use from a dwellinghouse (which is in planning use class C3) to a large HMO of more than 6 people (which does not fall into any of the planning use classes and therefore is *sui generis*) requires planning permission. However, a change of use from a dwellinghouse to a small HMO of between 3 and 6 people (which is in planning use class C4), is permitted development and does not require planning permission.
8. An Article 4 direction could remove permitted development rights for the change or use or conversion of a dwellinghouse to a small HMO which would allow proposals to be considered through the planning system in the same manner as large HMOs. This would give the Council a greater opportunity to manage the overall number of HMOs in the areas to which it applies and mitigate some of the issues attributed to their concentration. An Article 4 direction cannot rule out all new HMOs; any refusal of planning permission would need to be justified.
9. It is important to remember that HMOs provide a form of low-cost housing, particularly for younger people and people on low incomes. They also provide flexible accommodation for people with short-term housing requirements. This includes people in-between properties, people employed on short-term contracts and people who are saving to purchase a home. They also provide housing for people that simply prefer to live with large numbers of other people, such as friendship groups. Given the limited number of purpose-built HMOs in the borough, the sector will be reliant on conversion of existing properties.
10. However, there are concerns associated with HMOs, specifically when there is a high concentration of them within an area. The Government undertook an evidence gathering exercise to review the problems caused by high concentrations of houses in multiple occupation in 2008. It summarised the problems associated with a high concentration of HMOs as:
 - anti-social behaviour
 - noise and nuisance
 - imbalanced and unsustainable communities
 - negative impacts on the physical environment and streetscape
 - pressures upon parking provision
 - increased crime

- growth in the private rented sector at the expenses of owner-occupation
- pressure upon local community facilities
- restructuring of retail, commercial services and recreational facilities to suit the lifestyles of the predominant population

The case for an Article 4 Direction

11. The National Planning Policy Framework states that, in all cases, Article 4 Directions must “be based on robust evidence and apply to the smallest geographical area possible”. The National Planning Practice Guidance requires there to be a “particularly strong” justification if a direction is to relate to a wide area (for example covering the entire area of a local planning authority).
12. Having regard to the evidence set out in the background report, it is not considered that there is a “particularly strong” justification to apply an Article 4 direction borough-wide and it is unlikely to be supported by the Secretary of State. In several wards there are relatively few HMOs and student dwellings and there are no apparent concentrations or clusters. This means that it is unlikely that harm to local amenity or well-being of these areas will arise from the change of use of Use Class C3 dwellinghouses to Use Class C4 small HMOs.
13. The evidence does however show that it would be appropriate to consider to introduce an Article 4 direction covering the following wards:
 - Trinity ward;
 - Bank Hall ward;
 - Daneshouse with Stoneyholme ward;
 - Rosegrove with Lowerhouse;
 - Gannow ward;
 - Gawthorpe ward;
 - Queensgate ward;
 - Brunshaw ward; and
 - Rosehill with Burnley Wood ward
14. In these wards there is evidence of concentrations of HMOs and student dwellings and this is having a detrimental effect in relation to amenity, character and well-being of the areas. These areas also suffer from relatively high levels of crime and environmental complaints.
15. In addition to this, the draft Modelled Estimates of HMOs undertaken by BRE, Appendix B, shows that there is the potential for a further 500 HMOs. The vast majority of these would be small HMOs.
16. When taken together these amount to a compelling reason for bringing Use Class C4 small HMOs within full planning control and is in the public interest. It will ensure that the Council can respond in a timely way to the emergence of new concentrations of HMOs to prevent harm to areas.
17. It is considered most appropriate to apply the Article 4 direction to whole wards, rather than to smaller areas within wards where there are the existing concentrations of HMOs. This is on the basis that if the direction was to apply to such areas it is likely

that there could be an increase in the number of HMOs created through permitted development rights in the areas directly adjacent to those not within the scope of the direction. With regard to the wards not covered by the direction, the Council will monitor the situation to ensure that issues are not displaced to these wards.

The Types of Article 4 Direction

18. There are two types of Article 4 direction:
 - Non-immediate directions in which permitted development rights are only removed upon confirmation of the direction by the local planning authority following local consultation; and
 - Immediate directions, in which permitted development rights are removed with immediate effect but must be confirmed by the local planning authority following local consultation within six months, or else the direction will lapse.
19. National Planning Policy Guidance states that the circumstances in which an immediate direction can restrict development are limited. Immediate directions can only be made in relation to development permitted by [Parts 1 to 4 and 11 of Schedule 2 to the General Permitted Development Order](#), which includes the change of use to HMOs, where the development presents “*an immediate threat to local amenity or prejudices the proper planning of an area.*” Immediate directions can also be made in relation to certain types of development in conservation areas.

Article 4 Notices and Consultation

20. Consultation will need to be undertaken in line with legislation. This requires notice of the ‘making’ of the Article 4 direction which will need to specify a period of at least 21 days within which any representations concerning the direction may be made to the Council. Notification should be in the form of local advertisement and by site display at no fewer than 2 locations within the area/s to which the direction relates, for a period of not less than 6 weeks. The Secretary of State must also be notified that the direction has been ‘made’.
21. Representations received must be considered in determining whether to confirm the direction. Any material changes resulting from consultation will require re-consultation. The Council would not be able to confirm the direction until after the expiration of a period of at least 28 days following the latest date on which the made direction is served or published.
22. If confirmed, the direction will come into force on the date specified in the notice. Notice must again be served locally, and again the Secretary of State must also be notified.
23. The Secretary of State does not have to approve an Article 4 direction and will only intervene when there are clear reasons for doing so. If intervention is deemed to be necessary, the Secretary of State may make a direction cancelling or modifying any Article 4 direction made by a local planning authority at any time before or after its confirmation.

Compensation

24. If a local planning authority makes an Article 4 direction, it can be liable to pay compensation to those whose permitted development rights have been withdrawn, but only if it then subsequently:
 - refuses planning permission for development which would otherwise have been permitted development; or
 - grants planning permission subject to more limiting conditions than the General Permitted Development Order (GPDO)
25. The grounds on which compensation can be claimed are limited to abortive expenditure or other loss or damage directly attributable to the withdrawal of permitted development rights.
26. The potential liability is limited in many cases by the time limits that apply. All claims for compensation must be made within 12 months of the date on which the planning application for development formerly permitted is rejected (or approved subject to conditions that go beyond those in the GPDO).
27. For the permitted development rights under consideration with this Article 4, compensation may only be claimed if an application for planning permission is submitted within 12 months following the date the direction comes into force and if a non-immediate direction giving 12 months prior notice of the withdrawal of permitted development rights is progressed there is no ability to claim compensation.

Conclusion

28. In accordance with paragraph 16 and the background document appended to this report there is a clear case for Article 4 Direction to better manage the creation of small HMOs and their impacts on the amenity of certain areas.
29. In determining which type of Article 4 Direction the Council should pursue, consideration has been given as to whether an immediate Article 4 direction is appropriate bearing in mind the likelihood of compensation claims against the Council. It is not considered that the requirements to bring forward an immediate direction have been met. This consideration included obtaining an external legal opinion on the appropriateness of the proposed type of Article 4 Direction.
30. Whilst a non-immediate Article 4 may lead to a temporary increase in the number of permitted small HMOs as property owners bring them forward before the Article 4 is confirmed, this type of direction (giving 12 months prior notice thus avoiding the potential for compensation claims as a result of abortive works), is considered to be appropriate.

Next Steps

31. Should Executive approve the making of a non-immediate article 4 direction, with 12 months' notice, the broad timeline thereafter would be as follows:
 - October 2023: Serve notice locally and to the Secretary of State, with a consultation period of six weeks as set out in the background document,

- April 2024: Report to the Executive to consider the comments received and determination as to whether to confirm the direction,
- October 2024: If confirmed, the Article 4 direction comes into force.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION
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32. The limited costs associated with making, consulting on, confirming and monitoring, if approved, the Article 4 direction will be met within existing budgets. A non-immediate Article 4 direction as recommended giving 12 months' notice, avoids the potential for compensation claims from owners and developers as a result of abortive works.
33. When an Article 4 Direction comes into force the Council is likely to receive an increased number of Change of Use applications which in turn may lead to appeals, and there may be an increase in enforcement activity. The Council will receive income from planning application fees towards meeting these additional costs.

POLICY IMPLICATIONS

34. When in force, an Article 4 Direction will require planning applications to be submitted which will then be considered with regard to Burnley's Local Plan and the Houses in Multiple Occupation and Small Flats Supplementary Planning Document; and any other material planning considerations.

DETAILS OF CONSULTATION

35. None

BACKGROUND PAPERS

36. None

FURTHER INFORMATION

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Background Document:

Article 4 Direction for the removal of permitted development rights for the change of use from Use Class C3 (dwellinghouses) to C4 Houses in Multiple Occupation (HMOs)

Draft for Executive: September 2023

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1 Introduction

1.1 Purpose and Scope of the Article 4 Direction

1.1.1 This document sets out the policy context and supporting evidence to justify the introduction of a new Article 4 Direction under the provisions of the Town and Country Planning (General Permitted Development) Order 2015 (as amended). The Article 4 Direction would remove permitted development rights for the change of use from dwellinghouses (Use Class C3) to small houses in multiple occupancy (HMOs) (Use Class C4) in the following areas of the Burnley borough:

- Trinity ward;
- Bank Hall ward;
- Daneshouse with Stoneyholme ward;
- Rosegrove with Lowerhouse;
- Gannow ward;
- Gawthorpe ward;
- Queensgate ward;
- Brunshaw ward; and
- Rosehill with Burnley Wood ward

1.1.2 The Article 4 Direction will give the Council greater control over the number and location of HMOs. HMOs individually and particularly cumulatively can have significantly detrimental impacts on amenity, social cohesion, crime and anti-social behaviour, housing choice and wider economic prosperity. They can also provide poor quality accommodation for occupiers.

1.2 HMOs Legislative Overview

Housing Act

1.2.1 Houses in Multiple Occupation (HMOs) are defined separately by housing and planning legislation. The definition of HMOs was originally set by the Housing Act 2004 – see section 3.1 for further explanation.

1.2.2 HMO licensing is also governed by the Housing Act – see section 3.3 for further explanation.

Use Classes Order

1.2.3 In April 2010, the Government introduced a new Use Class (C4) Houses of Multiple Occupation (HMOs) to the Use Classes Order. This use class comprises dwellinghouses (including flats) occupied by 3 to 6 unrelated individuals who share basic amenities. HMOs for more than 7 people are a *Sui Generis* Use. See section 3.2 for further explanation.

Permitted Development

1.2.4 In October 2010, the Government also introduced ‘permitted development rights’ to allow the change of use of a C3 dwellinghouse to the new C4 use without the need to apply for planning permission. See section 3.2 for further explanation.

1.2.5 Proposals for *sui generis* HMOs containing 7 or more residents still require planning permission.

1.3 Article 4 Directions

1.3.1 Article 4 of the General Permitted Development Order (GPDO) allows Local Planning Authorities (LPAs) to issue Directions to remove specific permitted development rights from all or specific parts of its area. These specific developments then require planning permission. Bringing these developments under planning control can then help LPAs to better manage their impacts.

1.3.2 Further details of the different types and procedures for Article 4 Directions are set out in the following chapter.

2 Article 4 Directions

2.1 Legislation

2.1.1 Article 4 of the General Permitted Development Order (GPDO) (2015)¹ allows a Local Planning Authorities (LPAs) to issue Directions to remove specific permitted development rights from all or parts of its area. These specific developments then require planning permission.

2.2 National Policy

2.2.1 The National Planning Policy Framework (NPPF)² (Paragraph 53) states that the use of any Article 4 Directions to remove national permitted development rights of this type should *“be limited to situations where a Direction is necessary to protect local amenity or the well-being of the area”*, and *“be based on robust evidence and apply to the smallest geographical area possible”*.

2.2.2 According to the accompanying National Planning Practice Guidance,³ this means that the potential harm that the Direction is intended to address must be clearly identified, and adds that a *“particularly strong justification”* is needed or the withdrawal of permitted development rights relating to a wide area (e.g. that covering a large proportion of the LPA area).

2.2.3 ‘Local amenity’ and the ‘well-being of an area’ are very wide terms and can have specific meanings in policy interpretation depending on the matter being considered. e.g. visual amenity or residential amenity. Amenity generally can be defined as a *“positive element or elements that contribute to the overall character or enjoyment of an area.”*⁴

2.2.4 NPPF Para 130 states that *“Planning policies and decisions should ensure that developments: ... add to the overall quality of the areaare visually attractive ... are sympathetic to local character ... create attractive welcoming undistinctive places to live work and visit f) create places that are safe, inclusive and accessible and which promote health and well-being, with a high standard of amenity for existing and future users; and where crime and disorder, and the fear of crime, do not undermine the quality of life or community cohesion and resilience.”*

2.3 Types of Article 4 Direction

2.3.1 There are two types of Article 4 Direction:

- Directions with immediate effect
- Non-immediate Directions

2.3.2 In addition to meeting the tests set out above, immediate direction should only be used where the development presents an *“immediate threat to local amenity or prejudices the proper planning of*

¹ The Town and Country Planning (General Permitted Development) Order 1995 was amended by The Town and Country Planning (General Permitted Development) (Amendment) (England) Order 2010, which has since been both amended and then superseded by Orders in 2013 and 2015.

² [National Planning Policy Framework \(publishing.service.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/426122/nppf-2019.pdf)

³ [When is permission required? - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/426122/nppf-2019.pdf) Paragraph: 038 Reference ID: 13-038-20210820

⁴ Planning Portal

an area".⁵ In accordance with Sections 107 and 108 of the Town and Country Planning Act 1990 and The Town and Country Planning (Compensation) (England) Regulations 2015 (as amended), compensation provisions apply to directions which have an immediate effect. Such directions expire at the end of the period of 6 months beginning with the date on which they come into force unless confirmed by the local planning authority before the end of the 6 month period.

2.3.3 Non-immediate Directions may be served, giving 12 months' notice of the intent to bring into force a Direction, without the need to grant any subsequent compensation.

2.3.4 Schedule 3 of the GPDO sets out the procedures and requirements relating to how Article 4 Directions must be prepared, consulted on and confirmed. These are explained in Section 5.

⁵ When is permission required? - GOV.UK (www.gov.uk) Paragraph: 045 Reference ID: 13-045-20140306

⁶ [Town and Country Planning Act 1990 \(legislation.gov.uk\)](http://legislation.gov.uk)

⁷ [The Town and Country Planning \(Compensation\) \(England\) Regulations 2015 \(legislation.gov.uk\)](http://legislation.gov.uk)

3 What is a House in Multiple Occupation (HMO)?

3.1 The Housing Act

3.1.1 Houses in Multiple Occupation (HMOs) are defined separately by housing and planning legislation. The definition of HMOs is set by the Housing Act 2004, with a linked definition of HMOs introduced in the Use Classes Order for planning purposes in 2010.⁸

3.1.2 Under Section 254 of the Housing Act 2004,⁹ a property is considered to be a HMO if it is occupied by more than 2 people¹⁰ and meets one of the 5 tests below. These complex tests are set out in more detail in Appendix A, along with further information from the Housing Act. In summary a property is a HMO if:

- (a) it meets the conditions in subsection (2) (“the standard test”)
i.e., the building, or part of the building is not a self-contained flat and is rented and occupied by more than one single household who share facilities such as a toilet, bathroom or kitchen. This is known as the ‘standard test’; or
- (b) it meets the conditions in subsection (3) (“the self-contained flat test”);
i.e. the part of the building is a self-contained flat and is rented and occupied by more than one single household who share facilities such as a toilet, bathroom or kitchen; or
- (c) it meets the conditions in subsection (4) (“the converted building test”);
i.e. the building, or part of the building has been converted from its original use and it contains one or more units of living accommodation that do not consist of a self-contained flat or flats (whether or not it also contains any such flat or flats); is rented by at least one of the persons and occupied by more than one single household whether or not there is also a sharing or lack of amenities); or
- (d) an HMO declaration is in force in respect of it under section 255; or
- (e) it is a converted block of flats to which section 257 applies.
i.e. the standard of conversion does not meet, at a minimum, that required by the 1991 Building Regulations and more than one third of the flats are owner occupied

3.1.3 A ‘household’ is defined within the Housing Act 2004 as an individual or members of the same family, partners or co-habiting couples and relatives.

3.1.4 The Act also defines types of living accommodation that are not HMOs even where the S254 tests apply.¹¹ These include, but are not limited to, properties occupied by the owner and up to two lodgers, higher education student accommodation, properties controlled or managed by a registered provider of social housing or properties occupied by religious communities.

⁸ [Town and County Planning \(Use Classes\) Order 1987 \(as amended\)](#).

⁹ [Section 254 of the Housing Act \(2004\)](#)

¹⁰ s.254(2) and para 7, Sch. 14 Housing Act 2004

¹¹ See Schedule 14 of the Housing Act (2004)

3.2 Planning Legislation

Use Classes

Use Class C4 (i.e. small HMOs)

3.2.1 Planning legislation defines two different types of HMO. Until 2010, HMOs were either included within the definition and use class of dwellinghouses (C3) or were *sui generis* i.e. in a use class of their own.

3.2.2 In 2010, changes to the Use Classes Order introduced a new Use Class, C4 (Houses in Multiple Occupation), which relates to:

- the “use of a dwellinghouse by not more than six residents as a “*house in multiple occupation*””
- “house in multiple occupation” is as defined in the Housing Act (apart from e) converted block of flats) and in broad terms occurs where tenanted living accommodation is occupied by persons as their only or main residence, who are not related, and who share one or more basic amenities (a toilet, personal washing facilities, or cooking facilities).^{12, 13, 14}

3.2.3 Use Class C3 was amended accordingly to reflect this new C4 use class, and C3 use now consists of the following:

- Class C3a - Those living as a single household as defined by the 2004 Housing Act 2004 (basically a ‘family’ where there is no limit on the number of members of the household)
- Class C3b - Not more than six people living together as a single household and receiving care e.g. supported housing schemes such as those for people with learning disabilities or mental health conditions
- Class C3c - Not more than six people living together as a single household who do not fall within the C4 definition of a HMO (for example a small religious community, or homeowners with up to 2 lodgers)

¹² For the purposes of Class C4, “house in multiple occupation” does not include a converted block of flats to which section 257 of the Housing Act 2004 applies but otherwise has the same meaning as in section 254 of the Housing Act 2004.

¹³ The now withdrawn Circular 08/2010 Annex A described the new C4 class as broadly covering small, shared houses or flats occupied by between three and six unrelated individuals, as their main residence, and who share basic amenities. Withdrawn March 2014 [\[Withdrawn\] Changes to planning regulations for dwellinghouses and houses in multiple occupation: circular 08/2010](#)

¹⁴ The Explanatory Memorandum to the GPDO 2010 amendment giving permitted development rights for use of dwellinghouses as small HMOs, sets out the policy background to the changes. Paragraph 7.2 states that the new C4 use class “*was introduced to allow local authorities to deal with the problems, such as increased noise and loss of community balance, which can arise from high concentrations of HMOs.*” but acknowledges in 7.3 that the requirement for planning permission “*is imposing an unnecessary burden on landlords and local authorities in the areas where HMO development is not causing problems.*” Paragraph 7.4 suggests that in those areas where concentrations of HMOs are having a significant impact on the quality of life of those living there, local authorities might use article 4 directions to require planning applications for such changes of use or alternatively work with higher education institutions to develop housing and community strategies or local landlord accreditation schemes.

Sui Generis (i.e. larger) HMOs

3.2.4 Larger HMOs are typically defined as having more than 6 unrelated residents sharing basic amenities such as a kitchen or bathroom.

3.2.5 For planning purposes such HMOs are regarded as a 'Sui Generis' use (meaning that they are in a Use Classes of their own). Planning permission **is** therefore required for the creation of this type of HMO.

Permitted Development Rights and Planning Permission

3.2.6 Currently, the GPDO (2015) (Part 3, Class L, (part b)) grants permitted development rights to allow the conversion from a use falling within Use Class C3 (dwellinghouses) to a use falling within Class C4 (HMOs) subject to certain conditions. Planning permission **is not** therefore currently required for the change of use of a Class C3 dwellinghouse (including a flat) into a single small HMO (Use Class C4).

3.2.7 Conversely, the GPDO (2015) Part 3, Class L, (part a) permits the change of use from a C4 (HMO) to a C3 (dwellinghouse).

3.2.8 Planning permission **is** currently required for the change of use of a premises falling outside a Class C3 dwellinghouse (i.e. a non-residential building) into a Class C4 small HMO.

3.2.9 Whether or not planning permission is required for the change of use, it may be required for any external physical works to facilitate it. Where flats are being converted, planning permission will usually be required for external works such as changes to window or door styles and materials, new window and door openings, external staircases, and extensions. Information on how and where to seek advice on the need for planning permission is available on the Council's website.¹⁵ For listed buildings, all internal and external alterations which affect the building's special interest may also require listed building consent. Building Regulations approval may also be required for internal and external works.¹⁶

3.2.10 The expansion of an existing large HMO through the increase in the number of bedrooms or occupants may require also planning permission (e.g. if a previous planning permission included the number of residents, or other restrictive conditions were applied).

3.3 HMO Licensing

3.3.1 Licensing is a separate consenting regime also governed by the Housing Act. The considerations for the granting of a licence differ to those for the granting of planning permission but there is some common ground concerning the suitability of the property for the number of occupants proposed.

3.3.2 Under HMO licensing legislation, a lack of planning permission is not a relevant factor when making a decision on whether to grant or refuse an HMO licence. However, Government guidance 'Houses in Multiple Occupation and residential property licensing reform: Guidance for Local Housing Authorities'¹⁷ states that *"We actively encourage local authorities to ensure planning permission has been given before issuing a licence. Wherever possible we recommend processing consents in parallel,*

¹⁵ <https://burnley.gov.uk/planning/planning-permission/do-i-need-planning-permission/>

¹⁶ <https://burnley.gov.uk/planning/building-control/pennine-lancashire/>

¹⁷ [Houses in Multiple Occupation and residential property licensing reform: Guidance for Local Housing Authorities' October 2019](#)

to resolve any issues as early as possible". Conversely, having planning permission in place (or not requiring it) does not mean a premises is licensed to operate an HMO and this may need to be applied for separately.

3.3.3 Where the Council becomes aware of a HMO which does not have the required planning permission through its licensing activities, it will consider whether it is expedient to take enforcement action.

Licensed HMOs

3.3.4 A licence is required for HMOs rental properties that meet all the following criteria:

- Is occupied by 5 or more people;
- Is occupied by people living in 2 or more separate households; and
- It meets either
- The standard test under section 254(2) of the Act; or
- the self-contained flat test under section 254(3) of the Act (but is not a purpose-built flat situated in a block comprising three or more self-contained flats); or
- the converted building test under section 254(4) of the Act.¹⁸

Unlicensed HMOs

3.3.5 Unlicensed HMOs therefore relate to those smaller HMOs of 3 to 4 unrelated people.

Selective Licencing

3.3.6 The Council has used the powers under the Housing Act 2004 Part 3, to introduce Selective Licensing Scheme areas requiring owners of all rented properties (not just HMOs) to apply for a selective licence. Selective Licensing has been introduced in the following areas:

- Trinity;
- Queensgate;
- Gannow;
- Danehouse and Stoneyholme;
- Burnley Wood with Healey Wood; and
- The Leyland Road area

3.3.7 More information on Selective Licensing in Burnley is available on the Council's website.¹⁹

3.3.8 Under Part 2 of the same Act, the Council is also able to designate an 'Additional HMO licensing scheme' which requires owners of all smaller HMOs (3 and 4 people) within the designated area to be licensed as HMOs by the authority, just like the larger (5 or more people) mandatory HMO licensed properties. To justify having an additional licensing scheme, the Council must be satisfied that a significant proportion of 3 and 4 person HMOs across the Borough are being managed sufficiently ineffectively as to give rise, or to be likely to give rise, to one or more particular problems either for those occupying the HMOs or for members of the public. The use of additional licensing must be consistent with the Council's housing strategy and should be co-ordinated with the authority's approach on homelessness, empty properties and antisocial behaviour.

¹⁸ [The Licensing of Houses in Multiple Occupation \(Prescribed Description\) \(England\) Order 2018 \(legislation.gov.uk\)](https://legislation.gov.uk)

¹⁹ <https://burnley.gov.uk/housing/private-rented-sector/selective-licensing/>

3.3.9 Decisions to designate an area as subject to additional licensing must be approved by the Secretary of State unless they fall under general approval.²⁰ A general approval was issued in 2015 to enable local authorities to make such designations without the Government's approval, provided there is a minimum 10-week consultation period.²¹ The 10-week period does not commence until the local authority produces a draft proposal identifying what is to be designated and consequences of failing to licence an HMO.

3.3.10 Additional licensing can come into force no earlier than three months after the designation has been approved or it falls under the general approval.²² It lasts for as long as set out in the designation, up to a maximum of five years, and its operation must be reviewed from time to time.²³ The local authority can revoke the designation at any time, and must publish notice of this decision. The Council is currently undertaking work to explore the effectiveness of bringing forward additional licensing schemes or further selective licensing areas in Burnley.

²⁰ s.58 Housing Act 2004.

²¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/418588/General_consent_final__2_.pdf

²² s.58(4) Housing Act 2004

²³ s.60 Housing Act 2004.

4 Local Planning Policy

4.1 Burnley's Local Plan

4.1.1 Current local planning policies can be found in Burnley's Local Plan, adopted on 31st July 2018. Local Plans are prepared to be consistent with national policy.

4.1.2 Whilst the Local Plan does not contain any policies that specifically relate to HMOs, Local Plan Policy SP4 sets the development strategy for the Borough and supports new development within defined Development Boundaries where it is of an appropriate type and scale, bearing in mind the role of the settlement in the hierarchy, and where it satisfies a number of overarching criteria including that: *it makes efficient use of land and buildings; it is well located in relation to services and infrastructure and is, or can be made, accessible by public transport, walking or cycling; it does not have an unacceptably detrimental impact on residential amenity or other existing land users; and it appropriately reuses existing buildings and infrastructure.*

4.1.3 Policy SP5 requires high standards of design, construction and sustainability through setting a number of minimum requirements to be addressed, including: *respecting existing or locally characteristic street layouts, scale and massing; having respect for its townscape setting; ensuring there is no unacceptable adverse impact on the amenity of neighbouring occupants or adjacent land users, including by reason of overlooking; not resulting in unacceptable conditions for future users and occupiers of the development; and ensuring the provision of adequate and carefully designed storage for bins and recycling containers.*

4.1.4 Similarly, Policy HS4 states that new housing developments should be high quality in their construction and design in accordance with Policy SP5 and sets out requirements on a range of matters relating to all housing developments, to ensure that developments provide a good level of amenity for future occupiers including outdoor amenity space, privacy, outlook, daylight; and for larger schemes, requirements for adaptable homes and public open space.

4.1.5 A wide range of other Local Plan policies would also be relevant to any schemes for HMOs or small flats depending on the particular type and location of the scheme in question, e.g. parking requirements (IC5) flood risk (CC4) and designated heritage assets (HE2).

4.2 Houses in Multiple Occupation and Small Flats SPD

4.2.1 In April 2022 the Council adopted the Houses in Multiple Occupation and Small Flats Supplementary Planning Document (SPD).²⁴ The SPD relates to proposals for Houses in Multiple Occupation (HMO) and small flats (including studios and self-contained bedsits).²⁵ Its particular focus is on conversions and changes of use rather than new build schemes as these are much less common in Burnley. The principles and guidance would still be relevant to new build schemes, but a wider range of considerations would also be applicable.

4.2.2 The SPD addresses those issues that are unique or of particular relevance to HMOs and small flats, rather than the full scope of all the Local Plan policies which may apply. It was prepared to assist

²⁴ [Houses in Multiple Occupation and Small Flats Supplementary Planning Document \(April 2022\)](#)

²⁵ For the purposes of the SPD a small flat will be a flat with a gross internal floor area of less than 39m

property owners, planning applicants, planning officers and elected councillors in preparing, commenting on and determining planning applications.

4.2.3 There are no specific minimum space standards prescribed for HMOs or small flats in the Local Plan. The national 'Technical Housing Standards: National Described Space Standard'²⁶ (NDSS) sets out minimum requirements for internal space standards within new dwellings at defined levels of occupancy as well as floor areas and dimensions for key parts of the home including bedrooms, storage and floor to ceiling heights. Whilst these national standards are not mandatory or adopted through the Local Plan, they are a useful guide to ensuring comfortable living space for developments and are now prescribed for certain Permitted Development rights. Accordingly, schemes which fail to meet them may be judged to not meet the requirements of Policy SP5 2) h) *“to provide acceptable living conditions for future occupiers”* and may give rise to other planning issues associated with the overdevelopment of sites.

4.2.4 In 2018, the Council adopted 'Burnley Council's Standards for Houses in Multiple Occupation' for all HMOs (both licensable and non-licensable).²⁷ These are reproduced in Appendix B of the SPD. They include minimum space standards for bedrooms kitchens and dining/living rooms.

4.2.5 Whilst these standards were not developed as planning policy, they do provide appropriate standards for ensuring that HMO proposals comply with the Local Plan, in particular Policy SP5 2) h). Therefore, where these standards relate to matters within planning control, planning applications for HMOs are expected to meet them. A failure to meet them in full would not automatically be a reason for refusal of planning permission providing that an alternative approach can be justified to the Council's satisfaction. As with developments of small flats, schemes which fail to meet these standards may be judged to not meet the requirements of Policy SP5 2) h) and may give rise to other planning issues associated with the overdevelopment of sites.

4.2.6 HMOs in particular, when these are concentrated in a specific area, can have wider cumulative impacts that can change an area's physical and social character. These impacts can affect neighbourhoods or individual streets. They will be most acute in areas of high-density terraced housing (terraced housing makes up around 50% of Burnley's housing stock). Whilst impacts can be controlled through planning applications, permitted changes which do not require permission, when carried out alongside approved schemes, can cause negative cumulative impacts.

4.2.7 The impact of a concentration of HMOs (or small flats) is considered harmful if:

- It significantly adversely affects the purchase and sale of single household dwellinghouses;
- It significantly reduces the choice of housing available in specific areas;
- It no longer provides for a mixed and balanced community;
- It changes the overall physical character of the area through excessive physical works to buildings, lower levels of property maintenance, loss of gardens etc; or
- The increased level of occupation affects the quietness of an area or creates critical parking issues.

4.2.8 When considering proposals for HMOs and small flats, the Council will therefore consider the potential cumulative impacts under the requirements of Policy SP4 and SP5.

²⁶ Technical Housing Standards: Nationally Described Space Standard (2015) sets out requirements for the Gross Internal (floor) Area of new dwellings at a defined level of occupancy as well as floor areas and dimensions for key parts of the home, notably bedrooms, storage and floor to ceiling height

²⁷ [Burnley's HMO standards - burnley.gov.uk](https://www.burnley.gov.uk)

5 HMOs in Burnley

5.1 Data Sources

5.1.1 Following the adoption of the HMO and Small Flats SPD, the Council has been working to establish a baseline of the number of large and small HMOs in the Borough.

5.1.2 The data sources below have been used to gather and collate the HMO data. Where the data allows, it has been mapped to establish the quantity and spatial distribution. The original data and mapping will only be made available on request and may need to be anonymised for data protection reasons.

- Census Data
- Council Tax Data
- The Register of Licensed HMOs;
- Burnley Council Accredited Agent properties and properties managed by Serco;
- Data from letting and managing agent websites;
- Data from websites such as RoomShare and RightMove which list houseshares;
- Planning Applications Data

5.1.3 The accurate identification of the quantity and spatial distribution of HMOs has been problematic due to:

- Permitted development rights since 2010 which have allowed the conversion of dwellinghouses (Class C3) to houses of small HMOs (Class C4) without planning permission.
- Possible existing HMOs which are unknown to the Council which may or may not have required planning permission and/or a licence.
- Licencing only covering HMOs of over 5 persons.

5.1.4 The sources listed above are not therefore a conclusive or an exhaustive record of all HMOs, but they do provide a reasonable indication of the numbers and distribution.

5.1.5 To further assist in the identification of the numbers and distribution of HMOs in the borough the Council has commissioned BRE to undertake Housing Stock Modelling, which will look at the borough's housing stock and model estimates of the number and distribution of HMOs.

5.2 Data Results

Census Data

5.2.1 The 2021 Census data shows that in March 2021 314 occupied household accommodation types were identified as being "part of a converted or shared house, including bedsits". Whilst these may or may not be large or small HMOs the data does give some indication of the level of HMOs across the borough and by Ward. Property or street level data is not currently available for this Census dataset.

Table 1: Census 2021: Household accommodation types identified as being part of a converted or shared house; including bedsits

Ward	Number
Bank Hall	30

Briercliffe	9
Brunshaw	19
Cliviger with Worsthorne	8
Coal Clough with Deerplay	32
Daneshouse with Stoneyholme	18
Gannow	17
Gawthorpe	38
Hapton with Park	18
Lanehead	8
Queensgate	24
Rosegrove with Lowerhouse	10
Rosehill with Burnley Wood	18
Trinity (Burnley)	61
Whittlefield with Ightenhill	5
Total	314

Source: ONS Census 2021

Council Tax Data

5.2.2 Where all the occupants of a property are full time students it can be registered for a full Council Tax Exemption. Where some of the occupants are students a Council Tax Discount may be payable.

5.2.3 Council Tax records show that there are 65 properties in the borough that have student exemptions and are in multiple occupation (Council Tax records June 2023).

5.2.4 Whilst this number is currently less than a hundred, as outlined in para 6.1.2, due to the increase in student numbers associated with the University of Central Lancashire's (UCLan) growth plans, this provision is likely to see commensurate growth over the coming years. The Council will continue to work with UCLan to gain a better understanding of how they work with landlords and agents with regard to housing their students.

HMO Register and HMOs in Selective Licensing areas

5.2.5 The HMO Register provides data on all the licensed HMOs with 5 or more people.

5.2.6 The threshold for HMO licensing falls within the definition of Small HMOs (C4 dwellings for between 3 – 6 people). As a result, a number of licensed HMOs will be Small HMOs (C4). In Burnley, 75% of licensed HMOs are Small HMOs.

5.2.7 The Register shows the highest concentration of licensed HMOs is within Trinity ward.

Table 2: HMO Licenced Properties – updated June 2023

Ward	Licensed HMOs	Small HMO (C4)	Larger HMOs (Sui Generis)
Bank Hall	8	5	3
Briercliffe	2	1	1
Brunshaw	3	3	0
Cliviger with Worsthorne	0	0	0

Coal Clough with Deerplay	0	0	0
Daneshouse with Stoneyholme	2	0	2
Gannow	2	2	0
Gawthorpe	2	2	0
Hapton With Park	4	4	0
Lanehead	2	0	2
Queensgate	2	2	0
Rosegrove with Lowerhouse	9	9	0
Rosehill with Burnley Wood	4	3	1
Trinity	16	11	5
Whittlefield with Ightenhill	0	0	0
	56	42	14

Source: Burnley Borough Council

5.2.8 The Council also holds data on the number of privately rented properties within Selective Licensing areas as these are required to apply for a license. A number of these are HMOs which, if not included in the licensed HMOs, will fall under the data sources below. The locations of the Selective Licensing Areas are shown in figure 1 overleaf.

Accredited Agents and Websites

5.2.9 The Council's Housing and Development Control service work with a number of accredited agents as part of their HMO licencing work. The details of these properties have been provided by the agents. In addition to this a websearch of websites listing house shares in Burnley has been undertaken to find the details of additional properties.

Planning Applications Data

5.2.10 In addition to the data sources outlined above, analysis of planning applications for HMOs from 2012 onwards shows that Trinity, Bank Hall and Daneshouse with Stoneyholme are the three wards where the most applications have been submitted.

5.2.11 Between 1st April 2012 and September 2023, there have been 41 planning applications related to HMOs.

- 16 were change of use applications from non-residential buildings to larger HMOs (sui generis)
- 19 were change of use applications from dwellings (C3) to larger HMOs (sui generis)
- 7 were change of use applications from non-residential buildings to small HMOs (C4)
- 1 was a change of use application from a dwelling (C3) to a small HMO (C4)
- 1 was an application for 2 new build small HMOs (C4)
- 1 was a Listed Building Consent application related to a change of use from a dwelling (C3) to a small HMO (C4)
- 6 were lawful development certificates for change of use from dwellings (C3) to small HMOs (C4)

5.2.12 35 of these applications have been submitted in the last 4 years since April 2019. Of these:

- 21 have been approved;
- 5 lawful development certificates were issued;
- 3 have been refused – two of which were refused against officer recommendation;

- 1 lawful development certificate was not issued;
- 2 are awaiting determination; and
- 3 applications have been withdrawn

5.2.13 Of those approved, 14 were for larger HMOs (for over 6 people) and 7 for small HMOs (between 3 to 6 people).

5.2.14 This data has not been included in Table 3 because the majority of any permissions implemented have already been included in the licenced HMO data set.

Combined Data Sets

5.2.15 The HMOs identified from all the data sources have been plotted and any double-counting removed. The combined data indicates that there are approximately 283 HMOs of all sizes in Burnley. 15 are Larger HMOs and 268 Smaller HMOs.

Table 3: Combined data sets of HMOs

Ward	Licensed HMOs	Student Exemptions	Accredited Agents/ Websites	All	Approx no. household ²⁸	% HMO
Bank Hall	8	7	17	32	2,777	1.15
Briercliffe	2	4	6	12	2,468	0.49
Brunshaw	3	5	12	20	2,978	0.67
Cliviger with Worsthorne	0	3	0	3	2,298	0.13
Coal Clough with Deerplay	0	2	0	2	2,286	0.09
Daneshouse with Stoneyholme	2	5	4	11	2,361	0.47
Gannow	2	7	20	29	2,625	1.10
Gawthorpe	2	5	11	18	2,929	0.61
Hapton With Park	4	2	4	10	2,811	0.36
Lanehead	2	5	1	8	2,614	0.31
Queensgate	2	4	15	21	2,534	0.83
Rosegrove with Lowerhouse	9	5	10	24	3,062	0.78
Rosehill with Burnley Wood	4	3	8	15	2,825	0.53
Trinity	16	5	53	74	2,764	2.68
Whittlefield with Ightenhill	0	3	1	4	2,541	0.16
	56	65	162	283	39,873	0.71

Source: Various as stated

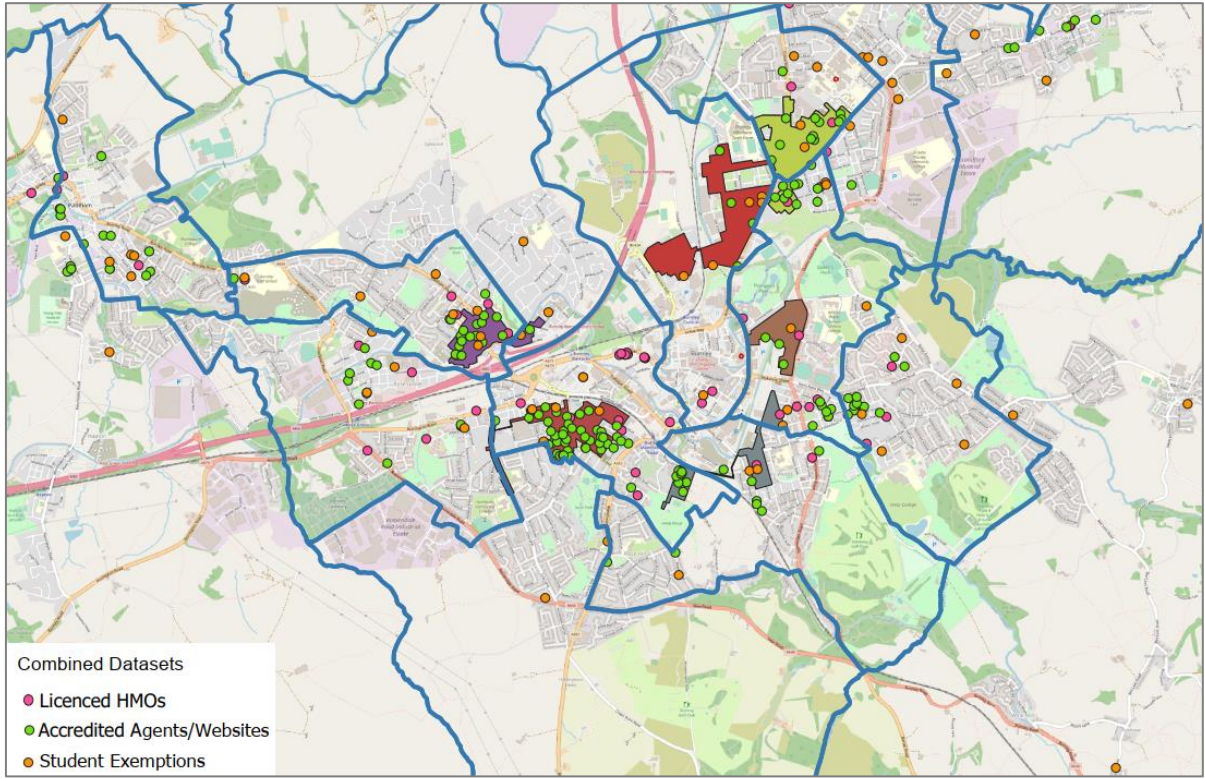
5.2.16 As can be seen, the numbers within Trinity ward are the highest, with approximately 2.68% of the occupied dwellings being identified as HMOs, and then in Bank Hall ward where 1.15% of occupied dwellings are in HMO use.

5.2.17 The HMO properties identified above., these properties tend to be concentrated in particular areas and primarily along terraced streets - as shown in in Figure 1 below. The impact of HMOs in

²⁸ Approx number of households data is derived from Table TS054 2021 Census Tenure by household

these streets is exacerbated due to the density of these areas, the position of the terraced properties either abutting the pavement or with short front gardens and the lack of off-street parking.

Figure 1: Coverage of HMOs from the Combined Datasets to show existing concentrations within Wards and Selective Licensing Areas



Source: Various as stated above. ©OpenStreetMap

HMO Modelling Data

5.2.18 BRE were appointed by the Council to undertake a series of modelling exercises of the borough’s housing stock, primarily related to its condition. This work included producing an integrated stock model which used Local Land and Property Gazetteer (LLPG), Houses in Multiple Occupation (HMO), Tenancy Deposit Scheme (TDS) and Selective Licensing records provided by the Council.

5.2.19 The work undertaken by BRE²⁹ updates the 2009 Private Sector House Condition Survey. The 2009 survey was prepared using a different methodology, but by way of context and to further highlight the increase in HMOs over time, the 2009 survey identified that within the borough there were 10 non-licensable and 8 licensable HMOs.

5.2.20 The BRE modelling estimates the number of HMOs and the number of mandatory licensable HMOs:

- Number of private sector HMOs:
This is modelled using specific criteria from a number of Experian data sources and information derived from the SimpleCO₂ model. The criteria include privately rented dwellings with 3 or

²⁹ BRE Client Report: BRE Integrated Dwelling Level Housing Stock Modelling and Database for Burnley Council (Extract) Draft July 2023

more bedrooms occupied by male/female/mixed home sharers, mixed occupancy dwellings or classified as the following Experian Mosaic classifications:

- Renting a room
 - Career Builders
 - Flexible Workforce
 - Bus Route Renters
 - Learners and earners
 - Student scene
- Number of mandatory licensable HMOs under the Government’s new definition, as of 1 October 2018:

This is modelled using the above criteria for HMOs plus the dwelling having 4 or more bedrooms. This applies to both houses and converted flats.

Purpose built flats are modelled where there are up to two flats in the block and one or both have 4 or more bedrooms.

5.2.21 Tables 4 and 5 summarises the results for the private sector stock in Burnley, while Figure 3 shows the geographic distribution of the estimated HMOs and Figure 4 shows the distribution of estimated mandatory licensable HMOs. The maps show the majority of HMOs are concentrated towards the urban areas of the borough, especially in Trinity ward, the west of Bank Hall, the south of Daneshouse with Stoneyholme and Queensgate. Meanwhile, the highest concentrations of licensable HMOs are found in the north of Trinity.

Table 4: Summary of estimated HMOs within the Burnley private sector stock

No. of Private Sector dwellings	HMOs	Mandatory Licensing Scheme HMOs
35,693	916	67

Table 5: Geographical distribution of the estimated HMOs

Ward	HMOs	Mandatory Licensing Scheme HMOs
Bank Hall	184	21
Briercliffe	22	0
Brunshaw	48	1
Cliviger with Worsthorpe	14	1
Coal Clough with Deerplay	12	0
Daneshouse with Stoneyholme	68	7
Gannow	62	2
Gawthorpe	72	3
Hapton With Park	32	6
Lanehead	44	2
Queensgate	67	2
Rosegrove with Lowerhouse	36	0
Rosehill with Burnley Wood	58	5
Trinity	180	17
Whittlefield with Ightenhill	17	0
Total	916	67

Source: BRE - of these figures, 400 came from data supplied by the Council for licensed and suspected HMOs, and the remainder are dwellings that have the potential to be classed as an HMO

Figure 2: Estimated Count of HMOs

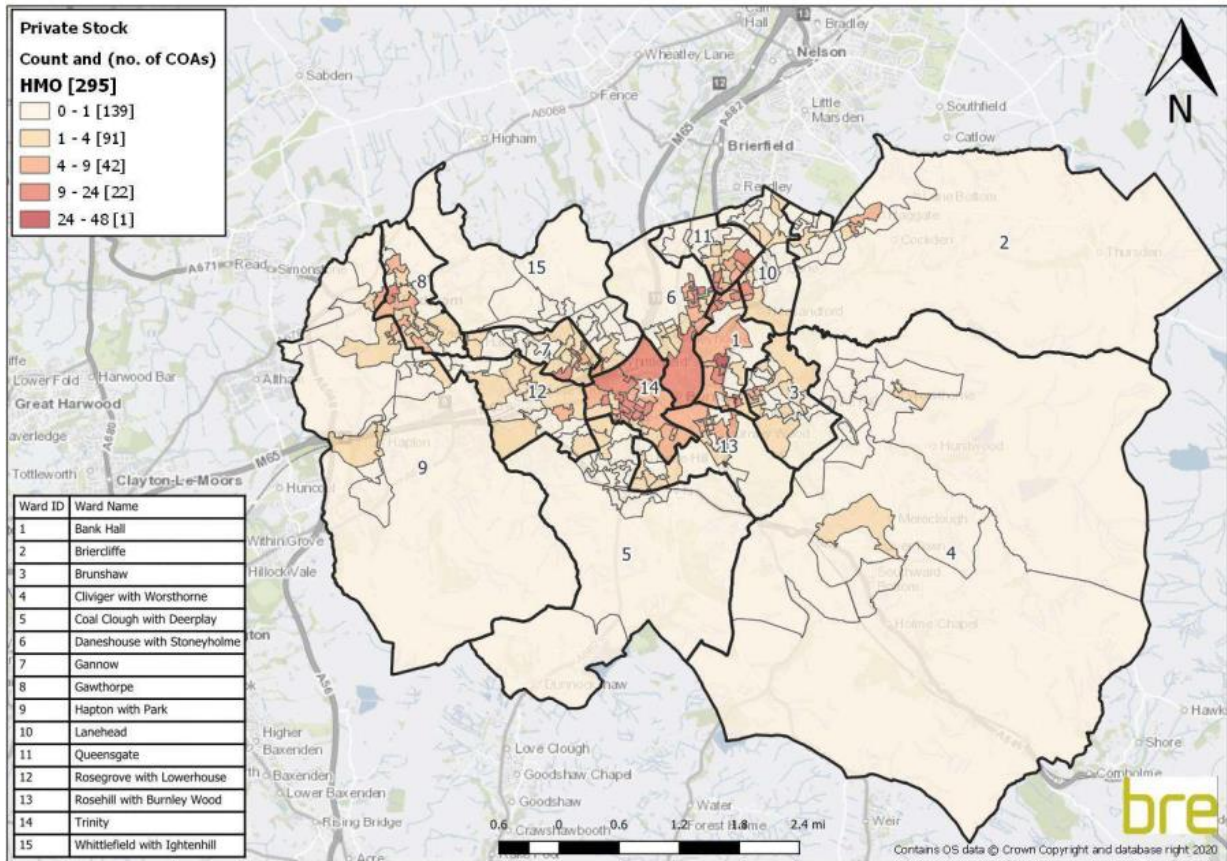
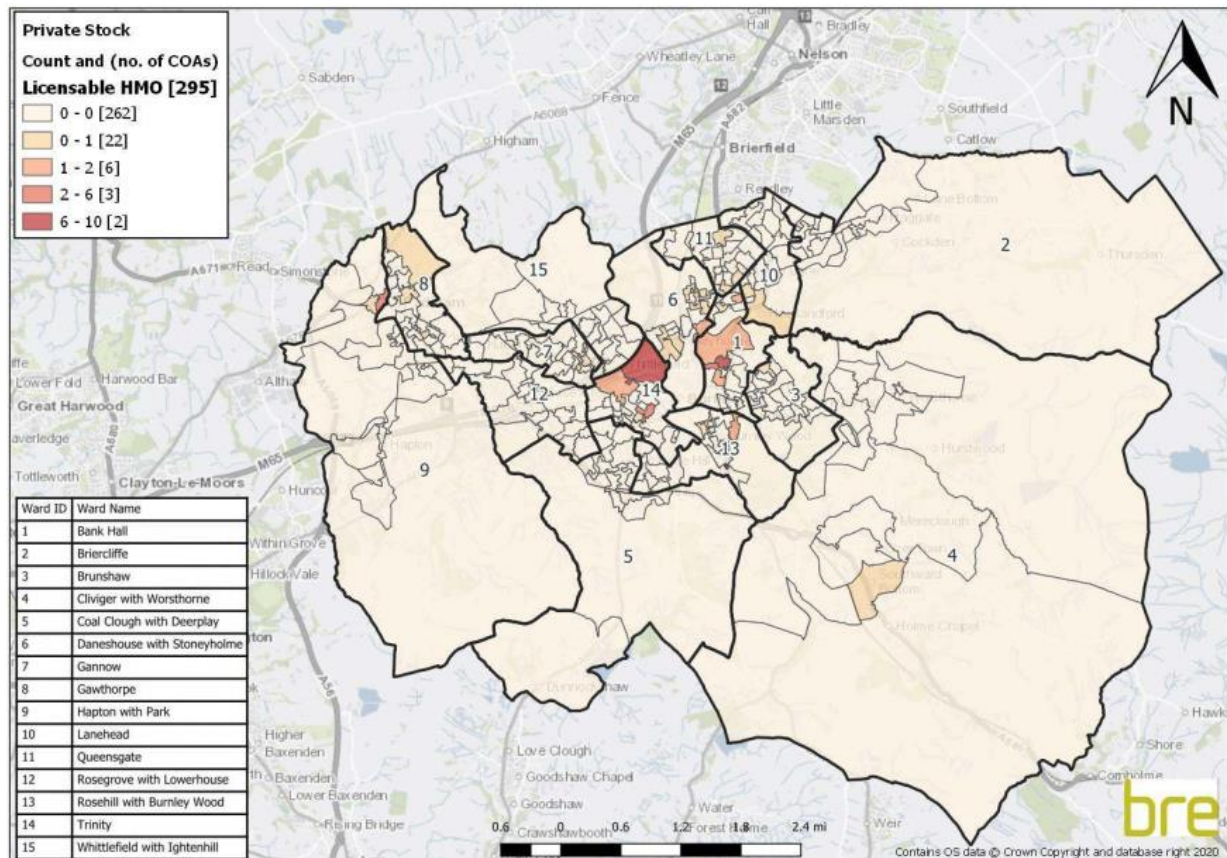


Figure 3: Estimated Count of Mandatory Licensable HMOs



6 Article 4 Direction Justification

6.1 Impacts of HMOs in Burnley

6.1.1 HMOs form part of the borough's privately rented housing provision, contributing to people's housing choices. This form of accommodation is generally more affordable and flexible than other housing types and therefore suitable for younger people and other households that are not living as families. As well as reducing housing costs for individuals, sharing homes can also have positive social benefits for occupiers, helping individuals, especially young people, to form new networks and relationships.

6.1.2 The University of Central Lancashire (UCLan) has ambitious growth plans and has worked with the Council to develop a cohesive, long-term plan for a significant university presence in Burnley.

6.1.3 The provision of purpose-built student accommodation on Sandygate follows on from the university's purchase of Victoria Mill, the former university Technical College building, to drive additional growth alongside its Princess Way campus in the town. Their plan was to increase the number of Burnley-based students from under 400 to 2,000 by 2021 and up to 4,000 by 2025.

6.1.4 Accommodation requirements beyond the purpose-built accommodation will need to be met within the private rented sector and websites such as Rightmove, Rent this room and Spare room already list shared houses for students or for a mixture of students and professionals. As the university moves towards its growth aspirations this number is certain to grow. Working with the university, the Council will have to plan how best to manage this growth, which may include a number of suitably managed clusters of accommodation in locations near to the university buildings.

6.1.5 In addition to this, local employers such as Boohoo have been working with HMO providers and local agents to increase the number of HMO properties for their workforce.³⁰ Such initiatives show the growing need for, and the attractiveness to investors, of the provision of such accommodation.

6.1.6 As noted earlier in this report, there are at least 283 HMOs in the borough according to the various data sources. Whilst the overall number of known HMOs is not a particularly high, as stated above it is considered likely to rise and there is a clear concentration and clustering of HMO within certain areas.

6.1.7 In addition, the Modelled Estimates of HMOs undertaken by BRE shows however that there is the potential for a further 500 HMOs. The vast majority of these would be small HMOs.

6.1.8 Whilst an individual HMO can create adverse impacts, it is normally the concentration within certain areas or clustering of HMOs that harms local amenity or the well-being of an area.

6.1.9 In 2008 the Department for Communities and Local Government published a report prepared on their behalf by Ecotec titled "Evidence Gathering – Housing in Multiple Occupation and possible planning responses."³¹ The report identified the following impacts that can occur as a result of high concentrations of HMOs, including:

³⁰<https://hmodesigns.co.uk/boohoo/>

³¹<https://webarchive.nationalarchives.gov.uk/ukgwa/20120919180121/http://www.communities.gov.uk/publications/planningandbuilding/evidencegatheringresearch>

- Anti-social behaviour, noise and nuisance
- Imbalanced and unsustainable communities
- Negative impacts on the physical environment and streetscape
- Pressures upon parking provision
- Increased crime
- Growth in the private rented sector at the expenses of owner-occupation
- Pressure upon local community facilities

6.1.10 The Explanatory Memorandum to the Licensing of Houses in Multiple Occupation (Mandatory Conditions of Licences) (England) Regulations 2018 states that *“It is generally not disputed that licensing has been largely successful in improving management and safety standards in those HMOs.*

7.2 However, since mandatory licensing was first introduced there has been a significant increase in the use of smaller properties, notably two storey houses- originally built for families- and flats, as HMO accommodation. Although some of these HMOs are licensed under local HMO licensing schemes, many are not. Some of these HMOs are operated by rogue landlords who exploit their vulnerable tenants and in some cases the public purse through housing benefit, by renting sub-standard, overcrowded and dangerous accommodation. Poor practice can include: housing illegal migrants; failing to meet the required health and safety standards; permitting overcrowding; and ineffective management of tenant behaviour. This has a significant impact not only on tenants, but also the local community through excessive waste, excessive noise and anti-social behaviour which can include the intimidation of local residents.”³²

6.1.11 In Burnley borough, a number of these issues are exacerbated by the nature of the housing stock and relatively high levels of deprivation.

6.1.12 Burnley has a much higher proportion of households living in terraced housing than England or the region as a whole. According to the 2021 Census, 46.6% of Burnley’s occupied housing stock consisted of terraced houses compared to the regional average of 28.1% and the England average of 23%. Much of the terraced housing stock comprises pre-1919 two bedroomed houses.

Table 6: Housing Type by Household

Type	Burnley 2011 Census		Burnley 2021 Census	
	Number	%	Number	%
Detached	5,112	13.6	5,650	14.2
Semi-detached	10,873	29	11,921	29.9
Terraced	18,291	48.8	18,580	46.6
All flats	3,161	8.4	3,621	9.1
Caravan/mobile structure	95	0.3	101	0.3

Source: ONS 2011 Census, Table KS401EW, ONS 2021 Census, Table TS044

6.1.13 The Indices of Deprivation 2019 uses a group of statistical indicators to rank 32,844 small geographical areas containing between 1,000 and 1,500 people in England (Lower Layer Super Output Areas ‘LSOA’s) in terms of aspects of their deprivation. There are 60 such areas in the borough. 37 indicators are grouped into 7 ‘domains’ and also combined to produce an overall Index of Multiple Deprivation (IMD). Scores are ranked to provide a table of relative deprivation levels. The 7 domains

³² https://www.legislation.gov.uk/ukxi/2018/616/pdfs/ukxiem_20180616_en.pdf

cover income, employment, health and disability, education, skills and training, barriers to housing and services, crime and the living environment.

6.1.14 Based on average overall scores, Burnley is ranked the 8th most deprived area out of 326 local authority areas in England (based on rank of average scores). In 2015 it was ranked 9th. The most prevalent form of deprivation in Burnley relates to health and disability.

6.1.15 Issues with HMOs are raised by members of the public to the Council. The main issues raised usually relate to car parking problems, issues with bins and refuse, anti-social behaviour and noise nuisance.

6.1.16 Although it is considered that existing management arrangements of licenced HMOs are effective and working well in terms of the standard of accommodation for occupiers and also giving some measure of protection for neighbours, landlord licensing cannot address the issues of over-concentrations of such properties in parts of the borough and the impacts on local amenity. Whilst a number of the licensed HMOs date back to getting a first license in 2016, over half have obtained licences or been re-licensed since 2020, with 1 licence being issued for a Larger HMO (sui generis) and 10 licences being issued for Small HMOs (C4) so far in 2023. A continuation of this trend could lead to an increase in licensed HMOs over the coming years.

Housing Mix

6.1.17 As mentioned previously, there is a concern that there are particular clusters and concentrations within some areas of the borough. Burnley's Local Plan Policy SP4: Development Strategy seeks to deliver a range of housing choice and tenures and Policy HS3: Housing Density and Mix which requires that a balanced mix of dwellings is provided.

6.1.18 The Council is aware that Burnley and Padiham are seen as a highly attractive investment opportunities for property developers. In April 2021, Petty Real reported on work undertaken by Compare the Market which showed Burnley to be the latest hotspot for landlords, with average annual rental yields of 7% – the then highest in England. Landlord insurance specialists Direct Line, showed that the average yield nationwide was currently 3.6% in England. The research showed that landlords in Burnley were able to gain greater returns than anywhere else in the UK, with an average house price at just £76,300, and annual rents of £5,338.³³ The net annual yield of HMOs was even higher in 2021 with a 13 bed HMO listed on Pure Investor with a yield of 10.13%.³⁴ By September 2022, Zoopla were reporting that the average annual rental yield in Burnley had increased to 7.92%.³⁵

6.1.19 Property investors will be aware that the Borough is in close proximity to Manchester with good transport links and does not have an Article 4 Direction in place (i.e. there are opportunities for changing dwellings into small HMOs without planning permission in Burnley that could appeal to those who would otherwise invest elsewhere.) Inappropriate concentrations of HMOs could therefore increase unless small HMOs are brought under planning control.

Crime

6.1.20 The 2008 DCLG report referred to above identified that high concentrations of HMOs can be associated with antisocial behaviour and increased crime within an area. Concentrations of young and

33 <https://pettyresidential.co.uk/burnley-has-the-best-yields-and-top-tips-for-new-landlords/>

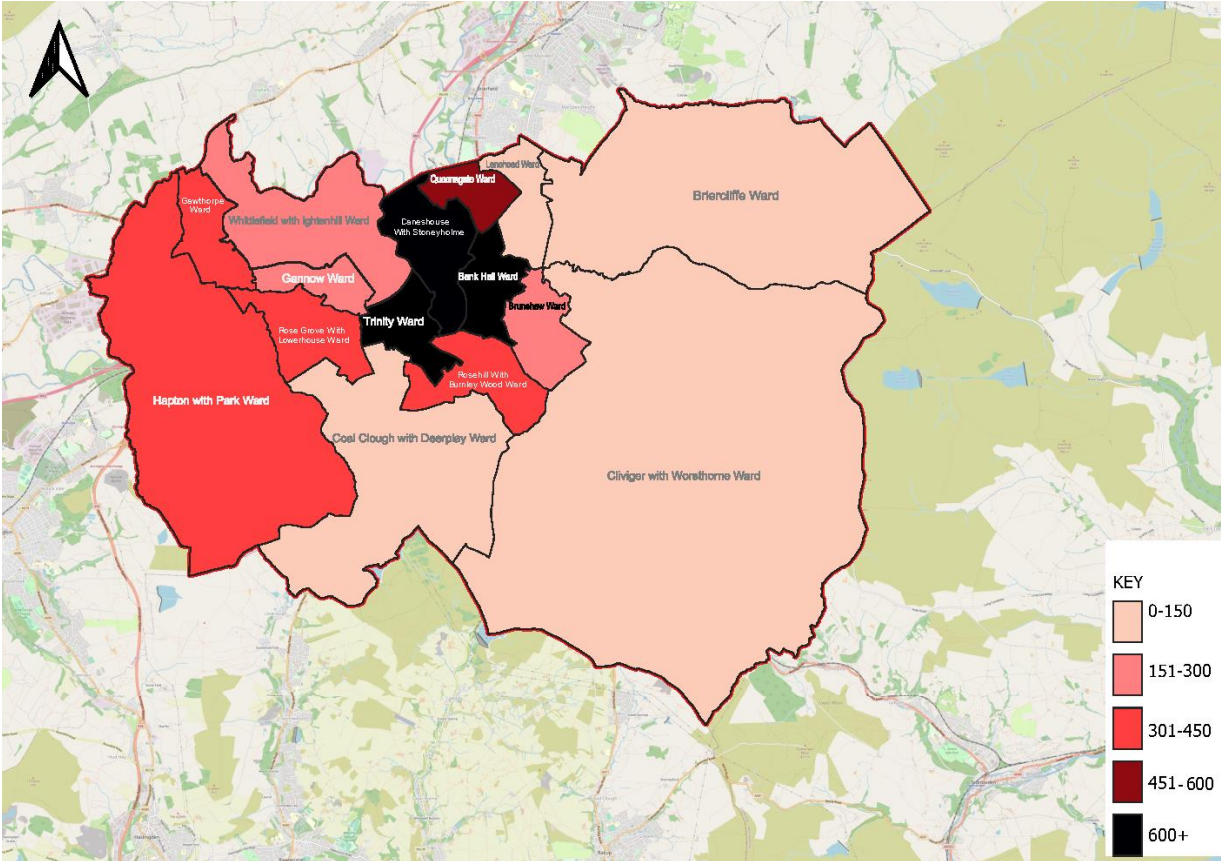
34 <https://www.pureinvestor.co.uk/news/hmo-option-available-in-burnley-pure-investor>

35 <https://www.zoopla.co.uk/discover/property-news/best-buy-to-let-locations/>

transient social groups, living in relatively insecure accommodation, can lead to increased levels of burglary and crime in an area.

6.1.21 Details of crimes reported to the police are available from www.police.uk; there are 16 categories of crime including anti-social behaviour,³⁶ burglary³⁷ and vehicle crime³⁸. The Council has collated data relating to the three types of crimes noted above for the year April 2022 to March 2023. The map below shows that the highest number of reported crimes is in parts of the wards of Daneshouse with Stoneholme, Bank Hall and Trinity, which corresponds to areas with particular concentrations of HMOs and student dwellings.

Figure 4: Number of anti-social behaviour, burglary and vehicle crimes reported 2022/23



Source: data.police.co.uk

Environmental and Accommodation Quality

6.1.22 HMOs can have negative impacts on the physical environment and streetscape due to more people living in a HMO than would generally live in the same size house occupied by a family, and also higher levels of transience meaning that people feel less desire to look after the property if they are only staying for a short time.³⁹

³⁶ This includes personal, environmental and nuisance anti-social behaviour
³⁷ This includes offences where a person enters into a house or other building with the intention of stealing
³⁸ This includes theft from or of a vehicle or interference with a vehicle
³⁹ Whilst good landlords will adequately maintain a building’s structure and fixtures and fittings, occupants may be less invested in the property’s presentation compared to someone who owns or rents their own exclusive property/outdoor space.

6.1.23 HMO's will normally require more bins than a standard C3 dwelling⁴⁰ and this is a particular concern in small in smaller terraced stock. Limited rear yard space may be available for bins and/or to allow usable amenity space for occupants to sit out away from binned areas, which, in the case of HMOs, will be ones that they do not individually control the cleanliness of result. The storage of bins in small front gardens detracts significantly from the quality of the streetscene and can also reduce any off-street parking that might be present.

6.1.24 The table below shows the number of complaints received by the Council on a ward level basis between 1 April 2022 and 31 March 2023 relating fly-tipping, littering and accumulations of waste (dirty back yards).

6.1.25 Although no direct link can be demonstrated, it is likely that an increase in HMOs in particular areas will lead to an increase in environmental complaints in that area.

Table 7: Complaints received by the Council on a ward level basis between 1 April 2022 and 31 March 2023 relating to fly-tipping, littering and accumulations of waste

Ward	Number of Complaints	Percentage of Borough Total
Unknown	213	4.7
Bank Hall	532	11.9
Briercliffe	127	2.8
Brunshaw	182	4.1
Cliviger with Worsthorpe	63	1.4
Coal Clough with Deerplay	122	2.7
Daneshouse with Stoneyholme	407	9.1
Gannow	240	5.3
Gawthorpe	295	6.6
Hapton With Park	130	2.9
Lanehead	146	3.3
Queensgate	310	6.9
Rosegrove with Lowerhouse	282	6.3
Rosehill with Burnley Wood	314	7.0
Trinity	1015	22.6
Whittlefield with Ightenhill	109	2.4
Total	4487	100.0

Source: Burnley Council Streetscene

6.1.26 Whilst licencing of HMOs can seek to ensure adequate living standards for occupiers, this cannot cover HMOs with 3 to 4 people outwith selected licencing areas. Given the Borough's high level of smaller back-of-pavement terraced housing with limited amenity and no gardens pace, particularly within certain areas, use of such housing as HMOs could mean that adults and children are living in small bedrooms and sharing a bathroom and small kitchen with very limited and poor quality outdoor amenity space.

⁴⁰ The number of non-recyclable waste bins is covered in the Council's HMO standards 1-4 people 1 bin, 5-8 people 2 bins, 9 - 12 people 3 bins

6.1.27 When taken together, these amount to a compelling reason for bringing Use Class C4 small HMOs within full planning control and is in the public interest. It will ensure that the Council can respond in a timely way to individual proposals of concern and also the emergence of new concentrations of HMOs to prevent harm to areas.

6.1.28 It is important to note that the Article 4 Direction only has the effect of bringing certain changes of use, which would otherwise not require planning permission, within planning controls. The Council would need to determine any associated planning applications for changes of use of dwellinghouses to small HMOs in accordance with the development plan and other material considerations and would only be able to refuse an application if it could clearly demonstrate that the proposed HMO would be likely to give rise to unacceptable harm (for example adversely impacting on the amenity of neighbouring residents because of an over concentration of such uses). The Council would also have to identify why a small HMO would give rise to any greater harm than a family living together in a single dwelling.

6.2 Appropriate Area for the Direction

6.2.1 National Planning Practice Guidance requires there to be a “particularly strong” justification if a Direction is to relate to a wide area (for example covering the entire area of a local planning authority).

6.2.2 The table below ranks the different wards in the borough against some of the data that is set out in this report, with 1 being the highest rank. As an example, Trinity ward is ranked 1 in relation to the number of mandatory Licensed HMOs; this means that out of the 15 wards in the borough it has the highest number of mandatory HMOs.

Table 8: Ward rankings for selected HMO data

Ward	Rank					
	Mandatory License	Student Exemptions	Accredited Agent/Website	Crime	Environmental Complaints	Average
Trinity	1	3	1	3	1	1.8
Bank Hall	3	1	3	2	2	2.2
Daneshouse with Stoneyholme	7	3	10	1	3	4.8
Rosegrove with Lowerhouse	2	3	7	5	7	4.8
Gannow	7	1	2	9	8	5.4
Gawthorpe	7	3	6	6	6	5.6
Queensgate	7	9	4	4	5	5.8
Brunshaw	6	3	5	10	9	6.6
Rosehill with Burnley Wood	4	11	8	7	4	6.8
Lanehead	7	3	12	14	10	9.2
Hapton With Park	4	14	10	8	11	9.4
Briercliffe	7	9	9	13	12	10
Whittlefield with Ightenhill	13	11	12	12	14	12.4

Coal Clough with Deerplay	13	14	14	11	13	13
Cliviger with Worsthorne	13	11	14	15	15	13.6

6.2.3 Having regard to the evidence set out in this report, it is not considered that there is a “particularly strong” justification to apply an Article 4 Direction borough-wide. In several wards there are relatively few HMOs and student dwellings and there are no apparent concentrations or clusters. This means that it is unlikely that harm to local amenity or well-being of these areas will arise from the change of use of Use Class C3 dwellinghouses to Use Class C4 small HMOs.

6.2.4 The evidence does however show that it would be appropriate to introduce an Article 4 Direction covering the following wards:

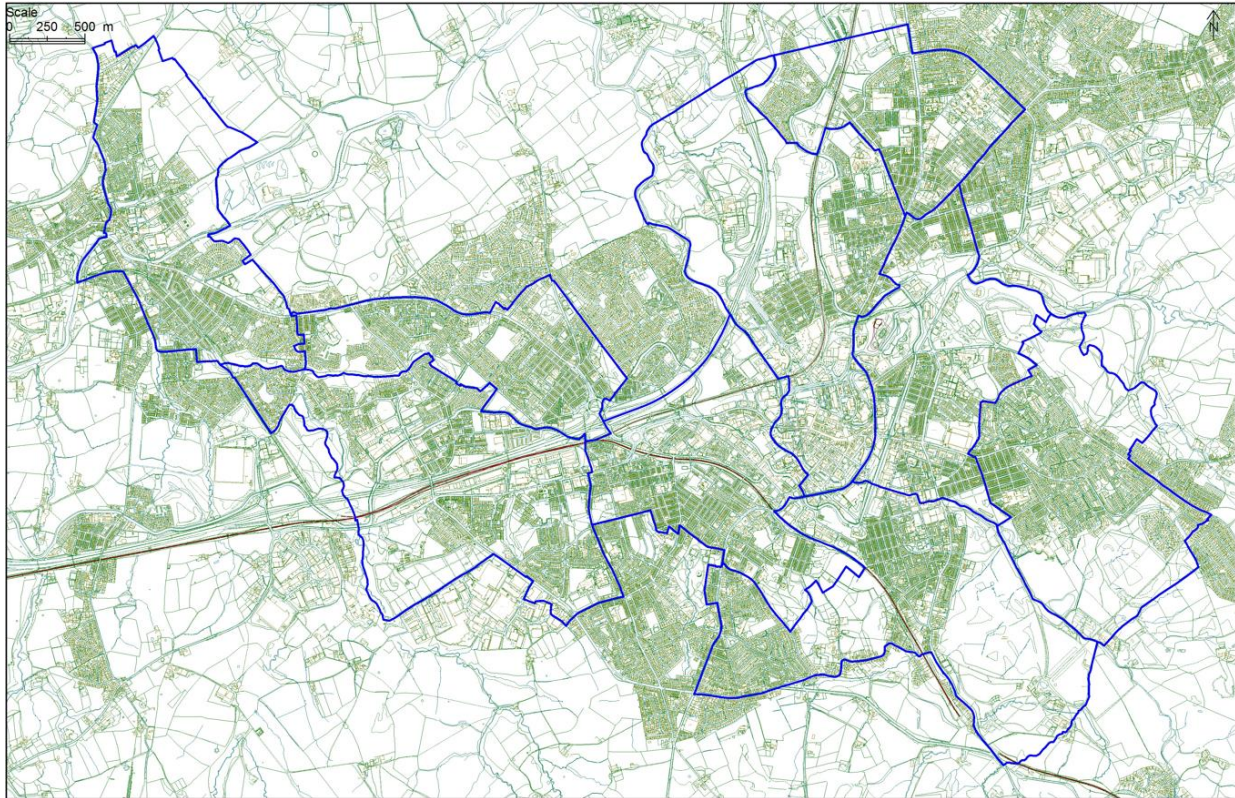
- Trinity ward;
- Bank Hall ward;
- Daneshouse with Stoneyholme ward;
- Rosegrove with Lowerhouse;
- Gannow ward;
- Gawthorpe ward;
- Queensgate ward;
- Brunshaw ward; and
- Rosehill with Burnley Wood ward

6.2.5 In these wards there is evidence of concentrations of HMOs and student dwellings and this is having a detrimental effect in relation to amenity, character and well-being of areas. These areas also suffer from relatively high levels of crime and environmental complaints.

6.2.6 It would be most appropriate to apply the Article 4 Direction to whole wards, rather than to smaller areas where there are the existing concentrations of HMOs. This is on the basis that if the direction was to apply to such areas it is likely that there would be an increase in the number of HMOs created through permitted development rights in the areas directly adjacent to those not within the scope of the Direction. With regards to the wards not covered by the Direction, the Council will monitor the situation to ensure that issues are not merely displaced to these wards.

6.2.7 The following map shows the area to which it is proposed that the Article 4 Direction applies.

Figure 5: Area to be covered by the proposed HMO Article 4 Direction



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6.3 Consultation

6.3.1 Article 4 Directions need to be made through a two-stage process. The first is for the Council to ‘make’ the direction (including a date that it is to take effect) and to undertake consultation. The second is the ‘confirmation’ of the direction by the Council. Prior to confirming the Direction, the Council must consider all comments made during the consultation and consider whether material changes are necessary to the Direction. If significant amendments are needed, further consultation may be required.

6.3.2 Schedule 3 of the GPDO 2015 sets out the procedures for publicity and consultation of Article 4 Directions and requires local advertisement and site notices at no fewer than 2 locations within the affected area. Individual service of the notice on owners and occupiers of every part of the land is required by legislation in the area the proposed Article 4 Direction is to cover unless, as is the case here, the number of owners or occupiers within the area to which the direction relates makes individual service impracticable.

6.3.3 In meeting the legislative requirements, the following consultation will be undertaken:

- Advertisement in the local press: Burnley Express
- Display of the Article 4 Direction Notice at all main libraries within Burnley borough (Burnley library and Padiham library), for a period of 6 weeks
- Display of the notice in Burnley Town Hall and Contact Burnley
- Notice published on the Council web pages, accompanied by a Press Release and social media posts
- Site notices (minimum 2 per ward)

- Correspondence to targeted bodies including local Private Sector Landlord groups and groups identified by Housing and Licensing colleagues.

6.3.4 The notice will include all details required by Schedule 3 (4) including a description of the development and area, a statement of effect, and a copy of the map area.

6.3.5 A period of **6 weeks** will be given for representations to be made, following which the Council will consider all representations made and take them, with a final report, to the Executive to seek confirmation of the Direction.

6.3.6 Any representations resulting in material changes to the Article 4 Direction may warrant further consultation.

6.3.7 The Secretary of State (SoS) will be notified of the relevant details on the date the notice is first published/displayed and following its confirmation by the Council.

6.4 Proposed Timetable: Non-Immediate Direction

6.4.1 So as to reduce the risk of financial compensation at cost to the Council, there is a 12-month lead-in period from the date the Direction is ‘made’ to the date it takes effect.

Timetable

6.4.2 The proposed Article 4 Direction will be considered by the Council’s Executive at both the preliminary stage, i.e. to ‘make’ the notice, and at the final stage, i.e. to consider the representations made and to ‘confirm’ it. If confirmed, it would then take effect 12 months after the notice has been made.

Table 9: Timetable for preparation of the Article 4 Direction

Report to Executive seeking approval for the making of the Article 4 Direction	September 2023
Make Direction and serve notice locally and to the Secretary of State with a consultation period of six weeks	October 2023
Report to Executive to consider the consultee comments and determine whether to confirm the Direction *	April 2024
If confirmed, serve notice locally and to the Secretary of State *	April 2024
If confirmed, Article 4 Direction comes into force	October 2024

* The timing of this stage can be at any point up to the date set for the Article 4 Direction to come into force. The timetable suggests the mid-point to give ample notice of the confirmation, but it is not a fixed date.

6.4.3 If the consultation results in any representations that the Council considers necessitate ‘material changes’ to the document, then this will require another round of consultation which may alter the timetable relating to the date the direction notice may be confirmed or brought into force.

6.4.4 Councils have the power to ‘confirm’ all Article 4 Directions. However, the Secretary of State (SoS) must be notified at both the preliminary (notice ‘made’) and final (notice ‘confirmed’) stages. The SoS does not have to approve Article 4 Directions and will only intervene where there are clear reasons for doing so.

6.4.5 Once the Direction is made, the Council will monitor and review the appropriateness of the direction and its extent.

Appendices

Appendix A – HMOs and the Housing Act (2004)

s254 Meaning of “house in multiple occupation”

- (1) For the purposes of this Act a building or a part of a building is a “house in multiple occupation” if—
 - (a) it meets the conditions in subsection (2) (“the standard test”);
 - (b) it meets the conditions in subsection (3) (“the self-contained flat test”);
 - (c) it meets the conditions in subsection (4) (“the converted building test”);
 - (d) an HMO declaration is in force in respect of it under section 255; or
 - (e) it is a converted block of flats to which section 257 applies.

- (2) A building or a part of a building meets the standard test if—
 - (a) it consists of one or more units of living accommodation not consisting of a self-contained flat or flats;
 - (b) the living accommodation is occupied by persons who do not form a single household (see section 258);
 - (c) the living accommodation is occupied by those persons as their only or main residence or they are to be treated as so occupying it (see section 259);
 - (d) their occupation of the living accommodation constitutes the only use of that accommodation;
 - (e) rents are payable or other consideration is to be provided in respect of at least one of those persons' occupation of the living accommodation; and
 - (f) two or more of the households who occupy the living accommodation share one or more basic amenities or the living accommodation is lacking in one or more basic amenities.

- (3) A part of a building meets the self-contained flat test if—
 - (a) it consists of a self-contained flat; and
 - (b) paragraphs (b) to (f) of subsection (2) apply (reading references to the living accommodation concerned as references to the flat).

- (4) A building or a part of a building meets the converted building test if—
 - (a) it is a converted building;
 - (b) it contains one or more units of living accommodation that do not consist of a self-contained flat or flats (whether or not it also contains any such flat or flats);
 - (c) the living accommodation is occupied by persons who do not form a single household (see section 258);
 - (d) the living accommodation is occupied by those persons as their only or main residence or they are to be treated as so occupying it (see section 259);
 - (e) their occupation of the living accommodation constitutes the only use of that accommodation; and
 - (f) rents are payable or other consideration is to be provided in respect of at least one of those persons' occupation of the living accommodation.

- (5) But for any purposes of this Act (other than those of Part 1) a building or part of a building within subsection (1) is not a house in multiple occupation if it is listed in Schedule 14.

- (6) The appropriate national authority may by regulations—

- (a) make such amendments of this section and sections 255 to 259 as the authority considers appropriate with a view to securing that any building or part of a building of a description specified in the regulations is or is not to be a house in multiple occupation for any specified purposes of this Act;
- (b) provide for such amendments to have effect also for the purposes of definitions in other enactments that operate by reference to this Act;
- (c) make such consequential amendments of any provision of this Act, or any other enactment, as the authority considers appropriate.

(7) Regulations under subsection (6) may frame any description by reference to any matters or circumstances whatever.

(8) In this section—

“basic amenities” means—

- (a) a toilet,
- (b) personal washing facilities, or
- (c) cooking facilities;

“converted building” means a building or part of a building consisting of living accommodation in which one or more units of such accommodation have been created since the building or part was constructed;

“enactment” includes an enactment comprised in subordinate legislation (within the meaning of the Interpretation Act 1978 (c. 30));

“self-contained flat” means a separate set of premises (whether or not on the same floor)—

- (a) which forms part of a building;
- (b) either the whole or a material part of which lies above or below some other part of the building; and
- (c) in which all three basic amenities are available for the exclusive use of its occupants.

A1.1 The Housing Act 2004 clarifies the definition of a house in multiple occupation (HMO), replacing the definition under the Housing Act 1985. The definition of an HMO is found in Part 7 of the 2004 Act.⁴¹

A1.2 To be defined as an HMO, a building, or part thereof, must fall within one of the following categories:

- a building or flat in which two or more households share a basic amenity, such as bathroom, toilet or cooking facilities: this is known as the 'standard test' or the 'self-contained flat test'
- a building that has been converted and does not entirely comprise of self-contained flats: this is known as the 'converted building test'
- a building that is declared an HMO by the local authority
- a converted block of flats where the standard of the conversion does not meet the relevant building standards and fewer than two-thirds of the flats are owner-occupied: this is known as a section 257 HMO

⁴¹ s.254 Housing Act 2004.

A1.3 These tests are explained in detail below.

Standard test for HMOs

A1.4 A building is an HMO under the standard test if the:⁴²

- occupants share one or more of the basic amenities (defined as a toilet, personal washing facilities and cooking facilities) or the accommodation lacks one or more of these amenities
- building does not entirely consist of self-contained flats (it may, however, comprise some self-contained units)
- building is occupied by at least three people who constitute more than one household
- building is the occupants' main residence (or should be treated as such)
- occupation constitutes the only use of the accommodation, and
- rents are payable, or some other form of consideration, for at least one person's occupation

A1.5 This test applies to the most common type of HMO. It applies to shared houses (shared by more than one household such as students) and purpose-built bedsit accommodation. It may also apply to a hostel if the accommodation does not entirely comprise of self-contained units.

Self-contained flat test

A1.6 The criteria to meet the self-contained flat test are the same as the standard test, except that they apply to an individual flat that is in multiple occupation.⁴³

A1.7 A unit of accommodation is self-contained if it is a separate set of premises, and all three basic amenities are available for the exclusive use of its occupants.⁴⁴

A1.8 If a building comprises both self-contained and non-self-contained accommodation and there is some sharing of facilities, then the standard test applies.

Converted building test

A1.9 The converted building test is met where:⁴⁵

- a building or part of a building consists of living accommodation and has been converted, where one or more of the units of accommodation have been created since the building was originally constructed
- it contains at least one unit of accommodation that is not a self-contained flat (there may be some self-contained flats)
- the accommodation is occupied by three or more persons who do not form a single household
- the accommodation is the occupants' main or only residence (or should be treated as such)

⁴² s.254(2) and para 7, Sch. 14 Housing Act 2004

⁴³ s.254(2) and (3) Housing Act 2004.

⁴⁴ s.254(8) Housing Act 2004.

⁴⁵ s.254(4) Housing Act 2004.

- occupation as living accommodation constitutes the only use of that accommodation
- rents are payable

A1.10 This test would apply, for example, in the case of a house converted to bedsits, where bathrooms and/or toilets are shared.

HMO declarations

A1.11 The local authority can make a declaration that a house is in multiple occupation where it is satisfied that the premises meets one of the three tests above and the occupation of the living accommodation (by more than one household) constitutes a 'significant use',⁴⁶ rather than 'sole use', of the property.⁴⁷

A1.12 An HMO declaration makes it clear that the building shall be regarded as an HMO for the purposes of the Act. The declaration could be used where a hotel taking short-term guests is also providing accommodation for homeless people.

A1.13 The local authority must serve a notice that the building has been declared an HMO on each relevant person (any person with an interest in the building, or who manages or has control of the building, but not a tenant) within seven days of making the decision.⁴⁸

A1.14 The notice comes into force after 28 days, which is the period for appeal to the First-tier Tribunal (Property Chamber).⁴⁹ If there is an appeal, the notice only comes into effect once it has been confirmed by the Tribunal and the time for appeal against that decision has elapsed (normally 28 days) or the Upper Tribunal confirms the notice.

A1.15 The local authority may revoke the declaration at any time on its own initiative or on application by a relevant person, where the building no longer meets any of the HMO tests. If the local authority refuses an application to revoke an HMO declaration, this decision can be appealed to the First-tier Tribunal (Property Chamber) within 28 days.

Converted houses – section 257 HMOs

A1.16 Section 257 of the Housing Act 2004 applies to whole converted properties rather than individual dwellings and describes a HMO as a building:⁵⁰

- which has been converted into and consists of self-contained flats
- where the conversion work did not comply with the appropriate building standards and still does not
- where less than two-thirds of the flats are owner-occupied

⁴⁶ s.260 Housing Act 2004.

⁴⁷ s.255 Housing Act 2004; Herefordshire Council v Rohde [2016] UKUT 39 (LC).

⁴⁸ s.255(4) Housing Act 2004.

⁴⁹ Tribunal Procedure (First-tier Tribunal) (Property Chamber) Rules 2013 SI 2013/1169; the First-tier Tribunal and Upper Tribunal (Chambers) (Amendment) Order 2013 SI 2013/1187.

⁵⁰ s.257 Housing Act 2004; Hastings BC v Turner [2020] UKUT 184 (LC).

A1.17 The appropriate building standards are those required by the Building Regulations 1991 or 2000 (whichever were in force at the time of the conversion).

A1.18 Owner-occupiers are those with a lease of more than 21 years or who own the freehold in the converted block of flats, or a member of the household of the person who is the owner.

Definition of a single household

A1.19 A building is considered an HMO if it is occupied by more than one household. The Housing Act 2004 defines a single household as:⁵¹

- a family, for example a couple (whether married or not and including same-sex couples) or persons related to one another
- an employer and certain specified domestic employees
- a carer and the person receiving care
- a foster parent and foster child

Only or main residence

A1.20 To be an HMO the accommodation has to be used by persons as their only or main residence. It is usually apparent if this is the case, but secondary legislation specifies certain situations where the nature of occupation is less clear cut. These include:⁵²

- a residence for the purpose of undertaking full-time further or higher education
- a refuge, that is a building or part of a building used by a voluntary organisation for temporary accommodation for people who have left their home as the result of domestic violence
- occupation by migrant or seasonal workers where the employer or agent provides the accommodation
- occupation by asylum seekers and their dependents, where the accommodation has been provided under section 95 of the Immigration and Asylum Act 1999 and the accommodation is provided by a private landlord under contract to or on behalf of UKVI

A1.21 A hostel or night shelter providing accommodation to homeless people may be an HMO because, even if the accommodation is overnight, it is the occupants' only residence. Rent (or consideration) must be paid for the HMO definition to apply.

Exemption from HMO regulations

A1.22 Certain buildings that meet the criteria to be defined as an HMO under the Housing Act 2004 are exempt from the licensing provisions and the management regulations.

A1.23 This comprises buildings that are:⁵³

⁵¹ s.258 Housing Act 2004.

⁵² s.259 Housing Act 2004; reg 5 Licensing and Management of Houses in Multiple Occupation and other Houses (Miscellaneous Provisions) (England) Regulations 2006 SI 2006/373.

⁵³ Sch. 14 Housing Act 2004, as amended.

- managed or controlled by private registered providers of social housing, a co-operative society, local authorities and other specified public sector bodies
- buildings regulated under other legislation, for example boarding schools, prisons, accommodation centres for asylum seekers and care homes
- occupied by religious communities, unless they are section 257 HMOs
- halls of residence (or other accommodation occupied by students) that are managed or controlled by one of the educational establishments listed in the regulations
- only occupied by an owner/occupier, members of their household and no more than two tenants or licensees. This exemption does not apply to section 257 HMOs
- only occupied by two people who form two households
- properties subject to a temporary exemption notice or an interim management order



BRE Client Report

BRE Integrated Dwelling Level Housing Stock Modelling and Database for Burnley Council

Prepared for: Clare Jackson, Private Sector Housing Manager

Date: 20 July 2023

Report Number: P104088-1174 Issue: 1

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4.3.2 Houses in Multiple Occupation (HMOs) in the Burnley private sector stock

The Housing Act 2004 introduced a new set of definitions for HMOs in England from 6 April 2006⁵³. The definition is a complex one and the bullet points below, which are adapted from web pages provided by the National HMO Network⁵⁴, provide a summary:

- An entire house or flat which is let to 3 or more tenants who form 2 or more households and who share a kitchen, bathroom, or toilet
- A house which has been converted entirely into bedsits or other non-self-contained accommodation and which is let to 3 or more tenants who form two or more households and who share kitchen, bathroom, or toilet facilities
- A converted house which contains one or more flats which are not wholly self-contained (i.e. the flat does not contain within it a kitchen, bathroom, and toilet) and which is occupied by 3 or more tenants who form two or more households
- A building which is converted entirely into self-contained flats if the conversion did not meet the standards of the 1991 Building Regulations and more than one-third of the flats are let on short-term tenancies

The recently published “Houses in Multiple Occupation and residential property licensing reform”⁵⁵ provides guidance to local authorities on changes to rules on licensing HMOs. From 1 October 2018, mandatory

⁵³ See Sections 254-258 of the Housing Act (<http://www.legislation.gov.uk/ukpga/2004/34/contents>)

⁵⁴ National HMO Network <http://www.nationalhmonetwork.com/definition.php>



licensing of HMOs was extended to cover all relevant HMOs regardless of the number of storeys (compared to the previous definition which limited this to buildings of 3 or more storeys). Purpose built flats will only require a licence where there are fewer than 3 flats in the block. The requirement for the HMO to be occupied by five or more persons in two or more households will remain⁵⁶. From 1 October 2018, the extension came into effect and those dwellings that falls under the new definition will require a licence.

To be classified as an HMO the property must be used as the tenants' only or main residence and it should be used solely or mainly to house tenants. Properties let to students and migrant workers will be treated as their only or main residence and the same will apply to properties which are used as domestic refuges.

The LAHS requires estimates of the number of HMOs and the number of mandatory licensable HMOs.

- Number of private sector HMOs
 - Modelled using specific criteria from a number of Experian data sources and information derived from the SimpleCO₂ model. The criteria include privately rented dwellings with 3 or more bedrooms occupied by male/female/mixed home sharers, mixed occupancy dwellings or classified as the following Experian Mosaic classifications:
 - Renting a room
 - Career Builders
 - Flexible Workforce
 - Bus Route Renters
 - Learners and earners
 - Student scene
- Number of mandatory licensable HMOs under the Government's new definition, as of 1 October 2018
 - This has been modelled using the above criteria for HMOs plus the dwelling must have 4 or more bedrooms. This will apply to both houses and converted flats.
 - Purpose built flats where there are up to two flats in the block and one or both have 4 or more bedrooms.

Table 10 summarises the results for the private sector stock in Burnley, while **Map 13** shows the geographic distribution of HMOs and **Map 14** shows the distribution of mandatory licensable HMOs. The maps show the majority of HMOs are concentrated towards the urban areas of the borough, especially in Trinity, the west of Bank Hall, the south of Daneshouse with Stoneyholme and Queensgate. Meanwhile, the highest concentrations of licensable HMOs are found in the north of Trinity. **Maps D.19** to **Map D. 22** zoom in on the urban areas of the borough for HMOs and mandatory licensable HMOs, respectively. As previously mentioned, ward level data on HMOs is available in the accompanying Housing Stock Condition Database (HSCD) and **Appendix C** provides guidance on how to use the database.

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/670536/HMO_licensing_reforms_response.pdf

⁵⁶ In addition, new mandatory licence conditions will be introduced relating to national minimum sleeping room sizes and provision of waste disposal.



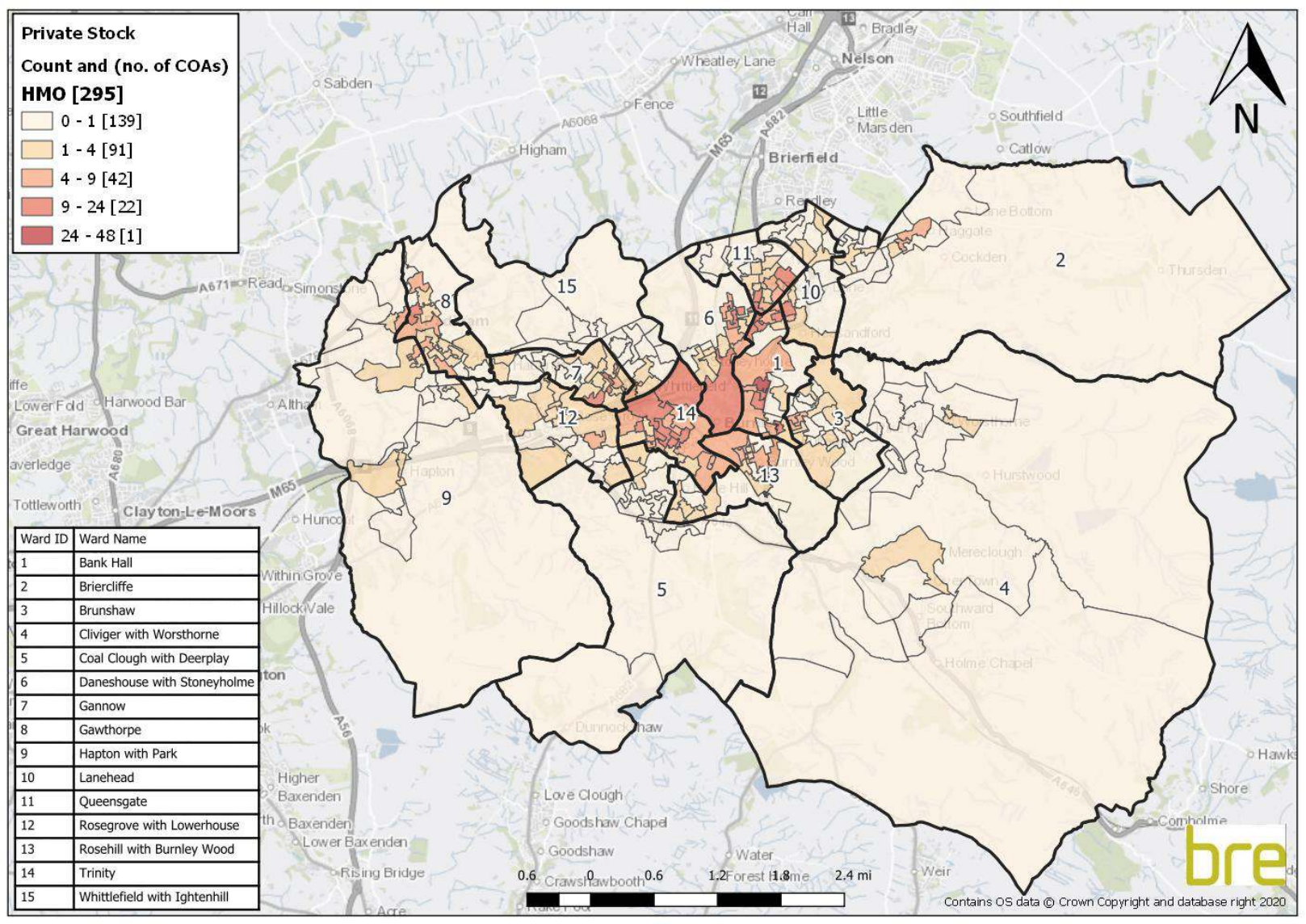
Table 10: Summary of HMOs within the Burnley private sector stock. Of these figures 400 came from the data supplied by the council and the remainder are dwellings that have the potential to be classed as an HMO.

Burnley	No. of private sector dwellings	HMOs	Mandatory Licensing Scheme HMOs
	35,693	916	67

DRAFT

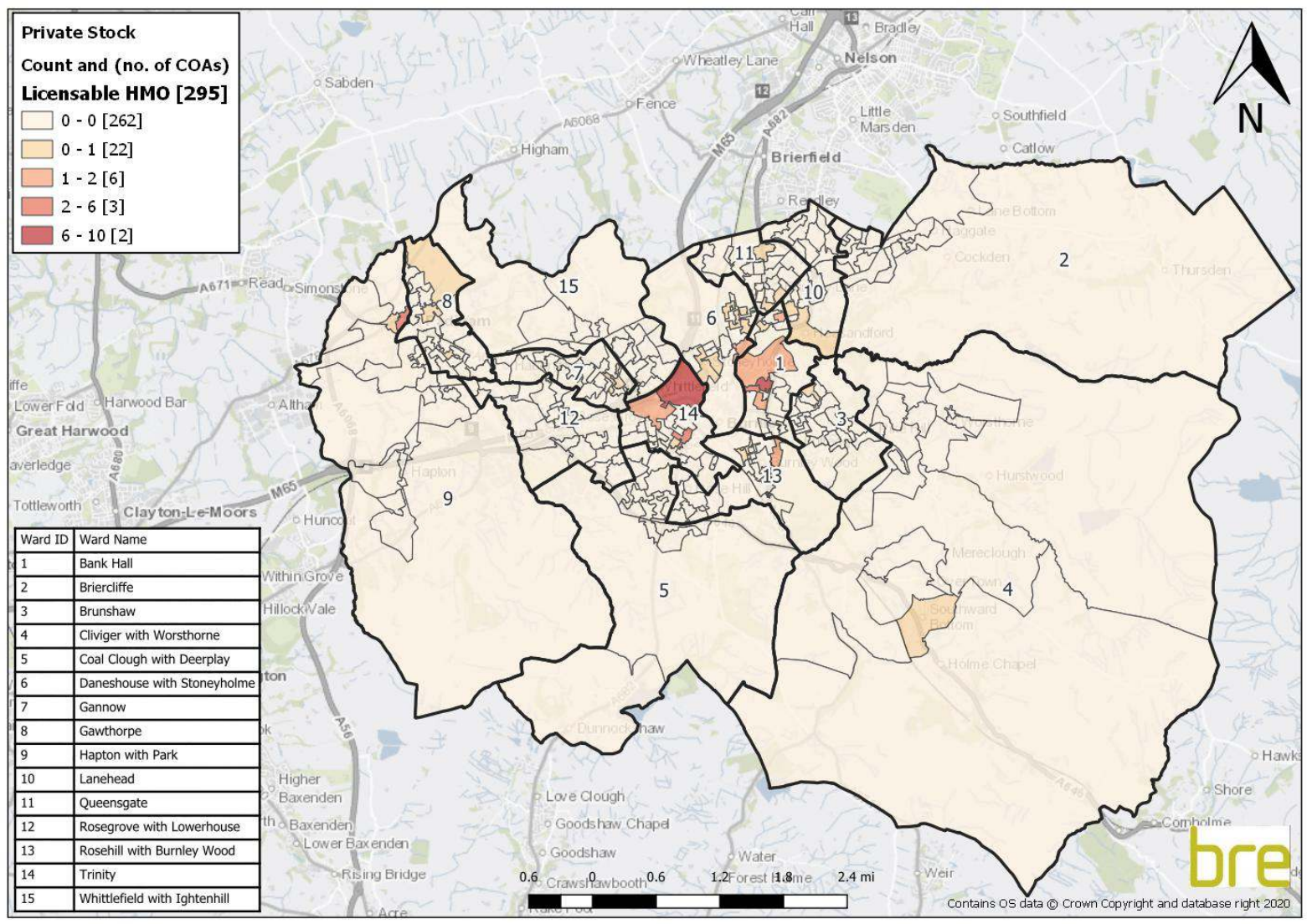


Map 13: Count of HMOs. *N.B. in the legend, values are greater than the lower bound and less than or equal to the upper bound*





Map 14: Count of mandatory licensable HMOs. *N.B. in the legend, values are greater than the lower bound and less than or equal to the upper bound*



Revenue Monitoring Report 2023/24 – Quarter 1 (to 30 June 2023)

REPORT TO EXECUTIVE



DATE	20 September 2023
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Craig Finn
TEL NO	01282 475811
EMAIL	CFinn@burnley.gov.uk

PURPOSE

1. To report the forecast outturn position for the year ending 31 March 2024 based upon actual spending and income to 30 June 2023.
2. Members are asked to note the financial impact of the ongoing cost-of-living crisis as can be seen in paragraph 5. In view of the current economic challenges, forecasts remain under review and are subject to change as the impact on the economy unfolds. Updates will be provided to Members through the established quarterly budget monitoring process.

RECOMMENDATION

3. The Executive is asked to:
 - a. Note the projected revenue budget forecast position of a net overspend of £243k, as summarised in table 1 and detailed in Appendix 1, which is expected to break even by the end of the financial year.

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

- b. The latest revised net budget of **£16.267m** as shown in Table 1, and
- c. The net transfers from earmarked reserves of **£4.972m** as shown in Appendix 2.

REASONS FOR RECOMMENDATION

4. To give consideration to the level of revenue spending and income in 2023/24 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

5. Financial Impact of the cost-of-living crisis

Sustained inflation above the Bank of England's target of 2%, continues to have an impact on the Council's budget monitoring position, both in respect of increased costs and potential reduction in income receivable from residents for fees and charges, given the inevitable 'squeeze' on disposable incomes.

Members will recall that the Covid-19 Reserve was redesignated the Cost of Living Crisis Reserve to recognise the ongoing financial challenges for both residents and the borough associated with the rising 'Cost of Living'. The sum of £0.616m remains in this reserve and has been set aside to meet these challenges.

The Council has also set aside sums specifically to manage continued volatility in the energy markets, with the balance of £0.260m brought forward from 2022/23 committed in 2023/24, details of which are included at Appendix 2.

At the time of this report, the pay award for 2023/24 has not yet been agreed and this remains an outstanding risk relative to estimates included within the original, approved budget.

6. Revenue Budget Monitoring Process

All budget holders are required to review their budgets on a monthly basis.

Three in-year reports on revenue budget monitoring are presented to the Executive and Scrutiny Committee during the course of the financial year. This is the first in-year report for 2023/24. In addition to these three reports there is a final report for revenue to consider the actual spending at the end of the financial year compared with the revised revenue budget. Under the scheme of delegation each budget area is delegated to a Head of Service who remains accountable for the effective discharge of financial management as an integral part of achieving strategic objectives and in turn meeting service delivery priorities.

As part of the quarterly monitoring cycle, all Heads of Service are asked to consider their budgets and provide information and details of any actual or anticipated significant variations between spending / income and budgets.

7. Budget Changes

Since the budget was approved in February 2023, the following proposed budget changes have been made and are shown in Appendix 1:

- Virements approved by Heads of Service and Management Team.
- Decisions confirming additional awards of grant and contributions up to £50k approved by Heads of Service and Management Team.
- Transfers to/from Earmarked Reserves in respect of grants/contributions and also approved carry forwards from 2022/23 (Appendix 2).

Members are asked to approve the latest revised net budget of £16.267m as shown in Table 1.

8. Revenue Budget Summary

Table 1 shows a summary by service area of the revised budget for the year along with the current forecast as at the end of Q1 and the anticipated variance.

On current projections the net revenue budget is forecast to be exceeded by £243k, details of which are also included at section 11, 'Service Reports'.

Due to the continuing uncertainty around the potential impact of the cost of living crisis on the Council's approved budgets, forecast reductions in income and increases in expenditure remain subject to change as the year progresses. The net budget forecast at Quarter 1 of a £243k year-end deficit is based upon the latest estimates of income and expenditure.

Table 1: Revenue Budget Forecast Position 2023/24

	Quarter 1			
	NET BUDGET 2023/24 £000s	REVISED BUDGET 2023/24 £000s	FORECAST Q1 £000s	VARIANCE Q1 £000s
Economy and Growth	711	961	1,017	56
Policy and Engagement	510	880	880	0
Management Team	394	394	394	0
Sport and Culture Leisure Client	1,270	1,270	1,270	0
Green Spaces and Amenities	1,376	1,497	1,496	(1)
Streetscene	3,346	3,448	3,488	40
Housing and Development Control	1,036	1,146	1,146	0
Strategic Partnership	4,205	4,217	4,217	0
Finance and Property	(1,343)	(298)	(298)	0
Revenues and Benefits Client	(1,158)	(1,138)	(1,138)	0
Legal and Democratic Services	1,273	1,428	1,428	0
People and Development	234	242	242	0
Central Budgets - Other	906	1,154	1,154	0
Central Budgets - Savings Targets	(248)	(248)	0	248
NET SERVICE BUDGET	12,512	14,953	15,296	343
Pensions	486	486	486	0
Parish Precepts	173	173	173	0
Treasury Investments & Borrowing	1,516	1,516	1,416	(100)
Capital Financing	1,951	4,111	4,111	0
Earmarked Reserves	(361)	(4,619)	(4,619)	0
Strategic Reserves	(10)	(353)	(353)	0
NET CORPORATE ITEMS	3,755	1,314	1,214	(100)
Council Tax	(7,724)	(7,724)	(7,724)	0
Council Tax - Parish Precepts	(173)	(173)	(173)	0
Business Rates: Retained Income	(5,950)	(5,950)	(5,950)	0
Business Rates: S31 Grants	(754)	(754)	(754)	0
Prior Year Collection Fund (Surplus)/Deficit	1,208	1,208	1,208	0
Revenue support Grant	(1,872)	(1,872)	(1,872)	0
New Homes Bonus	(319)	(319)	(319)	0
Other Government Grants	(683)	(683)	(683)	0
FUNDING	(16,267)	(16,267)	(16,267)	0
BUDGET BALANCE	0	0	243	243

9. Members will recall that savings totalling £0.363m were built in to the 2023/24 revenue budget to ensure that a balanced budget was achieved. As part of the budget monitoring process, progress against the achievement of these savings is monitored in year, details of which can be seen below:

Description	Saving £000	Progress of Achievement
Reduction in grant award to Burnley & Pendle Citizens Advice	10	Fully achieved.
Removal of annual contribution to the Pensions Reserve	353	Fully achieved.
TOTAL	363	

10. SAVINGS TARGETS

In addition to the savings above, it was assumed that two savings targets would be achieved over the course of the year: £169k salary savings from not filling posts immediately and £79k from in year savings/additional income. Current economic conditions and the 'Cost of Living Crisis' generally *may* threaten the achievement of these targets. At present the forecast budget overspend is £243k. A summary of the in-year targets and the projected budget forecasts categorised by salary and non-salary expenditure as at the end of Q1 can be seen in Table 2 below:

Savings	Revised Budget £000	Savings Forecast Q1 £000	Balance of Savings yet to be Identified £000
Salary Savings	(169)	4	(165)
Non-Salary Savings	(79)	1	(78)
TOTAL SAVINGS YET TO BE IDENTIFIED	(248)	5	(243)

Salary Savings Target

The position at the end of Quarter 1 is that £4k of salary savings will be secured leaving £165k of salary savings yet to be identified.

Non-Salary Savings Target

At Quarter 1, surplus investment income of £100k is funding the forecast non-salary overspends within Services of £99k, contributing a net £1k of additional income and/or reduced expenditure to the Corporate Savings target. The result is that £78k of non-salary savings are yet to be identified.

The combined balance of savings (salary and non-salary) forecast at Q1 yet to be identified totals a net requirement of £243k. The above estimates are based on forecasts at the end of Q1 when there are many future uncertainties. As such the budget is fluid in nature and may change (positively or negatively) as the year progresses.

11. SERVICE REPORTS

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

a. **Economy and Growth**

Forecast Variance: £56k net overspend

The above variation is anticipated in respect of Burnley Market, being a combination of a loss of income from reduced trader numbers, an associated increase in overhead costs that cannot be transferred to the reduced number of traders via agreed Service Charges, and increased cost of security provision due to anti-social behaviour.

b. **Policy and Engagement**

Forecast Variance: £0

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

c. **Management Team**

Forecast Variance: £0

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

d. **Sport and Culture Leisure Client**

Forecast Variance: £0

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

Towneley Golf Season Ticket income, and Prairie Driving Range income are currently ahead of Budget Profile.

Gym Memberships income is anticipated to meet the budget but these are being closely monitored, due to the opening of alternative gym provision within the borough from the private sector.

Hospitality income is slightly ahead of the budget set. However, it remains the most challenging area due to cost of products. Burnley Leisure will be monitoring Cost of Sales closely, to ensure it remains within budget.

e. **Green Spaces and Amenities**

Forecast Variance: £1k net underspend

At Q1 the Service is forecasting a net underspend of (£1k).

This comprises an overspend of £8k on the Cremator contract owing to cpi inflation as per the contract, being above sums estimated when setting the budget and very much linked to the ongoing cost of living crisis implications referred to elsewhere in this report. This is forecast to be mitigated in year through increased income (£11k) via a partnership arrangement with a neighbouring Local Authority to help reduce their Crematoria mercury emissions, through the sale of this Council's spare 'Mercury Abatement' capacity.

The Ranger service has incurred additional overtime costs of £2k to service security related call out requests eg Towneley Hall site. The revised 2023/24 Capital Investment Programme elsewhere on the agenda proposes a replacement of the fire and intruder alarm system at Towneley Hall to reduce the number of false alarms.

f. **Streetscene**

Forecast Variance: £40k net overspend

Members will recall when approving the 2023/24 revenue budget, the risks to income associated with temporary closure and reduction of available car parking spaces as a consequence of continued Capital investment within the Town Centre.

The current forecast at Q1 is a shortfall in income of £40k associated with Pioneer Car Park.

g. **Housing and Development Control**

Forecast Variance: £0

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

h. **Strategic Partnership**

Forecast Variance: £0

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

i. **Finance and Property**

Forecast Variance: £0k

Reduced income of £6k from 'Room Hire' sales to outside bodies is to be offset by vacancy savings identified in the period (£6k) for a Trainee Accountant for which recruitment is underway.

j. **Revenues and Benefits Client**

Forecast Variance: £0

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

k. **Legal and Democratic Services**

Forecast Variance: £0k

There are no variances to report in this quarter.

l. **People and Development**

Forecast Variance: £0k

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

m. **Central Budgets**

Forecast Variance: £248k net overspend

This variation is for the purpose of presentation, recognising that the Corporate Savings targets are initially held centrally but that contributions towards the targets will be identified within Services and/or Corporate Items as the year progresses.

At Quarter 1, and as per Table 2 above, a net contribution of £5k towards the Corporate Savings target of £248k has been identified but £243k is yet to be secured.

n. **Corporate Items**

Forecast Variance: £100k net underspend

Bank rate increases during the first quarter have seen a positive impact on rates available for surplus monies deposited with approved financial institutions. Returns for the year are currently forecast to exceed the budgeted figure by (£100k).

o. **Funding**

Forecast Variance: £0k

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

12. EARMARKED RESERVES

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

A summary of the reserves can be seen in Table 3 below:

	Transformation Reserve	Growth Reserve	Other Earmarked Reserves	Total
	£	£	£	£
Balance as at 01/04/23	4,621	1,050	19,812	25,483
Movements between reserves	-1,123	1,123	-	-
Approved budget contributions (Original Estimate)	-10	-	-360	-370
Slippage/carry forwards from 2022/23	-	-171	-886	-1,057
Additional Movement in Q1	-1,008	835	-3,372	-3,545
Balance as at 30/06/23	2,480	2,837	15,194	20,511

Significant reserve movements in the first quarter relate to releasing approved Budget Carry Forward requests approved as part of the 2022/23 outturn reported in July and approved contributions to fund Capital expenditure, as shown below.

Any savings proposals for 2023/24 that are subsequently adopted and include proposed reductions in posts, will require the cost of any redundancies to be met in the current financial year.

13. CAPITAL FINANCING

13.1 Included in the revenue budget is a revenue contribution to capital outlay (RCCO) of £2.350m. A breakdown of the current revenue/reserve funding set aside to finance Capital expenditure is shown below, and is also included in the Capital Monitoring report elsewhere on the agenda:

Service Unit	Capital Scheme Name	£'000
Green Spaces & Amenities	Vehicle and Machinery Replacement	206
Green Spaces & Amenities	Worsthorne Rec Grd Improvements	22
Green Spaces & Amenities	Refill Fountains	5
Economy & Growth	Lower St James Street Historic Action Zone	170
Economy & Growth	Pioneer Place	665
Finance & Property	Building Infrastructure Works	2
Finance & Property	Audio & Visual Upgrade to Facilitate On-Line Meetings	100
Finance & Property	Charter Walk Refurbishment	1,180
RCCO as at 30/06/2023		2,350

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. None

BACKGROUND PAPERS

17. None

FURTHER INFORMATION

PLEASE CONTACT:

**Craig Finn
Principal Accountant**

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Revenue Budget Forecast Position 2023/24 by Service Area

Appendix 1

			Quarter 1			
			NET BUDGET 2023/24 £000s	REVISED BUDGET 2023/24 £000s	FORECAST Q1 £000s	VARIANCE Q1 £000s
Economy and Growth	RAPP Holding Accounts	RAPP Holding Accounts	170	170	170	0
Economy and Growth	Markets	Burnley Markets	169	169	225	56
Economy and Growth	Markets	Markets Shared Areas	(31)	(31)	(31)	0
Economy and Growth	Planning Policy	Local Plan	14	46	46	0
Economy and Growth	Planning Policy	Planning Policy	223	296	296	0
Economy and Growth	Economic Development	Town Centre Management	83	78	78	0
Economy and Growth	Economic Development	Business Support	211	314	314	0
Economy and Growth	Economic Development	Burnley Branding	96	96	96	0
Economy and Growth	Economic Development	Burnley Bondholders	36	36	36	0
Economy and Growth	Regeneration Development	Regeneration	(212)	(165)	(165)	0
Economy and Growth	Regeneration Development	Padiham THI	(48)	(48)	(48)	0
sub-total			711	961	1,017	56
Policy and Engagement	Corp Engage & Policy Hold Acc	Corp Engage Holding Accounts	52	54	54	0
Policy and Engagement	Emergency Planning	Emergency Planning	2	2	2	0
Policy and Engagement	Communications	Communications	109	109	109	0
Policy and Engagement	Community Engagement	Community Engagement	233	551	551	0
Policy and Engagement	Performance And Policy	Performance and Policy	114	164	164	0
sub-total			510	880	880	0
Management Team	Management Team	Management Team	394	394	394	0
sub-total			394	394	394	0
Sport and Culture Leisure Client	Burnley Mechanics And Arts Devt	Burnley Mechanics And Arts Devt	59	59	59	0
Sport and Culture Leisure Client	Leisure Centres	St Peters Centre	253	253	253	0
Sport and Culture Leisure Client	Leisure Centres	Leisure Trust Client	813	813	813	0
Sport and Culture Leisure Client	Leisure Centres	Padiham Leisure Centre	85	85	85	0
Sport and Culture Leisure Client	Leisure Centres	Prairie Sports Village	60	60	60	0
sub-total			1,270	1,270	1,270	0
Green Spaces and Amenities	Bereavement Service	Cemeteries and Crematorium	(943)	(921)	(924)	(3)
Green Spaces and Amenities	Parks And Green Spaces	Community Parks and Open Space	1,587	1,631	1,633	2
Green Spaces and Amenities	Parks And Green Spaces	Recreation and Sport	310	310	310	0
Green Spaces and Amenities	Parks And Green Spaces	Allotments	(17)	(2)	(2)	0
Green Spaces and Amenities	Parks And Green Spaces	Parks Externally Funded Scheme	0	39	39	0
Green Spaces and Amenities	Art Gallery And Museums	Towneley Hall	361	362	362	0
Green Spaces and Amenities	Transport	Grounds Maintenance	78	78	78	0
sub-total			1,376	1,497	1,496	(1)
Streetscene	Streetscene Holding Accounts	Streetscene Holding Accounts	1,118	1,069	1,069	0
Streetscene	Engineering Services	Bus Shelters	18	18	18	0
Streetscene	Engineering Services	Highways	13	13	13	0
Streetscene	Engineering Services	Street Lighting	83	83	83	0
Streetscene	Engineering Services	Drainage	4	4	4	0
Streetscene	Community Safety	Community Safety	226	228	228	0
Streetscene	Car Parking	Car Parking	(597)	(572)	(532)	40
Streetscene	Car Parking	Car Parking Enforcement	12	12	12	0
Streetscene	CCTV	CCTV	176	176	176	0
Streetscene	Environmental Services	Waste Cleaning Contract	77	166	166	0
Streetscene	Environmental Services	Street Cleansing	1,334	1,369	1,369	0
Streetscene	Environmental Services	Waste Collection	1,110	1,110	1,110	0
Streetscene	Environmental Services	Pest Control	19	19	19	0
Streetscene	Environmental Services	Dog Warden	16	16	16	0
Streetscene	Environmental Services	Default Works	(24)	(24)	(24)	0
Streetscene	Regulation	Environmental Health Client	(21)	(21)	(21)	0
Streetscene	Regulation	Taxi Licensing	(116)	(116)	(116)	0
Streetscene	Regulation	Other Licensing	(112)	(112)	(112)	0
Streetscene	Regulation	Public Funerals	10	10	10	0
sub-total			3,346	3,448	3,488	40
Housing and Development Control	Housing And Development Ctrl	Housing	536	600	600	0
Housing and Development Control	Development Control	Development Control	242	257	257	0
Housing and Development Control	Building Control	Building Control	79	110	110	0
Housing and Development Control	Selective Licensing	Selective Licensing	179	179	179	0
sub-total			1,036	1,146	1,146	0
Strategic Partnership	Strategic Partnership	Strategic Partnership	4,205	4,217	4,217	0
sub-total			4,205	4,217	4,217	0

Finance and Property	Finance Unit	Finance Unit	823	812	806	(6)
Finance and Property	External Audit	External Audit	124	124	124	0
Finance and Property	Internal Audit	Internal Audit	155	166	166	0
Finance and Property	Misc Income And Expenditure	Misc Income And Expenditure	(76)	(76)	(76)	0
Finance and Property	Property	Property	(2,369)	(1,324)	(1,318)	6
sub-total			(1,343)	(298)	(298)	0
Revenues and Benefits Client	Revenues And Benefits Client	Revenues And Benefits Client	(353)	(353)	(353)	0
Revenues and Benefits Client	Housing Benefits Payments And Subs	Housing Benefits Payments And Subs	(74)	(54)	(54)	0
Revenues and Benefits Client	Council Tax Support	Council Tax Support	5	5	5	0
Revenues and Benefits Client	Cost Of Collection Accounts	Cost Of Collection Accounts	(736)	(736)	(736)	0
sub-total			(1,158)	(1,138)	(1,138)	0
Legal and Democratic Services	Legal	Legal Services	425	442	442	0
Legal and Democratic Services	Legal	Local Land Charges	(39)	12	12	0
Legal and Democratic Services	Legal	FOI Requests	1	1	1	0
Legal and Democratic Services	Governance	Conducting Elections	84	102	102	0
Legal and Democratic Services	Governance	Register of Electors	90	90	90	0
Legal and Democratic Services	Governance	Parish Councils	2	2	2	0
Legal and Democratic Services	Governance	Democratic Services	377	383	383	0
Legal and Democratic Services	Governance	Civic Administration	11	71	71	0
Legal and Democratic Services	Governance	Mayoralty	67	67	67	0
Legal and Democratic Services	Governance	Members Expenses	255	258	258	0
sub-total			1,273	1,428	1,428	0
People and Development	People And Development	People and Development	234	242	242	0
sub-total			234	242	242	0
Central Budgets - Other	Central Budgets - Other	Central Budgets - Other	906	1,154	1,154	0
Central Budgets - Savings Targets	Central Budgets - Savings Targets	Salary Savings Target	(169)	(169)	0	169
Central Budgets - Savings Targets	Central Budgets - Savings Targets	Non-Salary Savings Target	(79)	(79)	0	79
sub-total			658	906	1,154	248
NET SERVICE BUDGET			12,512	14,953	15,296	343
Corporate Items	Pensions		486	486	486	0
Corporate Items	Parish Precepts		173	173	173	0
Corporate Items	Treasury Investments & Borrowing		1,516	1,516	1,416	(100)
Corporate Items	Capital Financing		1,951	4,111	4,111	0
Corporate Items	Earmarked Reserves		(361)	(4,619)	(4,619)	0
Corporate Items	Strategic Reserves		(10)	(353)	(353)	0
NET CORPORATE ITEMS			3,755	1,314	1,214	(100)
Funding	Council Tax		(7,724)	(7,724)	(7,724)	0
Funding	Council Tax - Parish Precepts		(173)	(173)	(173)	0
Funding	Business Rates: Retained Income		(5,950)	(5,950)	(5,950)	0
Funding	Business Rates: S31 Grants		(754)	(754)	(754)	0
Funding	Prior Year Collection Fund (Surplus)/Deficit		1,208	1,208	1,208	0
Funding	Revenue support Grant		(1,872)	(1,872)	(1,872)	0
Funding	New Homes Bonus		(319)	(319)	(319)	0
Funding	Other Government Grants		(683)	(683)	(683)	0
FUNDING			(16,267)	(16,267)	(16,267)	0
BUDGET BALANCE			0	0	243	243

Quarter 1 Movements in Reserves

	Transformation Reserve	Growth Reserve	Total Strategic Reserves	Other Earmarked Reserves	Total Earmarked Reserves
	£'000	£'000	£'000	£'000	£'000
Balance as at 01/04/23	4,621	1,050	5,671	19,812	25,483
Movements between reserves	-1,123	1,123	-	-	-
Approved budget contributions (Original Estimate)	-10	-	-10	-360	-370
	3,488	2,173	5,661	19,452	25,113
Slippage/carry forwards from 2022/23	-	-171	-171	-886	-1,057
Additional Movement in Q1	-1,008	835	-173	-3,372	-3,545
Anticipated balance as at 31 March 2024	2480	2,837	5,317	15,194	20,511
Approved use future years	-276	-1,037	-1,313	2,577	1,264
Balance after approvals	2,204	1,800	4,004	17,771	21,775

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Capital Monitoring Report 2023/24 – Quarter 1 (to 30 June 2023)

REPORT TO EXECUTIVE



DATE	20 September 2023
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Craig Finn
TEL NO	01282 475811
EMAIL	CFinn@burnley.gov.uk

PURPOSE

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

RECOMMENDATION

2. The Executive is asked to:
 - a. Recommend to Full Council, approval of net budget changes totalling a reduction of (£1,235,466) giving a revised capital budget for 2023/24 totalling £39,190,265 as detailed in Appendix 1.
 - b. Recommend to Full Council, approval of the proposed financing of the revised capital budget totalling £39,190,265 as shown in Appendix 2.
 - c. Note the latest estimated year end position on capital receipts and contributions showing an assumed balance of £3,769,351 as at 31 March 2024 as shown in Appendix 3.

REASONS FOR RECOMMENDATION

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

SUMMARY OF KEY POINTS

4. Monitoring Information

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

The 2022/23 Outturn report, presented to the Executive on 12 July 2023 obtained approval for slippage of £2,006,176 to be added **to** the Capital Programme 2023/24 and reverse slippage of £2,937,660 **from** the 2023/24 approved programme back into 2022/23 to match the actual timing of capital spend. The result is a net reduction to the approved Capital

Programme 2023/24 of £931,484, giving a revised Capital Programme 2023/24 of £40,425,731.

This is the first of three in-year monitoring reports, and as such the appendices accompanying this report provide Members with the position as at 30 June 2023 on expenditure, along with an update on the progress of delivery of the individual schemes.

As part of this report, budget adjustments in year in the sum of £678,513 are proposed in addition to re-profiling £556,953 into 2024/25. Total adjustments therefore equating to a net reduction to the Capital Programme in 2023/24 of £1,235,466.

The net result is a newly revised Capital Programme for 2023/24 of £39,190,265.

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 June 2023. The expenditure to date is £6,146,555 which is 16% of the proposed revised budget, which is usual at this time of the year.
- b. **Revised budget and financing elements – Appendix 2** shows the revised budget of £39,190,265 along with identifying the recommended financing elements on a scheme by scheme basis. As above, this is a net reduction to the 2023/24 Capital Programme approved in July of £1,235,466 owing to reverse slippage on conclusion of the 2022/23 capital outturn position, budget adjustments in year, and re-profiling sums into 2024/25.
- c. Included within the in-year adjustments are additional items for approval in the 2023/24 Capital Programme and these are included at Appendix 2, in the sum of £295,950. These are to be financed from a mixture of resources: £35k (Climate Action Fund), £63k (revenue contributions), £65k (UK Shared Prosperity Fund) and £133k (capital receipts) and are summarised below.

Scheme	Funding Source	£'000
Vehicle & Machinery Replacement	Climate Action Fund/Revenue	98
Play Area Improvement Scheme	UKSPF	65
Towneley Hall Works	Capital Receipts	133
Total Additional Proposals		296

- d. More detail is also included within the narrative at Appendix 1.
- e. **Council resources position – Appendix 3** shows the latest position on capital receipts, section 106 monies and third-party contributions. As at the end of this round of budget monitoring the forecast level of surplus available local resources at 31 March 2024, after taking into account the 2023/24 capital commitments, is estimated at £3,769,351.

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

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

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

f. **Building Infrastructure Works**

Towneley Hall

The contract to repair Towneley Hall is progressing on schedule. It is proposed to increase the repair budget by £133k to enable the fire and intruder alarm systems and climate control system to be replaced, taking advantage of financial savings of doing the work alongside the building repair contract. The existing fire and intruder alarm systems are old and unreliable, resulting in more frequent false activations. The new digital systems will be more reliable and facilitate more accurate identification of alarm activations when emergency services attend.

Town Hall

The main works to the Town Hall have been completed, including all roofing and stonework repairs and the structural issue above the main entrance. Structural repairs in the lightwell have been also completed with only the cosmetic works to the toilets to be done and external cladding to be installed in due course. Unfortunately, the dry rot works in the Council Chamber have proven to be more extensive than first anticipated however these are now well under way and are estimated to be completed during the Autumn of 2023. Progress is being made on accessibility and audio-visual equipment upgrades and work will commence once the dry rot works have been completed.

Nicholas Street

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

6. **Revenue Implications**

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

b. The Capital Programme includes Revenue Contributions / Reserves of £2,350,202:

Scheme	Funded	£'000
Vehicle & Machinery Replacement	Transport Reserve	143
Vehicle & Machinery Replacement	Revenue	63
Worsthorne Recreation Ground Improvements	Revenue Support Reserve	22
Refill Fountains	Revenue Support Reserve	5
Building Infrastructure	Revenue Support Reserve	2
Lower St James Street Historic Action Zone	Growth Reserve	170
Audio & Visual Upgrade to Facilitate On-line Meetings	Covid-19 Recovery Reserve	100
Pioneer Place	Transformation Reserve	665
Charter Walk Refurbishment	Charter Walk Reserve	1,180
Total Revenue Contributions		2,350

c. Prudential Borrowing 2023/24

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

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

The original capital budget for 2023/24 of £41,357,215 included a planned borrowing requirement of £15,223,050. The revised Capital Programme for 2023/24, including proposed budget adjustments and re-profiling schemes into 2024/25 now estimates the planned borrowing requirement for the year to be £13,661,817.

The revenue implications of borrowing £13,661,817 are a Minimum Revenue Provision (MRP) of £1,710,208 and an interest charge, assuming 3% on the borrowing, of £410k for a full year.

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

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

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

7. A net reduction to the approved 2023/24 Capital Programme, including re-profiling schemes into 2024/25, of £1,235,466, to give a revised budget of £39,190,265.

POLICY IMPLICATIONS

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

DETAILS OF CONSULTATION

9. None.

BACKGROUND PAPERS

10. None.

FURTHER INFORMATION

PLEASE CONTACT:

Craig Finn – Principal Accountant

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2023/24 CAPITAL BUDGET CYCLE 1 MONITORING - UPDATE

Scheme Name	Budget Council 22/02/23	Slippage from 2022/23	Budget per Exec 12/07/23	Adjustments Per This Report		Changes to be approved in this report	Revised Budget	Total Spend as at 30/06/23	% Schemes Spend	Financed by External Funding	Narrative provided by Project Officers/Heads of Service
				Budget Adjustments	Reprofiled into Future Years						
				A	B	A + B					

GREEN SPACES & AMENITIES

Play Area Improvement Programme	90,000	32,261	122,261	65,000		65,000	187,261	21,918	12%	125,116	Schemes from the 22/23 PAIP at Healeywood, Clifton Street, Park Road and Queens Park will be completed by mid-September 2023. This is predominantly tendered work with additional support from our own staff and other contractors. Consultation for the three 23/24 PAIP schemes at Barden Lane/Disraeli Street, Underley Street and Piccadilly Gardens will be undertaken during summer with a view to these being completed by the end of March 2024. £65,000 UKSPF has been added to existing Capital budgets. £20,000 of this is for pump track development and the Town Centre Skate Park development.
Vehicle and Machinery Replacement	165,000	2,760	167,760	97,950		97,950	265,710	119,493	45%	60,000	Replacement of Vehicle & Machinery will be completed as per the transport fleet and grounds maintenance programme. Additional vehicles and equipment are due to be procured for Streetscene and Green Spaces which will be funded from revenue contributions and the Climate Action Fund.
Playing Pitch Improvements	298,300	8,478	306,778		(281,778)	(281,778)	25,000	-	0%	25,000	Work at Lockyer Avenue and Queens Park will now be carried out in May/June 2024 so the majority of the budget can be rolled forward to 2024/25. £25,000 is needed for 23/24 for ongoing study and consultant work associated with getting the drainage and pitch improvement schemes together and for going out to tender in early 2024. Work has been delayed due to issues with UU regarding surface water drainage from Lockyer Avenue in to the public sewer.
Wheeled Sports Area	250,000	175	250,175		(250,175)	(250,175)	-	-	0%	-	This is to be moved to 2024/25 Capital Programme, due to more urgent projects being progressed over the next 12 months.
Towneley Hall Works	2,130,491	64,671	2,195,162	133,000		133,000	2,328,162	138,392	6%	323,868	The contract to repair Towneley Hall is progressing on schedule. It is proposed to increase the repair budget by £133K to enable the fire and intruder alarm systems and climate control system to be replaced, taking advantage of financial savings of doing the work alongside the building repair contract. The existing fire and intruder alarm systems are old and unreliable, resulting in more frequent false activations. The new digital systems will be more reliable and facilitate more accurate identification of alarm activations when emergency services attend.
Play Zones - NEW	165,000		165,000			-	165,000	-	0%	135,000	Awaiting information from the Football Foundation regarding progress on this and when we can expect to apply for funding. An update on whether any action will be forthcoming in 2023/24 will be provided in Cycle 2.
Thompson Park Restoration - NEW	82,000	2,766	84,766			-	84,766	30	0%	84,766	Provision of a modular changing places toilet in Thompson Park car park to complete the Thompson Park restoration project.
Crematorium Improvements	132,000		132,000			-	132,000	90,939	69%	-	Work to redecorate and refurbish the interior of the crematorium chapel and waiting room is complete and design work for improvements to access and car parking is progressing with Streetscene engineers.
Memorial Park Improvements	96,042	47,100	143,142			-	143,142	91,458	64%	104,142	The Wheeled Sports Area has been completed and an official opening event took place on 7th July. Final invoice to the contractors to be paid after opening. Refurbishment of the tennis courts has also been completed. Remaining money to be attributed to MUGA and youth shelter improvements.
Worsthorne Rec Grd Improvements		46,995	46,995			-	46,995	-	0%	25,084	Refurbishment of the changing rooms has been delayed due to the connection of water, electricity and sewerage but work to refurbish the interior and exterior of the changing rooms should commence soon.
Extension of Burnley Cemetery		25,000	25,000			-	25,000	-	0%	-	Intend to use the capital monies set aside this financial year to appoint a consultant who specialises in the development of new Cemeteries and Cemetery extensions.
Refill Fountains		5,000	5,000			-	5,000	-	0%	-	Bottle fillers have been delivered. Currently working with Streetscene engineers to progress installation.
Scott Park HLF		25,000	25,000		(25,000)	(25,000)	-	-	0%	-	This scheme will be deferred to 2024/25 because funding from a proposed housing development S106 contribution is not yet confirmed and this is needed to provide match funding for a proposed National Lottery Heritage Fund application.
Changing Places (Towneley Hall)		43,469	43,469			-	43,469	-		43,469	To install fully accessible Changing Place toilet and changing facility
Brun Valley Forest Park		13,570	13,570			-	13,570	-		13,570	Seeding of wildflower meadows has taken place at Bank Hall Park, with the remaining sites at Bank Hall and Lydgate to be seeded by contractors in Quarter 3.
	3,408,833	317,245	3,726,078	295,950	(556,953)	(261,003)	3,465,075	462,230	13%	940,015	

STREETSCENE

River Training Walls	60,000	77,258	137,258			-	137,258	-	0%	-	Following successful recruitment to vacant posts, Officers have undertaken inspection works and continue to liaise with key stakeholders such as the Environment Agency (EA) to outline more detailed plans around spend and timing. Given the lead-in time to obtain the necessary permits for works and time restrictions to access main water sources, this budget may be re-profiled into future periods.
Alleygate Programme	25,000	320	25,320			-	25,320	-	0%	-	The election process has begun to identify new schemes. The current pool of applications stands at 80 and this year's roll out will be in conjunction with a review and potential removal of some existing schemes where gates are no longer the appropriate intervention. Selection and consultation will take place in Q3, while installation and completion will be in Q4.
Electric Vehicle Charging Points		35,907	35,907			-	35,907	-	0%	34,818	The balance of spend carried forward from 2022/23 represents final works to make charge points fully operational. It is anticipated that this will be achieved at Q2/Q3 followed by final grant claim for agreed funding.
	85,000	113,485	198,485	-	-	-	198,485	-	0%	34,818	

2023/24 CAPITAL BUDGET CYCLE 1 MONITORING - UPDATE

Scheme Name	Budget Council 22/02/23	Slippage from 2022/23	Budget per Exec 12/07/23	Adjustments Per This Report		Changes to be approved in this report A + B	Revised Budget	Total Spend as at 30/06/23	% Schemes Spend	Financed by External Funding	Narrative provided by Project Officers/Heads of Service
				Budget Adjustments	Reprofiled into Future Years						
				A	B						
ECONOMY & GROWTH											
Lower St James Street Historic Action Zone	1,177,737	(83,496)	1,094,241	(338,043)		(338,043)	756,198	3,578	0%	236,627	Three building schemes have been completed with 3 in the process and a further 2 at application stages. Public realm works are complete and the community engagement and training programme continues throughout year 4.
Levelling Up Fund	19,511,226	(2,193,298)	17,317,928			-	17,317,928	2,701,060	16%	16,557,928	Redevelopment works continue to Newtown Mill, the current programme shows completion in June 2024. Works also continue on site for the Town 2 Turf public realm scheme with excavation, paving and works to the aqueduct. Further ground investigations are being undertaken to Manchester Rd station in conjunction with development of the detailed design.
Town Centre & Weavers Triangle Project Work	169,492		169,492			-	169,492	-	0%	-	Council funding to assist in bringing forward key projects identified in the emerging Town Centre and Weavers Triangle Masterplan.
Padiham Townscape Heritage	110,000	517,930	627,930	(336,420)		(336,420)	291,510	25,997	9%	246,974	Twelve building schemes have been completed and the final two building schemes have/are commencing on site. Public realm works are complete and the community engagement and training programme has been delivered.
Pioneer Place	10,412,902	(635,817)	9,777,085			-	9,777,085	2,185,332	22%	-	The redevelopment of the Curzon Street site in the town centre will supplement the existing thriving retail and service centre with a wider leisure, cultural and social experience during the day and into the evening that will underpin Burnley as an attractive place to live work and visit. The site provides an opportunity for a major leisure-led development, bringing a cinema and new restaurants and shops into the town centre.
Former Open Market & Former Cinema Block	57,738		57,738			-	57,738	-	0%	-	For remediation works to the parapet. Works delayed due to LCC works on Bankfield.
Vision Park		24,506	24,506			-	24,506	-	0%	17,853	Signage works installed and project completed.
Sandygate Halls (Commercial Units & Car Parking)		190,588	190,588			-	190,588	248	0%	-	The Halls were completed in September 2021. There is still one commercial unit that requires some fit out works subject to tenant requirements. Works are planned to complete the car parking on Wiseman Street.
Burnley-Pendle Growth Programme		300,000	300,000	(300,000)		(300,000)	-	-	0%	-	The scheme was delivered by LCC and is now complete. The Capital sum represents the Council's agreed contribution to works, funded from the Growth Reserve, to be released when the contribution becomes payable.
31,439,095 (1,879,587) 29,559,508 (974,463) - (974,463) 28,585,045 4,916,215 17% 17,059,382											

FINANCE & PROPERTY

IT Upgrades	12,000	3,350	15,350			-	15,350	-	0%	-	This is a rolling replacement programme. The first tranche of devices was issued in 2022. The remainder will follow during 2023/24 as required
Burnley Leisure Improvements	307,450	8,067	315,517				315,517	8,430		-	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.
Building Infrastructure Works	1,018,989	501,975	1,520,964			-	1,520,964	93,139	6%	5,543	Contribution towards larger scale works arising out of the building condition surveys currently being undertaken, across a range of Council owned buildings.
Carbon Reduction Measures	286,220	(6,262)	279,958			-	279,958	-	0%	-	This budget will provide funding to progress initiatives included within the Council's Climate Change Strategy.
Audio & Visual Upgrade to Facilitate On-Line Meetings	100,000		100,000			-	100,000	-	0%	-	The upgrade of the system is linked to the Council Chamber works which are due to be completed by the autumn. Site visits and discussions with suppliers are taking place to inform the council's specification prior to going out to tender and coincide installation with the Chamber coming back into use.
Charter Walk Refurbishment	1,169,628	10,243	1,179,871			-	1,179,871	-	0%	-	The Council purchased Charter Walk Shopping Centre in October 2021. This budget has been identified for any landlord capital works required to facilitate lease renewals, expansion/rationalisation of retail space and energy efficiency works. The expenditure will be funded from surpluses generated from the operation of the shopping centre.
2,894,287 517,373 3,411,660 - - - 3,411,660 101,569 3% 5,543											

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Scheme Name	Budget Council	Slippage from	Budget per Exec	Adjustments Per This Report		Changes to be	Revised Budget	Total Spend as at 30/06/23	% Schemes Spend	Financed by External Funding	Narrative provided by Project Officers/Heads of Service
	22/02/223	2022/23		Budget	Reprofiled into	approved in					
	£	£		Adjustments	Future Years	this report					
				A	B	A + B	£	£	£		
HOUSING & DEVELOPMENT CONTROL											
Emergency Repairs	180,000		180,000			-	180,000	42,154	23%	180,000	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. In addition to the grants completed there is a further £32,087.80 committed to an additional 10 grants that have been approved and a further 5 applications. There is a tendency for applications to increase in the winter months. It is anticipated the full budget will be spent.
Better Care Grant	2,000,000		2,000,000			-	2,000,000	474,265	24%	2,000,000	The funding is allocated by the Government through the Better Care fund. It enables grants to be provided to disabled/vulnerable people, to adapt their house so that they can remain living as independently as possible in the home of their choice. An addition to the grants completed there is currently a further £806,000 committed for disabled facilities grants. Along with another 47 applications. We are aiming to complete over 200 DFGs this year. It is anticipated that a further £8752 will be utilised for the safe and secure grants, £9,246 for the declutter grant as well as £5,000 for dwelling dementia grants. LCC have approved 3 social projects under the better care fund at a cost of £587,475. With the current spend and current commitment it is anticipated that the full £2,000,000 budget will be spent.
Energy Efficiency	50,000		50,000			-	50,000	10,000	20%	50,000	The Council's Energy Efficiency Programme allows the Council to achieve its strategic objective of reducing carbon emissions and reducing fuel poverty in the most vulnerable households. We are still predicting to complete 125 grants this year and looking at introducing new energy efficiency grants. There is £8,000 committed and we have 8 applications waiting approval and this is likely to increase as we move into the autumn and winter months.
Empty Homes Programme	1,300,000		1,300,000			-	1,300,000	140,123	11%	-	The Empty Homes Programme brings long term empty properties back in to use in the borough of Burnley. We are aiming to acquire a maximum of 20 properties and complete 25 renovations. In addition the face-lifting schemes on Winsor and Ivory street will have completed along with the Piccadilly Road area. Subsequently it is anticipated that the full budget will be spent.
	3,530,000	-	3,530,000	-	-	-	3,530,000	666,541	19%	2,230,000	
	41,357,215	(931,484)	40,425,731	(678,513)	(556,953)	(1,235,466)	39,190,265	6,146,555	16%	20,269,758	

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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								
Play Area Improvement Scheme	187,261			65,000	62,145		60,116	187,261
Vehicle and Machinery Replacement	265,710		205,710	35,000			25,000	265,710
Changing Place	43,469						43,469	43,469
Crematorium Improvements	132,000	132,000						132,000
Extension of Burnley Cemetery	25,000	25,000						25,000
Memorial Park Improvements	143,142				39,000		104,142	143,142
Playing Pitch Improvements	25,000						25,000	25,000
Towneley Hall Works	2,328,162	1,871,294	-	323,868	133,000			2,328,162
Brun Valley Forest Park	13,570						13,570	13,570
Worsthorne Recreation Ground Improvements	46,995		21,911				25,084	46,995
Thompson Park Restoration	84,766			2,766			82,000	84,766
Refill Fountains	5,000		5,000					5,000
Play Zones - NEW	165,000				30,000		135,000	165,000
	3,465,075	2,028,294	232,621	426,634	264,145	-	513,381	3,465,075
Streetscene								
River Training Walls	137,258				137,258			137,258
Alleygate Programme	25,320				25,320			25,320
Electric Vehicle Charging Scheme (Council Match Funding)	35,907			34,818	1,089			35,907
	198,485	-	-	34,818	163,667	-	-	198,485
Economy & Growth								
Padiham Townscape Heritage Initiative	291,510			215,056	4,935	39,601	31,918	291,510
Pioneer Place	9,777,085	9,111,616	665,469					9,777,085
Lower St James Street Historic Action Zone	756,198	349,427	170,144	170,517			66,110	756,198
Vision Park	24,506			17,853	6,653			24,506
Town Centre & Weavers Triangle Project Work	169,492	169,492						169,492
Levelling Up Fund	17,317,928	760,000		12,522,928			4,035,000	17,317,928
Sandygate Halls (Commercial Units & Car Parking)	190,588	190,588						190,588
Former Open Market & Former Cinema Block	57,738	57,738						57,738
	28,585,045	10,638,861	835,613	12,926,354	11,588	39,601	4,133,028	28,585,045
Finance & Property								
Leisure Centre Improvements	315,517	242,000			73,517			315,517
Building Infrastructure	1,520,964	472,704	2,098		1,040,619		5,543	1,520,964
Carbon Reduction Measures	279,958	279,958						279,958
IT Upgrades	15,350				15,350			15,350
Audio & Visual Upgrade to Facilitate On-line Meetings	100,000		100,000					100,000
Charter Walk Refurbishment	1,179,871		1,179,871					1,179,871
	3,411,660	994,662	1,281,969	-	1,129,486	-	5,543	3,411,660
Housing & Development Control								
Emergency Repairs	180,000			180,000				180,000
Better Care Grant	2,000,000			2,000,000				2,000,000
Energy Efficiency	50,000			50,000				50,000
Empty Homes Programme	1,300,000					1,300,000		1,300,000
	3,530,000	-	-	2,230,000	-	1,300,000	-	3,530,000
TOTAL OF ALL SCHEMES	39,190,265	13,661,817	2,350,203	15,617,806	1,568,886	1,339,601	4,651,952	39,190,265

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CAPITAL RECEIPTS AND CONTRIBUTIONS ANALYSIS FOR 2023/24 + CIP 2023-28

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> £
Capital Resources Brought Forward on 1 April 2023	2,351,468	1,345,239	870,220	562,455	5,129,382
Add					
Resources Received as at 30 June 2023	-	89,898		11,000	100,898
Further Resources Estimated to be Received during 2023/24:	250,000	1,200,000	-	4,640,952	6,090,952
Potential Resources Available during 2023/24	2,601,468	2,635,137	870,220	5,214,407	11,321,232
Less					
Required to Finance Capital Programme	(1,568,886)	(1,339,601)		(4,651,952)	(7,560,439)
Earmarked for Revenue Expenditure	-	-	-	8,558	8,558
Earmarked for Delivery By Outside Bodies	-	-	-	-	-
Estimated Surplus / (Shortfall) of Resources as at 31st March 2024	1,032,582	1,295,536	870,220	571,013	3,769,351
Add					
Resources Estimated to be Received during 2024/25	100,000	1,300,000	-	976,045	2,376,045
Less					
2024/25 Capital Budget	(487,232)	(1,150,000)	-	(976,045)	(2,613,277)
Estimated Surplus / (Shortfall) of Resources as at 31st March 2025	645,350	1,445,536	870,220	571,013	3,532,119
Add					
Resources Estimated to be Received during 2025/26	100,000	1,300,000	-	715,360	2,115,360
Less					
20245/26 Capital Budget	(162,370)	(1,150,000)	-	(715,360)	(2,027,730)
Estimated Surplus / (Shortfall) of Resources as at 31st March 2026	582,980	1,595,536	870,220	571,013	3,619,749
Add					
Resources Estimated to be Received during 2026/27	100,000	1,300,000	-	30,000	1,430,000
Less					
2026/27 Capital Budget	(204,581)	(1,150,000)	-	(30,000)	(1,384,581)
Estimated Surplus / (Shortfall) of Resources as at 31st March 2027	478,399	1,745,536	870,220	571,013	3,665,168
Add					
Resources Estimated to be Received during 2027/28	100,000	1,300,000	-	32,000	1,432,000
Less					
2027/28 Capital Budget	(221,350)	(1,150,000)	-	(32,000)	(1,403,350)
Estimated Surplus / (Shortfall) of Resources as at 31st March 2028	357,049	1,895,536	870,220	571,013	3,693,818

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REPORT TO EXECUTIVE



DATE	20 September 2023
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Craig Finn
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2023/24 Treasury Management Report – Quarter 1 (April-June)

PURPOSE

1. To report treasury management activity for the first quarter of 2023/24 covering the period 1 April to 30 June 2023.

RECOMMENDATION

2. The Executive is requested to;
 - Note the treasury management activities undertaken during the period 1 April to 30 June 2023, and;

Recommend that Full Council;

- Endorse the quarterly update on the Treasury Management Strategy 2023/24 in compliance with the requirements of the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management.

REASONS FOR RECOMMENDATION

3.
 - To inform members of the treasury management activity in the first quarter of 2023/24 and to fulfil statutory and regulatory requirements.

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. The first main function of treasury management

operations is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.

The second main function of the treasury management service is to ensure 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 commitments. This management of longer term cash may involve arranging long or short term loans, or using cash flow surpluses, and, on occasions, any current debt may be restructured to meet Council risk or cost objectives.

Treasury management is defined as:

“The management of the organisation's borrowing, investments and cash flows, including 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.”

The monitoring requirements for treasury activity were set out in the Treasury Management Strategy Statement (TMSS) which included the Prudential and Treasury Indicators for 2023/24 – 2025/26, approved by Full Council on 22 February 2023.

5. Introduction

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (2021).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Strategy which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by Full Council of an annual Treasury Management Strategy - including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
4. **Additionally from 2023/24, quarterly reports for scrutiny to the Executive, to include updated Treasury/Prudential Indicators (this report). These are included at Appendix 1.**
5. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
6. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Scrutiny Committee.

This quarterly report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first quarter of 2023/24;
- A review of the Treasury Management Strategy and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2023/24;
- A review of the Council's borrowing strategy for 2023/24;
- A review of any debt rescheduling undertaken during 2023/24;
- A review of compliance with Treasury and Prudential Limits for 2023/24.

6. **Economic Update (Provided by Link Asset Services)**

- The first quarter of 2023/24 saw:
 - A 0.2% m/m rise in real GDP in April, partly due to fewer strikes;
 - CPI inflation falling from 10.1% to 8.7% in April, before remaining at 8.7% in May. This was the highest reading in the G7;
 - Core CPI inflation rise in both April and May, reaching a new 31-year high of 7.1%;
 - A tighter labour market in April, as the 3myy growth of average earnings rose from 6.1% to 6.5%;
 - Interest rates rise by a further 75bps over the quarter, taking Bank Rate from 4.25% to 5.00%;
 - 10-year gilt yields nearing the "mini-Budget" peaks, as inflation surprised to the upside.
 - The economy has weathered the drag from higher inflation better than was widely expected. The 0.2% m/m rise in real GDP in April, following March's 0.3% m/m contraction will further raise hopes that the economy will escape a recession this year. Some of the strength in April was due to fewer strikes by train workers and teachers in that month. Moreover, some of the falls in activity in other areas in April were probably temporary too. Strikes by junior doctors and civil servants contributed to the fall in health output (0.9% m/m) and the meagre 0.1% m/m increase in public administration.
 - The 0.3% m/m rise in retail sales volumes in May was far better than the consensus forecast of a 0.2% m/m decline and followed the robust 0.5% m/m rise in April. Some of the rise was due to the warmer weather. Indeed, the largest move was a 2.7% m/m jump in non-store sales, due to people stocking up on outdoor-related goods. But department stores also managed to squeeze out a 0.6% m/m rise in sales and the household goods sub-sector enjoyed a reasonable performance too. Overall, the figures were far better than analysts had expected. In addition, the GfK measure of consumer confidence rebounded from -27 to a 17-month high of -24 in June.
 - The recent resilience of the economy has been due to a confluence of factors including the continued rebound in activity after the pandemic, households spending some of their pandemic savings, and the tight labour market and government handouts both supporting household incomes. That said, as government support fades, real household incomes are unlikely to grow rapidly. Furthermore, higher interest rates will mean GDP is likely to contract later this

year. Our central assumption is that inflation will drop to the 2.0% target only if the Bank triggers a recession by raising rates from 5.00% now to at least 5.5% and keeps rates there until at least mid-2024. Our colleagues at Capital Economics estimate that around 60% of the drag on real activity from the rise in rates has yet to bite, and the drag on the quarterly rate of real GDP growth over the next year may be about 0.2ppts bigger than over the past year.

- The labour market became tighter over the quarter and wage growth reaccelerated. Labour demand was stronger than the consensus had expected. The three-month change in employment rose from +182,000 in March to +250,000 in April. Meanwhile, labour supply continued to recover as the size of the labour force grew by 303,000 in the three months to April. That was supported by a further 140,000 decline in inactivity as people returned to work from retirement and caring responsibilities (while inactivity due to long-term sick continued to rise). But it was not enough to offset the big rise in employment, which meant the unemployment rate fell from 3.9% to 3.8%
- The tighter labour market supported wage growth in April, although the 9.7% rise in the National Living Wage on 1st April (compared to the 6.6% increase in April last year) probably had a lot to do with it too. The 3myy rate of average earnings growth reaccelerated from 6.1% to 6.5% (consensus 6.1%) and UK wage growth remains much faster than in the US and the Euro-zone. In addition, regular private sector wage growth increased from 7.1% 3myy to 7.6%, which left it well above the Bank's forecast for it to fall below 7.0%. Overall, the loosening in the labour market appears to have stalled in April and regular private sector wage growth was well above the Bank's forecast.
- CPI inflation stayed at 8.7% in May (consensus 8.4%) and, perhaps more worryingly, core CPI inflation rose again, from 6.8% to a new 31-year high of 7.1%. The rise in core inflation built on the leap from 6.2% in March to 6.8% and means it is accelerating in the UK while it is slowing in the US and the Euro-zone (both fell to 5.3%). A further decline in fuel inflation, from -8.9% to -13.1%, and the second fall in food inflation in as many months, from 19.3% to 18.7%, explained why overall CPI inflation didn't rise. And the scheduled fall in the average annual utility price from £2,500 to £2,074 on 1st July means overall CPI inflation will probably ease in the coming months. But the problem is that the recent surge in core inflation and the reacceleration in wage growth shows that domestic inflationary pressures are still strengthening.
- This suggests the Bank may have more work to do than the Fed or ECB. Indeed, the Bank of England sounded somewhat hawkish in the June meeting. This came through most in the MPC's decision to step up the pace of hiking from the 25bps at the previous two meetings. The 7-2 vote, with only two members voting to leave rates unchanged at 4.50%, revealed support for stepping up the fight against high inflation.
- That said, the Bank has not committed to raising rates again or suggested that 50bps rises are now the norm. What it did say was that "the scale of the recent upside surprises in official estimates of wage growth and services CPI inflation suggested a 0.5 percentage point increase in interest rates was required at this particular meeting". Moreover, the Committee did not strengthen its forward guidance that any further rate hikes would be conditional on the data. However, it looks highly probable, given the on-going strength of inflation and employment data, that the Bank will need to raise rates to at least 5.5% and to keep rates at their peak until the mid-point of 2024. We still think it is only a matter of time

before the rise in rates weakens the economy sufficiently to push it into recession. That is why instead of rising to between 6.00%-6.25%, as is currently priced in by markets, we think rates are more likely to peak between 5.50-6.00%. Our forecast is also for rates to be cut in the second half of 2024, and we expect rates to then fall further than markets are pricing in.

- Growing evidence that UK price pressures are becoming increasingly domestically generated has driven up market interest rate expectations and at one point pushed the 10-year gilt yield up to 4.49% in late June, very close to its peak seen after the “mini-budget”. Yields have since fallen slightly back to 4.38%. But growing expectations that rates in the UK will remain higher for longer than in the US mean they are still more than 70 bps above US yields. While higher interest rates are priced into the markets, the likely dent to the real economy from the high level of interest rates is not. That’s why we think there is scope for market rate expectations to fall back in 2024 and why we expect the 10-year PWLB Certainty Rate to drop back from c5.20% to 5.00% by the end of this year and to 4.20% by the end of 2024.

7. Interest Rate Forecast (Provided by Link Asset Services)

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates.

The latest forecast on 26th June 2023 sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, against a backdrop of a stubbornly robust economy and a tight labour market.

You will note that our forecasts have steadily increased during the quarter (when compared to previous rate forecasts) as the data continued to spring upside surprises, and the Bank of England continued to under-estimate how prevalent inflation is, and how tight the labour market is. The Government has also noted that despite immigration increasing markedly, high levels of ill-health amongst the workforce has led to wage demands remaining strong until such time as there is a loosening in demand for business services.

The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View	26.06.23											
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	2.75	2.75	2.50
3 month ave earnings	5.30	5.60	5.50	5.30	5.00	4.50	4.00	3.50	3.00	2.70	2.60	2.50
6 month ave earnings	5.80	5.90	5.70	5.50	5.10	4.60	4.00	3.50	3.00	2.70	2.60	2.60
12 month ave earnings	6.30	6.20	6.00	5.70	5.30	4.80	4.10	3.60	3.10	2.80	2.70	2.70
5 yr PWLB	5.50	5.60	5.30	5.10	4.80	4.50	4.20	3.90	3.60	3.40	3.30	3.30
10 yr PWLB	5.10	5.20	5.00	4.90	4.70	4.40	4.20	3.90	3.70	3.50	3.50	3.50
25 yr PWLB	5.30	5.40	5.20	5.10	4.90	4.70	4.50	4.20	4.00	3.90	3.80	3.80
50 yr PWLB	5.00	5.10	5.00	4.90	4.70	4.50	4.30	4.00	3.80	3.60	3.60	3.50

8. Treasury Management Strategy update

The Treasury Management Strategy (TMS) for 2023/24, which includes the Annual Investment Strategy, was approved by this Council on 22 February 2023. There are no policy changes to the TMS included in this report.

9. **The Council's Capital Position**

The table below shows the financing of the Original Capital Budget approved by Full Council on the 22 February 2023 and the latest Revised Capital Budget as per the established Budget Monitoring Cycle and included elsewhere on the agenda. The net reduction is due to a combination of in year budget monitoring adjustments and reprofiling of capital expenditure into future years.

Capital	2023/24 Original Estimate £'000	2023/24 Revised Estimate £'000
Total Budget	41,357	39,190
Financed by:		
Capital receipts	2,547	2,908
Capital grants	22,525	20,270
Revenue	1,062	2,350
Total financing	26,134	25,528
Borrowing need	15,223	13,662

10. **Investment Portfolio 2023/24**

The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by the Council on 22 February 2023. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs and avoid high borrowing costs where possible (internal borrowing), but also to seek out value available in periods up to 12 months with high credit rated financial institutions where cashflow projections are considered robust, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information. As per the approved Investment Strategy, longer-term investments will be carefully assessed.

Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

CDS prices

It is noted that sentiment in the current economic climate can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances

The average daily level of funds deposited during the financial year to date is £2.6m with an average rate of return of 4.46%. Excluding longer-term property funds, the long-term loan to Burnley College and the Council's 'Sweep' account, the actual value of surplus funds under investment as at 30 June was £13m. These funds have been

available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

There were 7 investments carried forward from 2022/23 totalling £17.8m, of which £3.8m was in a mixture of notice and call accounts with our bank HSBC, £4m was in a notice account with Santander, £8m was in fixed term deposits, and £2m was the loan made to Burnley College.

There have been two new fixed investments made during the period 1 April to 30 June 2023 totalling £6m. The table below shows the amount invested as at 30 June 2023, and the rate of return against the market benchmark.

Counterparties	Date of Investment	Investment As at 30 June 2023 £m	Current Return	Benchmark (average return)*
HSBC (31 Day Notice)**	12/08/2020	2.0	5.00%	4.614%
Santander (31 Day Notice)**	04/05/2023	1.0	4.03%	4.407%
LCC SIS Instant Access**	08/06/2023	4.0	4.75%	4.614%
Lloyds Bank Corporate Markets – 3 mth fixed	17/05/2023	4.0	4.67%	4.407%
Goldman Sachs – 3 mth fixed	08/06/2023	2.0	4.93%	4.614%
Burnley College Loan – 15 years fixed	28/03/2022	2.0	4.45%	NA

* Benchmark: SONIA Compounded Backward Looking rate for date of investment

** Rate is linked to movement in Bank Rate

The Council has an approved list of counterparties which governs treasury management investment activity. This list is a restricted list taking into consideration the credit rating of the institution concerned and there are also limits on the amount which can be invested with any particular institution from a particular sector e.g. building society, bank etc. and also any group of institutions within an overall banking group. As part of the daily operations of the treasury management dealings, in consultation with guidance from Link Asset Services and the money market brokers, decisions are taken by the Head of Finance & Property Services, temporarily suspending/revising operations with individual counterparties. The latest deposit counterparties list was approved by the Full Council on 22 February 2023.

Within the approved list of counterparties is scope to invest sums with other Local Authorities, up to a maximum of £8m, and not to exceed £6m per Local Authority. The Council has reinstated the Shared Investment Scheme (SIS) facility with Lancashire County Council to provide instant access to sums on deposit as an alternative to the 'Sweep' account. The SIS rate is linked to movement in the Bank Rate (unlike the Sweep account), and thus provides an improved return on sums deposited plus is instantly accessible to provide improved liquidity should this be necessary when compared to current notice account arrangements (31 day notice required).

The table below shows the maximum amount invested with any of the counterparties at any one time during the period April 2023 to 30 June 2023 against the maximum limits approved in the 2023/24 Treasury Management Strategy.

Counterparties	Maximum Limits £m	Highest level of Investment 2023/24 (£m)
HSBC*	50.0	12.0
Santander	4.0	4.0
Lloyds Bank Corporate Markets	4.0	4.0
Goldman Sachs	4.0	4.0
Lancashire CC SIS	6.0	4.0

*Includes Sweep Account balance

11. **Property Funds**

The council made two investments totalling £2m in property funds in 2018/19 for the purpose of increasing and diversifying our risk in investment income receivable and to help alleviate future revenue budget pressures. At the time of this report no dividends had been received as these tend to be receivable in the month following quarter end. An update will be provided as part of the Q2 monitoring cycle (Mid-Year Review).

12. **Borrowing**

The Council's capital financing requirement (CFR) for 2023/24 is £80,097m. The CFR denotes the Council's underlying need to borrow for capital purposes. Below is a summary of the Councils' external indebtedness, as at 1 April 2023, and as at 30 June 2023.

Borrowing	1 Apr 23 £'000	30 June 23 £'000	Change Apr – June £'000
Public Works Loan Board	59,510	59,290	(220)
Temporary Market Loans	13	13	-
Total	59,523	59,303	(220)

PWLB Loans – No maturity loan repayments made during the period 1 April to 30 June 2023. One scheduled annuity repayment was made during the period totalling £220k.

Temporary Market Loans – The Council entered into a temporary loan for cashflow purposes during the period as below:

Loan	Loan Advanced £'000	Date From	Date To	Interest Rate	Total Interest Payable £'000
London Borough of Havering	3,000	21/04/2023	05/05/2023	4.15%	4.78
Total	3,000				4.78

13. **Debt Rescheduling**

Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields recently linked to increases in the Bank Rate. No debt rescheduling has been undertaken to date in the current financial year. Only prudent and affordable debt rescheduling will be considered.

14. **Compliance with Treasury & Prudential Limits**

It is a statutory duty for the Council to determine and keep under review its affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved Treasury Management Strategy.

During the financial year to date the Council's treasury management activities operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy in compliance with the Council's Treasury Management Practices.

An extract of the Prudential and Treasury Indicators are shown in Appendix 1.

15. **Interest Payable on External Borrowing / Interest Receivable**

Provision is made in the revenue budget to meet the net interest payable on external borrowing. The figure in the original budget for 2023/24 was set at £2,068,168 and remains unchanged.

The total interest receivable for temporary deposits placed in the first quarter is £189k, excluding dividends due for the period. The budget for the year for interest and dividend receipts was approved at £575k. On current projections, owing to a rising bank rate environment, additional interest from temporary surplus monies on deposit, is forecast to exceed the budget by £100k,. This will support the Council's Revenue Account and ensure a balanced financial position.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

16. None arising as a direct result of this report.

POLICY IMPLICATIONS

17. Compliance with the revised CIPFA Code of Practice on Treasury Management and the Council's approved Treasury Management Strategy Statement (TMSS).

DETAILS OF CONSULTATION

18. None.

BACKGROUND PAPERS

19. None.

FURTHER INFORMATION

PLEASE CONTACT:

Craig Finn – Principal Accountant

FORECAST PRUDENTIAL AND TREASURY INDICATORS 2023/24 - 2025/26

TABLE 1 - PRUDENTIAL INDICATORS	2021/22 Actual £' 000	2022/23 Revised Estimate £' 000	2023/24 Estimate £' 000	2023/24 Revised Estimate £' 000	2024/25 Revised Estimate £' 000	2025/26 Revised Estimate £' 000
Capital Expenditure	33,504	21,810	41,535	39,527	18,679	7,133
Ratio of financing costs to net revenue stream	12.9%	21.5%	21.5%	23.5%	21.4%	25.0%
Net borrowing requirement brought forward 1 April			88,107	88,231	92,605	92,224
Capital Financing Requirement as at 31 March	63,913	67,128	80,097	80,210	84,186	83,840
Liability Benchmark	61,146	64,067	78,214	77,655	82,200	82,547

TABLE 2 - TREASURY MANAGEMENT INDICATORS	2021/22 Actual £' 000	2022/23 Revised Estimate £' 000	2023/24 Estimate £' 000	2023/24 Revised Estimate £' 000	2024/25 Revised Estimate £' 000	2025/26 Estimate £' 000
Authorised Limit for external debt -			96,918	97,054	101,866	101,446
<i>For 2023/24, 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 -			88,107	88,231	92,605	92,224
<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	61,146	59,523				
Upper limit for fixed interest rate exposure expressed as :- Net interest re fixed rate borrowing / investments			100%	100%	100%	100%
Upper limit for variable rate exposure expressed as :- Net interest re variable rate borrowing / investments			25%	25%	25%	25%
Upper limit for total principal sums invested over 364 days	0	4,000	4,000	4,000	4,000	4,000

TABLE 3 - Maturity Structure of fixed rate borrowing during 2023/24		lower limit	upper limit
This indicator limits the period to repayment of overall expected debt outstanding and shows five bands. There are minimum and maximum proportions of overall debt within each band. This means that the amount of debt in each band will fall within this range as a proportion of overall debt.	under 12 months	0%	20%
	12 months - within 24 months	0%	20%
	24 months - within 5 years	0%	25%
	5 years - within 10 years	0%	30%
	10 years and above	0%	90%

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REPORT TO THE EXECUTIVE



DATE	20 September 2023
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Amy Johnson
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Revenue Budgets 2024/2027 – Latest Position and Savings Proposals

PURPOSE

1. To update The Executive on the latest position regarding balancing the Council's 2024/27 revenue budgets.
2. To outline proposed savings for recommendation to Full Council.

RECOMMENDATION

3. The Executive are asked to -
 - a) note savings approved at previous Full Council meetings totalling £23k (see Section 7 below) to assist in balancing the 2024/25 revenue budget - see Appendix 1
 - b) recommend for approval at Full Council further proposed savings totalling £255k to assist in balancing the 2024/27 revenue budgets - see Appendix 1

REASONS FOR RECOMMENDATION

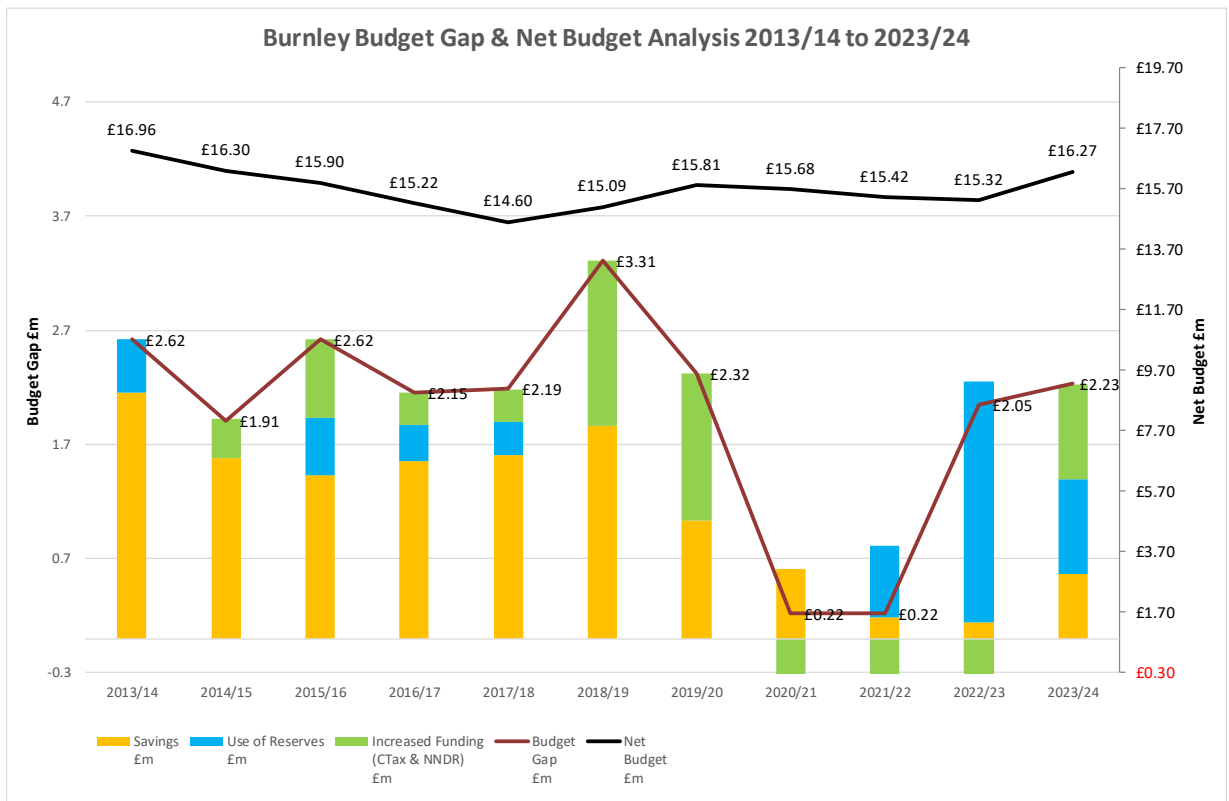
4. To progress the preparation of the Council's 2024/25 revenue budgets.

SUMMARY OF KEY POINTS

5. **Background**

The Council’s Medium-Term Financial Strategy (MTFS) is regularly assessed and updated to provide an indication of budget pressures over the next three financial years.

Since 2010 the Government has reduced settlement funding for Local Government, with the Council’s settlement funding reducing 61% (£10.1m) from 2010 to 2023. During this period of austerity, to balance the budget the Council has delivered savings of £28.22m, as shown below:



6. **MTFS Position as at February 2023**

The 2024/27 strategy was approved at the meeting of Full Council on 22 February 2023 and indicated that the cumulative budget gap for 2024/25, 2025/26 and 2026/27 was estimated to be £1.5m, equivalent to 9.8% of the 2022/23 net revenue budget of £15.322m (£15.153m excluding parish precepts).

The Councils MTFS for 2024/27 reported in February 2023 was based upon the assumptions known at that date. The estimated budget gap at that point in time is shown in the table below:

Table 1: MTFS position before saving proposals as at February 2023

MTFS	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Continuation estimate	1.0	0.9	0.8	2.7
Funding	(0.9)	(0.2)	(0.1)	(1.2)
Budget Gap	0.1	0.7	0.7	1.5

The assumptions underpinning the figures above are as follows:

- i) Council Tax will increase by 2.99% for 2024/25, reverting back to 1.99% for 2025/26 onwards;
- ii) No increase has been factored in for non-inflationary changes in business rates or additional New Homes Bonus;
- iii) Core Spending Power will increase by 4.4% in 2024/25, as indicated in the Government's December 2022 budget policy statement, falling to a 2% reduction for 2025/26 onwards (with Core Spending Power defined as Revenue Support Grant, Business Rates, Council Tax, New Homes Bonus and one-off general grants);
- iv) Transitional funding to replace any potential future loss of Revenue Support Grant (RSG) and New Homes Bonus (NHB);
- v) Pay award assumed at 3% (5% 2023/24);
- vi) Fees and charges income at 2% per annum; and
- vii) Inflation assumed at between 2-5% dependent upon the contract.

7. Revised MTFs Position as at September 2023

The MTFs is a fluid document which is regularly reviewed and assessed. The latest review has resulted in a reduction to the estimated budget gap of £0.5m, with the cumulative budget gap now estimated at £1.0m, equal to 6.1% of the 2023/24 revenue budget of £16.267m (£16.094m excluding parish precepts).

The current high levels of inflation and the proposed pay award for 2023/24 will result in additional spending pressures for the Council as well as potential reductions in fees and charges income as the cost-of-living crisis impacts on residents of the borough. It is however anticipated that additional Central Government funding will be provided to Local Authorities (rather than the previous forecast average 2% reduction in Core Spending Power) to help mitigate the impact of the current high levels of inflation and the proposed pay award for 2023/24.

A multi-year spending review was proposed for the 2021/22 – 2023/24 financial years, however in October 2020 the Government announced that this spending review was to be delayed a further year until 2022/23 and replaced with a shorter one-year spending review for 2021/22 only. Further delays to the multi-year spending review meant that the Council received 'one year' settlements in each of the 2021/22 and 2022/23 financial years. The 2023/24 settlement was a one-year settlement with high level indicative figures for 2024/25. No details around settlement figures have been provided for 2024/25 leaving a great deal of uncertainty.

As part of the much-delayed spending review, the Government had proposed to revise the methodology for allocating funding to Councils. This included changes to the current business rates system and a Fair Funding Review, however no further details or indicative allocations have been received.

The latest estimate of the budget gap for the period 2024/27 can be seen below:

Table 2: MTFS position before saving proposals as at September 2023

MTFS	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Continuation estimate	1.3	0.8	0.5	2.6
Funding	(0.9)	(0.3)	(0.4)	(1.6)
Budget Gap	0.4	0.5	0.1	1.0

The assumptions underpinning the figures in Table 2 are as follows:

- i) Council Tax will increase by 2.99% in 2024/25, reverting back to 1.99% in 2025/26 onwards;
- ii) An increase to the council tax base of £100k per annum (equivalent to 1.3%);
- iii) No changes have been assumed regarding changes in Council Tax Support numbers or to scheme contribution levels;
- iv) Inflationary increase in business rates of 6% in 2024/25 reducing to 3% 2025/26 onward (based on assumed September CPI figures);
- v) An assumed average 4% increase for all other elements of Core Spending Power for 2024/25, decreasing to 2% in 2025/26 onwards;
- vi) It has been assumed that we will continue to be members of the Lancashire Business Rates Pool and benefit from the scheme as we retain an element of business rates growth. It is understood at this moment that all constituent members of the Pool are intending to confirm their membership for 2024/25;
- vii) Pay award has been assumed at 5% in 2024/25 and 3% in 2025/26 and 2026/27;
- viii) An increase to fees and charges at 3% in 2024/25 (with the exclusion of car parking charges which were increased in 2023/24), remaining at 3% in 2024/25 and 2025/26; and
- ix) Contractual and general inflationary increases of 6% in 2024/25, dropping to an average 3% in 2025/26 onwards;

8. **Savings Proposals**

The Council's financial plan considers the national and regional context and the need to re-balance the economy. However, at the heart of the Council's financial planning is a savings plan aligned to strategic intent. In considering opportunities for future savings, the Council has ensured that they are aligned to each of the themes contained within its strategic intent.

Appendix 1 shows details of proposed total net savings of £229k for 2024/25. No savings proposals involve a reduction in staffing.

In addition, £23k of savings were approved at previous Full Council meetings in respect of the 2024/25 financial year.

Total savings identified for 2024/25 will therefore be £252k.

All the proposals have been assessed in relation to equalities legislation, and it has been established that there is no disproportionate impact on people with protected characteristics. See Appendix 2 for details.

9. **Latest 2024/27 Revenue Budget Position**

It can be seen in table 2 at paragraph 7 above that there is an overall savings requirement of £1.0m over the period 2024/27.

The savings recommended for approval in Appendix 1 total £255k which, together with the £23k of savings already approved, leaves a balance of savings required over the period 2024/27 at this stage of £0.7m, as shown in table 3 below.

The budget gap of £0.7m is based on the assumptions around Core Spending Power contained within paragraph 7 above. However, table 3 also demonstrates how the budget gap could change should the Government agree to either a 2% or 0% increase of Core Spending Power.

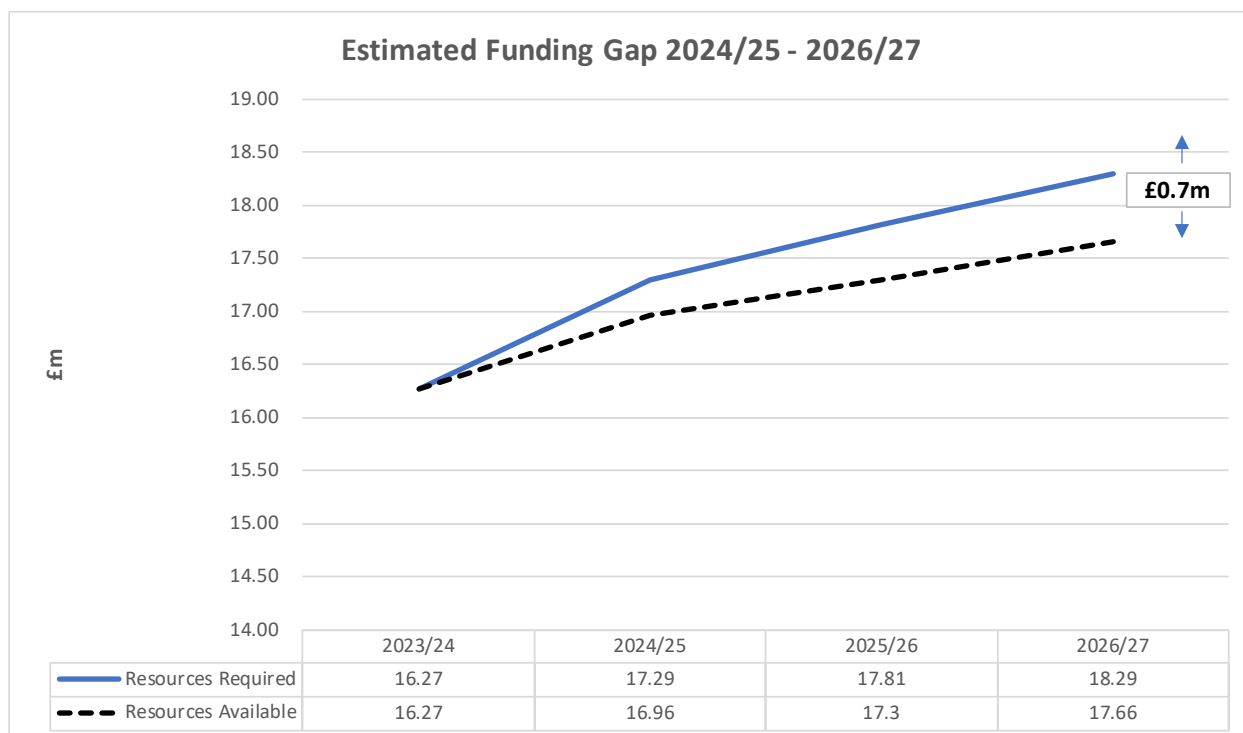
Table 3: MTFS position after savings proposals as at September 2023

MTFS	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Continuation estimate	1.3	0.8	0.5	2.6
Funding	(0.9)	(0.3)	(0.4)	(1.6)
Savings	(0.3)	(0.0)	(0.0)	(0.3)
Budget Gap	0.1	0.5	0.1	0.7
2024/27 Funding Scenarios				
Funding – 2% increase in core spending power (all years)	(0.8)	(0.3)	(0.4)	(1.5)
Budget Gap	0.2	0.5	0.1	0.8
Funding - 0% increase in core spending power (all years)	(0.8)	(0.3)	(0.3)	(1.4)
Budget Gap	0.2	0.5	0.2	0.9

Budget gaps of £0.1m for 2024/25, £0.5m for 2025/26 and £0.1m for 2026/27 remain.

Proposals to meet the 2024/25 balance of savings required will be taken to Full Council for approval in February 2024.

The chart below shows the estimated budget gap between the Council's spend requirement and assumed funding over the period 2024/27:



Risks and Sensitivity

10. A sensitivity analysis of some of the assumptions made in paragraph 7 can be seen below:

Assumption	Sensitivity Analysis	2024/25 Financial Impact
Council tax will increase by 2.99% (2024/25 only)	+/- 1%	+/- £77k
An increase to the council tax base of 1.3%	+/- 0.25%	+/- £19k
Pay award has been assumed at 5% per annum (Burnley BC, Liberata, Burnley Leisure & Urbaser)	+ 1%	+ £159k
Contractual and general inflationary increases of 6%	+ 1%	+ £59k

- a) Funding changes – It is uncertain at this stage how changes to Local Government funding will impact on the Council's funding in future years. The 2023/24 settlement was a one-year settlement with high level indicative figures for 2024/25. No detail around settlement figures have been provided for 2024/25.

The funding settlement is usually based on September's CPI which is published in October each year. CPI is currently 6.8% (July 2023). Due to the uncertainty around the budget settlement, we have assumed an average 4% increase in core

spending power for 2024/25 as the budget settlement for Burnley is usually below the England average, as can be seen in the table below:

TABLE A SPENDING POWER REDUCTION / (INCREASE)		
Year	Burnley (%)	England Average (%)
2016/17	4.4	2.1
2017/18	3.9	(1.3)
2018/19	3.3	(1.8)
2019/20	1.5	(2.5)
2020/21	(3.5)	(6.0)
2021/22	(2.6)	(2.8)
2022/23	(5.9)	(6.9)
2023/24	(4.5)	(9.2)

- b) Salary costs – the 2023/24 pay award is currently under negotiation with the employer’s side offering a one year pay agreement of £1,925 across all pay points, with the exception of Chief Officers where the offer of a 3.5% pay award has been accepted. This equates to an average 5.04% increase. It has been assumed for the purpose of the MTFs that this pay award will be agreed. An annual pay increase of 5% has been factored into the budget assumptions for 2024/25 reducing to 3% from 2025/26 onwards.
- c) Capital projects – any projects under consideration require funding. If there is a shortfall in capital finance for these projects, then pursuing them and using borrowing will significantly increase the revenue budget. The revenue implications will be considered as part of the monitoring of the Capital Programme.
- Work is currently ongoing on the Pioneer Place and Manchester Road development which represents significant long-term costs for the Council and will require a significant amount of borrowing over 50 years, with payback very dependent on the successful income levels of the scheme. This carries significant financial risk for the authority and is an important element of the financial horizon of this Council.
- d) Budget preparation – The preparation of the 2024/25 budget is currently being undertaken. Issues may arise from the exercise that could have an impact on the 2024/25 budget and future years.
- e) Public demand on commercial risks – An element of the savings proposals has arisen in response to the change in the Council’s commercial risk appetite. Fees and charges are a significant element of the Council’s funding and can be subject

to fluctuations between years due to competition, weather and the performance of the economy. This risk will be closely monitored during the year to ensure that income targets are being achieved.

- f) Inflation – inflation is expected to reduce to around 6.1% by the end of the calendar year. An increase of 6% has been factored into the Council's current contract costs, however any increases in excess of those forecast will result in further spending pressures.
- g) Cost of living – the current cost of living crisis may have an impact on income collection, specifically around fees and charges, council tax and business rates. Income monitoring is currently ongoing in 2023/24 and any potential shortfalls will be factored into the 2024/25 budget.
- h) Energy costs – the Council pre-buys its energy in October each year for use over the following 12 months (April to March) as part of the Crown Commercial Services energy framework. All central government departments are also part of this framework. Due to the increasing costs of energy, it has made a major impact on the revenue budget. An additional £700k was built into the 2023/24 budget to help mitigate the impact of the increases in costs, £250k of which was a temporary increase funded from reserves.
- i) Interest rates – interest rates have been at a historical low for the last few years, with the bank rate remaining at 0.25% from early 2020 until February 2022. However, in an attempt to slow the increasing rates of inflation the Bank of England has increased the bank rate by 5% in 13 tranches over the period March 2022 to August 2023, from 0.25% to 5.25%. Any increase has implications on the Council's revenue budget in future years where there is a requirement to finance future capital schemes from borrowing.
- k) Brexit – Uncertainty around the impact of Brexit and whether the UK invokes article 16 around the trading arrangements in Northern Ireland which has the potential to result in a no-deal Brexit.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

- 11. As shown in the body of the report and appendices.

POLICY IMPLICATIONS

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

DETAILS OF CONSULTATION

13. Scrutiny Committee.

BACKGROUND PAPERS

14. None

FURTHER INFORMATION

PLEASE CONTACT:

Howard Hamilton-Smith – Director of Resources

ALSO:

Amy Johnson – Finance Manager

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	2024/25 £'000	2025/26 £'000	2026/27 £'000	TOTAL £'000
Budget Gap (a)	370	475	145	990
Savings Approved				
Income generation/savings approved at previous council meetings	23	-	-	23
	23	-	-	23
Proposed Savings (see below)				
Staffing Savings	-	-	-	-
Non-Staffing Savings	229	18	8	255
	229	18	8	255
Total Savings (b)	252	18	8	278
Remaining Budget Gap - Savings to be identified (a-b)	118	457	137	712

Proposed Savings (detail)

Staffing Savings					
Nothing to report	-	-	-	-	
	-	-	-	-	
Non-Staffing Savings					
Growth of the commercial waste service - Streetscene	To continue to grow the commercial waste service by gaining new customers eg Pioneer Place, Charter Walk and Vision Park alongside the active alignment and gain of businesses that are ending agreements with other providers.	30	10	-	40
Grave Search Fee - Green Spaces & Amenities	To charge a fee for grave searches requested by genealogist's researching family history etc. It is proposed that a fee of £35 is introduced (fees currently charged by neighbouring authorities vary between £17 - £50).	7	-	-	7
Towneley Park Concession Income - Green Spaces & Amenities	The income that the Council receives from the Rotunda has increased following a retendering process.	13	-	-	13
Crematorium Burden Share Income - Green Spaces & Amenities	The Council has completed a burden share agreement with Hyndburn Borough Council which will generate new income from offsetting non-abated cremations at Hyndburn Crematorium.	17	-	-	17
Treasury Investment Income - Finance & Property	To increase treasury management investment interest income by an additional £150k due to the increases in base rate. The increase in income takes into account expected base rate decreases in 2024/25.	150	-	-	150
Reduction in postage budgets - Finance & Property	To reduce the corporate postage budget by £10k to reflect reduced expenditure for the past three years.	10	-	-	10
Reduction in Grant to Burnley & Pendle Citizens Advice Bureau - Policy & Engagement	Funding for services is provided through other grant mechanisms. This proposal is to reduce the general grant to the Citizens Advice Bureau by £6k gradually over a 3 year period. The grant in year 3 will be equivalent to neighbouring authorities who contribute to the service.	2	2	2	6

		2024/25 £'000	2025/26 £'000	2026/27 £'000	TOTAL £'000
Reduction in Grant to Council for Voluntary Service - Policy & Engagement	Funding for services is provided through other grant mechanisms. This proposal is to reduce the general grant to the Council for Voluntary Services gradually over a 2 year period. The grant will be equivalent to neighbouring authorities who contribute to the service.	-	6	6	12
Total Savings Proposals		229	18	8	255

APPENDIX 2 - SUMMARY OF EQUALITY IMPACT ASSESSMENT

REVENUE BUDGET SAVINGS PROPOSALS 2024/25

1.	Title of EIA	Equality Impact Assessment – Revenue Budget Savings Proposals 2024/25
2.	Person responsible for the assessment	Rob Dobson
3.	Contact details	01282 475842 rdobson@burnley.gov.uk
4.	Date of assessment	17/08/2023

An equality impact assessment has been carried out in respect of the proposals presented to Full Council in September 2023. This document summarises the results of this work. A further equality impact assessment in relation to the impact of the detailed proposals on the workforce will be presented to a future meeting of the Executive, once these are drawn up, and before decision making on that issue.

The outcome of this equality impact assessment is that all proposals being currently considered for savings in 2024/25 – 2026/27 are neutral in terms of their impact on people with protected characteristics under equalities legislation.

OBJECTIVE

1.	What is the main purpose of the project?	To set a budget for the council in 2024/25 that: <ul style="list-style-type: none"> • is in line with the agreed Medium Term Financial Strategy; • responds to the financial challenges facing the council; • enables the council to continue its focus on agreed priorities.
2.	Who are the main stakeholders?	Stakeholder analysis showed that the main stakeholders are Burnley Council's: <ul style="list-style-type: none"> • service users • residents/Council tax payers • Councillors; and • Council employees.

3.	How are they expected to benefit?	Through the council ensuring a sustainable future for its services through good financial management and transparent decision making to determine priorities.
4.	How will the change be implemented?	The budget will be agreed through decision making structures and processes in line with the council constitution. The agreed budget in 2024/25.
6.	Is the responsibility for the proposed function shared with another department or authority or organisation?	The decisions on council budget rest with the council.

A. DATA COLLECTION

1.	Approach and background to EIA analysis, including data collection	Budget proposals drawn up by service managers.
2.	What monitoring data do you have on the number of people (from different equality groups) who are using and could be impacted upon by the change in function?	Various data sources are held, including: <ul style="list-style-type: none"> • Analysis of workforce profile • Analysis of services • Census data.

B. COMMUNICATION AND INVOLVEMENT

1.	What information has assisted in completing this EIA?	Guidance including information contained on the Equalities and Human Rights Commission website has been considered.
2.	What communications activities have assisted in completing this EIA?	There has been consultation on the principles underlying the council's Medium Term Financial Strategy, and comments from that consultation have been considered during the EIA work.

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

¹ 'All areas of impact' refers to the detailed list of proposed revenue budget savings proposals 2024/25

Equality impact assessment action plan

No significant change to front line services. Therefore, it is not anticipated that there will be a negative impact on people with protected characteristics. No mitigating actions arising therefore.

Council Tax Support Scheme 2024/25 and 2025/26

REPORT TO EXECUTIVE



DATE	20 September 2023
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Howard Hamilton-Smith
TEL NO	01282 477173
EMAIL	Hhamilton-smith@burnley.gov.uk

PURPOSE

1. To seek approval to commence a public consultation on the plans to temporarily revise Burnley Borough Council's Council Tax Support Scheme for 2024/25 and 2025/26.

RECOMMENDATION

2. The Executive is recommended to:
 - a. approve a statutory consultation of the Local Council Tax Support Scheme in accordance with Schedule 1A of the Local Government Finance Act 1992 and the Local Government Finance Act 2012 (as amended),
 - b. consider and approve for consultation a temporary revision to the Council Tax Support Scheme for the two forthcoming financial years (2024/25 and 2025/26) as set out in this report,
 - c. delegate authority to the Director of Resources to undertake the statutory consultation, and
 - d. note that the consultation will run for an 8-week period which is expected to commence on 25th September 2023 and will guide the final recommendations to be placed before Full Council in February 2024 for the approval of a temporary revision to the Council Tax Support Scheme for 2024/25 and 2025/26.

REASONS FOR RECOMMENDATION

3. To consult on the provision of temporary support, by increasing the level of subsidy for eligible working age claimants within the Council Tax Support Scheme, up to a maximum of 95% for 2024/25 and 90% for 2025/26, to help alleviate some of the financial hardship caused by the cost-of-living crisis.

SUMMARY OF KEY POINTS

4. Council Tax Support Scheme

The Council Tax Support Scheme replaced Council Tax Benefit in April 2013. The Local Government Finance Act 2012 created the provision for local authorities to create their own local scheme to replace the national Council Tax Benefit scheme. Pensioners were protected from any reduction in Council Tax Support.

5. The government's policy objective in localising support for Council Tax were to:
 - Give local authorities a greater stake in the economic future of their local area,
 - Give local authorities the opportunity to reform the system of support for working age claimants,
 - Reinforce local control over Council Tax, and
 - Give local authorities a financial stake in the provision of support for Council Tax.
6. There are currently 9,698 households claiming Council Tax Support in Burnley; 2,884 (29.74%) are pensioners and 6,814 (70.26%) are working age. Pensioners are protected under government legislation and continue to receive Council Tax Support at the same level as they did under the Council Tax Benefit rules, up to a maximum of 100%.
7. Up until 2023/24, working age claimants on full Council Tax Benefit received up to a maximum of 85% subsidy on their bill and were asked to pay a minimum of between £161 for a single person and £215 per year for a standard bill for a Band A property (15%). Information held confirmed that 71% of taxpayers in this category were paying their Council Tax on time with the remainder collected through the Council's normal recovery processes over a longer period.
8. In 2023/24, Full Council approved that temporary assistance, up to a maximum of 100% subsidy on their bill, would be provided to working age claimants on full Council Tax benefit for the 2023/24 financial year only.
9. The Council proposes to seek public opinion on extending a temporary increase in the level of subsidy provided to working age claimants, from a maximum of 85% to a maximum of 95% for the 2024/25 financial year and 90% for the 2025/26 financial year. It is proposed that the level of subsidy returns to a maximum of 85% from 2026/27. This is intended to provide a transitional period in returning subsidy provided to previous approved levels.
10. It should be noted that any decision to change the scheme is required to be done after consultation. The Council, as billing authority, is the default lead authority for the Council Tax Support Scheme and is also required to consult with its precepting authorities, in particular the County Council, Fire and Police authorities as any changes to the scheme will affect the income they receive.
11. In addition to this proposal, a number of assessment criteria for Council Tax Support claims will be changed to bring the scheme in line with changes being made on a national level to Housing Benefit Regulations. These changes will not form part of the

proposed consultation as the scheme already includes provisions to make changes to reflect national changes to Housing Benefit Regulations.

12. An 8-week public consultation process is proposed and is expected to be carried out between 25th September to 19th November 2023 on changes to the scheme. This will include consulting with the Council's major preceptors.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

13. The cost of increasing the Council Tax Support subsidy for working age claimants from a maximum of 85% to a maximum 95% in 2024/25 and 90% in 2025/26 is estimated to cost £80k and £40k respectively. If the scheme is approved to be taken forward, it is proposed that the one-off cost in each financial year is funded from the Cost of Living Reserve.

POLICY IMPLICATIONS

14. The consultation could result in temporary policy amendments for the Council Tax Support scheme if approved by Full Council.

DETAILS OF CONSULTATION

15. None

BACKGROUND PAPERS

16. None

FURTHER INFORMATION	
PLEASE CONTACT:	Howard Hamilton-Smith Director of Resources

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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