

# SCRUTINY COMMITTEE

Thursday, 8th February, 2018  
6.30 pm





# SCRUTINY COMMITTEE

## BURNLEY TOWN HALL

Thursday, 8th February, 2018 at 6.30 pm

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

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

Notice in writing of the subject matter must be given to the Head of Governance, Law & Regulation by 5.00pm on the day before the meeting. Forms can be obtained for this purpose from the reception desk at Burnley Town Hall or the Contact Centre, Parker Lane, Burnley. Forms are also available on the Council's website [www.burnley.gov.uk/meetings](http://www.burnley.gov.uk/meetings).

### **AGENDA**

#### **1) Apologies**

To receive any apologies for absence.

#### **2) Minutes**

5 - 8

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

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

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

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

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

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

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

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

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

## PUBLIC ITEMS

- 7) Notice of Key Decisions and Private Meetings** 9 - 16  
To consider the Key Decisions to be taken for the period January to May 2018.
- 8) Strategic Plan 2018** 17 - 32  
To consider the latest review of the Strategic Plan.
- 9) Food (Official Controls) Delivery Plan** 33 - 56  
To consider the Council's Food (Official Controls) Delivery Plan, updated for 2017/18.
- 10) Health & Safety Delivery Plan** 57 - 78  
To consider a report on the Council's Health & Safety Delivery Plan, updated for 2017/18.
- 11) Revenue Budget Monitoring Q3** 79 - 90  
To receive the forecast outturn position for the year as at 31<sup>st</sup> March 2018 based upon actual income and expenditure to **31<sup>st</sup> December 2017**.
- 12) Capital Budget Monitoring Q3** 91 - 102  
To receive an update on the capital expenditure and resources position as at **31<sup>st</sup> December 2017**.
- 13) Revenue Budget 2018/19** 103 - 120  
To consider the Council's proposed Revenue Budget for 2018/19.
- 14) Capital Budget 2018/19 and Capital Improvement Programme 2019-21** 121 - 134  
To consider the Council's proposed Capital Investment Budget for 2018/19 and the Capital Programme for 2018-21.
- 15) Medium Term Financial Strategy 2019-22** 135 - 160  
To consider the longer term financial outlook within the context of a Medium Term Financial Strategy.
- 16) Treasury Management Strategy and Prudential Borrowing** 161 - 182  
To consider a report which sets out the Council's Treasury Management Strategy 2018/19; sets out prudential indicators for 2018-21, and seeks approval for the Council's Minimum Revenue Provision Policy Statement.
- 17) Scrutiny Review Groups**  
To receive an update on the work of any active Scrutiny Review Groups.  
  
Dementia Services
- 18) Work Programme 2017/18** 183 - 184  
To consider any additions to the draft Work Plan for 2017/18 and to consider the Work Plan for 2018/19.

## PRIVATE ITEMS

- 19) Organisation Review** 185 - 210

To consider a report outlining a revised structure as part of the Council's need to reshape itself to meet future challenges, in the context of reducing budgets.

Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under the authority.

## **MEMBERSHIP OF COMMITTEE**

Councillor Andrew Tatchell (Chair)  
Councillor Margaret Brindle (Vice-Chair)  
Councillor Gordon Birtwistle  
Councillor Jean Cunningham  
Councillor Beatrice Foster  
Councillor Roger Frost  
Councillor Joanne Greenwood  
Councillor Tony Harrison  
Councillor David Heginbotham

Councillor Marcus Johnstone  
Councillor Anne Kelly  
Councillor Lubna Khan  
Councillor Sobia Malik  
Councillor Neil Mottershead  
Councillor Tony Martin  
Councillor Paul Reynolds  
Councillor Christine White

**PUBLISHED**

Wednesday, 31 January 2018



## SCRUTINY COMMITTEE

BURNLEY TOWN HALL

Wednesday, 29th November, 2017 at 6.30 pm

### PRESENT

### MEMBERS

Councillors A Tatchell (Chair), M Brindle (Vice-Chair), J Cunningham, D Heginbotham, S Malik and P Reynolds

### OFFICERS

Rob Dobson	– Corporate Policy and Projects Manager
Sam McConnell	– Community Safety Manager
Gerard Vinton	– Chief Executive, Burnley Leisure
Alison McEwan	– Democracy Officer

In attendance Cllr Lian Pate – Executive Member for Community & Leisure Services

### 33. Apologies

Apologies were received from Councillors Johnstone and White.

### 34. Minutes

The minutes of the meeting held on 13<sup>th</sup> November 2017 were approved as a correct record and signed by the Chair.

### 35. Notice of Key Decisions and Private Meetings

Members considered the Notice of Key Decisions and Private Meetings.

They discussed the following:

- Children's University and Aspirations Strategy. Members were keen to receive further information on the Strategy, as they felt it could have a great impact improving the situation of local young people. They discussed when this might be appropriate. An update to Members will be provided later in 2018 once the strategy has been active for some time.

## **IT WAS AGREED**

That the NKDPM be noted, and the update on the Children's University and Aspirations Strategy be added to the Work Programme for 2018/19.

### **36. Half Year Performance Update**

Rob Dobson presented the report which provided performance highlights from across the Council's services, as a measure of strategic significance, or in order to highlight service performance that had been particularly strong or poor.

Members discussed the following:

- Households in Temporary Accommodation – This indicator was off target – often the families involved had complex needs and therefore finding suitable accommodation was more difficult. Burnley's statistics were comparable to other local areas. All homelessness applications were processed on time. Was a breakdown of family sizes available? One would be provided to Members if available. Had there been an increase due to the roll out of Universal Credit? Following roll out of Universal Credit, it is not possible to accurately compare the current benefit claimant numbers with historical trends or with other areas that have not transferred to Universal Credit. Clarification would be sought and information provided to Members around the impact of Universal Credit rollout, financial hardship and homelessness.

## **IT WAS AGREED**

That the report be noted.

### **37. Community Safety Annual Report**

In addition to the Report, Sam McConnell gave a brief presentation on campaigns and initiatives that the Community Safety Team was involved with across a broad range of issues.

Members discussed the following:

- Safer social media usage – new threats and ways to circumvent security measures were being identified constantly.
- An emerging threat regarding human trafficking. Young people who had debts to criminal gangs were being trafficked to Blackpool on a temporary basis, and being forced to commit criminal acts such as drug dealing to pay off their debts. They would then be returned to their place of residence.

- Positive work being carried out to target specific issues in local wards in partnership with Councillors. This was much appreciated by local residents and Members.

### **IT WAS AGREED**

That the report be noted.

### **38. Leisure Trust Annual Report**

Gerard Vinton gave a presentation which identified some of the key points from the Annual Report.

Members discussed the following:

- The excellent venue at the Mechanics, especially with the Bistro opening on Saturdays.
- The high standard of events, and creativity.
- Aspirational vision.
- Distance travelled – the future had seemed bleak at one point, so it was excellent to see the transformation.

### **IT WAS AGREED**

That the report be noted.

### **39. Scrutiny Review Groups**

A date would be circulated for the postponed Dementia Review Group meeting.

The Food Hygiene Ratings presentation would take place at the February meeting of the Scrutiny Committee.

### **40. Work Programme 2017/18**

The work plan for the remainder of the year was noted.

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## BURNLEY BOROUGH COUNCIL

### NOTICE OF KEY DECISIONS AND PRIVATE MEETINGS

This Notice contains:

- a) A list of Key Decisions to be taken by the Executive during the months January to May 2018, published on 12<sup>th</sup> January 2018.
- b) Details of dates of meetings of the Executive during the same period at which decisions may be taken in private or partly in private

A Key Decision is an Executive decision that is likely:

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

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

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

Meetings of the Executive will be held on the following dates: 17<sup>th</sup> January, 12<sup>th</sup> February, 20<sup>th</sup> March and 23<sup>rd</sup> April 2018. Meetings normally start at 6.30pm but times can change so please check the council website nearer the date of the meeting. This Notice will be further updated on the following dates: 19<sup>th</sup> February and 21<sup>st</sup> March 2018.

Matter for decision	Purpose	Key Decision Yes or No	Anticipated date of decision	Public or Private report. If Private give reasons	List of Documents to be submitted including any background papers	Contact person & Executive Portfolio
Local Development Scheme	To consider a revised Local Development Scheme	Yes	January 2018	Public	Report setting out the key issues	Kate Ingram, Head of Regeneration and Planning Policy  Executive Member for Regeneration and Economic Development
Empty Homes Programme	To consider a report on an Empty Homes Programme	Yes	February 2018	Public	Report setting out the key issues	Paul Gatrell, Head of Housing and Development Control  Executive Member for Housing and Environment
Curzon Street Procurement	To consider a report on Curzon Street Procurement	Yes	February 2018	The report contains exempt information and is therefore NOT FOR PUBLICATION by virtue of Local Government Act 1972, Schedule 12A, Part I, Paragraph 3; Information relating to the financial or business affairs of any particular person (including the authority holding that information)	Report setting out the key issues	Kate Ingram, Head of Regeneration and Planning Policy  Executive Member for Regeneration and Economic Development

<b>Matter for decision</b>	<b>Purpose</b>	<b>Key Decision Yes or No</b>	<b>Anticipated date of decision</b>	<b>Public or Private report. If Private give reasons</b>	<b>List of Documents to be submitted including any background papers</b>	<b>Contact person &amp; Executive Portfolio</b>
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Prairie Development	To consider a report on the Prairie Development	Yes	February 2018	The report contains exempt information and is therefore NOT FOR PUBLICATION by virtue of Local Government Act 1972, Schedule 12A, Part I, Paragraph 3; Information relating to the financial or business affairs of any particular person (including the authority holding that information)	Report setting out the key issues	Simon Goff, Head of Green Spaces and Amenities  Executive Member for Community and Leisure Services
Worsthorne Recreation Ground	To consider proposed improvements and an application for funding to the Football Foundation	Yes	February 2018	The report contains exempt information and is therefore NOT FOR PUBLICATION by virtue of Local Government Act 1972, Schedule 12A, Part I, Paragraph 3; Information relating to the financial or business affairs of any particular person (including the authority holding that information)	Report setting out the key issues	Simon Goff, Head of Green Spaces and Amenities  Executive Member for Community and Leisure Services

Matter for decision	Purpose	Key Decision Yes or No	Anticipated date of decision	Public or Private report. If Private give reasons	List of Documents to be submitted including any background papers	Contact person & Executive Portfolio
Environmental Enforcement (Issuing of Fixed penalty notices)	To consider procurement options for 2018/19 for Environmental Enforcement	Yes	February 2018	The report contains exempt information and is therefore NOT FOR PUBLICATION by virtue of Local Government Act 1972, Schedule 12A, Part I, Paragraph 3; Information relating to the financial or business affairs of any particular person (including the authority holding that information)	Report setting out the key issues	Joanne Swift, Head of Streetscene  Executive Member for Community and Leisure Services
Sale of Land at Westview Terrace/Thompson Street	To consider the Sale of Land at Westview Terrace/Thompson Street	Yes	February 2018	The report contains exempt information and is therefore NOT FOR PUBLICATION by virtue of Local Government Act 1972, Schedule 12A, Part I, Paragraph 3; Information relating to the financial or business affairs of any particular person (including the authority holding that information)	Report setting out the key issues	Lukman Patel,  Chief Operating Officer  Executive Member for Resources and Performance Management

<b>Matter for decision</b>	<b>Purpose</b>	<b>Key Decision Yes or No</b>	<b>Anticipated date of decision</b>	<b>Public or Private report. If Private give reasons</b>	<b>List of Documents to be submitted including any background papers</b>	<b>Contact person &amp; Executive Portfolio</b>
Organisation Review	To consider an Organisation Review	Yes	February 2018	The report contains exempt information and is therefore NOT FOR PUBLICATION by virtue of Local Government Act 1972, Schedule 12A, Part I, Paragraph 3; Information relating to the financial or business affairs of any particular person (including the authority holding that information)	Report setting out the key issues	Lukman Patel, Chief Operating Officer  Mick Cartledge, Chief Executive  Executive Member for Resources and Performance Management
Revenue Budget Monitoring 2017/18 Quarter 3	To consider a report on Revenue Budget Monitoring in Quarter 3 of 2017/18	No (Full Council )	February 2018	Public	Report setting out the key issues	Asad Mushtaq, Head of Finance  Executive Member for Finance and Performance Management
Medium Term Financial Strategy 2018/19 to 2021/22 Incorporating the Reserves Strategy	To consider a report on the Medium Term Financial Strategy 2018/19 to 2021/22 Incorporating the Reserves Strategy	No (Full Council)	February 2018	Public	Report setting out the key issues	Asad Mushtaq, Head of Finance  Executive Member for Finance and Performance Management

<b>Matter for decision</b>	<b>Purpose</b>	<b>Key Decision Yes or No</b>	<b>Anticipated date of decision</b>	<b>Public or Private report. If Private give reasons</b>	<b>List of Documents to be submitted including any background papers</b>	<b>Contact person &amp; Executive Portfolio</b>
Revenue Budget 2018/19	To consider a report on a Revenue Budget 2018/19	No (Full Council)	February 2018	Public	Report setting out the key issues	Asad Mushtaq, Head of Finance  Executive Member for Finance and Performance Management
Treasury Management Strategy 2018/19 and 2018/21 Prudential and Treasury Indicators	To consider a report on a Treasury Management Strategy 2018/19 and 2018/21 Prudential and Treasury Indicators	No (Full Council)	February 2018	Public	Report setting out the key issues	Asad Mushtaq, Head of Finance  Executive Member for Finance and Performance Management
Capital Budget Monitoring 2017/18 Quarter 3	To consider a report on Capital Budget Monitoring in Quarter 3 of 2017/18	No (Full Council )	February 2018	Public	Report setting out the key issues	Asad Mushtaq, Head of Finance  Executive Member for Finance and Performance Management
Capital Budget 2018/19 and Capital Investment Programme 2018/21	To consider a report on a Capital Budget 2018/19 and Capital Investment Programme 2018/21	No (Full Council )	February 2018	Public	Report setting out the key issues	Asad Mushtaq, Head of Finance  Executive Member for Finance and Performance Management

<b>Matter for decision</b>	<b>Purpose</b>	<b>Key Decision Yes or No</b>	<b>Anticipated date of decision</b>	<b>Public or Private report. If Private give reasons</b>	<b>List of Documents to be submitted including any background papers</b>	<b>Contact person &amp; Executive Portfolio</b>
Housing Needs Officer	TRo consider a report on a Housing Needs Officer	Yes	February 2018	Public	Report setting out the key issues	Paul Gatrell, Head of Housing and Development Control  Executive Member for Housing and Environment
Burnley Town Centre BID Feasibility	To consider a report on BID	No	April 2018	Public	Report setting out the key issues	Kate Ingram, Head of Regeneration and Planning Policy  Executive Member for Regeneration and Economic Development

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

E-mail: [lpatel@burnley.gov.uk](mailto:lpatel@burnley.gov.uk)

Published: 12<sup>th</sup> January 2018

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## Strategic Plan 2018

### REPORT TO SCRUTINY COMMITTEE



<b>DATE</b>	<b>08/02/2018</b>
<b>PORTFOLIO</b>	<b>Leader</b>
<b>REPORT AUTHOR</b>	<b>Rob Dobson</b>
<b>TEL NO</b>	<b>3115</b>
<b>EMAIL</b>	<b>rdobson@burnley.gov.uk</b>

#### PURPOSE

1. To seek Member feedback on the Strategic Plan prior to its recommendation to Budget Council.

#### RECOMMENDATION

2. That Members review the plan (appendix 1).

#### REASONS FOR RECOMMENDATION

3. The Strategic Plan sets out a clear vision for the future at a time of challenging budget decisions: one that is evidence based, shared by all Units of the Council, and is in tune with the aspirations of local people.

#### SUMMARY OF KEY POINTS

4. The Strategic Plan covers a three year period but is reviewed annually. It sets out the Council's strategic priorities during the next three years.
5. The Strategic Plan has four themes: *People, Places, Prosperity and Performance*. The *People* theme deals with client centred services that support residents to achieve their full potential by, for example, supporting efforts to improve skills in the borough. The *Places* theme sets out our strategy in relation to the natural and built environment and community safety. i.e., maintaining a clean, green and safe borough. The *Prosperity* theme sets out the Council's economic development priorities and the *Performance* theme is about internal processes and improvement activity, i.e. the Council's organisational development strategy.
6. Executive members will report progress against the strategic plan actions at future Full Council meetings.
7. The Strategic Plan covers the medium term: all of the commitments will be delivered within the three year period of the plan. Heads of Service use the Strategic Plan to develop their own unit plans. These set out in more detail the tasks associated with

achieving the Council's objectives over the course of the next year.

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

8. As set out in the Council's draft budget.

#### **POLICY IMPLICATIONS**

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

#### **DETAILS OF CONSULTATION**

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

#### **BACKGROUND PAPERS**

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

#### **FURTHER INFORMATION**

**PLEASE CONTACT:**

**Mick Cartledge, CEO.**

**ALSO:**



**Burnley**.gov.uk

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

V2 February 2018

*For further information contact:*  
Rob Dobson  
[rdobson@burnley.gov.uk](mailto:rdobson@burnley.gov.uk)

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

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

## Our values:

**One Burnley –Leading the Way**

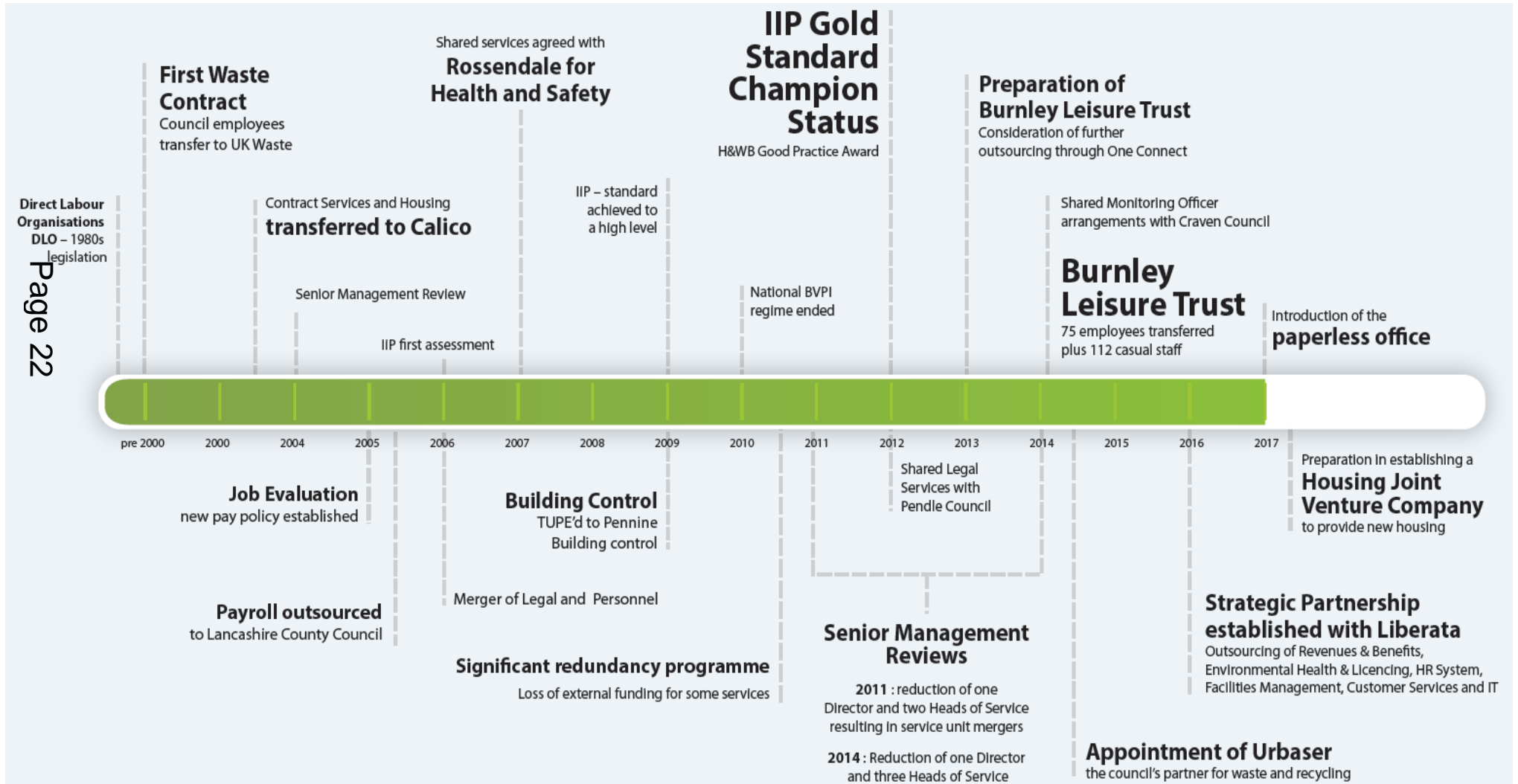
**One Council –Working Together**

**One Team –Ambitious for Burnley**

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

## Burnley Council: adapting to change

As the graphic below shows, Burnley Council has always adapted to meet the changing needs of the borough and to deliver the best possible service within the budget available.



The Council will change in the years ahead.

The budget challenge is immense. A report to the Council in September 2017 on the Medium Term Financial Strategy, assumed the need to save a total of £3.8 million over the next three financial years.

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

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

Our strategic plan ensures that we do not take a salami-slicing approach to making efficiencies. With a clear vision for the borough's future, the Council will stay focussed on what really matters and will seek innovative ways of resourcing those priorities.

Examples of how we will achieve savings include £325,000 through re-structuring, £50,000 via sharing CCTV services with neighbouring councils, and an extra £150,000 generated through new homes being built across the borough.

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

## **Our guiding principles**

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

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

## **Who is this document for?**

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

## **What is the purpose of the Strategic Plan?**

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

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



## Burnley Council Services

- We collect rubbish, recyclable or non-recyclable, from every household every week. On the next working day following a general refuse collection, every residential street is swept by manual litter pickers. Following a recycling collection, the street receives a mechanical sweep.
- We own and manage the historic Towneley Hall that attracts tens of thousands of visitors every year.
- We manage over 550 hectares of parks and green spaces including five Green Flag Parks.
- In partnership with Burnley Leisure, we fund three quality leisure facilities (St Peter's, Padiham and the Prairie), and the Mechanics theatre which attracts top names in comedy, music and the arts.
- We work with businesses to support job creation, business growth, and inward investment.
- We prosecute those who commit environmental crime in the borough.
- We support victims of antisocial behaviour and work with the police to take action against anti-social behaviour.
- We deal with around 4,000 calls and 2,000 visitors every week at our contact centre.
- We award benefit to around 12,000 households a year.
- We provide a quality advice and enforcement service for vulnerable households and individuals and work to tackle homelessness.
- We provide public protection services: we conduct food safety checks on food establishments; we carry out health and safety inspections of warehouses and retail premises; we license pubs and clubs and taxis; we investigate environmental pollution complaints about noise, smoke and private water supplies; and we provide CCTV monitoring.
- We work with the police and community organisations to help foster stronger community relations.
- We process around 500 planning applications per annum and aim to ensure that new development in Burnley is built to high design standard. We also protect the historical heritage of the town through the management of conservation areas and listed building protection, and take enforcement action to protect the quality of life of Burnley residents against unauthorised building activity.
- We conduct local land searches for buyers of land or property.
- We plan and deliver major regeneration projects, in partnership with the private sector.
- We manage car parks so parking in Burnley is easy.
- We ensure that taxpayers' money is spent prudently and that the Council allocates resources within its means by providing a professional treasury management and audit service.
- We make sure local citizens have a democratic voice, through proper and effective management of elections.

## Strategic Plan 2017- what did we achieve?

### **Places**

- In partnership with Lancashire County Council, the improvement to the main Town Centre pedestrianised area was completed.
- The regeneration of neighbourhoods continued apace: Ringstones started to develop the Perseverance Mill site in Padiham, making it ready for 56 new homes. Ringstones also made good progress with their gateway housing scheme on the site of the former Mitre Pub, which will assist formerly homeless people through support and training to access sustainable housing, education and employment. Keepmoat are transforming both Burnley Wood and the Accrington Road with new housing development and Gleeson continue to make progress in Daneshouse, Stoneyholme and on their new site at the former chemical works in Hapton. New developments at Sycamore Road and Gannow Lane are transforming former brownfield sites with new homes that will offer real choice to our residents.
- The multi-agency partnership approach to community safety helped the borough achieve a reduction in business crime of 3% compared to the previous year. This is in contrast to increases across other districts. There was also a recorded reduction of 9.9% in ASB incidents when compared to 2016-17. In particular, Gawthorpe Ward has seen and maintained reductions in crime incidents (reduced by 13% compared to 2016). ASB has also seen a 27.7% reduction in the same time period, reflecting an increase in police and council activity and youth diversionary activities across the year.
- The Council continued to catch and prosecute flytippers: in 2016/17 the number of incidents was down 48% compared with the previous year.
- Since the start of April 2017, the housing enforcement team has helped to resolve 203 new disrepair complaints from private rented sector tenants.

### **Prosperity**

- Phase 1 of the Burnley Bridge business park completed and is now fully occupied.
- The Business Support Team promoted inward investment, managing c.50 live property enquiries for companies looking to relocate into the Borough or expand within.
- New data from the ONS Business Register & Employment Survey shows that the number of jobs in Burnley increased by 2.7% between 2015-2016. This is a higher rate of growth than Lancashire (1.6%), North West (2.5%) and Great Britain (1.8%) over the same period. This makes for an 18.5% increase since 2009 when figures first became available.
- We submitted the new Local Plan for examination by the planning inspectorate. The Local Plan will shape Burnley's growth over the next decade.

### **People**

- Our partner Burnley Leisure upgraded the gym at Padiham Leisure Centre.
- Between April and November 2017, the Council had: awarded disabled facilities grants to 106 residents; assisted 14 residents with heating related issues through the "affordable warmth" scheme, and; helped 63 households upgrade to an energy efficient boiler through the Burnley Heating Rebate scheme.

### **Performance**

- The Council approved budget savings of £1.436m to assist in balancing the budgets in 2018/19, 2019/21 and 2020/21. Building on savings approved in 2016 for future years, this multi-year approach shows the Council's commitment to creating a sustainable future and is intended to develop a long-term financial plan for the Council.
- The Council's service delivery partner, Liberata, created over 40 new jobs.
- More customers transacted with the Council digitally in 2017; over 14,500 residents have online accounts.

## What do we want to achieve during 2018 and beyond?

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

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

This structure helps:

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

## People - creating flourishing, healthy and confident communities

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

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

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

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

## Places: making the Borough a place of choice

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

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

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

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

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

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

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

# Prosperity – promoting transformational economic change for Burnley

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

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

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

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

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

<b>What do we commit to?</b>	<b>Lead</b>
<b>PR1-</b> We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment.	Chief Executive Council Leader
<b>PR2-</b> We will proactively support the borough’s businesses to innovate and expand, and make the borough a natural choice for business relocation.	Head of Regeneration and Planning Policy Executive Member for Regeneration and Economic Development
<b>PR3-</b> We will make the borough attractive to retail and leisure developers, and will identify a sustainable future for the Burnley Market.	Chief Operating Officer Executive Member for Regeneration and Economic Development
<b>PR4-</b> We will deliver the Local Plan. This will act as the key supporting framework for encouraging future employment and investment in a range of housing stock.	Head of Regeneration and Planning Policy Executive Member for Regeneration and Economic Development

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

The Council always has a duty to ensure that tax payers get value for money, and the current era of austerity means that services cannot continue to be delivered in the same way as in the past. New service delivery models will be required to achieve efficiencies. If services have to be cut the Council will be clear about the process that has been followed in reaching these decisions.

In September 2016, the Council was peer reviewed. The peer reviewers' report told us that the Council has strong political and managerial leadership and that the performance of many core services is good. Staff members are committed and loyal, despite the workforce experiencing challenging reductions in their number. The peer reviewers also reported that though the Council's future funding position is "challenging", it has "clear plans in place" and "a record of strong financial management."

<b>What do we commit to?</b>	<b>Lead</b>
<b>PF1-</b> We will embed the partnership with Liberata within the Council's budget, strategic vision and commercial strategy.	Chief Operating Officer Executive Member for Resources and Performance
<b>PF2-</b> We will adopt a Medium Term Financial Strategy that will put the Council on a sustainable financial footing. This strategy will set the framework for preparing annual budgets, ensuring the annual budget strategy is set within the context of the longer term outlook.	Head of Finance Executive Member for Resources and Performance
<b>PF3-</b> We will develop our digital strategy, so that more residents transact with us online and we are able to deliver services more efficiently.	Chief Operating Officer Executive Member for Community Services
<b>PF4-</b> We will deliver our Organisational Development strategy, ensuring we plan for the structures and capabilities the organisation needs, and empowering our workforce to deliver the objectives of the Strategic Plan.	Head of People and Development Executive Member for Resources and Performance

## Corporate Performance Scorecard March 31st 2017

<b>Measure</b>	<b>Target</b>	<b>Result</b>	<b>On target</b>
<b>Outcomes</b>			
% of residents satisfied with the Council overall	48%	42%	▲
% users satisfied with parks and open spaces (A)	70%	84%	★
% satisfied with leisure facilities	55%	63%	★
% satisfied with general household waste collection	80%	68%	▲
% satisfied with litter free public land	47%	50%	★
% stating that ASB is a problem in the local area	28%	35%	▲
Private sector investment levered through inward investment service and development projects	£10m year end	£9.7m	●
<b>Internal processes</b>			
Average number of days to process new claims and change of circumstances (benefits processing)	9	5.09	★
Telephone calls answered within target time (%)	80%	80%	★
No. of businesses relocation assists	10	14	★
<b>Organisational development</b>			
Average number of days sickness absence per employee	6	5.40	★
<b>Finance</b>			
Forecast revenue budget outturn (£)	£15,284,000	£14,851,932	★
Forecast Earmarked Reserves at year end	31 <sup>st</sup> March 2016: £6.9m	31 <sup>st</sup> March 2017: £8m	★



REPORT TO SCRUTINY



<b>DATE</b>	8th February 2018
<b>PORTFOLIO</b>	Resources
<b>REPORT AUTHOR</b>	Jayne Enright
<b>TEL NO</b>	01143999059
<b>EMAIL</b>	jenright@burnley.gov.uk

**Food (Official Controls) Delivery Plan (reviewed 2017/2018)**

**PURPOSE**

1. In order to meet statutory requirements the Council's Environmental Health and Licensing Team is responsible for Food Safety enforcement and must have in place approved plans. In line with the Constitution, approval of the Food (Official Controls) Delivery Plan will be sought from Full Council.

**RECOMMENDATION**

2. Scrutiny Committee recommends to Full Council to approve the Food (Official Controls) Delivery Plan (reviewed 2017/2018)

**REASONS FOR RECOMMENDATION**

3. To formally review past performance and agree a framework for the future delivery of effective, risk based, proportionate and consistent food safety services.

**SUMMARY OF KEY POINTS**

4. Food Safety Act 1990 Codes of Practice provides a framework within which the Food Safety Team must operate when carrying out its public protection duties in relation to food safety. The Food Standards Agency requires the Council to have plans in place to control these activities. The Food (Official Controls) Delivery Plan has been prepared to satisfy the statutory requirements and outline the services to be provided over the coming year.
5. **Burnley Food (Official Control) Delivery Plan**  
  
This Plan is a requirement of the Food Standards Agency and has been drawn up in accordance with the Food Standards Agency's Framework Agreement (amendment 5, April 2010). This ensures a consistent approach across England and Wales, which enables the Food Standards Agency to address how the council is performing. It also allows the Food Standards Agency and Local

Authorities to compare and contrast performance and service delivery  
It sets out:

- An outline of the key services and work activity delivered
- The Council's statement on food safety and the links with corporate priorities and objectives
- A profile of the Borough including the political and managerial arrangements
- The demands on the service
- Summary of service activity in relation to premises inspection, complaints investigation, advice, sampling, infectious diseases, food safety incidents, liaison arrangements and promotional activities
- The resources deployed to meet these demands
- Quality assessment procedures and performance indicators

6. Key services and work activity delivered by the Food Safety Team include:-

- Carrying out routine, programmed inspections of 931 local food businesses
- Responding to Service requests including food complaints and hygiene of premises complaints
- Investigating notifications of infectious diseases and local outbreaks, which may be associated with food
- Promoting food safety and best practice by working closely with local businesses
- Working with the Food Standards Agency to run and maintain the Food Hygiene Rating Scheme

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

7. Food Safety regulation is a core statutory service delivered by the Environmental Health & Licensing Team. It remains provided in existing service budgets.

## **POLICY IMPLICATIONS**

8. As national regulators, the Food Standards Agency set and monitor national standards. The framework for local plans is prescribed to ensure “official controls” are consistently delivered across the country. Through audit, and annual returns they monitor local authorities to ensure that local controls are effective, and they have intervention powers where delivery fails to meet the required standard.

## **DETAILS OF CONSULTATION**

9. Scrutiny and Executive will be consulted prior to Full Council decision.

**BACKGROUND PAPERS**

10. FSA “Framework Agreement on Official feed and Food Controls by local authorities” April 2010

**FURTHER INFORMATION**

**PLEASE CONTACT:** Jayne Enright  
**ALSO:** Karen Davies

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**BURNLEY BOROUGH COUNCIL**

Food (Official Controls)  
Delivery Plan  
2017 to 2018



**Burnley**  
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# Burnley Borough Council Food (Official Controls) Delivery Plan

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## **1. INTRODUCTION**

### **1.1 Burnley Food (Official Controls) Delivery Plan**

This document is the Burnley Food (Official Controls) Delivery Plan. This Plan is a requirement of the Food Standards Agency and has been drawn up in accordance with the Food Standards Agency's Framework Agreement (amendment 5, April 2010). This ensures a consistent approach across England and Wales, which enables the Food Standards Agency to address how we are doing and allows other local authorities to compare and contrast performance and service delivery

It sets out:

- An outline of the key services and work activity delivered
- The Council's statement on food safety and the links with corporate priorities and objectives
- A profile of the Borough including the political and managerial arrangements
- The demands on the service
- Summary of service activity in relation to premises inspection, complaints investigation, advice, sampling, infectious diseases, food safety incidents, liaison arrangements and promotional activities
- The resources deployed to meet these demands
- Quality assessment procedures and performance indicators

### **1.2 Profile of Burnley**

Burnley has a population of around 87,000 and an area of 42.7 square miles. It is 21 miles north of Manchester and 20 miles east of Preston, at the confluence of the River Calder and River Brun, with the Leeds-Liverpool canal running through the Borough. Neighbouring local authorities are Lancashire's Hyndburn, Ribbles Valley, Pendle, Rossendale; and Calderdale in West Yorkshire.

During the Industrial Revolution Burnley became one of Lancashire's most prominent mill towns; at its peak it was one of the world's largest producers of cotton cloth. Burnley has strong economic links with the cities of Manchester and Leeds, as well as neighbouring towns along the M65 corridor. This is helped by excellent road and rail links including the recent reopening of the direct train line to Manchester.

In 2013, in recognition of its success, Burnley received an Enterprising Britain award from the UK Government, for being the "Most Enterprising Area in the UK".

### **1.3 The Council Structure**

Burnley Council is divided into 15 wards served by 45 councillors. The Council is based on a Cabinet structure with 5 Portfolios, a Leader and 5 Executive Members; there are 4 committees including 1 scrutiny committee.

The Food Safety Team sits within the Resources Portfolio.

The Key Corporate objectives, governance arrangements, and decision making timetables are outlined in 4 key corporate documents:

- The Council's Constitution & Scheme of Delegation
- Strategic Plan 2017/18 to 2019/2020
- Forward Plan of key Decisions and Private Meetings
- Burnley's Community Strategy

#### **1.4 The Management Structure**

The Council management structure comprises the Chief Executive, a Chief Operating Officer and 7 Heads of Service.

The Food Safety Team sits within the Governance, Law, Property and Regulation Service. The Environmental Health and Licensing Manager has responsibility for environmental health and licensing functions. The team shares an office with the Environmental Protection and Safety team which is beneficial to service delivery and joint working, particularly as the Food Safety team also has responsibility for enforcing Health and Safety within food premises.

From 1<sup>st</sup> January 2016 the Council procured a strategic partner to deliver a range of services within a reduced cost base. The Environmental Health and Licensing functions form part of the suite of services that are now outsourced to the private sector.

The overall aim of the contract with respect to Environmental Health is:

“To provide a professional environmental health and licensing service that protects the public and assists businesses to meet their public health obligations”

Officers currently working for Burnley Borough Council delivering the food safety service are now seconded to the strategic partner, Liberata, and this arrangement will be reviewed on an annual basis. A detailed contract for delivery has been developed to ensure an effective contractual relationship, continuity of service delivery, risk management and the maintenance of high quality services.

#### **1.5 Burnley Borough Council Statement on the Food Safety Service**

The overarching purpose of the service is to:

- protect the health of the public through its statutory and non-statutory responsibilities in food safety and a variety of public health measures; and
- ensure quality food for healthier communities



## 2.0 SERVICE AIMS AND OBJECTIVES

### 2.1 Service Aims - Food Hygiene and Infection Control Service

- Safeguard public health through the regular inspection of food premises at a frequency appropriate to the risk
- Respond to complaints from the public and other agencies relating to food safety.
- Promote good practice in food hygiene through the provision of education, advice and training.
- Discharge the Council's statutory and other responsibilities in a positive and efficient manner, in line with relevant enforcement protocols.
- Ensure advice and assistance is readily accessible to the public and businesses alike
- Investigate the occurrence of food related infectious disease, prevent the spread and take action to prevent recurrence or enforcement action as appropriate
- Carry out programmed and reactive food sampling and microbiological swabbing to support local, national and regional programmes and investigations

### 2.2 Links to Council Objectives

Burnley Borough Council has a range of corporate objectives covering the four themes, "People", "Places", "Prosperity" and "Performance".

<b>People:</b>	Creating flourishing, healthy and confident communities
<b>Places:</b>	Making the Borough a place of choice
<b>Prosperity:</b>	Promoting transformational economic change for Burnley
<b>Performance:</b>	Ensuring a continuous focus on improvement in all aspects of the Council's performance.

Environmental Health and the Food Safety Service cuts across the four corporate themes by:

- Improved health standards – responding to broader public health initiatives to improve the health and wellbeing of citizens
- Developing a diverse business base with an entrepreneurial culture and supporting business growth
- Embedding the partnership with Liberata within the Council's budget, strategic vision and commercial strategy.
- Proactively supporting the borough's businesses to innovate and expand, and make the borough a natural choice for business relocation

### 2.3 Service Objectives

The Environmental Health & Licensing Service act on the front line directly providing services that affect people's daily lives. We provide protection to users of taxis, customers of food businesses, employees in offices, shops and warehouses and help to those suffering the effects of noise nuisance. We police premises which pollute the atmosphere and monitor a whole range of activities that help to make the Borough healthier. Our role is not only to regulate and enforce, but also to help and advice, so

that businesses can thrive and residents and visitors to the Borough have improved health choices.”

Key Food Safety objectives include:-

- Establish and deliver a programme of targeted and risk based interventions and inspections in food premises, providing advice on legal obligations and taking an escalated approach to enforcement action.
- Improve the proportion of food businesses with Food Hygiene Ratings of 3, 4 or 5.
- Monitor, record and report on the programme of activities to relevant bodies to ensure the Council's obligations are being met, resources are targeted appropriately and steps are taken to make any necessary improvements.
- Investigate the occurrence of food related infectious disease and take the necessary action to prevent the spread or recurrence, working collaboratively with Public Health England and other key partners
- Deliver a programme of targeted proactive sampling of food products.
- Offer a comprehensive advice and support service to business regarding any relevant food legislation and compliance, offering specific support for those wishing to establish a food business within the Borough.
- Investigate complaints about food products or food establishments and take any action that is required on a coordinated local, sub-regional, regional or national basis.
- Work collaboratively across Lancashire with other Environmental Health and Trading Standards professionals to ensure consistency, improvement and the delivery of an effective high quality service
- Advise, provide support and enforce Health and Safety standards within food businesses
- Work in collaboration with partners in addressing key health inequalities in the Borough.
- Proactively obtain feedback from food businesses regarding the service to ensure continuous improvement in service delivery
- Support the on-going professional development of officers to deliver high quality services that meet the needs of the public and the requirements of the Gold Standard Investors in People status of the Council.
- Implement the Council's appraisal system for training needs and performance based on the principles of Continuing Professional Development (CPD) and meeting the requirements of the relevant professional bodies including the Chartered Institute of Environmental Health

## **2.4 Links with other Plans:**

Food safety activities support and link to the following key Council and inter-agency plans:

- PHE North West 2017 Outbreak Plan
- Care Home Revised Outbreak Plan 2015
- East Lancashire Equality and Inclusion Strategy 2014 to 2017
- Burnley Council Major Emergency Plan June 2017
- Burnley Multi-Agency Flood Plan 2018
- Lancashire Resilience Forum. (Outlines roles and responsibilities of organisations including District and Unitary Councils)
- Business Continuity Policy April 2016

## **3 FOOD SERVICE**

### **3.1 Food Safety Team**

The Food Safety Team is overseen by the Environmental Health and Licensing Manager and the Principal Officer. Both are qualified Environmental Health Officers (EHO's) and experienced in food safety matters.

The Principal Officer heads a team of 3 (2.1 FTE) with 1 Environmental Health Compliance Officers (0.8 FTE) and 2 Work Place Compliance officers (1.3 FTE). The EHO holds the EHORB Higher Certificate and Higher Certificate in Food Control. Activities are undertaken in line with the professional requirements as outlined in the Code of Practice.

The service is also supplemented through consultants who undertake a range of lower risk inspections (Categories C and D) but no enforcement activity. On occasions, further technical expertise is sought from external professionals to assist with more complex matters.

### **3.2 Food Standards**

The Trading Standards functions within the Borough are carried out by Lancashire County Council. There is a good working relationship between the two services and a good track record of liaison via the Lancashire Food Officers' Group and joint working initiatives.

### **3.3 Scope of the Food Service**

The Service is delivered by the Food Safety Team with additional support as outlined above. The team complies with the Food Standards Agency Codes of Practice and Local Government Regulation guidance for the purposes of food safety including the Regulators' Code. Enforcement action is undertaken in accordance with the Council's Enforcement Policy and follows a graduated approach.

Areas of core service delivery include:

- Developing and delivering a programme of planned food hygiene interventions meeting statutory obligations as set out in the Food Standards Agency Code of Practice. The programme will be focussed on those businesses that are not broadly compliant and with Food Hygiene Ratings of 0, 1 or 2 and those premises that are unrated.

- Implementing alternative approaches such as coaching and mentoring to deal with non-compliance
- Operating the Food Standards Agency Food Hygiene Rating Scheme in accordance with the Brand Standard for all relevant food businesses and taking the necessary steps to publicise the ratings.
- Approving and regulating any food activities and premises requiring approval and subject to Regulation EC No 853/2004
- Consideration of any requests from a business or making approaches to businesses for the purpose of entry into a Primary Authority relationship with them.
- Responding to complaints about food premises and the fitness and wholesomeness of food sold in the Borough
- Planning and implementing an annual food and environment sampling programme for microbiological quality and chemical purposes and participation in the Lancashire Food Officer Group programmes as resources permit.
- Acting on Food Standards Agency alerts and incidents in accordance with recommended action and relevant parts of the Code of Practice
- Preparation of contingency plans to be used in the event of an incident or when the Major Incident Plan is invoked
- Maintaining and recording food establishment registration applications and maintaining the register in accordance with the relevant statutory provisions and Code of Practice.
- Investigating and liaising with Public Health England to deliver infectious disease and outbreak investigation and control.
- Service promotion including press releases and articles, leaflets, talks and presentations to relevant parties, seminars, conferences, displays and exhibitions. This includes national initiatives such as National Food Safety Week.
- Preparation of evidential files and reports to the Council for use in legal action, court proceedings or formal Committee hearings.
- The management of any contractors engaged to undertake duties

### **3.4 Data Profiles**

Since April 2011, the Food Safety & Health & Safety team have adopted the “FLARE” specialist IT software system for managing and reporting on the programme of inspections, complaints, service requests, Infectious Diseases and food sampling. The software is also an effective management tool for producing annual statistical returns for populating the Food Standards Agency database for the National Food Hygiene Rating Scheme. In addition to this statistical sampling returns are made to the FSA via the UKFSS system.

The following Table provides a summary of the last 4 years of Food Businesses and their risk rating profiles. The ratings are defined in the FSA Food Law Code of Practice with A representing the highest risk premises and E the lowest which are subject to a self-assessment and reporting procedure.

**Table1: Number of Food premises by Risk Rating Category**

<b>Risk Rating Category (Inspection Frequency)</b>	<b>No. food premises 2014/15</b>	<b>No. food premises 2015/16</b>	<b>No. of Food premises 2016/2017</b>	<b>No. of Food premises 2017/2018</b>
A (At least every 6 months)	5	7	3	0
B (At least every 12 months)	29	31	30	30
C (At least every 18 months)	123	129	125	116
D (At least every 24 months)	314	321	345	367
E (Alternative strategy for inspection)	357	363	377	380
Unrated			25	20
Outside Programme			11	18
<b>TOTAL</b>	<b>869</b>	<b>851</b>	<b>916</b>	<b>931</b>

**Table 2: Premises Approved Under EC Regulation 853/2004**

The following table highlights those premises which require approval under EC Regulation No. 853/2004 due to the specific nature of their activities.

<b>Approved premises</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/2018</b>
Approved Fish processing premises	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>
Meat and meat products approved premises	<u>4</u>	<u>2</u>	<u>2</u>	<u>2</u>
Milk and milk products approved premises	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
The approved treated stomachs establishments		<u>1</u>	<u>1</u>	<u>1</u>
Stand - alone Cold Store			<u>1</u>	<u>1</u>

**Table 3: Premises Profile**

The following table provides the detail of the types of premises within the Borough.

<b>Description</b>	<b>No of premises 2014/15</b>	<b>No of premises 2015/16</b>	<b>No. of Premises 2016/17</b>	<b>No. of Premises 2017/18</b>
--------------------	---------------------------------------	---------------------------------------	--	--

Primary producers	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Manufacturers/processors	<u>22</u>	<u>23</u>	<u>21</u>	<u>21</u>
Distributors/transporters	<u>11</u>	<u>12</u>	<u>5</u>	<u>9</u>
Retailers	<u>263</u>	<u>271</u>	<u>280</u>	<u>270</u>
Restaurants and other caterers	<u>568</u>	<u>542</u>	<u>605</u>	<u>624</u>
Importers/Exporters			<u>2</u>	<u>4</u>
<b>TOTAL</b>	<b><u>867</u></b>	<b><u>851</u></b>	<b><u>916</u></b>	<b><u>931</u></b>

**Table 4: Service Requests**

The following is a summary of requests for service received by the Food Safety Team since

<b>Request type</b> (includes all requests for service relating to any food business)	<b>Year</b>			
	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
Infectious diseases	144	114	130	99
Food Business Water Disconnections	35	19	5	2
Advice requests	183	244	261	354
Complaints regarding Hygiene at premises	37	59	94	83
Advice on unfit/contaminated food	17	6	12	6
Complaints re unfit/contaminated food	67	55	44	59
Food Hygiene Re-rating advice/visits			28	30
<b>Total</b>	<b>483</b>	<b>499</b>	<b>574</b>	<b>633</b>

**Table 6: Levels Of Compliance In Food Businesses**

The following table indicates the number of broadly compliant premises across the Borough which is a key performance measure used within the service

Year	Total number premises	Total No broadly compliant	Target %	Actual %
2013/14	830	750	100	90
2014/15	867	794	100	92
2015/16	899	848	100	93
2016/17	893	872	100	98*

**\*This excludes the number of unrated businesses and premises outside the programme (38)**

### 3.5 Local Challenges

The service faces the following challenges:

- A high number of takeaways/restaurants and temporary food stall undertake their food preparation out of traditional office hours.
- A high turnover of businesses where the food business operator can change and a new business requires a new inspection and a new rating.
- Understanding the cultural issues and needs of the ethnic minorities who operate food businesses in the borough and whose first language may not be English
- Reducing staff resources and uncertainties regarding the future model for delivery and the potential impact on the service.
- Economic downturn and local economic deprivation is reflected in the reluctance of some smaller local food businesses to invest in repairs and refurbishment of their premises.

### 3.6 Access to the Service

The Service is delivered from the Council offices at Parker Lane, Burnley. The Public can access the service via telephone, e-mail or in person by visiting the Contact centre on Parker Lane in Burnley. Normal business hours are 9 am to 5pm Monday to Friday.

Out of hours work is also undertaken from time to time as the need arises.

In addition, a 365-day/24 hour telephone contact service is available for appropriate emergencies.

The authority has actively participated in Inter-Authority Auditing (IAA) through a programme of audit agreed through the Lancashire Food Safety Group.

### 3.7 Enforcement Policy

The Food Safety service operates in accordance with the Regulators Code, the Code for Crown Prosecutions and the Human Rights Act.



Copies of the Compliance and Enforcement Policy for the Food Safety Team are shortly to be available on-line at [www.burnley.gov.uk](http://www.burnley.gov.uk) or on request from The Council's Food Safety Team.

#### **4. SERVICE DELIVERY**

The aim of the Food Safety Team is to ensure the protection and good health of consumers in the Borough by enforcing relevant statute, Regulations, educating and promoting high standards of quality and safety within the food manufacturing, catering and retail establishments of the Borough.

Delivery of the Food Hygiene Control Service is carried out in accordance with national procedures, Good Practice and guidance including:

- Food Law Code of Practice
- Food Law Practice Guidance
- Food Standards Agency Guidance
- The Brand Standard for FHRs
- Burnley BC Compliance and Enforcement Policy
- The Regulators' Code

##### **4.1 Food Premises Interventions**

The term "Intervention" refers to any reactive or planned visit to a food business in the course of delivering the Food Safety service. The Food Safety Team will undertake a programme of comprehensive and targeted interventions at food premises to ensure compliance with relevant legislation and the promotion of best practice. The frequency of inspections is determined by risk assessment for each type of food business and each Food business will be allocated a risk category ranging from A to E where "A" is considered to be highest risk.

##### **4.2 Food Related Complaints**

The Food Safety Team will consider, and where appropriate investigate food complaints or requests for service in accordance with internal procedures and relevant Codes of Practice.

Where necessary, samples will be submitted for analysis. Where appropriate intelligence will be gathered from complaint investigations and used to inform sampling programmes or project based work.

##### **4.3 Primary Authority Scheme**

There are currently no primary Authority Agreements with food businesses based in Burnley.

The new Primary Authority scheme was launched by the Local Better Regulation Office (LBRO) on 6 April 2009. The Primary Authority scheme is now regulated by the Regulatory Delivery Division of The Department for Business, Energy and Industrial Strategy (BEIS) The scheme covers trading standards, environmental health and licensing functions and for the first time businesses will be able to form a statutory partnership with a single local authority, which will provide robust and reliable advice that other councils must take into account when carrying out inspections or dealing with non-compliance.

The scheme builds on the foundation created by voluntary home and lead authority initiatives and looks to further develop consistent and proportionate enforcement across the country. It will affect how the Service carries out inspections and takes enforcement action at those businesses subject to a primary authority agreement.

#### **4.4 Advice to Businesses**

The Food Safety Team provides an advice service, which, encourages, advises and assists businesses to comply with Food safety legislation.

If a business requires bespoke advice which can only be delivered at the premises there is a charge per hour for this advice.

#### **4.5 Food Sampling and Inspection**

The Food Safety Team carries out programmed, reactive and project based sampling of food, drink and the food environment in a manner specified by relevant legislation, Codes of Practice and other guidance sources. The sampling is carried out in liaison and co-ordination with other Lancashire Environmental Health Services and Public Health England in accordance with an agreed sampling programme.

A documented sampling programme for each year will be followed, as agreed with partner agencies and taking into account local needs and priorities, subject to available resources and using a risk based approach

Examples of food sampled/swabs examined as part of the programme included the following foods:-

- Samosas
- Pre-Packed sandwiches
- Milk
- Ready to eat cooked meats
- Pies
- Cooked chicken pieces
- Swabs of food contact surfaces .These revealed high levels of bacteria on food contact surfaces in one of our approved premises. Advice was given on use of dish cloths/use of cleaning materials and better separation of RTE and raw foods.

#### **4.6 Control and Investigation of Outbreaks of Food Related Infectious Disease**

This Food Safety Team is responsible for investigating the notification of infectious diseases or suspected infectious diseases. The objective is to minimise the risk of spread of the disease and where possible, identify the source. Notifications may arise as formal notifications from G.P.'s or through informal routes such as laboratory notifications, self -notifications etc. Investigations are carried out by either the Council or Public Health England depending on the nature of the specific disease notification. The Council has a Joint Major Outbreak Plan for Managing an Outbreak of Food Poisoning or Communicable Disease in the Community developed in conjunction with partner agencies. Managing the investigation into major outbreaks can be very resource intensive and include the issuing of sample pots, visiting affected premises, and interviewing patients.

#### 4.7 Food Safety Alerts and Incidents

This Food Safety Team responds to food safety alerts and incidents in accordance with FSA Code of Practice and good practice to ensure that public health is safeguarded. Alerts are received directly from the FSA using their automated notification system and acted upon accordingly.

#### 4.8 Liaison with Other Organisations

The Food Safety Team works with other enforcement agencies, partners and other stakeholders for the purpose of developing consistency of enforcement, openness and transparency. The following table details the regular, ongoing liaison with external partners:

Partner Organisation type	Brief description
Other Local Authorities/Scientific support	<p>Lancashire Food Liaison Group – Enforcement issues, sampling, policies, best practice, training, inter-authority audits etc.</p> <p>Public Health England – Food Sampling and examination, Communicable Disease control.</p> <p>Public Analyst – Chemical analysis etc.</p> <p>East Lancashire Environmental Health Services – Joint working, resource sharing etc.</p> <p><u>Environmental Health Lancashire</u></p> <p>Lancs County Council Trading Standards – Food liaison, Recipe4Health award scheme.</p>
Local professionals	East Lancs Primary care Trust – working together on health promotion, infectious disease control, health inequalities etc.
Professional bodies and Agencies	<p>CIEH- professional practice, consultation, training.</p> <p>FSA – statutory plans, guidance, training, annual returns, consistency of enforcement, best practice, training.</p>
Local / regional liaison group	East Lancs Environmental Health Health Protection Team and Microbiology EHO Forum Group

Within Burnley Borough Council, the Food Safety Team currently links with all services. Liaison is particularly strong for food safety issues with:

- Development control – for planning and building control applications
- Legal and Corporate Services – for litigation purposes
- Licensing
- Environmental Protection & Safety Team
- Market Hall Management
- Street Scene
- Building Control

#### **4.9 Consumer Education and Health Promotion.**

Health promotion remains an important element to the on-going commitment to improving public health and tackling health inequalities. Although this element of the service is non-statutory, Burnley remains committed to supporting local Health promotion activity where resources permit.

We will continue to support local initiatives and local campaigns, working closely with other local or National partners to maximise the Impact and resources.

## **5. RESOURCES**

### **5.1 Staffing**

The Food Safety Team has an establishment of:

	Officer	FTE - Management	FTE- Operational
Management	Environmental Health and Licensing Manager	0.15	0
Delivery	Team Manager	0.2	0.8
	Env Health Compliance Officers	0	0.8
	Workplace Compliance Officer	0	1.3
Support	Admin	0.25	0.7

NB This core is supplemented by the use of consultants to undertake some lower risk inspection work.

All Food enforcement staff involved in service delivery meet the Qualifications, Experience and Training and Competence criteria contained within the Food Law Code of Practice. Each Officer has been individually authorised in accordance with their qualification and experience as described in this Code.

### **5.2 Staff Development**

The Council has successfully obtained Investors in People award and is committed to retaining this. As part of this process all staff undergo an annual Performance and Development review which includes training needs. These individually identified training and development needs are carried forward after consideration by Managers. The Food Safety Team operates a documented procedure for the recording of qualifications, training and competencies.

Officers in the Food Safety Team have undertaken Lead Auditor training to assist in the operation of Inter-Authority Auditing with other Lancashire Councils.

The Council supports personal development by offering opportunities to attend internal courses and supporting attendance at external courses. In addition, the Authority offers internal training courses on a range of subjects, primarily concerned with personal development issues.

Previous training courses have included:-

1. Best Practice Day
2. Legal training
3. Outbreak Training
4. Sampling training
5. Consistency Training/FHRS Consistency Exercise

### **5.3 Local Initiatives, Joint Working and External Grant Funding**

The Food safety Team has an excellent track record of joint working on local initiatives and success in securing external grant funding. Examples include:-

- Food Safety mentoring for local Businesses
- Implementing the National Food Safety Rating Scheme
- Joint initiatives with Trading Standards
- Business Events targeting the lower rated premises to improve compliance and allergen management
- Joint initiative with Public Health England Re: Infectious Disease Studies

## **6. SERVICE QUALITY AND DEVELOPMENT**

### **6.1 Quality Assessment**

The quality of the Food Law Enforcement Service in Burnley is monitored in various ways and was audited by the Food Standards Agency in November 2009 as part of its national review of IAA's.

### **6.2 Regional Peer Group Auditing**

The Service is audited annually by peers from other Lancashire councils as part of the Inter-Authority Audit (IAA) scheme.

### **6.3 National Auditing**

- The Food Service makes returns to the FSA on an annual basis.

### **6.4 Commitment to Service Improvement**

We regularly review existing policies and procedures to ensure our policies and procedures reflect local circumstances, good practice and National policy. Examples of National reports and papers influencing local procedures and priorities includes:-

- Findings from Inter-Authority Audits
- Findings from FSA audits/FSA Consistency exercises

- Review of the Service against the FSA Framework Agreement on Local Authority Food Law Enforcement
- The national Food Standard Agency guidance on the National Food Hygiene Rating Scheme The “Brand Standard”

## Regulating our Future

**The Food Standards Agency (FSA)** want to improve the way we deliver regulatory controls for food and create a modern, risk-based, proportionate, robust and resilient system.

The existing ‘one size fits all’ approach to regulating food businesses is ill-suited to the incredibly diverse nature of the industry. In recent years, we have witnessed large numbers of new players enter the global food and food safety landscape; for example, online retailers, food delivery services, private auditors, independent food safety certification schemes.

For the UK to continue to be a strong, credible player in the global food economy, the regulatory regime needs to keep pace with rapid changes in that economy. Leaving the EU will change patterns of food production, trade and consumption, emphasising the need for a flexible and responsive regulatory system

## FSA Principles

- FSA and regulatory partners’ decisions should be tailored, proportionate and based on a clear picture of UK food businesses.
- The regulator should take into account all available sources of information.
- Businesses doing the right thing for consumers should be recognised; action will be taken against those that do not.
- **Businesses should meet the costs of regulation, which should be no more than they need to be.**

The FSA intend to better recognise those businesses that can demonstrate sustained compliance, reducing the regulatory burden on them by ensuring that intervention is proportionate.

## The Food Hygiene Rating Scheme

- **Strengthening the robustness and resilience of the Food Hygiene Rating Scheme is a key goal, including ensuring that it is sustainable and that there is mandatory display legislation in England.**
- The scheme helps you choose where to eat out or shop for food by giving you information about the hygiene standards in restaurants, pubs, cafés, takeaways, hotels and other places you eat, as well as supermarkets and other food shops.
- It’s not easy to judge hygiene standards on appearance alone, so the rating gives you an idea of what’s going on in the kitchen, or behind closed doors. You can check the ratings and use the information to switch to or choose a place with higher standards. It’s also good to share this information with friends and family.

- The scheme also encourages businesses to improve hygiene standards.
- The food hygiene rating reflects the hygiene standards found at the time the business is inspected by a food safety officer. These officers are specially trained to assess food hygiene standards.
- A business can be given one of these ratings.



- The rating given shows how well the business is doing overall but also takes account of the element or elements most in need of improving and also the level of risk to people’s health that these issues pose.
- This is because some businesses will do well in some areas and less well in others but each of the three elements checked is essential for making sure that food hygiene standards meet requirements and the food served or sold to you is safe to eat.
- To get the top rating of ‘5’, businesses must do well in all three elements.
- Current % of rated food businesses with a FHR of 3,4 or 5 in Burnley is **97%**
- Since April 2017 we have maintained a % of rated food businesses with a 3,4 or 5 at between **97% to 98%**

Rating	0	1	2	3	4	5
No. of businesses	2	7	12	68	195	481
% of businesses at this rating	0%	1%	2%	9%	25%	63%

- **Figures reported on Wednesday 17<sup>th</sup> January 2018**

### **Commercialisation/commercial opportunities – changing the way we operate**

In line with many other local authorities the food safety service is looking to become more commercial in the way it operates.

Recent commercial developments which are of benefit to both our local businesses, members of the public and the council include:

- A service that allows businesses to request a re-rating visit under the Food Hygiene Rating scheme. The business pays for the visit, which is based on a

cost recovery fee, which benefits the business in terms of improving compliance and enhancing their customer image to boost trade.

- Introduction of a bespoke advisory service, again based on cost recovery that allows businesses to request an advisory visit from us to discuss the operation of their business and go through the 3 areas that the FHRS is based on, hygiene, structure and management.
- Assisting other local authorities in improving compliance in their boroughs by implementing the 'Boost' project, pioneered within the borough to target lower rated businesses and mentor them through educating them at workshops and mentoring them in the management of their food business.

## **7. SERVICE REVIEW**

### **7.1 Quality Review and Continuous Improvement**

Service delivery will be regularly reviewed in line with this plan, and giving due consideration of National regulations, good practice and local priorities.



**Health and Safety Intervention Plan (reviewed 2017/2018)**

**REPORT TO SCRUTINY COMMITTEE**



<b>DATE</b>	<b>8<sup>th</sup> February 2018</b>
<b>PORTFOLIO</b>	<b>Resources</b>
<b>REPORT AUTHOR</b>	<b>Jill Wolfendale</b>
<b>TEL NO</b>	<b>01143999065</b>
<b>EMAIL</b>	<b>jwolfendale@burnley.gov.uk</b>

**PURPOSE**

1. The regulatory team responsible for Health & Safety at Work enforcement must have in place an intervention plan to meet the requirements of statutory guidance. This report formally consults the Committee on the plans prior to their approval at Full Council.

**RECOMMENDATION**

2. Scrutiny Committee recommends to Full Council to approve the Health and Safety Intervention Plan (reviewed 2017/2018), detailed in Appendix 1 to this report.

**REASONS FOR RECOMMENDATION**

3. Section 18 of the Health & Safety at Work Act 1974 and the subsequent National Local Authority Enforcement Code for Health and Safety (The Code) provide frameworks within which the Environmental Health & Licensing Team must operate when carrying out its public protection duties within workplaces. The frameworks require the Council to have plans in place to control these activities, and mechanisms for review. The intervention plan appended to this report has been prepared to satisfy the statutory requirements.

**SUMMARY OF KEY POINTS**

4. The Health & Safety Intervention Plan has been produced to outline the health and safety regulation duties undertaken by Burnley Borough Council's health and safety team. The regulation of health and safety is split between local authority (LA) regulators and the Health and Safety Executive (HSE), the businesses we regulate as the LA are mostly in the service sector and include offices, shops, restaurants, care homes, hotels, tyre and exhaust fitters and warehouses. The HSE regulate health & safety in factories, hospitals, council run premises, schools, colleges, construction and agricultural premises.
5. The approach to health and safety regulation changed significantly in 2013, following the recommendations in "Reclaiming health & safety for all: an independent review of health & safety legislation" by Professor Ragnar Löfstedt in 2011 and as an outcome of the Red Tape Challenge on health and safety. The changes resulted in the National Local Authority Enforcement Code for Health and Safety, which is designed to ensure that LA

health and safety regulators take a more consistent and proportionate approach to their regulatory interventions. It sets out the Government expectations of a risk based approach to targeting. Whilst the primary responsibility for managing health and safety risks lies with the businesses who create the risk, LA health and safety regulators have an important role in ensuring the effective and proportionate management of risks, supporting business, protecting their communities and contributing to the wider public health agenda.

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

6. Health and Safety regulation is a core statutory service delivered by the Environmental Health & Licensing Team, under contract to Liberata UK Ltd.

## **POLICY IMPLICATIONS**

7. As national regulators the Health & Safety Commission set and monitor national standards. The framework for local plans is prescribed to ensure “official controls” are consistently delivered across the country. Through audit, they monitor local authorities to ensure that local controls are effective, and they have intervention powers where delivery fails to meet the required standard.

## **DETAILS OF CONSULTATION**

8. Scrutiny and Executive will be consulted prior to Full Council decision

## **BACKGROUND PAPERS**

9. [National Local Authority Enforcement Code for Health and Safety](#)
10. <http://www.hse.gov.uk/lau/lacs/67-2-priorities-targeting-interventions.pdf>
11. [The Regulators Code - BRDO](#)

## **FURTHER INFORMATION**

**PLEASE CONTACT: Jill Wolfendale**

**ALSO: Karen Davies**



**Burnley**  
.gov.uk

Environmental Health & Licensing Section

# Health and Safety Intervention Plan

**2017/2018**

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## Introduction

The Health & Safety Intervention Plan has been produced to outline the health and safety regulation duties undertaken by Burnley Borough Council's health and safety team. Health and safety regulation is split between local authority (LA) regulators and the Health and Safety Executive (HSE), the businesses we regulate as the LA are mostly in the service sector and include offices, shops, restaurants, care homes, hotels, tyre and exhaust fitters and warehouses. The HSE regulate health & safety in factories, hospitals, council run premises, schools, colleges, construction and agricultural premises.

The approach to health and safety regulation changed significantly in 2013, following the recommendations in "Reclaiming health & safety for all: an independent review of health & safety legislation" by Professor Ragnar Löfstedt in 2011 and as an outcome of the Red Tape Challenge on health and safety. The changes resulted in the [National Local Authority Enforcement Code for Health and Safety Enforcement](#), which is designed to ensure that LA health and safety regulators take a more consistent and proportionate approach to their regulatory interventions. It sets out the Government expectations of a risk based approach to targeting. Whilst the primary responsibility for managing health and safety risks lies with the businesses who create the risk, LA health and safety regulators have an important role in ensuring the effective and proportionate management of risks, supporting business, protecting their communities and contributing to the wider public health agenda.

This Code sets out what is meant by 'adequate arrangements for enforcement' and replaces the existing S18 Standard, it concentrates on the following four objectives:

- a) Clarifying the roles and responsibilities of business, regulators and professional bodies to ensure a shared understanding on the management of risk;
- b) Outlining the risk-based regulatory approach that LAs should adopt with reference to the Regulator's Compliance Code, HSE's Enforcement Policy Statement and the need to target relevant and effective interventions that focus on influencing behaviours and improving the management of risk;
- c) Setting out the need for the training and competence of LA H&S regulators linked to the authorisation and use of HSWA powers; and
- d) Explaining the arrangements for collection and publication of LA data and peer review to give an assurance on meeting the requirements of the Code.

## Our commitment to Improving Health and Safety Outcomes

### **Burnley Council's vision 10 year vision for the Borough** (*Burnley Council's Strategic Plan 2017/18-2019/20*)

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

Our values:

**One Burnley –Leading the Way**  
**One Council –Working Together**  
**One Team –Ambitious for Burnley**

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

## Service Aims and Objectives

To this end Environment Health and Licensing Service's overall aim is to:

***“Ensure that Burnley is a safe and healthy place of choice to live work and enjoy leisure time. We act on the front line directly providing services that affect people's daily lives. We provide protection to users of taxis, customers of food businesses, employees in offices, shops and warehouses and help to those suffering the effects of noise nuisance. We police premises which pollute the atmosphere and monitor a whole range of activities that make the Borough a healthier place to be”***

This intervention plan details how the Health and Safety Team intend to meet these objectives.

The aim of the health and safety service is to *protect the health, safety and welfare of employees in the borough and to safeguard others, principally the public, who may be exposed to risks from work activity.*

Page 63  
The Health and Safety service is a core Statutory function, within the Environmental Health & Licensing service, as such the aim is to set priorities within our health & safety intervention programme that contribute to the health, safety and welfare of those exposed to work activities, The intervention plan aims to meet all of the requirements of the mandatory guidance issued under Section 18 of the Health and safety At Work etc Act 1974 that requires each local authority to make adequate arrangements for the enforcement of health and safety legislation.

Officers working for Burnley Borough Council delivering the health and safety service were seconded to the strategic partner, Liberata from January 2016. The Council will work with Liberata to deliver the Council's health and safety service from January 2016. A detailed contract for delivery has been developed to ensure an effective contractual relationship, continuity of service delivery, risk management and the maintenance of high quality services

Progress on all key areas of service unit activity will be fed into a balanced scorecard and reported to Members throughout the year. The key performance indicator relating to environmental health compliance services for 2017/18 is;

**EHLPI 1: % of Programmed EH&L compliance inspections and interventions delivered in line with statutory targets.**

The specific Key Performance Indicators measured for health and safety regulation are;

- Number of inspections of higher risk activities due on workplan undertaken (identified within HSE national code)
- Due Cat A (as per s18 risk rating) rated Inspections undertaken
- Non-inspection 'face to face' intervention due on workplan undertaken
- Non-inspection 'other contact' intervention due on workplan undertaken (information distributed, including information sent with food S/A)



## Delivery of Priorities

Our delivery priorities will be achieved by;

- **A proactive intervention programme which prioritises high risk or poor performing businesses over low risk businesses**
- **Investigating workplace accidents in line with the service's accident investigation policy**
- **Responding to service requests in line with the service's expected standards**
- **Delivery of identified local priorities and HSE national priorities where appropriate**
- **Delivery and participation in interventions that aim to reduce health inequalities as they relate to delivery in the workplace**
- **Partnership working – work with other Council Departments, Environmental Health Lancashire, Environment Agency, Police, fire Officers, HMRC, joint work with Health and Safety Executive, and with Public Health England and other organisations to meet local and national targets or initiatives**
- **Ensure enforcement decisions are consistent with our Enforcement Policy, the HSC's Enforcement Policy Statement and the Enforcement Management Model. (ensures proportionate, consistent, transparent and accountable enforcement - part of the Better Regulation agenda)**
- **Train and develop our staff to ensure competence. (encourages staff retention/recruitment and ensures credibility with local business)**

## Profile of the Local Authority

Burnley has a population of around 87,000 and an area of 42.7 square miles. It is 21 miles north of Manchester and 20 miles east of Preston, at the confluence of the River Calder and River Brun, with the Leeds-Liverpool canal running through the Borough. Neighbouring local authorities are Lancashire's Hyndburn, Ribble Valley, Pendle, Rossendale; and Calderdale in West Yorkshire.

During the Industrial Revolution Burnley became one of Lancashire's most prominent mill towns; at its peak it was one of the world's largest producers of cotton cloth. Burnley has strong economic links with the cities of Manchester and Leeds, as well as neighbouring towns along the M65 corridor. This is helped by excellent road and rail links including the recent reopening of the direct train line to Manchester.

In 2013, in recognition of its success, Burnley received an Enterprising Britain award from the UK Government, for being the "Most Enterprising Area in the UK".

Burnley Council is divided into 15 wards served by 45 councillors. The Council is based on a Cabinet structure with 5 Portfolios, a Leader and 5 Executive Members; there are 4 committees including 1 scrutiny committee.

## Organisational Structure

Health and Safety Law Enforcement responsibilities are mainly discharged by the health and safety team with a range of support functions provided by a small compliment of support staff, who also provide support for officers throughout the Environmental Health & Licensing service unit. The unit covers a number of functions which include; health and safety regulation, food safety regulation, licensing, and environmental protection. Officers in the Food Safety team also undertake some health and safety work, particularly in regard to 'Matters of Evident Concern' observed during food safety inspections. FTE refers to number of full time equivalents working on Health and Safety.

January 2017	Chief Executive Head of Governance Law & Regulation Environmental Health and Licensing Team Manager – (0.75 FTE)			
	<b>FOOD SAFETY TEAM</b>	<b>LICENSING TEAM</b>	<b>SAFETY &amp; ENVIRONMENT TEAM</b>	<b>SUPPORT</b>
	Principal EHO (Food)	Principal Licensing Officer (0.6 FTE)	Principal EHO (Safety & Environment) 0.8 FTE	Support Supervisor
	EH(Compliance) Officer 0.8 FTE	Licensing & Compliance Officer (0.6 FTE)	EH (Compliance) Officer X2	Support Officer
	Workplace Compliance Officer (1 FTE)	Workplace Compliance Officer	Workplace Compliance Officer (1 FTE)	

## Scope of the Health and Safety Service

The Health and Safety Team is responsible for providing the following services;

- The programmed and reactive inspection of business premises.
- Advice to new and existing business premises
- Other visits including advice and complaints investigation.
- The investigation of reported accidents
- Licensing of skin piercing premises
- Maintain a register of cooling towers
- Enforcement action in accordance with the Enforcement Policy.
- Workplace health promotional activities.
- Enforcement of Smokefree Legislation
- Advice in relation to events through Events Safety Group

## Service Delivery

### [LAC 67/2 \(Rev. 6\) – Targeting Local Authority Interventions.](#)

<http://www.hse.gov.uk/lau/lacs/67-2-priorities-targeting-interventions.pdf>

This Local Authority Circular which was revised in 2017, provides LAs with guidance and tools for setting their health and safety priorities and targeting their interventions to enable them to meet the requirements of the Code. The LAC states that;

*In delivering their priorities LAs should ensure their planned regulatory activity is focussed on outcomes. The Code provides flexibility for LAs to address local priorities alongside the national priorities set by HSE.*

*LAs should construct their work plan to deliver specific outcomes. The plan is likely to consist of work to deliver those national priorities set by HSE, work to deliver local priorities and be accompanied by an inspection programme that meets the requirements of the Code.*

#### 66 National Priorities

*In May 2017, HSE launched the new Sector Strategies and Sector Action Plans which cover the period 2017-2022. The national priorities in Annex A are drawn from these sector plans, and although the Sector Strategies cover a 5 year period, HSE will continue to review the national priorities in Annex A on an annual basis which will allow flexibility to include new priorities which may result from new intelligence or in response to learning from major incidents.*

#### Local priorities

*LAs also have access to a wealth of local information (see Annex B - Information sources to assist development of LA intervention plans). This local intelligence should be used by LAs to determine their specific local priorities and poor performers, by identifying the key risks of serious workplace accidents, injuries and ill-health in their community.*

*Matters of Evident Concern (MECs) are defined as those that create a risk of serious personal injury or ill-health and which are observed (i.e. self-evident) or brought to the inspector's attention. Matters of Potential Major Concern (MPMCs) are those which have a realistic potential to cause either multiple fatalities or multiple cases of acute or chronic ill-health.*

*LAs should monitor MECs or MPMC's dealt with during advisory or other regulatory visits as well as complaints and incidents to identify any matters that may present a potential significant local issue.*

*Where LAs, individually, or through their Liaison groups, become aware of an issue that may be novel or an emerging problem that could have national significance they should alert HSE (via HELEX or [lau.enquiries@hse.gov.uk](mailto:lau.enquiries@hse.gov.uk)). This will allow the issue to be considered further and a decision taken as to need for some form of national intervention e.g. new guidance; issuing a safety bulletin/alert; centralised intervention, national campaign etc..*

## Service delivery Interventions 2016/2017

Intervention Type	Number of interventions/ visits	
	Targeted Using National Intelligence	Targeted using Local intelligence
Proactive Inspection	1	3
Other Visits/face to face contacts	0	0
Other Contact/ Interventions	17	524
Visit to investigate health & safety related incidents	3	
Visits to investigate H&S complaints	21	
Visits following requests for H&S service from businesses	20	
Revisits following earlier intervention	4	

## Service Delivery

### Enforcement

All enforcement action will be taken by authorised and competent officers and in accordance with the Health and Safety Enforcement Policy. The following actions may be taken following an inspection or investigation;

Enforcement Action	Description	Number issued 2016/17
Improvement Notice	Legal Notice requiring works to be completed within a minimum of 21 days	4
Prohibition Notice	Legal Notice prohibiting an activity being carried out where there is a serious risk of injury	2
Deferred Prohibition Notice	As above but with a time delay allowing certain actions to be taken before the Notice comes into force	0
Simple Caution	May be offered in certain circumstances instead of prosecution	1
Prosecution	Where the health and safety offences are dealt with at Court	0

<b>Liaison with Other Organisations</b>	<p>Formal and informal relationships exist with the following organisations;</p> <ul style="list-style-type: none"> <li>• Health and Safety Executive (HSE)</li> <li>• Environmental Health Lancashire Health and Safety Officers Group</li> <li>• Environmental Health Lancashire Chief Environmental Health Officers</li> <li>• Public Health England</li> <li>• Ofsted</li> <li>• Lancashire County Council - Safeguarding</li> <li>• Lancashire Fire Service</li> <li>• Lancashire Police Service</li> <li>• Burnley Council Regeneration &amp; Planning Policy</li> <li>• Better Regulation Delivery Office (BRDO)</li> <li>• United Utilities</li> <li>• HMRC</li> <li>• GENGA Partner organisations</li> </ul>				
<b>Staff Allocation</b>	<p>Staff resources devoted to health and safety enforcement work as at March 2017</p> <table border="1" data-bbox="577 884 1218 1075"> <tr> <td><b>No of HSWA Warranted Officers</b></td> </tr> <tr> <td>8</td> </tr> <tr> <td><b>Full Time Equivalent of warranted officers time spent on HSWA activity</b></td> </tr> <tr> <td>1.7</td> </tr> </table>	<b>No of HSWA Warranted Officers</b>	8	<b>Full Time Equivalent of warranted officers time spent on HSWA activity</b>	1.7
<b>No of HSWA Warranted Officers</b>					
8					
<b>Full Time Equivalent of warranted officers time spent on HSWA activity</b>					
1.7					



<b>Staff Development and Competency</b>	<p>The service is committed to the continuing development of individual members of the team. The Council operate under the Investors in People Standards. Staff competency and training needs are assessed as part of the Corporate Performance and Development Reviews which are annually – any training or development needs that are identified at the review are fed into an annual training plan which links to the budget planning process.</p> <p>In line with revised Section 18 Standard our procedures will be reviewed to include the use of the HSE’s Regulators Development Needs Assessment Tool (RDNA)</p>
<b>The Regulators Code</b>	<p><a href="#">The Regulators’ Code</a> came into statutory effect on 6 April 2014 under the Legislative and Regulatory Reform Act 2006, replacing the Regulators’ Compliance Code. It provides a clear, flexible and principles-based framework for how regulators should engage with those they regulate.</p> <p>Nearly all non-economic regulators, including local authorities and fire and rescue authorities, must have regard to it when developing policies and procedures that guide their regulatory activities.</p> <p>We are currently reviewing all our policies to ensure they comply with the Regulators Code</p>

Table 1

## Health and Safety Workplan What we did last year 2016/17

	<b>Interventions</b>	<b>Outcomes</b>
<p><b>Accident Investigations</b></p>	<p>We investigated 2 major accidents in 2016 and 2017 and several less serious accident. The serious cases investigated were;</p> <p><b>Case one</b> This involved a life changing injury sustained to a child following a firework display at a social club in November 2016. The Police were called to the initial accident and who then handed the case to environmental health for investigation under the Health and Safety at Work etc. Act. Officers carried out a thorough investigation and interviewed witnesses and carried out interviews under Caution to try and establish any breaches of the Act.</p> <p><b>Case two</b> This involved a near fatal injury to a member of the public who fell from an external fire escape at a nightclub. Again the police handed over the case to environmental health following their initial investigation. A Prohibition Notice was served on the use of the fire escape other than in emergencies. Officers investigated the accident and gathered evidence for prosecution.</p>	<p>Once the investigation was completed and all evidence was gathered the case was considered for prosecution. The decision was made to offer a simple caution to the offenders in this case. The caution was accepted and issued.</p> <p>Legal advice was sought as to the potential for successful prosecution. The legal adviser felt that although there were clear health and safety breaches and these could be proved the case did not pass other evidential tests for a successful prosecution.</p>

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<b>Health and Safety inspections</b>	<p>One of the National Priorities identified for proactive inspection is warehouse safety. In particular work at height &amp; workplace transport. Inspections have been carried out at several large warehouses in the borough. In addition all warehouses have been sent a self-assessment questionnaire.</p>	<p>A health and safety questionnaires were sent to all known warehouse distribution businesses in the borough. The response was really good with over half of the questionnaires returned. The majority of those who returned the questionnaires indicated that they considered they maintained high health and safety standards. Inspections were carried out at a number of warehouse premises. Overall standards were good, letters were sent and revisits made where improvements were needed. This project will carry over to next year, as we carry out inspections of more of the warehouses in the Borough.</p>
<b>Complaints/ Requests for Service</b>	<p>The health and safety team received <b>147</b> complaints and requests for service last year. Joint working re local premises police, fire &amp; housing – GENGA and operation defuse Work with Electricity Northwest (ENW)on electricity abstraction</p>	<p>The service received complaints and requests for service on a wide variety subjects including skin piercing, temperature of workplaces, complaints for employees about safety, consultations on temporary events. In 2016/17 we undertook some joint work with Electricity Northwest on electricity abstraction. We were notified by ENW on a number of occasions about possible unsafe electrical connections in commercial premises whose supply had been cut off due to non-payment of bills. On visiting these premises we found unsafe cables being connected to adjoining buildings, diesel generators being operated inside building present high risk of carbon monoxide poisoning. Prohibition Notices and Improvement Notices were served where necessary to ensure these properties were made safe. We worked closely with housing and the fire officers over the year in relation to a local hotel with which we had a number of health and safety concerns, health and safety improvement notices were served to ensure essential works were undertaken to safeguard those working and staying at the hotel. In 2016/17 we also joined the GENGA network of organisations which was set up to ensure that various regulators and enforcement agencies are able to share information on serious crime.</p>
<b>Other</b>	<p>Gas Safety in Nurseries Tattoo Hygiene Rating Scheme</p>	<p>In 2016/17 we initiated a local project in relation gas safety in Children’s nurseries. An information pack was sent out to all the nurseries in the Borough highlighting the importance of</p>

		<p>maintaining gas appliances. Businesses were asked to return a questionnaire and a copy of their most recent gas safety certificate. Overall we had a good response from businesses with a number of them returning recent gas certificates. However a number were unsure about what checks had been made, or who would be responsible for carrying out the checks the occupier or the landlord. Follow up work to this project will be carried out next year.</p> <p>In 2016/17 we worked with Blackburn with Darwen, Rossendale BC, Blackpool and Lancaster Environmental Health departments to launch a Lancashire Tattoo Hygiene Rating Scheme. It is intended that the rating will be based on the Chartered Institute of Environmental Health Scheme, which is already established in a number of Authorities. To date we are still in the process of refining the scheme to make it more user friendly before fully launching the scheme, however we have a number of tattooists who have shown an interest in joining the scheme.</p>
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## Health and Safety Workplan What we are doing next year 2017/18

<b>Interventions</b>	<b>Outcomes</b>
Accident investigations	Continue to investigate any accident that indicative or poor health and safety management or fit criteria outlined in the Councils Accident Investigation Policy
Complaints and requests for service	Continue to respond to all complaints and request for service within the service target response times
Inspections	Proactive inspections will be carried out in line with the National Code and LAC 67/2 (Rev 6). Protective inspections of warehouse premises in relation to workplace transport and falls from height will continue this year.
Other; Gas safety in Children's Nurseries Tattoo Hygiene Rating Scheme	<p>We Will follow up the gas safety in Nurseries to ensure all businesses are fully aware of their duties in relation to maintaining all gas appliances and they are being properly maintained.</p> <p>We will review the Tattoo Hygiene Scheme rating guidance and ensure it is simplified and fit for purpose. Businesses will be contacted to gauge interest in the scheme before it is launched.</p>

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## REPORT TO EXECUTIVE



<b>DATE</b>	<b>12 February 2018</b>
<b>PORTFOLIO</b>	<b>Resources and Performance Management</b>
<b>REPORT AUTHOR</b>	<b>David Donlan</b>
<b>TEL NO</b>	<b>(01282) 477172</b>
<b>EMAIL</b>	<b>ddonlan@burnley.gov.uk</b>

## Revenue Budget Monitoring 2017/2018

### PURPOSE

1. To report the forecast outturn position for the year as at 31 March 2018 based upon actual spending and income to **31 December 2017**.

### RECOMMENDATION

2. The Executive is asked to:
  - a. Note the projected revenue budget forecast underspend of £98k (see the overview table in paragraph 6).

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

  - b. The latest revised budget of £14.596m as shown in Appendix 1.
  - c. The net transfers to earmarked reserves of £427k as shown in Appendix 4.
  - d. The carry forward of forecast unspent budgets as requested by Heads of Service in Appendix 5. These amounts totalling £216k to be transferred into the transformation reserve and transferred back out to create additional revenue budgets in 2018/19 or when required.

### REASONS FOR RECOMMENDATION

3. To give consideration to the level of revenue spending and income in 2017/18 as part of the effective governance of the Council and to ensure that appropriate management action is taken to ensure a balanced financial position.

## SUMMARY OF KEY POINTS

### 4. **Revenue Budget Monitoring Process**

There are 3 in-year reports on revenue budget monitoring presented to the Executive and the Scrutiny Committee during the course of the financial year. This is the final in-year report for 2017/18. In addition to these 3 reports there is a final combined report for revenue and capital to consider the actual spending at the end of the financial year compared with the revised revenue budget. Under the scheme of delegation each budget area is delegated to a Head of Service who remains accountable for the effective discharge of financial management as an integral part of achieving strategic objectives and in turn meeting service delivery priorities.

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

### 5. **Budget Changes**

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

- Virements approved by Heads of Service and Management Team.
- Decisions confirming additional awards of grant and contributions up to £50k approved by Heads of Service and Management Team.
- Executive Member for Resources and Performance Management decisions confirming additional awards of grant and contributions over £50k.
- Decisions made by the Executive.

Members are asked to approve the latest revised budget of £14.596m as shown in Appendix 1.



## 6. Revenue Budget Summary

As at the end of December 2017, the overall financial position is currently projected to be a £98k underspend, as shown in the table below:

	Latest Revised Budget £'000's	Forecast Outturn £'000's	Variance £'000's	Paragraph
Pay	9,249	9,238	(11)	
Other revenue budgets	8,660	8,573	(87)	
Reserves	(3,313)	(3,313)	0	15
<b>Financed by:</b>	<b>14,596</b>	<b>14,498</b>	<b>(98)</b>	
Collection Fund surplus	(81)	(81)		
Business Rates	(4,376)	(4,376)		
Revenue Support Grant	(2,778)	(2,778)		
Council Tax	(6,391)	(6,391)		
New Homes Bonus	(970)	(970)		
<b>Forecast underspend at end December 2017</b>	<b>0</b>	<b>(98)</b>	<b>(98)</b>	
<b>Forecast at end of September</b>			<b>(73)</b>	
<b>Movement this period</b>			<b>(25)</b>	
<u>Due to:</u>				
<u>Recurring variations</u>				
Planning Fees reduction			50	7
Savings from underspending review			(94)	8
<u>One-off variations:</u>				
Net increase in provisions			131	9
Markets income increase			(31)	10
Investment income increase			(25)	11
Non-Domestic rates saving			(32)	12
Land charges income			25	13
Other forecast minor underpends			(50)	14
Net overspends			1	
			<b>(25)</b>	

In setting the budget for 2017/18, it was assumed that £150k would be saved through not filling posts immediately. The position has not changed since quarter 2 and £161k of salary savings is forecast which exceeds the target by £11k.

It was also agreed that there would be an in-year efficiency savings / additional income target of £100k. It is forecast that this will be exceeded by £87k, which along with the

salary savings gives the overall forecast underspend of £98k.

Any underspending at the year-end will be utilised for essential maintenance work on Council property assets.

7. **Planning Fee Income ( £50k )**

There has been a reduction in the higher value applications which leads officers to forecast a shortfall in income of £50k on the £352k budget. It is also believed that market and economic conditions are such that this will remain a budget pressure in the next few years and has been reflected in the draft 2018/19 revenue budget.

8. **Identified general underspendings ( - £94k )**

The Council has undertaken a review of all revenue budgets over the last three years. This exercise has identified savings opportunities of £94k in 2017/18 and continuing savings of £97k from 2018/19. These savings have been included in the draft 2018/19 budget.

9. **Provisions ( £131k )**

Officers have reviewed the Council's provisions and recommend a net increase of £131k in the overall provisions for use in future years.

10. **Markets income ( - £31k )**

The Markets manager has reported an improvement in income of £31k this quarter due to a reduction in vacant stalls. The revised forecast still assumes a £10k shortfall on the original budget.

11. **Investment interest ( - £25k )**

The Council's interest received on deposits has exceeded the target. This is due to increased interest rates and a higher volume of cash being available for deposit.

12. **Non-Domestic Rates ( - £32k )**

The Council's estimated liability for rates on its' premises has been reduced by £32k.

13. **Land Charges Income ( £25k )**

Income is forecast to be £25k below the budget of £101k.

14. **Additional general underspendings ( - £50k )**

In addition to those savings referred to in paragraph 8 above, officers have forecast further net savings of £50k for small items of budget yet to be reviewed in detail. Recent years practice have shown that some small budgets are not fully spent or committed at year-end, and the likelihood is that this will occur again.

15. **Earmarked Reserves**

The table in Appendix 4 summarises the latest position. The recommendation is to contribute a net £427k to reserves in this quarter.

16. **Revenue Implications of the Changes to the Capital Budget**

The proposed revised capital budget of £10,140,512 for 2017/18 includes a use of Prudential Borrowing totalling £2,256,823 which is down from the original planned borrowing of £4,021,087.

The revenue implications of borrowing £2,256,823, are a Minimum Revenue Provision [MRP] charge of £85k and an interest charge, assuming a rate of 3% on the borrowing would equate to £68k.

The MRP costs are not incurred until 2018/19, and the interest cost will be dependent on the timing of the borrowing. The full year costs will be included within the revenue budget for 2018/19.

**FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

17. As shown in the body of the report.

**POLICY IMPLICATIONS**

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

**DETAILS OF CONSULTATION**

19. None.

**BACKGROUND PAPERS**

20. None

**FURTHER INFORMATION**

**PLEASE CONTACT:**

**David Donlan - Accountancy Division  
Manager**

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### Movements in Revenue Budget 2017/18 - to 31 December 2017

Service Unit	Original Budget	Latest Revised Budget	Changes this Cycle (Cycle 3)	Changes Previous Cycles	Transfers to /(from) Earmarked Reserves (see App 4)	Grants Unapplied carried forward from 2016/17	<b>TOTAL OVERALL MOVEMENT</b>	Revised Budget
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Management Team	456	337	(119)	-	-	-	(119)	337
Regeneration and Planning Policy	1,501	1,721	(108)	10	105	213	220	1,721
Leisure Trust Management Fee	601	423	-	(178)	-	-	(178)	423
Leisure Trust Client	183	189	(19)	15	10	-	6	189
Green Spaces and Amenities	849	1,083	(12)	168	40	38	234	1,083
Streetscene	2,673	2,629	8	(69)	-	17	(44)	2,629
Housing and Development Control	493	610	49	-	-	68	117	610
Corporate Engagement	364	366	-	(1)	-	3	2	366
Policy & Performance	94	117	20	-	-	3	23	117
Governance, Law, Property and Regulation	720	544	(8)	(16)	(152)	-	(176)	544
People & Development	268	293	4	11	10	-	25	293
Finance	697	720	-	23	-	-	23	720
Strategic Partnership	3,570	3,737	-	167	-	-	167	3,737
Revenues and Benefits	(1,349)	(1,315)	-	-	-	34	34	(1,315)
Treasury Management	839	947	7	101	-	-	108	947
Corporate Budgets	4,821	5,884	(262)	(244)	1,569	-	1,063	5,884
Use of Grants Unapplied	-	(376)	-	-	-	(376)	(376)	(376)
Use of Earmarked Reserves	(2,184)	(3,313)	440	13	(1,582)	-	(1,129)	(3,313)
	14,596	14,596	-	-	-	-	-	14,596

**Revenue Budget Update by Service Area as at 31 December 2017**

**Appendix 2**

Service Unit	Revised budget for year				Forecast outturn for year				Forecast Variance			
	Pay	Non Pay	Income	Total	Pay	Non Pay	Income	Total	Pay	Non Pay	Income	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Management Team	301	36	-	337	311	34	-	345	10	(2)	-	8
Regeneration and Planning Policy	1,045	1,433	(757)	1,721	1,049	1,515	(728)	1,836	4	82	29	115
Leisure Trust Management Fee	-	423	-	423	-	423	-	423	-	-	-	-
Leisure Trust Client	-	431	(242)	189	-	431	(277)	154	-	-	(35)	(35)
Green Spaces and Amenities	1,834	1,157	(1,908)	1,083	1,834	1,157	(1,908)	1,083	-	-	-	-
Streetscene	1,002	3,904	(2,277)	2,629	1,006	3,817	(2,279)	2,544	4	(87)	(2)	(85)
Housing and Development Control	1,323	415	(1,128)	610	1,323	390	(1,148)	565	-	(25)	(20)	(45)
Corporate Engagement	382	300	(316)	366	376	300	(316)	360	(6)	-	-	(6)
Policy & Performance	103	42	(28)	117	103	42	(28)	117	-	-	-	-
Governance, Law, Property and Reg'n	990	1,894	(2,340)	544	978	1,843	(2,315)	506	(12)	(51)	25	(38)
People & Development	194	99	-	293	194	96	-	290	-	(3)	-	(3)
Finance	637	163	(80)	720	637	155	(80)	712	-	(8)	-	(8)
Strategic Partnership	-	3,737	-	3,737	-	3,600	-	3,600	-	(137)	-	(137)
Revenues and Benefits	-	32,042	(33,357)	(1,315)	-	31,908	(33,357)	(1,449)	-	(134)	-	(134)
Treasury Management	-	1,024	(77)	947	-	1,003	(102)	901	-	(21)	(25)	(46)
Corporate Budgets	1,438	4,196	250	5,884	1,427	4,519	254	6,200	(11)	323	4	316
Use of Grants Unapplied	-	-	(376)	(376)	-	-	(376)	(376)	-	-	-	-
Use of Earmarked Reserves	-	-	(3,313)	(3,313)	-	-	(3,313)	(3,313)	-	-	-	-
<b>Total</b>	<b>9,249</b>	<b>51,296</b>	<b>(45,949)</b>	<b>14,596</b>	<b>9,238</b>	<b>51,233</b>	<b>(45,973)</b>	<b>14,498</b>	<b>(11)</b>	<b>(63)</b>	<b>(24)</b>	<b>(98)</b>

Revenue Budget Variance Analysis 2017/18 (as at 31 December 2017)

Service Unit	Last Report				Current Report				Movement				Explanation (Non pay/income £20k and over)
	Forecast Variance				Forecast Variance								
	Pay	Non Pay	Income	Total	Pay	Non Pay	Income	Total	Pay	Non Pay	Income	Total	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Management Team	-	-	-	-	10	(2)	-	8	10	(2)	-	8	
Regen & Planning Policy	-	95	60	155	4	82	29	115	4	(13)	(31)	(40)	Income (- £31k) - Markets income has increased this quarter due to a reduction in vacant stalls
Leisure Trust Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	
Leisure Trust Client	-	-	(35)	(35)	-	-	(35)	(35)	-	-	-	-	
Green Spaces	-	(4)	-	(4)	-	-	-	-	-	4	-	4	
Streetscene	-	(60)	(19)	(79)	4	(87)	(2)	(85)	4	(27)	17	(6)	Non-Pay (- £27k) - Various small underspendings have been identified following a review of budgets
Housing & Development Control	-	(5)	(70)	(75)	-	(25)	(20)	(45)	-	(20)	50	30	Non-Pay (- £20k) - Various small underspendings have been identified following a review of budgets. Income (£50k) - There has been a reduction in high value planning applications reducing the income target of £352k.
Corporate Engagement	-	-	-	-	(6)	-	-	(6)	(6)	-	-	(6)	
Policy & Performance	-	-	-	-	-	-	-	-	-	-	-	-	
Governance, Law, Property and Reg'n	-	(36)	-	(36)	(12)	(51)	25	(38)	(12)	(15)	25	(2)	Income (£25k) - Land charges income is forecast to be down.
Pedon & Development	-	(3)	-	(3)	-	(3)	-	(3)	-	-	-	-	
Finance	-	-	-	-	-	(8)	-	(8)	-	(8)	-	(8)	
Strategic Partnership	-	(133)	-	(133)	-	(137)	-	(137)	-	(4)	-	(4)	
Revenues & Benefits	-	-	-	-	-	(134)	-	(134)	-	(134)	-	(134)	Non-Pay (- £134k) - Officers have reviewed the provision for non-recovery of overpayments and have recommended a reduction of the percentage from 95% to 85%.
Treasury	-	(19)	-	(19)	-	(21)	(25)	(46)	-	(2)	(25)	(27)	Income (- £25k) - Investment income has increased due to higher cash balances and higher rates of return following the base rate increase.
Corporate Budgets	(11)	163	4	156	(11)	323	4	316	-	160	-	160	Non-Pay (£160k) - Officers have reviewed the Council's provisions and recommend a net increase of £245k. There is a saving on business rates (NDR) of £32k, other net savings of £3k, and a forecast further general underspend of £50k over all services which have yet to be identified in detail.
Total Net Estimated (Underspend)/Overspend	(11)	(2)	(60)	(73)	(11)	(63)	(24)	(98)	-	(61)	36	(25)	

**Position on Earmarked Reserves as at 31 December 2017**

Appendix 4

Position on Earmarked Reserves	Transformation £'000	Growth £'000	Other Specific £'000	Total £'000
Opening Balance 1/4/17	(2,749)	(2,626)	(2,281)	(7,656)
<b>Approved use in 2017/18</b>				
Original Budget 2017/18 - Use of Reserves 2017/18	240	1,060	884	2,184
Changes approved in quarter 1	1,028	259	295	1,582
Changes approved in quarter 2	-	(1)	(25)	(26)
Changes proposed in quarter 3	-	(407)	(20)	(427)
	<b>1,268</b>	<b>911</b>	<b>1,134</b>	<b>3,313</b>
<b>Anticipated Balance at 31st March 2018</b>	<b>(1,481)</b>	<b>(1,715)</b>	<b>(1,147)</b>	<b>(4,343)</b>
<b>Approved Use of Reserves in future years</b>	-	1,567	556	2,123
<b>Balance after approvals</b>	<b>(1,481)</b>	<b>(148)</b>	<b>(591)</b>	<b>(2,220)</b>



**Requests for Revenue Budget Carry Forwards from 2017/18 into 2018/19**

<u>Service Unit / Task</u>	<u>Details</u>	<u>Amount Requested</u> £	<u>Budget Code</u>	<u>Budget 2017/18</u> £	<u>Forecast Spending / (Income) 2017/18</u> £	<u>Remaining 2017/18</u> £
<b><u>Streetscene</u></b>						
Targeted Ward Initiative	Community Re-education. There is programmed activity for Quarter 4 to spend the full amount. The carry over request is precautionary if any delays encountered.	10,000	R6060/2106	30,000	20,000	10,000
Litter Enforcement - 10% pilot generated income	It is planned that this will be used in 2018/19 to extend in other areas the pilot back yard scheme that is currently being delivered in Burnley Wood and Trinity.	26,000	R6060/3472	-	(26,000)	26,000
Highways Private Contractor Works	Delays in highways works on Bankfield / Curzon street following completion of Market works.	6,000	R5180/2106	9,000	3,000	6,000
		<b>42,000</b>		<b>39,000</b>	<b>(3,000)</b>	<b>42,000</b>
<b><u>Housing &amp; Development Control</u></b>						
Homelessness Prevention Fund	Balance of fund to finance 3 years salary for temporary new post	35,000	R3218/2105	56,622	21,622	35,000
Single Homelessness Fund	Balance of fund to finance 3 years salary for temporary new post	34,500	R3218/2052	35,192	692	34,500
Temporary Accomodation	£10k Bond Reserve. Over the past few years The Council has paid bond guarantees to landlords to assist clients into the private rented sector.	10,000	R3218/2107	50,000	40,000	10,000
		<b>79,500</b>	-	<b>141,814</b>	<b>62,314</b>	<b>79,500</b>
<b><u>Comms Servcs Performance &amp; Policy</u></b>						
Children's University	Balance required to fund Yrs 2 and 3 from the £20k budget approved by the Executive	12,780	R2206/2021	20,000	7,220	12,780
		<b>12,780</b>		<b>20,000</b>	<b>7,220</b>	<b>12,780</b>
<b><u>Finance</u></b>						
Accountancy	Balance of Finance transformation budgets to complete work on intelligent scanning, asset accounting and band reconciliation modules	30,098	R2073/Various	40,850	10,752	30,098
		<b>30,098</b>		<b>40,850</b>	<b>10,752</b>	<b>30,098</b>
<b><u>Corporate Budgets</u></b>						
Invest to Save	Balance of one-off budget provision to be carried forward to encourage proposals in new year. One of the initiatives being considered is solar panels. Detailed investigations are continuing.	51,691	G4835/2146	58,691	7,000	51,691
		<b>51,691</b>		<b>58,691</b>	<b>7,000</b>	<b>51,691</b>
<b>Totals</b>		<b>216,069</b>		<b>300,355</b>	<b>84,286</b>	<b>216,069</b>

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## REPORT TO THE EXECUTIVE



<b>DATE</b>	<b>12<sup>th</sup> February 2018</b>
<b>PORTFOLIO</b>	<b>Resources &amp; Performance Management</b>
<b>REPORT AUTHOR</b>	<b>David Donlan</b>
<b>TEL NO</b>	<b>(01282) 477172</b>
<b>EMAIL</b>	<b>ddonlan@burnley.gov.uk</b>

## Capital Budget Monitoring Report 2017/18 Cycle 3 (to 31<sup>st</sup> December 2017)

### PURPOSE

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

### RECOMMENDATION

- 2 The Executive is asked to:
  - Recommend to Full Council, approval of net budget changes totalling a reduction of £3,930,713 giving a revised capital budget for 2017/18 totalling £11,417,995 as detailed in Appendix 1.
  - Recommend to Full Council, approval of the proposed financing of the revised capital budget totalling £11,417,995 as shown in Appendix 2.
  - Note the latest estimated year end position on capital receipts and contributions showing an assumed balance of £3,088,221 at 31<sup>st</sup> March 2018, in Appendix 3.

### REASONS FOR RECOMMENDATION

- 3 To effectively manage the 2017/18 capital programme.

### SUMMARY OF KEY POINTS

#### **2017/18 CAPITAL PROGRAMME:**

#### **4 MONITORING INFORMATION:**

On the 22<sup>nd</sup> February 2017 Full Council approved the 2017/18 original capital budget, totalling £12,027,721. Since February, a number of reports have been approved by the Executive, resulting in revising the 2017/18 capital budget to £15,348,708 [as at the 19<sup>th</sup> December 2017 Executive Meeting].

This is the third round of in-year cyclical monitoring, and as such the appendices accompanying this report provide Members with the position as at 31<sup>st</sup> December 2017 on expenditure, along with providing Members with an update on the progress of the individual schemes delivery.

## 5 **EXECUTIVE SUMMARY:**

- a) Expenditure Monitoring - Appendix 1 provides a detailed breakdown of the revised capital budget, scheme by scheme, presented under each of the relevant service unit areas responsible for delivering the capital projects. It shows the recommended revised budget position and expenditure as at the end of December 2017. The expenditure to date is £7,287,230 which is 64% of the proposed revised budget.
- b) Revised Budget and Financing Elements - Appendix 2 shows the revised budget of £11,417,995 along with identifying the recommended financing elements on a scheme by scheme basis.
- c) Council Resources Position - Appendix 3 shows the latest position on capital receipts, section 106 monies and 3<sup>rd</sup> party contributions. As at the end of this round of budget monitoring the assumed level of surplus available local resources after taking into account the 2017/18 capital commitments, totals £3,088,221.

## 6 **REVENUE IMPLICATIONS**

### Revenue Contributions 2017/18

The Capital Programme includes Revenue Contributions totalling £2,474,498, being:

<b>Scheme Name</b>	<b>£</b>
Thompson Park Restoration Project	185,381
Vehicle & Machinery Replacement	113,138
Lower St James Street	1,860
Chewing Gum Removal Machine	40,000
Vision Park	307,000
Former Open Market and Former Cinema Block	200,000
Land at Grove Lane; NW Burnley Growth Corridor	986,855
Padiham Town Hall - Flood Works	202,945
Building Alteration Works	3,107
Contribution to Shopping Centre Redevelopment	375,000
Padiham LC Gym Equipment	59,212
<b>Total Revenue Contributions</b>	<b>2,474,498</b>

### Prudential Borrowing 2017/18

The proposed revised capital budget for 2017/18 includes a use of Prudential Borrowing totalling £2,256,823.

The revenue implications of borrowing £2,256,823 are a Minimum Revenue Provision [MRP] of £85k and an interest charge, assuming 3% on the borrowing would equate to £68k for a full year.

The original capital budget for 2017/18 of £12,072,721 included a planned borrowing requirement of £4,021,087. This has subsequently changed as schemes have slipped

from 2016/17 into 2017/18 and other schemes are now slipping from 2017/18 to 2018/19 such as the £416k extension of Burnley cemetery which is funded from borrowing.

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 2018/19 (the year after the schemes are completed). The interest cost will be dependent on the timing of the borrowing and are subject to the interest rate applicable at the time of borrowing being undertaken. The full year costs will be included within the revenue budget for 2018/19.

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

- 7 A reduction in the 2017/18 capital programme of £3,930,713 to give a revised budget of £11,417,995 and a reduction in the borrowing requirement of £1,764,264.

## **POLICY IMPLICATIONS**

- 8 None arise directly from this report.

## **DETAILS OF CONSULTATION**

- 9 None.

## **BACKGROUND PAPERS**

- 10 None.

## **FURTHER INFORMATION**

<b>David Donlan</b>	<b>Accountancy Division Manager</b>	<b>Ext 7172</b>
<b>Asad Mushtaq</b>	<b>Head of Finance</b>	<b>Ext 7173</b>

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Scheme Name	Budget as at Exec 19/12/17	Adjustments Per This Report		Changes to be approved in this report	Revised Budget	Total Spend as at 31/12/17	% Schemes Spend	Financed by External Funding	Narrative provided by Project Officers/Heads of Service
		Budget Adjustments	Reprofiled into Future Years						
		A	B	A + B					
	£	£	£	£	£	£	£	£	
<b>GREEN SPACES &amp; AMENITIES</b>									
Thompson Park Restoration Project	955,621		(211,621)	(211,621)	744,000	155,193	21%	558,619	The main building contract has been awarded and the main civil engineering contracts are underway. The expected spend at the end of the financial year will be £744k with the balance of the scheme in 2018/19. Completion is scheduled for May 2018
Towneley Hall Building Works	50,000			-	50,000	510	1%	-	Essential maintenance works are being undertaken by Liberata on the North Tower
Vehicle & Machinery Replacement	113,138			-	113,138	91,493	81%	-	The remaining budget is required for replacement of a tractor mounted mower and replacement of the tree team chipper.
Extension of Burnley Cemetery	21,087		(21,087)	(21,087)	-	-	0%	-	Request that this funding is transferred to 2018/19 because the pressure to progress Thompson park restoration has delayed progress. This will not impact on the capacity for burials.
Towneley Hall Overspill Car Park	38,500	(945)		(945)	37,555	37,555	100%	20,000	Complete
Calder Park Sport & Play Equipment	13,700			-	13,700	7,909	58%	10,000	All of the play equipment is installed and in use. Awaiting completion of the football goal mouths and artificial turf by specialist contractor
Brun Valley Forest Park	10,486			-	10,486	257	2%	10,486	This funding is being used for litter bins and seating within Brun valley Forest Park. Quotes have been received and the budget will be spent by end of March 2018
	1,202,532	(945)	(232,708)	(233,653)	968,879	292,917	30%	599,105	

<b>STREETSCENE</b>									
River Training Walls	134,183		(75,000)	(75,000)	59,183	37,921	64%	-	Works have been completed to the Town Hall River Training Wall, River Brun de-silting and a further £20,000 will be required to rebuild Wells Street Retaining Wall in Padiham this financial year. The remainder of the monies will be spent on the River Brun at Bank Hall scheme to be completed in 2018/19.
Car Park Improvements	10,000			-	10,000	-	0%	-	Full spend to be completed by the end of Quarter 4 due to upgrade of parking machines.
Burnley Town Centre Pedestrianisation Upgrade	578,285			-	578,285	148,122	26%	-	The main scheme is complete. Awaiting final invoice.
Lower St James Street	400,000		(398,140)	(398,140)	1,860	1,860	100%	-	The design concept are awaiting final approval by Lancashire County Council for inclusion in their February 2018 Cabinet. Anticipated scheme to be delivered in 2018/19.
Alleygate Programme	25,000			-	25,000	-	0%	-	Consultation complete on 6 new schemes. Site surveys complete. Installation to be completed Quarter 4.
CCTV Infrastructure	77,773		(73,284)	(73,284)	4,489	4,489	100%	-	Essential camera digital upgrades linked to monitoring at Blackburn. This work will be completed early 2018/19. The underspend from 2017/18 to be re-profiled.
Chewing Gum Removal Machine	40,000			-	40,000	-	0%	-	Following extensive trials of a number of different machines to identify the most suitable, the new Town Centre machine is in the process of being ordered and is due to arrive by February 2018.
Bus Shelter Replacement	8,000			-	8,000	795	10%	-	Orders have been placed for the provision and installation of two new shelters (one replacement, one at a new location). A further order will be issued for another two shelters to be installed in Quarter 4. All these monies are allocated and will be spent this financial year.
	1,273,241	-	(546,424)	(546,424)	726,817	193,187	27%	-	

Scheme Name	Budget as at Exec 19/12/17 £	Adjustments Per This Report		Changes to be approved in this report A + B £	Revised Budget £	Total Spend as at 31/12/17 £	% Schemes Spend £	Financed by External Funding £	Narrative provided by Project Officers/Heads of Service
		Budget Adjustments A £	Reprofiled into Future Years B £						
<b>REGENERATION &amp; PLANNING POLICY</b>									
University Technical College	22,500			-	22,500	22,500	100%	7,275	The outstanding works have been completed and payment made for contract retention
Vision Park	3,304,962			-	3,304,962	2,523,658	76%	1,079,853	Progress on site continues with practical completion anticipated for the end of January 2018.
Weavers Triangle - Starter Homes	386,021			-	386,021	288,805	75%	386,021	The budget for this scheme is funded by the Homes & Communities Agency (HCA). Shell is complete with work progressing on internal fit out. Works are forecast to complete in March 2018.
Infrastructure & Highways Works	41,608			-	41,608	-	0%	41,608	Awaiting final invoice in regards to highways works at Trafalgar Street, Sandygate and Barracks Roundabout.
Former Open Market and Former Cinema Block	1,580,636		(1,380,636)	(1,380,636)	200,000	53,008	27%	-	Procurement of a contractor is being undertaken, with start on site on the former open market and former cinema block programmed for end of the financial year, once necessary permissions have been given from adjoining interests. Reprofiled £1,380,636 into 2018/19
Land at Grove Lane; NW Burnley Growth Corridor	1,436,855			-	1,436,855	1,436,855	100%	450,000	Complete
	6,772,582	-	(1,380,636)	(1,380,636)	5,391,946	4,324,826	80%	1,964,757	
<b>GOVERNANCE, LAW, PROPERTY &amp; REGULATION</b>									
Padiham Town Hall - Flood Works	457,289			-	457,289	333,418	73%	254,344	The flood damage reinstatement works are now substantially complete. Total spend on this project including costs recoverable from our insurers will be slightly in excess of £1.1m. Any savings or underspend will be recycled to deal with other Council priorities.
Leisure Centre Improvements	78,472			-	78,472	50,787	65%	-	£49.5k of this budget is for the refurbishment of Towneley Golf Club. Other work includes roller shutters at the Prairie, and repair works to Mechanics and St Peters
Building Alteration Works	153,107			-	153,107	62,337	41%	-	Budget utilised to repair the historic estate of Burnley Borough Council, including Burnley Town Hall.
Continuation to Shopping Centre Redevelopment	375,000			-	375,000	-	0%	-	Second tranche not payable to development partners until the redeveloped store is open for trading. Internal works to fit out have begun
	1,063,868	-	-	-	1,063,868	446,542	42%	254,344	



Scheme Name	Budget as at Exec 19/12/17 £	Adjustments Per This Report		Changes to be approved in this report A + B £	Revised Budget £	Total Spend as at 31/12/17 £	% Schemes Spend £	Financed by External Funding £	Narrative provided by Project Officers/Heads of Service
		Budget Adjustments A £	Reprofiled into Future Years B £						
<b>HOUSING &amp; DEVELOPMENT CONTROL</b>									
Emergency Repairs	68,580			-	68,580	40,917	60%	-	£55k of the budget has been committed. It is anticipated that the full budget will be spent by the end of the financial year.
Disabled Facilities Grant	2,923,312		(1,500,000)	(1,500,000)	1,423,312	1,038,798	73%	1,423,312	£1.481m of the budget is committed through approved grants. Over recent years the Council has managed to eradicate the waiting list for disabled adaptations and to continue this drive for excellent service provision. Officers are currently conducting a review together with Social Care Services to ensure that the entire assessment process is as efficient as possible. This will ensure that residents requiring property adaptations receive them as soon as practically possible, maximising in year spend and the number of residents assisted through the programme.
Energy Efficiency	106,877			-	106,877	50,835	48%	56,645	£87k of the budget has been committed to help residents install central heating systems or replace old inefficient boilers.
Empty Homes Programme	1,039,805			-	1,039,805	729,793	70%	-	So far this financial year we have purchased 10 properties and completed 10 sales. We have issued 6 loans to landlords to help them return empty homes back into use. We currently have 4 CPOs nearing completion and will be making a further 4 CPOs early in the new year, which will see the budget for 2017/18 fully committed.
Interventions, Acquisitions and Demolitions	553,413		(263,000)	(263,000)	290,413	144,851	50%	113,413	We have completed three painting schemes this financial year; on Accrington Road, Branch Road and the backs of properties on Heap Street. All schemes have had a positive response from local residents and businesses. A portion of this budget is dedicated to bringing forward brownfield sites for development throughout the year with £250,000 earmarked for the Perseverance Mill development in Padiham, which is now on site and under construction. A payment of £62.5k has been paid earlier in the year, with a further payment of £125k currently being processed. The final payment of £62.5k will be paid in 2018/19. £268k of the budget will need to be reprofiled into 2018/19 to cover this final instalment and fund a further painting scheme in the Lawrence Street area of Padiham.
	4,691,987	-	(1,763,000)	(1,763,000)	2,928,987	2,005,194	68%	1,593,370	
<b>CHIEF EXECUTIVE / CORPORATE INITIATIVES</b>									
Ward Opportunities Fund	164,498			-	164,498	24,564	15%	-	Minimal Spend
	164,498	-	-	-	164,498	24,564	15%	-	
<b>LEISURE CLIENT</b>									
Padiham LC - Gym Refurbishment	180,000	(7,000)		(7,000)	173,000	-	0%	-	Scheme complete, awaiting invoice
	180,000	(7,000)	-	(7,000)	173,000	-	0%	-	
	15,348,708	(7,945)	(3,922,768)	(3,930,713)	11,417,995	7,287,230	64%	4,411,576	

2016/17 Cycle 3

7,500,591

3,079,464

41%

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Scheme Name	Revised Budget £	FINANCING ELEMENTS						Total Revised Budget £
		Prudential Borrowing £	Revenue Cont'n / Reserves £	Capital Grants £	Capital Receipts £	Vacant Property Initiative Receipts £	3rd Party Contribution / Section 106 £	
<b>Green Spaces &amp; Amenities</b>								
Thompson Park Restoration Project	744,000		185,381	543,619			15,000	744,000
Towneley Hall Building Works	50,000				50,000			50,000
Vehicle & Machinery Replacement	113,138		113,138					113,138
Towneley Hall Overspill Car Park	37,555				17,555		20,000	37,555
Calder Park Sport & Play Equipment	13,700				3,700		10,000	13,700
Brun Valley Forest Park	10,486						10,486	10,486
	<b>968,879</b>	<b>-</b>	<b>298,519</b>	<b>543,619</b>	<b>71,255</b>	<b>-</b>	<b>55,486</b>	<b>968,879</b>
<b>Streetscene</b>								
River Training Walls	59,183				59,183			59,183
Car Park Improvements	10,000				10,000			10,000
Burnley Town Centre Pedestrianisation Upgrade	578,285	578,285						578,285
Lower St James Street	1,860		1,860					1,860
Alleygate Programme	25,000				25,000			25,000
CCTV Infrastructure	4,489	4,489						4,489
Chewing Gum Removal Machine	40,000		40,000					40,000
Bus Shelter Replacement	8,000				8,000			8,000
	<b>726,817</b>	<b>582,774</b>	<b>41,860</b>	<b>-</b>	<b>102,183</b>	<b>-</b>	<b>-</b>	<b>726,817</b>
<b>Regeneration &amp; Planning Policy</b>								
University Technical College	22,500			7,275	15,225			22,500
Vision Park	3,304,962	1,481,789	307,000	1,079,853	436,320			3,304,962
Weavers Triangle - Starter Homes	386,021			386,021				386,021
Infrastructure & Highways Works	41,608						41,608	41,608
Former Open Market and Former Cinema Block	200,000	-	200,000					200,000
Land at Grove Lane; NW Burnley Growth Corridor	1,436,855		986,855	450,000				1,436,855
	<b>5,391,946</b>	<b>1,481,789</b>	<b>1,493,855</b>	<b>1,923,149</b>	<b>451,545</b>	<b>-</b>	<b>41,608</b>	<b>5,391,946</b>
<b>Governance, Law, Property &amp; Regulation</b>								
Padiham Town Hall - Flood Works	457,289		202,945				254,344	457,289
Leisure Centre Improvements	78,472	78,472						78,472
Building Alteration Works	153,107		3,107		150,000			153,107
Contribution to Shopping Centre Redevelopment	375,000		375,000					375,000
	<b>1,063,868</b>	<b>78,472</b>	<b>581,052</b>	<b>-</b>	<b>150,000</b>	<b>-</b>	<b>254,344</b>	<b>1,063,868</b>
<b>Housing &amp; Development</b>								
Emergency Repairs	68,580					68,580		68,580
Disabled Facilities Grant	1,423,312			1,423,312				1,423,312
Energy Efficiency	106,877					50,232	56,645	106,877
Empty Homes Programme	1,039,805	-				1,039,805		1,039,805
Interventions, Acquisitions and Demolitions	290,413			113,413		177,000		290,413
	<b>2,928,987</b>	<b>-</b>	<b>-</b>	<b>1,536,725</b>	<b>-</b>	<b>1,335,617</b>	<b>56,645</b>	<b>2,928,987</b>
<b>Chief Executive</b>								
Ward Opportunities Fund	164,498				164,498			164,498
	<b>164,498</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>164,498</b>	<b>-</b>	<b>-</b>	<b>164,498</b>
<b>Leisure Client</b>								
Padiham LC - Gym Refurbishment	173,000	113,788	59,212					173,000
	<b>173,000</b>	<b>113,788</b>	<b>59,212</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>173,000</b>
<b>TOTAL OF ALL SCHEMES</b>	<b>11,417,995</b>	<b>2,256,823</b>	<b>2,474,498</b>	<b>4,003,493</b>	<b>939,481</b>	<b>1,335,617</b>	<b>408,083</b>	<b>11,417,995</b>

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**CAPITAL RECEIPTS AND CONTRIBUTIONS ANALYSIS FOR 2017/18 AND CIP 2018-21**

**APPENDIX 3**

	<u>General Capital Receipts</u> £	<u>Vacant Property Initiatives Receipts</u> £	<u>Section 106 Money</u> £	<u>3rd Party Cont'ns</u> £	<u>Total</u> £
<b>Capital Resources Brought Forward on 1st April 2017</b>	<b>946,363</b>	<b>2,546,690</b>	<b>188,739</b>	<b>95,884</b>	<b>3,777,676</b>
<b>Add</b>					
Resources Received As At 31st December 2017:	513,475	663,071	-	190,934	1,367,480
Further Resources Estimated to be Received during 2017/18:	649,930	-	-	165,055	814,985
<b>Potential Resources Available during 2017/18</b>	<b>2,109,768</b>	<b>3,209,761</b>	<b>188,739</b>	<b>451,873</b>	<b>5,960,141</b>
<b>Less</b>					
Required to finance Capital Programme	(939,481)	(1,335,617)	-	(408,083)	(2,683,181)
Earmarked for Revenue Expenditure	-	-	(55,695)	-	(55,695)
Earmarked for Delivery By Outside Bodies	-	-	(133,044)	-	(133,044)
<b>Potential Capital Resources Carried Forward on 31st March 2018</b>	<b>1,170,287</b>	<b>1,874,144</b>	<b>-</b>	<b>43,790</b>	<b>3,088,221</b>
<b>Add</b> - Resources Estimated to be Received during 2018/19	690,000	700,000	2,500	166,210	1,558,710
<b>Less</b> - 2018/19 Capital Budget	(921,152)	(1,463,000)	(2,500)	(210,000)	(2,596,652)
<b>Estimated Surplus / (Shortfall) of Resources as at 31st March 2019</b>	<b>939,135</b>	<b>1,111,144</b>	<b>-</b>	<b>-</b>	<b>2,050,279</b>
<b>Add</b> - Resources Estimated to be Received during 2019/20	300,000	600,000	43,000	367,860	1,310,860
<b>Less</b> - 2019/20 Capital Budget	(865,187)	(1,000,000)	(43,000)	(367,860)	(2,276,047)
<b>Estimated Surplus / (Shortfall) of Resources as at 31st March 2020</b>	<b>373,948</b>	<b>711,144</b>	<b>-</b>	<b>-</b>	<b>1,085,092</b>
<b>Add</b> - Resources Estimated to be Received during 2020/21	300,000	288,856	60,850	531,360	1,181,066
<b>Less</b> - 2020/21 Capital Budget	(595,180)	(1,000,000)	(60,850)	(531,360)	(2,187,390)
<b>Estimated Surplus / (Shortfall) of Resources as at 31st March 2021</b>	<b>78,768</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,768</b>

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**REPORT TO THE EXECUTIVE**



<b>DATE</b>	<b>12th February 2018</b>
<b>PORTFOLIO</b>	<b>Resources &amp; Performance Management</b>
<b>REPORT AUTHOR</b>	<b>Asad Mushtaq</b>
<b>TEL NO</b>	<b>(01282) 477173</b>
<b>EMAIL</b>	<b>amushtaq@burnley.gov.uk</b>

**Revenue Budget 2018/19**

**PURPOSE**

1. To consider the estimates of revenue income and expenditure for 2018/19 and to make recommendations to Full Council about next year’s Revenue Budget.

**RECOMMENDATION**

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

That Full Council be recommended to:

- i) Endorse the approach that has been adopted in developing budget proposals that reflect the Council’s Strategic Objectives for 2018/19;
- ii) Approve the proposals contained in this report;
- iii) Set a Council Tax Requirement of £6,738,897 for the financial year 2018/19;
- iv) Set a Net Budget Requirement of £15,089,625 for 2018/19;
- v) Receive and consider the statutory report issued by the Head of Finance under the Local Government Act, 2003;
- vi) Authorise the Chief Operating Officer/Heads of Service to progress action plans to deliver the 2018/19 budget;
- vii) Approve a Council Tax (Band D) figure of £291.50 for this Council for the year commencing 1<sup>st</sup> April 2018 and adopt the statutory resolution to set the full Council Tax for the year. This is equivalent to a 2.99% Council tax increase.

## REASONS FOR RECOMMENDATION

3. To fulfil the Council's statutory obligation to calculate its Council Tax requirement as set out in Section 31A of the Local Government Act 1992 (as amended by section 74 of the Localism Act 2011).
4. To set a balanced budget for the financial year 2018/19 that ensures the viability of the Council and aligns resources to the Council's strategic priorities.

## SUMMARY OF KEY POINTS

### BACKGROUND

5. This report summarises the key issues that elected Members will need to consider when finalising the Revenue Budget 2017/18. Under the constitution, it is the Executive's duty to present detailed recommendations for full Council to consider. The following appendices are related to the report.

Appendix 1	General Fund Revenue Summary 2018/19
Appendix 2	Growth
Appendix 3	Further Savings/Additional Funding Requirements

6. The schedule of proposed fees & charges, which forms an integral part of the budget process, was approved at the meeting of full Council on 22<sup>nd</sup> November 2017.
7. The proposals contained within this report have been developed as a result of discussions and presentations at various Member and officer forums.
8. The Local Government Act 2003 sets out the requirements for sound financial management. Section 25 is particularly relevant when the budget and Council Tax for the coming year are being set. It requires the Chief Finance Officer to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. This report is contained elsewhere on your agenda.
9. This budget has been developed following the principles set out in the Council's Medium Term Financial Strategy. The strategy emphasises the need to focus on the use of the Council's resources towards achieving the Council's stated objectives.
10. The Council has adopted an approach to producing the budget based upon the relative priority of all the services. However, at the heart of the Council's financial planning is a savings plan aligned to strategic intent.
11. In view of the tight financial constraints within which the Council has operated in recent years, there is little scope for growth in service provision. Appendix 2 shows further limited growth proposals.



## **SUMMARY OF THE REVENUE BUDGET POSITION 2018/19**

12. The proposed net revenue budget for 2018/19 is as set out in the table below:

	£'000	£'000
Net Revenue budget - original 2017/18		14,596
Add Spending pressures reported September 2017	1,024	
Less Savings approved September 2017	<u>(1,683)</u>	(659)
Add Proposed Growth - Appendix 2		17
Add Further spending pressures (Corporate items) 2018/19		336
Add Transfer to Business Rates Volatility Reserve		979
Less Further savings proposed - Appendix 3		(179)
Net Budget requirement		<b><u>15,090</u></b>
Financed from:		
<u>Government Settlement Funding Assessment</u>		
Business rates baseline	4,102	
Revenue support grant	<u>2,228</u>	6,330
New Homes Bonus		561
Council Tax Yield		6,739
<u>Business Rates in addition to Baseline Funding</u>		
Additional business rates above baseline	1,136	
Renewable energy	<u>235</u>	1,371
Collection fund surplus - Burnley share		89
		<b><u>15,090</u></b>

## Recap on Budget decisions taken September 2017

13. Members at Executive and Council in September 2017 approved budget savings of £1,683k for 2018/19, following receipt of the initial budget report that outlined a savings requirement of £1,767k. The information presented to Members at that time is shown below:

### Position Approved September 2017:

	£'000
<b><u>Net Spending Increases/(Decreases)</u></b>	
Pay awards and increments	96
General inflation	255
Pensions Costs	60
Cost share agreement	801
Strategic Partnership - Additional Income	(76)
Reversal of one-off growth 2017/18	(139)
Borrowing costs & MRP	81
Other net continuation budget changes	(2)
Fees and charges increases	(52)
Growth	-
	1,024
<b><u>Net Funding (Increases)/Decreases</u></b>	
Revenue Support Grant	550
Business Rates	(117)
New Homes Bonus	429
Council Tax - indicative 1.9% increase	(119)
	743
<b><u>Savings and Funding Increases</u></b>	
Net savings	(1,683)
<b><u>Contribution to Earmarked Reserves</u></b>	
<b>Budget Gap Remaining - September 2017</b>	<b>84</b>

## LOCAL GOVERNMENT SETTLEMENT

14. Spending Power  
For 2016/17 onwards, the calculation of Spending Power only includes Revenue Support Grant, Business Rates, New Homes Bonus and Council Tax. The Council's Spending Power will reduce by 3.5% in 2018/19 (4.3% in 2017/18).
15. Settlement Funding Assessment (SFA)  
SFA is set by the Government and comprises Revenue Support Grant (RSG - the general grant funding to local authorities) and the Baseline Funding Level for business rates income. It was estimated in the September Council report that RSG would reduce by 19.8% which was confirmed in the provisional settlement figure for 2018/19.

16. New Homes Bonus

In the 2017/18 finance settlement the Government reduced the funding period for NHB from six years to five years in 2017/18 and then to four years in 2018/19 onwards for existing and new awards commencing in 2017/18 which will accelerate the rate at which this grant reduces. The impact on the amount that the Council will receive as a result of the change from 6 years to 4 years is a reduction of £1.698m between 2017/18 and 2022/23 on existing year 1 to 7 allocations.

17. In addition, from 2017/18 the Government set a baseline for housing growth of 0.4% of a Council's existing taxbase below which no NHB grant is payable. The baseline has remained at 0.4% for 2018/19. For this Council it means that the first 122 additional band D equivalent properties do not attract New Homes Bonus. For the 2018/19 (year 8) allocation, the Council identified that an additional 193 band D equivalent properties had been added to the Council's taxbase which would have previously attracted NHB funding of £236k per annum. After deducting the first 122 band D properties this results in a provisional allocation of £87k per annum for the year 8 allocation, resulting in an annual loss of £149k starting in 2018/19, with an overall loss of funding of £596k over the reduced 4 year period.

**FURTHER BUDGET PRESSURES AND SAVINGS IDENTIFIED**

18. Further budget pressures and savings have, as is usual, been identified since the September Council meeting and the announcement of the local government finance settlement for 2018/19. Appendix 3 shows the residual budget gap as at September 2017 and the identified additional pressures and savings to balance the 2018/19 budget.

**GROWTH PROPOSALS**

19. Given the continuing and sustained budget pressures being faced, there is very little scope for continuing growth unless the Council's priorities demand new spending in key areas. A balanced approach needs to be taken to ensure priority issues are achieved.
20. Consequently, only two items of revenue budget growth are included within the proposals for 2018/19. The growth items are shown in Appendix 2 for information and have been included within the revenue budget for 2018/19.

**COUNCIL TAX**

21. The proposals in this paper assume that the Council's Band D Council tax will increase by 2.99% from the 2017/18 level of £283.04 to £291.50. This level of charge will yield an estimated total income of £6,738,897.
22. Guidance has been received from central government on the criteria for Council tax increases that would trigger a local referendum. This guidance indicates that "if an authority's relevant basic amount of council tax is excessive a referendum must be held in relation to that amount". For 2018/19, the relevant basic amount of council tax of a shire district Council is excessive if the authority's relevant basic amount of council tax for 2018/19 is 3%, or more than 3%, greater than its relevant basic amount of council tax for 2017/18. This has been increased from 2% for the previous financial year in line with

inflation.

## **BUSINESS RATES**

23. The expected amount of business rates to assist in funding the Council's spending next year is included as part of the Government's 2018/19 funding settlement. The figure announced is £4.102m. The table at paragraph 12 above shows that it is expected that the Council will receive Business Rates in excess of the announced figure – an extra £1.136m. This is an increase of £0.979m over the amount expected in 2017/18 and will be transferred to the Business Rates Volatility Reserve.
24. The indicative figure from the Government for business rates relates to the system of business rates retention involving a distribution of rates collected to the Council, the County Council, the Combined Fire Authority and Central Government. Some elements of business rates are however fully credited to this Council. One element of business rates which falls within this category is sustainable energy. A sum of £235k is estimated to be receivable next year in respect of sustainable energy business rates which are a significant factor in balancing the revenue budget in 2018/19 and future years. This is an increase of £2k over the amount expected in 2017/18.
25. For 2018/19, the excess Business Rates figure has arisen due to an increase of £3.1m in rateable values contained within the 2017 valuation list, which is issued by the Valuation Office Agency (VOA), and a revision to the estimated level of appeals against the rateable values in that list. The increase in the rateable value was due to a correction of the VOA's original data, which was issued in mid-January 2018, and a greater than expected rateable value for properties added to the VOA list during the year. The Council uses the services of an external advisor to assess the level of likely appeals lodged with the VOA against the rateable values in the 2017 valuation list. In January 2018 the estimated level of appeals was reduced from £1.7m to £0.8m which effectively increases the net amount receivable from rate payers.
26. Any excess Business Rates are subject to a Government levy which substantially reduces the amount due to the Council. The levy calculation is adjusted for any section 31 grants, received by the Council arising from the reliefs announced by the Government during the Spring and Autumn Budgets, and for any local discretionary reliefs granted under section 47 powers. During the provisional 2018/19 finance settlement announced in December, the Government approved the re-admittance of the Council into the Lancashire Business Rates Pool. As a consequence of this, the levy that the Council would previously have had to pay to Central Government will be paid into the Lancashire Pool and the Council will be able to retain 90% of the amount paid, providing opportunities to promote further economic growth as well as building financial resilience.
27. As part of the ongoing consultation around the 100% business rate retention proposals, the Government is proposing a reset, or partial reset, of the amount of Business Rates each Council expects to receive. A reset would mean that any previous growth in business rate income above the expected amount, achieved under the existing system, would be lost. This would mean an additional pressure on council's that had used any excess Business Rates income when balancing their annual budgets. It is expected that the new system of accounting for Business Rates will come into effect in 2020.

## **COLLECTION FUND SURPLUS**

### 28. Council Tax Element

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

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

This year's calculation has produced an overall surplus figure of £545k of which this Council's share is £89k which is 16.31% as a proportion of the total. An estimated figure of £81k for Burnley's share of the Collection Fund surplus was used in calculating the initial estimate of the 2018/19 revenue budget gap.

## **COMMERCIAL STRATEGY & FEES AND CHARGES**

29. The Council has developed and approved a commercial strategy. This is intended to promote a more commercial approach to the Council's business and finances and reflects the changed environment in which the Council now operates with the establishment of major contracts for service delivery including the strategic partnership with Liberata. Part of this commercial approach is linked to maximising where possible the income which the Council receives from fees and charges. Further work will be undertaken in 2018/19 in this area.
30. During the budget process, it has been assumed that income budgets would increase in 2018/19 reflecting a corresponding increase, where practicable, in fees and charges levied. Heads of Service were therefore asked to review their fees and charges in the context of an assumed minimum overall increase of 2% in income generated except in areas where it was considered that no increase should take place. It was decided that the increase should take effect from 1<sup>st</sup> January 2018 as has been the case previously. The tariff of fees and charges mainly effective from 1<sup>st</sup> January 2018 was approved by full Council on 22<sup>nd</sup> November 2017. The estimated additional increase in income in 2018/19 as a consequence of the approved increases is £52k and forms part of the overall savings approved in September 2017 to balance the budget.

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

31. It is important that, when considering the Revenue Budget, due consideration is given to the levels of strategic earmarked reserves that are available and held for future liabilities. The General Fund reserve is held to provide a working balance to help cushion the impact of unexpected emergencies and uneven cash flow.

32. The table below shows the anticipated use of strategic reserves for 2018/19 and later years. This table excludes any reserves held for specific operational reasons:

	Strategic Earmarked Reserves £'000	General Reserve £'000	Total £'000
Balance as at 01/04/17	5,375	1,379	6,754
Approved use to Q3 2017/18	(2,179)	-	(2,179)
Balance available after approvals	3,196	1,379	4,575
General revenue budget support 18/19	-	-	-
Future commitments and risks	(1,567)	-	(1,567)
Balance remaining	1,629	1,379	3,008

#### **RISK ASSESSMENT**

33. A risk assessment has been carried out on key areas of income and expenditure and ways of monitoring and mitigating the risk have been identified where possible.
34. An important issue to consider is the extent to which the Council will be utilising earmarked reserves and non-recurring income when setting the budget. Initiatives that are to be funded from earmarked reserves do not have assumed ongoing funding and the Council must therefore plan in future years to discontinue these activities or approve growth if they are to continue. The latter course of action would add to the savings requirement. It is not considered that the extent of funding from earmarked reserves factored into the 2018/19 revenue budget is unduly onerous and the levels of reserves forecast will be sufficient in accordance with the medium term financial strategy (MTFS).
35. There are risks associated with the business rates system. The proposed elimination of Government grant funding through RSG by 2020 makes these risks more significant. An increasing proportion of the Council's funding requirement will need to be met from business rates. The Council remains optimistic that the business rates system can provide positive benefits through the stimulation of economic growth but there is the possibility of less than anticipated receipts through factors beyond the Council's control. Progress will therefore be carefully monitored to ensure that the Council's position is safeguarded.
36. Declining levels of income also continue to be a significant risk area and although substantial reductions in income receivable have been made to reflect current economic conditions there may be a further decrease in income levels supporting the revenue budget. This will be closely monitored as part of budget monitoring for 2018/19.

37. Pay inflation has been increased by 2% in 2018/19 and future years. A revised pay structure has been proposed for local government in 2019/20 and the Council will need to revise its pay structure. There is little price inflation included within the estimates for non-salary budgets. However, general levels of inflation as measured in the retail prices index and the consumer prices index will increase in the future and this may lead to demands for higher pay and an increase in the prices of goods and services which the Council has to meet. The risk of any increase in inflation is considered likely in the existing climate and will be closely monitored.
38. Significant savings have been achieved by operating the Council's leisure services as a charitable company but there are however risks in the operation of the Trust and the assumptions made in terms of the management fee paid by the Council to the Trust. To ensure that risk is minimised there will continue to be regular monitoring of activity and financial performance in 2018/19 and beyond.
39. The Council entered into a contract with Liberata as our external service provider for around a third of Council services from 1<sup>st</sup> January 2016. The financial planning assumptions provided for a significant saving on previous in-house provision. It will be necessary to ensure that these savings are being delivered whilst maintaining service quality and standards. Procedures have been drawn up to enable the new partnership to operate effectively. Nevertheless this is a significant savings area which is currently and will continue to be actively managed.
40. In summary, after taking consideration of the issues in this report and the risks referred to above, the 2018/19 revenue budget may be approved. Also, the assumed level of Council Tax that should be set in order to achieve a balanced budget as set out above should be confirmed.
41. The final decision that Members of the Council take will need to reflect the statutory (Section 25) report of the Chief Finance Officer as to the robustness of the assumptions that have been made in compiling the budget.

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

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

## **POLICY IMPLICATIONS**

43. The revenue budget determines the extent to which the Council's strategic objectives can be pursued and achieved.
44. Community Impact Assessment and Equality Impact Assessments have been completed for the additional savings proposals that are contained within Appendix 3. The Assessments are included as Appendix 4.

**DETAILS OF CONSULTATION**

45. No external consultation has been carried out.

**BACKGROUND PAPERS**

46. None.

**FURTHER INFORMATION****PLEASE CONTACT:****Asad Mushtaq – Head of Finance****ALSO:****Howard Hamilton-Smith - Finance &  
Commercial Manager**



**Summary Revenue Budget 2018/19**

<u>Estimated Net Spending</u>	Pay	Non-Pay	Reserves	Net Spending
<u>Service</u>	£'000	£'000	£'000	£'000
Management				
Communications, Performance & Policy				
People & Development				
Governance, Law, Property and Regulation				
Finance				
Revenues and Benefits				
Treasury Management				
Leisure Trust Management Fee				
Leisure Client				
Green Spaces and Amenities				
Streetscene				
Housing and Development Control				
Regeneration and Planning Policy				
Strategic Partnership				
Corporate Budgets				
Earmarked Reserves				

System generated data. To be  
included prior to Full Council 21  
February 2018

**Net Budget Requirement**

	£'000	£'000
Collection Fund Surplus		89
Business Rates Retention Scheme		
Business Rate Baseline Funding	4,102	
Additional Business Rates Forecast – Burnley Element	1,136	
Additional Retained Income - Renewable Energy Schemes	235	5,473
Revenue Support Grant		2,228
Council Tax Yield		6,739
New Homes Bonus		561
		<u>15,090</u>

**2018/19 Revenue Budget**  
**Growth Proposals**

	Ongoing £'000	One-off £'000	Total £'000
Childrens Trust Co-Ordinator - expiry of LCC funding	15	-	15
Burnley & Padiham Independent Group Leader allowance	2	-	2
<b>Total Growth</b>	<b>17</b>	<b>-</b>	<b>17</b>

**REVENUE BUDGET 2018/19****Summary of Budget Gap Remaining and Savings**

	£'000	£'000
<b><u>Budget gap reported September 2017</u></b>		84
<b><u>Finalisation of continuation estimates 2018/19</u></b>		
<b><u>Further Increases/(Decreases) - Net Spending Pressures</u></b>		
2% Pay Award (increased from 1%)	120	
Reduction in income targets	68	
Growth (see Appendix 2)	17	
Various net adjustments in finalising continuation estimates	99	304
	<hr/>	
<b><u>Further (Increases)/Decreases - Funding</u></b>		
Business Rates - Baseline Funding Level	-	
Additional New Homes Bonus	(21)	
Collection Fund Surplus	(8)	
Increase in Council Tax (assuming a 2.99% increase)	(180)	(209)
	<hr/>	
Residual budget gap - February 2018		<hr/> 179
less: <b><u>Further Savings - February 2018</u></b>		
Extension of litter enforcement procurement - see separate report on agenda	(20)	
Reduced utility costs	(20)	
Savings on Merchant Banking Services contract	(7)	
Property savings brought forward from 2019/20	(5)	
Governance, Law, Property & Regulation - operational budgets	(47)	
Streetscene - operational budgets	(22)	
Regen & Planning Policy - operational budgets	(22)	
Housing & Devt Control - operational budgets	(21)	
Green Spaces & Amenities - operational budgets	(5)	
Strategic Partnership variable service charge	(3)	
Treasury Bank Charges	(7)	(179)
	<hr/>	
		<hr/> - <hr/>

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## APPENDIX 4 - SUMMARY OF EQUALITY IMPACT ASSESSMENT

### REVENUE BUDGET SAVINGS PROPOSALS 2018/19

1.	Title of EIA	Equality Impact Assessment – Revenue Budget Savings Proposals 2018/19
2.	Person responsible for the assessment	Mike Waite
3.	Contact details	01282 477198 <a href="mailto:mwaite@burnley.gov.uk">mwaite@burnley.gov.uk</a>
4.	Date of assessment	Completed 23 January 2018

An equality impact assessment has been carried out in respect of the proposals now presented. 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 2018/19 – 2020/21 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 2018/19 in line with the agreed Medium Term Financial Strategy; which responds to the financial challenges facing the council; which enables the council to continue focussing 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"><li>• service users</li><li>• residents/Council tax payers</li><li>• Councillors; and</li><li>• Council employees.</li></ul>

3.	How are they expected to benefit?	Through the council ensuring a sustainable future for its services through good financial management and transparent decision making to determine priorities.
4.	How will the change be implemented?	The budget will be agreed through decision making structures and processes in line with the council constitution.  The agreed budget in 2018/19.
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"> <li>• Analysis of workforce profile</li> <li>• Analysis of services</li> <li>• Census data.</li> </ul>

### 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 <sup>1</sup>			✓	All impacts in respect of people in this group were identified as neutral.
Disability	All areas of impact			✓	All impacts in respect of people in this group were identified as neutral.
Gender reassignment	All areas of impact			✓	All impacts in respect of people in this group were identified as neutral.
Marriage and civil partnership	All areas of impact			✓	All impacts in respect of people in this group were identified as neutral.
Pregnancy / and maternity	All areas of impact			✓	All impacts in respect of people in this group were identified as neutral.
Race	All areas of impact			✓	All impacts in respect of people in this group were identified as neutral.
Religion and belief	All areas of impact			✓	All impacts in respect of people in this group were identified as neutral.
Sex (gender)	All areas of impact			✓	All impacts in respect of people in this group were identified as neutral.
Sexual orientation	All areas of impact			✓	All impacts in respect of people in this group were identified as neutral.

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<sup>1</sup> 'All areas of impact' refers to the detailed list of proposed revenue budget savings proposals 2018 - 19

**Equality impact assessment action plan**

A review of the actual implementation of the budget proposals will be carried out by an appropriate council officer to identify if any equality impact issues have arisen. This will take place on a timetabled basis in September 2018, or earlier if issues are reported to the council.



## REPORT TO EXECUTIVE



<b>DATE</b>	<b>12<sup>th</sup> February 2018</b>
<b>PORTFOLIO</b>	<b>Resources &amp; Performance Management</b>
<b>REPORT AUTHOR</b>	<b>David Donlan</b>
<b>TEL NO</b>	<b>(01282) 477172</b>
<b>EMAIL</b>	<b>ddonlan@burnley.gov.uk</b>

## CAPITAL BUDGET FOR 2018/19 AND 2018-21 CAPITAL INVESTMENT PROGRAMME

### PURPOSE

1. To recommend approval of the capital budget for 2018/19

### RECOMMENDATION

2. a) That Full Council be recommended to;
  - (i) Approve the 2018/19 Capital Budget, totalling £10,140,512, as set out in Appendix 1
  - (ii) Note the 2018-21 Capital Investment Programme as also set out in Appendix 1.
  - (iii) Note the estimated position on capital resources as set out in Appendix 2.
  - (iv) Discuss the Priority of Schemes/Resources within the 2018-21 Capital Investment Programme
- b) That subject to 2a) i) above the Executive:
  - (i) Approve the release of capital scheme budgets including slippage from 2017/18, subject to compliance with the Financial Procedure Rules and that there will be full compliance with Standing Orders for Contracts.

### REASONS FOR RECOMMENDATION

3. To establish a capital budget that reflects the Council's overall priorities and provides a framework for capital spending to be undertaken during 2018/19.

### SUMMARY OF KEY POINTS

#### 4. **Background:**

In formulating the 2018/19 Capital Programme, Management Team declared that new bids would be limited, given the forecast position of available Capital Resources. The existing schemes and new bids were prioritised in accordance with the Council's

Strategic Objectives as identified within the Council's Strategic Plan.

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

Officers have been asked to submit information for inclusion in the proposed 2018/19 capital budget and the 2018-21 CIP.

The review process has included:

- A review and revision of the existing schemes approved in the 2017-20 CIP, in February 2017.
- Provision of a breakdown of the type of capital expenditure to be incurred for each scheme to assist in estimating the level of capitalised staff recharges involved in delivering capital works.
- A review of the level of Resources within the Council.

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

6. **2018/19 Capital Budget:**

Appendix 1 provides Members with a summary of the capital investment programme for 2018/19 to 2020/21 and a list of those schemes being proposed for the 2018/19 capital budget totalling £10.140m showing the financing elements for each individual scheme. It also shows draft capital budgets for 2019/20 and 2020/21 along with the financing elements for those years.

Members are asked to note the following factors whilst considering the list of schemes being proposed for 2018/19;

- The level of estimated capital receipts is sufficient to finance the £921,152 required for all the schemes put forward for 2018/19.
- The 5 new schemes proposed are:
  - Prairie Artificial Turf Pitch
  - Play Area Improvement Scheme
  - Rationalisation of Operational Estate
  - NW Burnley Growth Corridor (prev. named Flood Relief Works)
  - Town Centre & Weavers Triangle Project Work
  -

Appendix 4 gives a brief description of each scheme.

**Rationalisation of Operational Estate**

The Council's Lease of the Contact Centre expires in December 2019. The Council is actively pursuing to rationalise its operational estate so that efficiency savings (c£160k per annum) can be delivered. To facilitate this, existing buildings will need to be adapted to achieve those savings.

7. **Capital Resources:**

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

- balances in hand as at the 1<sup>st</sup> April 2017
- 2017/18 commitments approved to date
- level of resources assumed to be available as at 31<sup>st</sup> March 2018
- estimated “new” receipts to be received during 2017/18 and 2018-21
- resources required to finance part of the 2018/19 proposed capital budget
- resources required to finance the schemes proposed for future years
- anticipated balance as at 31<sup>st</sup> March 2021.

8. **Revenue Budget Implications:**

Capitalised Salaries

Members will be already aware that capitalised salaries are a major element in balancing the Council’s revenue budget. The expected revenue income for staff time recharged against identified capital projects is £191k in 2018/19, as shown in Appendix 3.

Costs of Prudential Borrowing

Of the proposed £1,591,440 prudential borrowing requirement for 2018/19, there are 2 new schemes requiring additional borrowing of £340,000 by the Council. The estimated full year interest cost for the additional borrowing is £10k. This cost may not be required until 2019/20, dependant on the timing of the borrowing.

The additional Minimum Revenue Provision (notional debt repayment) charge for the £340,000 additional borrowing would be £14k, and would not be required until 2019/20.

Details of the new schemes and prudential borrowing requirements are shown in Appendix 1.

9. **2018-21 Capital Investment Programme:**

As previously stated, Appendix 1 outlines a summary of the proposed 2018-21 capital investment programme. These schemes are listed in priority order, in line with the approved methodology for ranking proposed capital scheme bids, reflecting the priorities of the Council’s strategic objectives.

<b>FINANCIAL IMPLICATIONS AND BUDGET PROVISION</b>
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10. As referred to in the body of the report.

<b>POLICY IMPLICATIONS</b>
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11. The Capital programme gives authority for a number of policy decisions to be actioned in meeting the Council’s corporate objectives.

**DETAILS OF CONSULTATION**

12. None.

**BACKGROUND PAPERS**

13. None.

**FURTHER INFORMATION  
PLEASE CONTACT:**

**David Donlan,  
Accountancy Division Manager**

### Capital Investment Programme 2018/19 to 2020/21

Service Unit	Scheme Name	2018/19	2019/20	2020/21	TOTAL
		£	£	£	£
<b>Schemes Committed By Decision of the Council</b>					
Regeneration & Planning Policy	Vision Park	58,897	-	-	58,897
Green Spaces & Amenities	Thompson Park Restoration Project	308,372	19,750	-	328,122
Regeneration & Planning Policy	Padiham Townscape Heritage Initiative	609,791	443,028	360,942	1,413,761
Regeneration & Planning Policy	Former Open Market & Former Cinema Block	1,380,636	-	-	1,380,636
<b>Total of Schemes Committed By Decision of the Council</b>		<b>2,357,696</b>	<b>462,778</b>	<b>360,942</b>	<b>3,181,416</b>
<b>Housing Investment Programme</b>					
Housing & Development	Emergency Repairs	120,000	120,000	120,000	360,000
Housing & Development	Better Care Grant	2,500,000	1,000,000	1,000,000	4,500,000
Housing & Development	Energy Efficiency	40,000	40,000	40,000	120,000
Housing & Development	Empty Homes Programme	1,100,000	900,000	900,000	2,900,000
Housing & Development	Interventions, Acquisitions and Demolitions	363,000	100,000	100,000	563,000
<b>Total of Housing Investment Programme</b>		<b>4,123,000</b>	<b>2,160,000</b>	<b>2,160,000</b>	<b>8,443,000</b>
<b>New Schemes</b>					
Governance, Law, Property & Regulation	Burnley Mechanics MI Space HLF Scheme	-	994,800	1,255,360	2,250,160
Green Spaces & Amenities	Prairie Artificial Turf Pitch	485,000	485,000	-	970,000
Green Spaces & Amenities	Play Area Improvement Programme	99,500	62,500	61,500	223,500
Green Spaces & Amenities	Worsthorne Recreation Ground Improvements	-	203,500	-	203,500
Governance, Law, Property & Regulation	Rationalisation of Operational Estate	300,000	400,000	-	700,000
Regeneration & Planning Policy	NW Burnley Growth Corridor	1,394,917	4,055,557	1,549,526	7,000,000
Regeneration & Planning Policy	Town Centre & Weavers Triangle Project Work	350,000	500,000	250,000	1,100,000
<b>Total of New Schemes</b>		<b>2,629,417</b>	<b>6,701,357</b>	<b>3,116,386</b>	<b>12,447,160</b>
<b>Schemes Scoring "3" for Commitment &amp; At Least 5 Overall</b>					
Green Spaces & Amenities	Vehicle & Machinery Replacement	108,975	108,975	108,975	326,925
Green Spaces & Amenities	Extension of Burnley Cemetery	-	421,087	-	421,087
Governance, Law, Property & Regulation	Leisure Centre Improvements	75,000	75,000	75,000	225,000
Streetscene	River Training Walls	75,000	30,000	30,000	135,000
Streetscene	Lower St James Street	398,140	-	-	398,140
<b>Total of Schemes Scoring "3" for Commitment &amp; At Least 5 Overall</b>		<b>657,115</b>	<b>635,062</b>	<b>213,975</b>	<b>1,506,152</b>
<b>Schemes Scoring 4 Points Overall</b>					
Governance, Law, Property & Regulation	Building Infrastructure Works	250,000	-	220,000	470,000
Green Spaces & Amenities	Towneley Hall Infrastructure Works	-	465,000	-	465,000
Streetscene	CCTV Infrastructure	73,284	-	-	73,284
Streetscene	Alleygate Programme	50,000	50,000	25,000	125,000
<b>Total of Schemes Scoring 4 Points Overall</b>		<b>373,284</b>	<b>515,000</b>	<b>245,000</b>	<b>1,133,284</b>
<b>Total of All Schemes</b>		<b>10,140,512</b>	<b>10,474,197</b>	<b>6,096,303</b>	<b>26,711,012</b>

Prudential Borrowing	Financed By:				3rd Party/Section 106
	Revenue Cont'n / Reserves	Capital Grants	Capital Receipts	VPI Receipts	
			£		
	-	58,897	-	-	-
	10,641	317,481	-	-	-
		1,190,892	169,519		53,350
1,103,156	277,480				-
<b>1,103,156</b>	<b>288,121</b>	<b>1,567,270</b>	<b>169,519</b>	<b>-</b>	<b>53,350</b>
		360,000			-
		4,500,000			-
		120,000			-
		-		2,900,000	-
		-		563,000	-
-	-	<b>4,980,000</b>	-	<b>3,463,000</b>	-
303,440		1,297,000			649,720
180,000		450,000			340,000
	10,000		147,000		66,500
		97,500			106,000
	400,000		300,000		
		7,000,000			
500,000			600,000		
<b>983,440</b>	<b>410,000</b>	<b>8,844,500</b>	<b>1,047,000</b>	<b>-</b>	<b>1,162,220</b>
	326,925				
421,087					
225,000					
			135,000		
	398,140				
<b>646,087</b>	<b>725,065</b>	<b>-</b>	<b>135,000</b>	<b>-</b>	<b>-</b>
		30,000		440,000	
				#REF!	
73,284					
			125,000		
<b>73,284</b>	<b>30,000</b>	<b>-</b>	<b>#REF!</b>	<b>-</b>	<b>-</b>
<b>2,805,967</b>	<b>1,453,186</b>	<b>15,391,770</b>	<b>#REF!</b>	<b>3,463,000</b>	<b>1,215,570</b>



2019/20 CAPITAL BUDGET AND FINANCING ELEMENTS

APPENDIX 1

Classification Heading	Score	Service Unit	Scheme Name	Proposed Budget £	FINANCING ELEMENTS									Total Proposed Budget £	
					Prudential Borrowing £	Revenue Cont'n / Reserves £	Better Care Grant £	Heritage Lottery Fund £	Lancashire Enterprise Partnership £	Football Foundation £	Capital Receipts £	Vacant Property Initiative Receipts £	3rd Party / Section 106 Unsecured £		
Committed By Decision of the Council	-	Green Spaces & Amenities	Thompson Park Restoration Project	19,750				19,750							19,750
	-	Regeneration & Planning Policy	Padiham Townscape Heritage Initiative	443,028				262,166	151,675		29,187				443,028
Housing Investment Programme	3 : 3	Housing & Development	Emergency Repairs	120,000			120,000								120,000
	3 : 3	Housing & Development	Better Care Grant	1,000,000			1,000,000								1,000,000
	3 : 3	Housing & Development	Energy Efficiency	40,000			40,000								40,000
	3 : 3	Housing & Development	Empty Homes Programme	900,000								900,000			900,000
	3 : 3	Housing & Development	Interventions, Acquisitions and Demolitions	100,000								100,000			100,000
Page 127 New Schemes	2 : 3	Green Spaces & Amenities	Burnley Mechanics MI Space HLF Scheme	994,800	303,440			573,000						118,360	994,800
	2 : 3	Green Spaces & Amenities	Prairie Artificial Turf Pitch	485,000	90,000					225,000				170,000	485,000
	2 : 2	Green Spaces & Amenities	Play Area Improvement Scheme	62,500		5,000					41,000			16,500	62,500
	2 : 2	Green Spaces & Amenities	Worsthorne Recreation Ground Improvements	203,500						97,500				106,000	203,500
	-	Governance, Law, Property & Regulation	Rationalisation of Operational Estate	400,000		400,000									400,000
	-	Regeneration & Planning Policy	NW Burnley Growth Corridor	4,055,557					4,055,557						4,055,557
	-	Regeneration & Planning Policy	Town Centre & Weavers Triangle Project Work	500,000	250,000						250,000				500,000
Schemes Scoring "3" for Commitment & At Least 5 Overall	3 : 2	Green Spaces & Amenities	Vehicle and Machinery Replacement	108,975		108,975									108,975
	3 : 2	Green Spaces & Amenities	Extension of Burnley Cemetery	421,087	421,087										421,087
	3 : 2	Governance, Law, Property & Regulation	Leisure Centre Improvements	75,000	75,000										75,000
	3 : 2	Streetscene	River Training Walls	30,000							30,000				30,000
Schemes Scoring 4 Points Overall	3 : 1	Green Spaces & Amenities	Towneley Hall Infrastructure Works	465,000							465,000				465,000
	2 : 2	Streetscene	Alleygate Programme	50,000							50,000				50,000
<b>TOTAL OF ALL SCHEMES</b>				<b>10,474,197</b>	<b>1,139,527</b>	<b>513,975</b>	<b>1,160,000</b>	<b>854,916</b>	<b>4,207,232</b>	<b>322,500</b>	<b>865,187</b>	<b>1,000,000</b>	<b>410,860</b>	<b>10,474,197</b>	

2020/21 CAPITAL BUDGET AND FINANCING ELEMENTS

APPENDIX 1

Classification Heading	Score	Service Unit	Scheme Name	Proposed Budget £	FINANCING ELEMENTS								Total Proposed Budget £
					Prudential Borrowing £	Revenue Cont'n / Reserves £	Better Care Grant £	Heritage Lottery Fund £	Lancashire Enterprise Partnership £	Capital Receipts £	Vacant Property Initiative Receipts £	3rd Party / Section 106 Unsecured £	
Committed By Decision of the Council	2 : 2	Regeneration & Planning Policy	Padiham Townscape Heritage Initiative	360,942				190,587	98,325	18,680		53,350	360,942
Housing Investment Programme	3 : 3	Housing & Development	Emergency Repairs	120,000			120,000						120,000
	3 : 3	Housing & Development	Better Care Grant	1,000,000			1,000,000						1,000,000
	3 : 3	Housing & Development	Energy Efficiency	40,000			40,000						40,000
	3 : 3	Housing & Development	Empty Homes Programme Interventions, Acquisitions and Demolitions	900,000							900,000		900,000
	3 : 3	Housing & Development		100,000							100,000		100,000
Page 128 Scheme	-	Green Spaces & Amenities	Burnley Mechanics MI Space HLF Scheme	1,255,360				724,000				531,360	1,255,360
	2 : 2	Green Spaces & Amenities	Play Area Improvement Scheme	61,500		2,500				51,500		7,500	61,500
	-	Regeneration & Planning Policy	NW Burnley Growth Corridor	1,549,526					1,549,526				1,549,526
	-	Regeneration & Planning Policy	Town Centre & Weavers Triangle Project Work	250,000						250,000			250,000
Schemes Scoring "3" for Commitment & At Least 5 Overall	3 : 2	Green Spaces & Amenities	Vehicle and Machinery Replacement	108,975		108,975							108,975
	3 : 2	Governance, Law, Property & Regulation	Leisure Centre Improvements	75,000	75,000								75,000
	3 : 2	Streetscene	River Training Walls	30,000						30,000			30,000
Schemes Scoring 4 Points Overall	3 : 1	Governance, Law, Property & Regulation	Building Infrastructure Works	220,000						220,000			220,000
	2 : 2	Streetscene	Alleygate Programme	25,000						25,000			25,000
<b>TOTAL OF ALL SCHEMES</b>				<b>6,096,303</b>	<b>75,000</b>	<b>111,475</b>	<b>1,160,000</b>	<b>914,587</b>	<b>1,647,851</b>	<b>595,180</b>	<b>1,000,000</b>	<b>592,210</b>	<b>6,096,303</b>



**CAPITAL RECEIPTS AND CONTRIBUTIONS ANALYSIS FOR 2017/18 AND CIP 2018-21**

**APPENDIX 2**

	<u>General Capital Receipts</u> £	<u>Vacant Property Initiatives Receipts</u> £	<u>Section 106 Money</u> £	<u>3rd Party Cont'ns</u> £	<u>Total</u> £
<b><u>Capital Resources Brought Forward on 1st April 2017</u></b>	<b>946,363</b>	<b>2,546,690</b>	<b>188,739</b>	<b>95,884</b>	<b>3,777,676</b>
<b><u>Add</u></b>					
Resources Received As At 31st December 2017:	513,475	663,071	-	190,934	1,367,480
Further Resources Estimated to be Received during 2017/18:	649,930	-	-	165,055	814,985
<b><u>Potential Resources Available during 2017/18</u></b>	<b>2,109,768</b>	<b>3,209,761</b>	<b>188,739</b>	<b>451,873</b>	<b>5,960,141</b>
<b><u>Less</u></b>					
Required to finance Capital Programme	(939,481)	(1,335,617)	-	(408,083)	(2,683,181)
Earmarked for Revenue Expenditure	-	-	(55,695)	-	(55,695)
Earmarked for Delivery By Outside Bodies	-	-	(133,044)	-	(133,044)
<b><u>Potential Capital Resources Carried Forward on 31st March 2018</u></b>	<b>1,170,287</b>	<b>1,874,144</b>	<b>-</b>	<b>43,790</b>	<b>3,088,221</b>
<b><u>Add</u></b>					
Resources Estimated to be Received during 2018/19	690,000	700,000	2,500	166,210	1,558,710
<b><u>Less</u></b>					
2018/19 Capital Budget	(921,152)	(1,463,000)	(2,500)	(210,000)	(2,596,652)
<b><u>Estimated Surplus / (Shortfall) of Resources as at 31st March 2019</u></b>	<b>939,135</b>	<b>1,111,144</b>	<b>-</b>	<b>-</b>	<b>2,050,279</b>
<b><u>Add</u></b>					
Resources Estimated to be Received during 2019/20	300,000	600,000	43,000	367,860	1,310,860
<b><u>Less</u></b>					
2019/20 Capital Budget	(865,187)	(1,000,000)	(43,000)	(367,860)	(2,276,047)
<b><u>Estimated Surplus / (Shortfall) of Resources as at 31st March 2020</u></b>	<b>373,948</b>	<b>711,144</b>	<b>-</b>	<b>-</b>	<b>1,085,092</b>
<b><u>Add</u></b>					
Resources Estimated to be Received during 2020/21	300,000	288,856	60,850	531,360	1,181,066
<b><u>Less</u></b>					
2020/21 Capital Budget	(595,180)	(1,000,000)	(60,850)	(531,360)	(2,187,390)
<b><u>Estimated Surplus / (Shortfall) of Resources as at 31st March 2021</u></b>	<b>78,768</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,768</b>

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2018/19 CAPITAL BUDGET PER EXPENDITURE DETAIL

APPENDIX 3

Scheme Name	Budget £	Purchase of Land & Prop Detail 3801 £	Grants Detail 3814 £	Payment to Contractors Detail 3815 £	Bricking Up Detail 3821 £	Plant & Equipment Detail 3832 £	Professional Fees Detail 3844 £	Property Management Detail 3852 £	Engineers Detail 3853 £	Legal Services Detail 3856 £	Housing Services Detail 3859 £	1996 Act Detail 3909 £	Total Budget £
Vision Park	58,897			58,897									58,897
Thompson Park Restoration Project	308,372			288,372					20,000				308,372
Padiham Townscape Heritage Initiative	609,791			609,791									609,791
Former Open Market & Former Cinema Block	1,380,636			1,360,636					20,000				1,380,636
Emergency Repairs	120,000			120,000									120,000
Disabled Facilities Grant	2,500,000											2,500,000	2,500,000
Energy Efficiency	40,000			40,000									40,000
Empty Homes Programme	1,100,000	200,000	200,000	505,000	100,000			17,500	20,000	24,500	33,000		1,100,000
Interventions, Acquisitions and Demolitions	363,000			363,000									363,000
Prairie Artificial Turf Pitch	485,000			485,000									485,000
Play Area Improvement Programme	99,500					99,500							99,500
Rationalisation of Operational Estate	300,000			300,000									300,000
NW Burnley Growth Corridor	1,394,917			1,374,917					20,000				1,394,917
Town Centre & Weavers Triangle Project Work	350,000			350,000									350,000
Vehicle and Machinery Replacement	108,975					108,975							108,975
Leisure Centre Improvements	75,000			75,000									75,000
River Training Walls	75,000			59,000					16,000				75,000
Lower St James Street	398,140			378,140					20,000				398,140
Building Alteration Works	250,000			250,000									250,000
CCTV Infrastructure	73,284			60,284		13,000							73,284
Alleygate Programme	50,000			50,000									50,000
<b>TOTAL OF 2018/19 CAPITAL BUDGET</b>	<b>10,140,512</b>	<b>200,000</b>	<b>200,000</b>	<b>6,728,037</b>	<b>100,000</b>	<b>221,475</b>	<b>-</b>	<b>17,500</b>	<b>116,000</b>	<b>24,500</b>	<b>33,000</b>	<b>2,500,000</b>	<b>10,140,512</b>

CAPITAL SALARY BUDGET 2018/19 191,000

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**2018/19 PROPOSED CAPITAL BUDGET - BRIEF DESCRIPTIONS OF INDIVIDUAL SCHEME**

<u>Scheme Name</u>	<u>Budget (£)</u>	<u>Scheme Narrative</u>
Vision Park	58,897	The Council has now completed the first phase including site infrastructure and 30,000sq ft of high quality business space to support the growth of key sectors.
Thompson Park Restoration Project	308,372	£1.2 million HLF funded restoration of Thompson park.
Padiham Townscape Heritage Initiative	609,791	Comprehensive scheme costing £1.421m between 2017/18 and 2021/22, involving repairs and restoration to key buildings in the Conservation area, together with highways and public realm improvements, and an engagement programme.
Former Open Market & Former Cinema Block	1,380,636	Works to demolish the former open market and cinema block and to remediate the remaining structure. A contractor has been appointed.
Emergency Repairs	120,000	Emergency Repairs is a discretionary grant that is made available to owner occupiers to remedy repairs where there is a serious and imminent risk to the health and safety of the occupants. The grant is eligible to owner-occupiers in receipt of income related benefits and aged 60 or over, or a disabled person who is in receipt of income related benefits.
Disabled Facilities Grant	2,500,000	The funding is allocated by the Ministry of Housing, Communities & Local Government and the programme is a grants scheme that funds adaptations and aids for disabled residents to enable them to remain living independently in a home of their choice.
Energy Efficiency	40,000	The Council's Energy Efficiency Programme allows the Council to achieve its strategic objective of reducing carbon emissions and reducing fuel poverty. The scheme seeks to do this through increasing the energy efficiency of domestic properties in the borough. Funding is used on a variety of projects that provide insulation, replacing inefficient boilers with "A" rated boilers and installing central heating in properties that do not have central heating.
Empty Homes Programme	1,100,000	The Empty Homes Programme brings long term empty properties back in to use in the borough of Burnley.
Interventions, Acquisitions and Demolitions	363,000	This programme aims to work with a range of partners to bring forward key brownfield land for housing development. The programme also funds neighbourhood regeneration initiatives and property improvement schemes to support the Council's wider neighbourhood regeneration programme..
Prairie Artificial Turf Pitch	485,000	To construct an additional artificial turf pitch (ATP) at Prairie Sports Village together with additional car parking and drainage improvements to existing grass pitches.
Play Area Improvement Programme	99,500	To refurbish children's play areas in-line with the recommendations of the adopted Play Provision Strategy 2017 - 2026. This is the first 3 year's of a 10 year programme. During this period improvements will be undertaken at Towneley Riverside, Scott Park and Queens Park.
Rationalisation of Operational Estate	300,000	To consolidate the Council's main operational office accommodation into the Town Hall and Parker Lane prior to the end of the Contact Centre lease in December 2019.
NW Burnley Growth Corridor	1,394,917	£10m scheme including Flood Defence Works and Town Centre Public Realm improvements in Padiham and Junction Improvements to Shuttleworth Meade.
Town Centre & Weavers Triangle Project Work	350,000	Funding to assist in bringing forward key projects identified in the emerging Town Centre and Weavers Triangle project work.
Vehicle and Machinery Replacement	108,975	Replacement of transport (fleet vehicles) and horticultural machinery.
Leisure Centre Improvements	75,000	Delivery of condition survey related capital based works to ensure continuity of business, compliance with undertakings and improvement in appearance in order to continue to attract patronage.

**2018/19 PROPOSED CAPITAL BUDGET - BRIEF DESCRIPTIONS OF INDIVIDUAL SCHEME**

<u>Scheme Name</u>	<u>Budget (£)</u>	<u>Scheme Narrative</u>
River Training Walls	75,000	<p>The river Calder training walls through Towneley Park from Deer Park Road Bridge to the West of the Riverside Car Park are in very poor condition after having been battered by the environment for the last 150 years. They are not 'fit for purpose'.</p> <p>Local collapses are becoming more frequent. These present a danger to the general public and also contravene the Environment Agency's statutory obligations to maintain the river flow and the flood storage capacity under the Flood and Water Management Act 2010. The Environment Agency will serve notice on the Council as 'riparian land-owner' if the danger increases and further collapses impede flow.</p> <p>It is proposed that the liability of maintaining these walls be reduced as much as possible by removing them and replacing with engineered embankments. The embankments will have low maintenance and will also improve flood storage capacity, thereby reducing the risk of flooding to the Plumbe Street area of town.</p> <p>These works would secure 'fit for purpose' for the next 75 years with very low annual maintenance costs.</p>
Lower St James Street	398,140	Match funding for a public realm improvement scheme on Lower St James Scheme subject to securing sufficient matched funding.
Building Infrastructure Works	250,000	Contribution towards larger scale and capital works arising out of the building condition surveys currently being undertaken.
CCTV Infrastructure	73,284	To support the continued upgrade of infrastructure as part of the Council's amalgamated HUB delivery. There is a planned camera upgrade programme.
Alleygate Programme	50,000	<p>Burnley Council have been operating an alleygating program since 2004, providing increased home security to properties.</p> <p>Alleygating is an effective method of reducing crime and antisocial behaviour by erecting gates on back streets. The gates are effective, not just in the reduction of crime itself, but in reducing the fear of crime for residents. They provide a safe and clean environment that residents can enjoy and this leads to an increase in sense of community. They are a tangible product of the Council and CSP's efforts to work towards and safer and cleaner Burnley.</p> <p>Alleygating remains popular with residents and members alike and each application period is vastly oversubscribed.</p>
<b>TOTAL OF ALL SCHEMES</b>	<b><u>10,140,512</u></b>	

**REPORT TO THE EXECUTIVE**



<b>DATE</b>	<b>12<sup>th</sup> February 2018</b>
<b>PORTFOLIO</b>	<b>Resources &amp; Performance Management</b>
<b>REPORT AUTHOR</b>	<b>Asad Mushtaq</b>
<b>TEL NO</b>	<b>01282 477173</b>
<b>EMAIL</b>	<b>amushtaq@burnley.gov.uk</b>

**Medium-Term Financial Strategy – 2019/20 to 2021/22  
Incorporating the Reserves Strategy**

**PURPOSE**

1. To consider the longer term financial outlook within the context of a Medium-Term Financial Strategy covering the financial years 2019/20 to 2021/22, highlighting uncertainties, underlying risks and make recommendations to Council. The Medium-Term Financial Strategy should be read in conjunction with the revenue budget 2018/19 and the associated statutory report of the Chief Finance Officer.

**RECOMMENDATION**

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

**REASONS FOR RECOMMENDATION**

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

## **SUMMARY OF KEY POINTS**

4. A Medium-Term Financial Strategy (MTFS) is a key component of the Council's strategic planning process, aligning resources to service priorities and providing early identification of requirements for efficiency and cost improvement programmes. The MTFS provides an overarching framework for, and context to, the preparation of the annual budget. It provides an indicative headline position of the overall financial health of the Council, providing early sight of issues for full consideration by the Council and Executive.
5. Council will be aware that the 2018-20 MTFS was approved in February 2017. This report provides an update to the figures presented in that report based on the details issued by government as part of the provisional financial settlement for 2018/19 in December 2017, as well as incorporating a further year, namely 2021/22.
6. The Strategy has been developed using the latest information available. Assumptions and risks built into the Medium-Term Financial Strategy are documented within the Strategy at paragraphs 26 and 33 respectively. The headline reduction, over the three financial years 2019/20, 2020/21 and 2021/22, is a cumulative budget gap of £3.213m (21.3% of the 2018/19 net budget of £15.090m).
7. The financial environment in which the Council operates within is challenging, particularly within the context of continuing austerity. Given the reduced government funding and pressure on other income, the Council endeavours to meet those financial challenges taking a strategic view whilst protecting the quality of services and minimising impact on residents.

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

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

## **POLICY IMPLICATIONS**

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

## **DETAILS OF CONSULTATION**

10. No external consultation has been carried out.

## **BACKGROUND PAPERS**

11. None.



**FURTHER INFORMATION**

**PLEASE CONTACT:**

**Asad Mushtaq, Head of Finance**

**ALSO:**

**David Donlan, Accountancy Manager  
Howard Hamilton-Smith, Finance &  
Commercial Manager**

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# MEDIUM-TERM FINANCIAL STRATEGY

**2019/22**



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## **INTRODUCTION**

1. This strategy provides an overarching framework which sets out the context in which future decisions on resource allocation and budgeting will be taken. The primary purpose of this Strategy is to provide an indication of the future financial position of the Council and in turn inform the annual budget setting process. It quantifies the likely level of resources that are available to deliver the Council's services and achievement of its core strategic objectives as set out in the Strategic Plan.
2. The Council continues to face challenging reductions in funding and will do so for the foreseeable future. Increasingly the ability to achieve strategic objectives is coupled with the need to deliver cash savings and cost reductions. Consequently, it is imperative that resources are allocated following an assessment of strategic priorities and that annual budget decisions are aligned to those priorities.
3. This Strategy includes:
  - Financial context and a high level overview of funding changes likely to affect the strategy;
  - An impact assessment of the Revenue Budget 2018/19 on future years;
  - Gap analysis for 2019/20, 2020/21 and 2021/22 and underlying assumptions;
  - Balancing the medium term;
  - Risks;
  - Reserves Forecast;
  - Monitoring and Review.
4. This Strategy reflects the approach adopted in a number of other strategies and policies adopted by the Council, which should be read in conjunction with this document. These include the Revenue Budget 2018/19, the Statutory Report of the Chief Finance Officer and the Treasury Management Policy. In addition the Reserves Strategy is a key document and is included as an appendix to this document.
5. The medium-term financial planning process has been in place for a number of years and is now an established part of the budget setting process. It provides a forecast of the cost of continuing to provide existing levels of service and the resources that are likely to be available to the Council over the period. It sets out the potential budget gap to inform the Executive and Full Council and to determine the overall size of the efficiencies and cost reduction programme needed over the medium term.

## **FINANCIAL CONTEXT**

6. The major aspects of the local government settlement for 2018/19 as they affect 2019/20, 2020/21 and 2021/22 are:
- The Government's intention to phase out Revenue Support Grant by 2020
  - The calculation of Core Spending Power
  - Continuation of New Homes Bonus – however the Government reduced the period that grant is payable from six years to five years in 2017/18 and to four years in 2018/19. This results in an overall loss of grant of £1.698m between 2017/18 and 2022/23 on existing year 1 to 7 allocations. In addition, from 2017/18 the Government introduced a baseline for housing growth, 0.4% of a Council's band D equivalent properties, which will be deducted from the grant calculation each year. This currently equates to 122 properties and a loss of £149k each year; £596k over the reduced four year period 2018/19 to 2021/22.
  - Confirmation of the Government's intention to allow local government to retain 100% of business rates by 2020, but this will be fiscally neutral.
  - Allowing local authorities to use 100% of capital receipts from asset sales to fund cost-saving reforms (mainly for those authorities with depleted strategic reserves).
  - The level of Council tax increase (excluding any social care increase – see below) beyond which a referendum is required has been increased from 2% to 3% for 2018/19 and 2019/20 in line with current levels of inflation.
  - Further social care Council tax precept increases within Councils with responsibility for providing social care of up to 3% (6% total over the three year period 2017/18 to 2019/20), in addition to the general increase of 2% in 2017/18 and 3% in 2018/19 and 2019/20.
  - Confirmation of a multi-year (2018/19 to 2019/20) budget for Burnley and the 97% of authorities who signed up to demonstrate efficiency savings.

## **CORE SPENDING POWER**

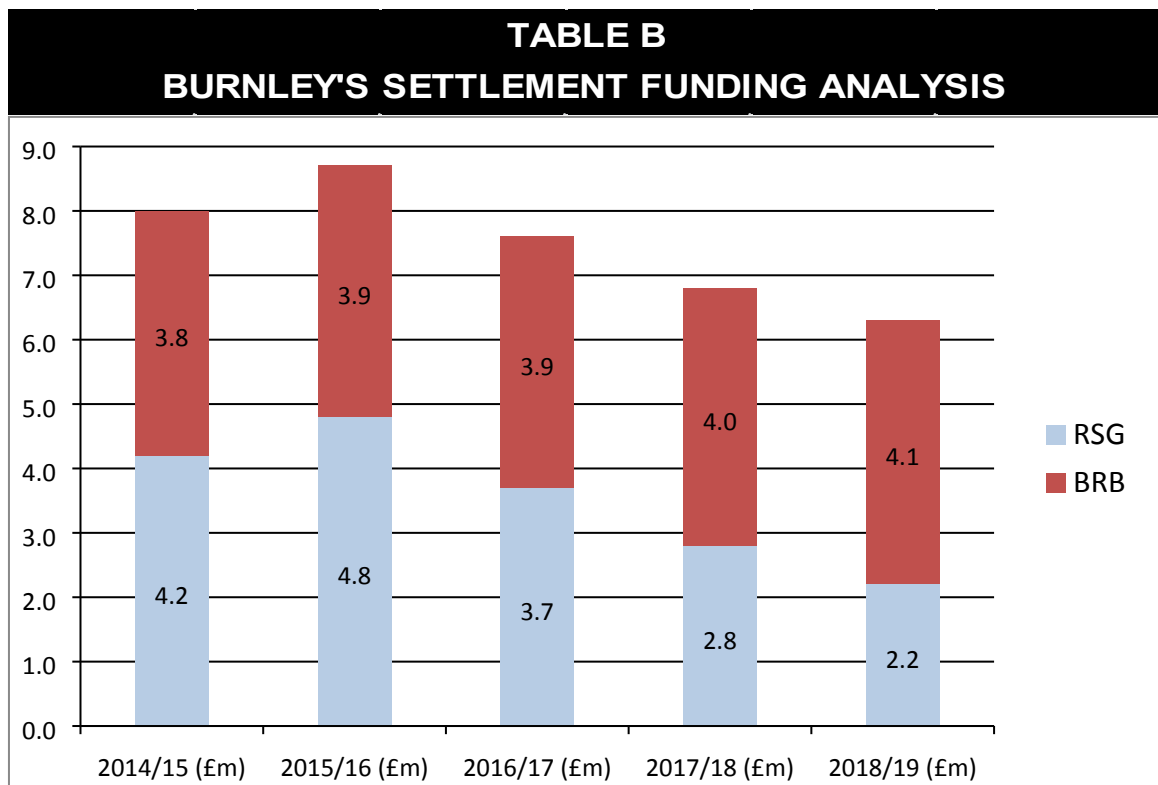
7. In previous years, the government stated that Core Spending Power reductions between financial years was limited to a maximum reduction and additional grant was provided to those authorities to ensure that they did not experience losses greater than this maximum reduction. The calculation of Core Spending Power has changed over the years and is not limited to general government revenue grant and business rates but has also included council tax receipts, New Homes Bonus and other specific grants. This means that the headline percentage reduction quoted by the government also takes into account income from sources other than core general government revenue grant, and is not representative of only direct government funding.

8. The methodology of the Core Spending Power calculation for 2018/19 includes Revenue Support Grant, Business Rates baseline funding, Council Tax and New Homes Bonus. As with 2017/18, no maximum decrease in spending power has been set for 2018/19. Burnley's Core Spending Power will reduce by 3.5% in 2018/19 (4.3% in 2017/18). Given that no maximum decrease has been set there will also be no payment of ESG in 2018/19.
9. A comparison of Burnley Spending Power with other local authorities is shown in Table A. Burnley has consistently faced Spending Power reductions significantly above the national average, and in fact in 2018/19 will see a further 3.5% reduction; in comparison to 2017/18 whilst the England average will see a 1.5% increase.

<b>TABLE A SPENDING POWER REDUCTION / (INCREASE)</b>			
<b>Year</b>	<b>Burnley (%)</b>	<b>England Average (%)</b>	<b>Ratio</b>
2014/15	5.6	3.1	1.8 times
2015/16	6.4	1.8	3.6 times
2016/17	4.4	2.8	1.6 times
2017/18	4.3	1.1	3.9 times
2018/19	3.5	(1.5)	N/A*

*\*n/a in 2018/19 as England average is an increase when compared to a decrease for Burnley*

10. However, whilst the headline Core Spending Power reduction for Burnley is 3.5% for 2018/19, there is a much greater 19.8% cash reduction in Government Revenue Support Grant funding. The Revenue Support Grant (RSG) element of the settlement for 2018/19 will be £2.228m (£549k less than in 2017/18) and is now significantly lower than the indicative figure for localised business rates (BRB) of £4.102m. The direction of travel nationally is for local government to be funded from local revenues only in the longer term (as shown in Table B overleaf).



11. Whilst this would be a concern nationally, the reduction will impact Burnley greater as it is more heavily dependent on government funding than other Councils which have greater buoyancy in the council tax base. This can be shown in Table C below:

**TABLE C**  
**% SPENDING POWER FINANCED THROUGH REVENUE SUPPORT GRANT & EFFICIENCY SUPPORT GRANT**

Year	Burnley (%)	England Average (%)
2014/15	38	24
2015/16	30	18
2016/17	25	16
2017/18	20	9
2018/19	16	3

12. The government have clearly indicated in the 2018/19 settlement that it is intended to phase out Revenue Support Grant by 2020. The intention to allow local government to retain 100% of business rates by 2020 has also been confirmed. This means that there will be a greater demand on Council tax payers and businesses locally over the next two years if this loss of RSG funding is to be mitigated. The Council will continue to work towards the release of further efficiency savings but the change in Government funding will mean an increased reliance on local tax revenues whilst at the same time placing additional pressure in providing Council services. This will become increasingly challenging given continuing austerity measures.



## **BUSINESS RATES RETENTION**

13. Prior to 2013/14, business rates were collected by local government and paid into a national pool and redistributed to local government as part of formula funding. This meant, for councils such as Burnley any variation in business rates collected (i.e., any increase in business rates or any reduction in business rates collected locally) did not affect the Council's financial performance as the Council's contribution from the national pool was fixed as part of the local government settlement.
14. Under the current system Burnley now receives an indicative figure or "baseline" from the Government for its local allocation of business rates and is able to retain a proportion of business rate growth or bear an element of risk in the event of a reduction in collected business rates. Whilst the arrangements are complex, Burnley is able to retain 20% of any increase in business rates above its baseline or 40% up to its baseline. In the event that Burnley achieves a 10% increase in its business rates collection, Burnley Council will receive an additional £507k in funding. Conversely, a safety net threshold has also been introduced to protect the Council from significant business rate reductions. For Burnley, this means that the Council's financial position underwrites losses of up to £308k.
15. Burnley has had some success in growing its business rate base over the last four years and an increase in business rates above the baseline figure has been factored into the 2018/19 revenue budget. Additional income of £1.136m is included within the 2018/19 budget. However, there is still a great deal of uncertainty over this funding due to the extent of business rate appeals and demands to invest in economic growth. As a consequence, no further increase in business rates has been factored into this financial forecast.
16. As referred to above, the intention to allow local government to retain 100% of business rates by 2020 has also been confirmed. The indicative figures set by the Government for individual Councils and currently in use are based upon collection statistics which prevailed more than 7 years ago.
17. Given that business rates will play a more significant role in the Council's future funding arrangements it is important that the distribution of the total rates collected nationally is considered and that attention is paid to the ability of individual Councils to generate rates income and what redistribution mechanisms, if any, are put in place.

## **NEW HOMES BONUS**

18. The national funding formula has been incentivised to encourage councils to build additional homes. As such councils are rewarded as part of the New Homes Bonus (NHB) to build homes or bring back into use existing stock. In addition, an enhanced rate is paid for social housing. The 2017/18 budget settlement changed the formula for the NHB calculations. NHB is originally paid for 6 years but was reduced to 5 years in 2017/18 and will further reduce to 4 years from 2018/19 onwards. This will be applied retrospectively to existing NHB allocations. As a result the year 3 NHB funding payment of £255k and the year 4 payment of £265k have ceased in 2018/19 and there will be subsequent reductions of £503k, £400k and £212k in 2019/20 to 2021/22 respectively.

19. As mentioned earlier, the Government introduced a baseline for housing growth of 0.4% from 2017/18, up to which, the Council will receive no new allocation. The baseline for 2018/19 has remained at 0.4%. This means that the first 122 properties built or brought into use in 2018/19 will not be subject to a grant allocation. As a result the Council will not get £149k of new NHB in 2018/19 which it would have previously been entitled to. Over the new proposed 4 year timescale this equates to a loss of £596k. The Government will review the baseline level for subsequent budget settlements. Consequently, the known reductions referred to above have been included within the MTFs but any increase in NHB has not been factored into the financial forecast for future years.

### **COUNCIL TAX INCREASES**

20. For 2018/19 and 2019/20 guidance issued by central Government requires a referendum where proposed Council tax increases are 3% or more than 3%. This has increased from the 2% allowed in 2017/18.
21. The Council recognises the impact that council tax has on local residents and will always take their ability to pay into consideration when setting council tax levels. The Council should adopt an approach where local sources of funding are maximised as far as is reasonably practicable to do so. However, a 1.99% council tax increase has been factored into the medium-term financial forecast for each year for financial planning purposes only. Clearly, any decisions on setting future council tax levels will be considered each year at Budget Council.
22. The financial impact each year of not increasing council tax at all is an additional pressure of around £134k.

### **AN IMPACT ASSESSMENT OF THE REVENUE BUDGET 2018/19 ON FUTURE YEARS**

23. The Medium-Term Financial Strategy for 2019/20, 2020/21 and 2021/22 is dependent on the delivery of a number of assumptions within the annual budget for 2018/19. This strategy assumes that:
- the Council will approve an annual budget that delivers savings and increased funding totalling £1.86m without having to use reserves to support the delivery of the 2018/19 Revenue Budget;
  - the Council receives the estimated business rates assumed in the calculation of the baseline funding level and any additional business rates included as funding within the approved net revenue budget; and
  - the assumed costs of delivering the Council's services both directly and indirectly is in line with planning assumptions.
24. These assumptions are a realistic assessment of the underlying financial position as shown in the Medium-Term Financial Strategy. The annual budget will be approved in February 2018.

**POTENTIAL GAP FOR 2019/20, 2020/21 and 2021/22**

25. The overall funding gap for 2019/22, using planning assumptions, is summarised below:

	Reduction from 2018/19 Provisional Settlement	
	(£m)	%
Anticipated funding reduction	0.7	
Pay and Prices/other	0.3	
<b>Potential Gap 2019/20</b>	<b>1.0</b>	<b>6.7</b>
Anticipated funding reduction	0.7	
Pay and Prices/other	0.4	
<b>Potential Gap 2020/21</b>	<b>1.1</b>	<b>7.3</b>
Anticipated funding reduction	0.7	
Pay and Prices/other	0.4	
<b>Potential Gap 2021/22</b>	<b>1.1</b>	<b>7.3</b>
<b>Cumulative Potential Gap 2019/22</b>	<b>3.2</b>	<b>21.3</b>

26. Underlying assumptions included within the forecast are:

- Council tax will increase by 1.99% each year;
- No increase has been factored in for non-inflationary changes in business rates or additional new homes bonus
- Pay award assumed at 2% per annum, fees and charges income at 2% per annum; and
- No assumptions built into forecast regarding changes to Council Tax Support claimant numbers.

## **BALANCING OVER THE MEDIUM TERM**

27. The Council operates in a generally challenging environment. Given the planned significant reductions in the Council's funding from Government over the medium term there will need to be a continuing fundamental review of the core purpose of the Council. This will demand strategic and corporate leadership and it is essential that there is seen to be strategic ownership of such a review given the scope of changes which will result from this.
28. The overall size of the challenge that the Council faces is significant and the formulation of a balanced budget over the longer term requires the delivery of savings through strategic prioritisation, service transformation and continuous improvement. The Council continues to make and face key decisions affecting the way it delivers core Council services.
29. The Council will consider fully its strategic intent as encapsulated in the Strategic Plan and will seek not only to reduce costs and deliver the necessary savings but seize opportunities to use those cost saving programmes as leverage for wider strategic benefits.
30. The structure of the Council should be adapted to reflect the challenging operating environment. Furthermore, these structural changes will require that there is also sufficient flexibility to meet all challenges which may arise. Significant service reconfiguration will therefore continue to take place and further progress will be made to update the way the Council is structured. A review of internal business processes will continue so as to promote automation and to reduce back office workloads. This will change the way we work in line with the organisational development strategy and through the promotion of self-service wherever possible.
31. The Council has a strong track record of delivering efficiency savings over recent years and this work will need to continue for the foreseeable future. The outcome will be a Council which is more streamlined and focussed on key strategic objectives, delivered through transformed services working in partnership.
32. Given the challenges ahead, the Council will continue to use the commercial strategy which sets a framework for developing a commercial approach by everyone within and representing the Council. By doing this we will seek to maximise income from our activities and services whilst still having regard to the ability to pay. We will also minimise the costs involved in service provision through this approach by promoting better procurement and continuing to gain value from contracts with partner organisations and so aim to reduce the future funding gap.

## **RISKS**

33. The significant risk areas are:

<b>RISK</b>	<b>MITIGATION</b>	<b>ASSESSMENT</b>
(i) Ability to maintain a balanced budget over the medium-term.	Consideration of core purpose of the Council. Development of a multi-year planned and systematic programme of efficiency and cost reduction measures; Ensure effective programme management to ensure timely delivery. Maintain an effective reserves strategy.	HIGH
(ii) Funding uncertainty with regard to the proposed changes in NHB funding, changes in Business Rates funding and the fair funding review for local government.	Horizon scanning national developments and proactive contribution to help shape the funding framework. Lobby for additional resources with government and also through the LGA. Seek to maximise local funding sources.	HIGH
(iii) Business rate volatility including appeals	No projected increase factored into MTFs, reserves available as buffer in short term. Active consideration of all appeals to minimise impact on revenues.	HIGH
(iv) Partnership performance – achievement of planned savings and delivery of these savings on time	Continued development of enhanced contract management skills and procedures. Project management discipline. Consolidation of good working relationships with contract partners.	MEDIUM
(v) Reserves - potential impact on reserves position, if they are required to support the delivery of a balanced budget over the medium-term.	Include policy on use of reserves within Medium-Term Financial Strategy (attached).	MEDIUM
(vi) Potential claw-back or loss of any external or grant funding.	Compliance to external and grant funding conditions, careful programme monitoring of capital projects.	MEDIUM

RISK	MITIGATION	ASSESSMENT
(vii) Prices - the Strategy only allows for budget increases in specific areas, e.g. business rates and contractual requirements. The forecast for CPI and RPI is for bigger increases.	Review at each update of the Strategy	LOW
(viii) Pay – 2% in Strategy but pressure for higher settlements may develop in the future	Review at each update of the Strategy	LOW
(ix) Income and fees and charges.	Ensure that the Council’s commercial strategy is used to maximise income opportunities. An allowance has been built into the Medium-Term Financial Strategy for an increase in line with the Council’s commercial strategy. This will be reviewed as part of the annual fees and charges review.	LOW
(x) Treasury Management.	Approved Treasury Management Policy, with regular monitoring with support from external advisors.	LOW
(xi) Brexit – Uncertainty of the outcome on the UK economy and corresponding impacts on interest rates, the local economy and further spending pressures	Continuation of resilience with regards to diversifying sources of income, driving further efficiencies, monitoring the outcome of Brexit negotiations and updating the MTFS as necessary	MEDIUM

## **RESERVES & BALANCES**

34. The overall forecast position on reserves is shown in the table below. This includes all strategic earmarked and general reserves. The Reserves Strategy can be found in detail at Appendix 1.

	Strategic Earmarked Reserves £'000	General Reserve £'000	Total £'000
Balance as at 01/04/17	5,375	1,379	6,754
Approved use to Q3 2017/18	(2,179)	-	(2,179)
Balance available after approvals	3,196	1,379	4,575
General revenue budget support 18/19	-	-	-
Future commitments and risks	(1,567)	-	(1,567)
Balance remaining	1,629	1,379	3,008

35. The reserves position does not include any requirement to support the budget gap on an on-going basis.
36. General reserves are held to provide short term emergency funds for exceptional circumstances and to cover risks that could impact the Council as a going concern. The current level of the Council's General Reserve is set at £1.379m, equivalent to 10% of the net revenue budget and includes an assessment of volatility within the business rates retention. The General Reserve has been reviewed as part of the re-assessment of the MTFs and it is proposed that it should remain at £1.379m.
37. Earmarked reserves are held for specific purposes either as a strategic reserve to give flexibility in the use of corporate resources or as specific ring fenced reserves for operational needs.
38. Any resources that are released by savings on the approved budget will be transferred into an earmarked reserve, although it is expected that given the increased pressures on the annual revenue budget the ability for the Council to build up reserves will become increasingly difficult in future years. The purposes, for which reserves are held, are included within Appendix 1.
39. It is Council policy that earmarked reserves should not be used to pay for continuing expenditure. Earmarked reserves should be used for the specific purpose for which they were set aside. This includes funding one-off or non-recurring items, invest to save initiatives or to provide short term and time limited support to manage the transition from the withdrawal of funding.

40. The Council's reserves are not set at excessive levels and furthermore, it is prudent to protect and enhance earmarked reserves where there are opportunities to do so to provide one-off protection particularly given the uncertainty of the current financial climate and longer term risks associated with the local government funding arrangements. It can be seen in the table above however that it is anticipated that a substantial part of the Council's strategic earmarked reserves will be at, or below, their recommended minimum level by the end of the MTFS period. The adequacy of strategic earmarked reserves will continue to be monitored to meet future demands.

## **MONITORING & REVIEW**

41. The Council operates delegated financial management. Following approval of the annual budget, budgets are delegated to service units where each Head of Service has delegated responsibility to ensure that they monitor and maintain budgetary control, achieve efficiency plans built into the budget and follow financial procedure rules. Each Head of Service is charged with ensuring their lead Member is fully briefed on financial issues. Corrective action plans are required in the event of any underperformance against budget to ensure the budget remains on track by the end of the financial year. Conversely, any service underspend at the end of the financial year will be used to contribute towards corporate priorities - general carry forward of underspends by services is not permitted. Any requests for specific service commitments to be rolled into the following financial year will be considered on an exception basis.
42. The Council is committed to achieving value for money in all aspects of its operations. To achieve this, reviews are regularly undertaken to determine whether cost improvements can be made, and to ensure that resources are prioritised and are aligned to strategic intent.
43. Any new proposals for on-going revenue growth must be backed up by a clear business case that demonstrates delivery of efficiencies aligned to strategic objectives. Criteria will be used to determine the relative priority of all capital projects.
44. The Council will operate a commercial strategy which will be reviewed periodically.
45. The Council will carry out three cycles of budget monitoring during each financial year together with a combined revenue and capital final outturn report, each of which will be reported formally to the Executive. These will also be reported to the Scrutiny Committee. Approval of any adjustments to capital or revenue budget control totals will then be sought from Full Council.
46. The financial modelling projections contained within this Medium-Term Financial Strategy are a dynamic model, which will be updated, revised and reported following receipt of business intelligence, changes to underlying assumptions and as the position becomes clearer.



## **APPENDIX 1**

### **RESERVES STRATEGY**

#### **1. BACKGROUND**

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

#### **2. LEGISLATIVE/REGULATORY FRAMEWORK**

- 2.1 The requirement for financial reserves is acknowledged in statute. Sections 32 & 43 of the Local Government Finance Act 1992 require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure, when calculating the budget requirement.
- 2.2 There are no statutory minimum levels imposed and it is not considered appropriate or practical for the Chartered Institute of Public Finance and Accountancy (CIPFA), or other external agencies, to give prescriptive guidance on the minimum or maximum level of reserves required, either as an absolute amount or a percentage of the budget.

- 2.3 The adequacy of the level of reserves is therefore a matter of local judgement bearing in mind the level of risk the council faces together with the requirement to provide any non-recurring or one off support for strategic priorities.
- 2.4 The management of reserves within the current difficult financial environment is not universally agreed. There is a conflict between the expectation of Government that Councils should utilise their reserves over the medium term and the views of professional and regulatory bodies who suggest that reserves should be increasing over the same period.

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

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

### 4. **PURPOSE OF RESERVES & BALANCES**

- 4.1 Reserves can be classed as general reserves or earmarked reserves and represent funds that are not part of the normal recurring budget of the Council but are distinct "pots" of finite funds.
- 4.2 General reserves are set aside to provide a short term cushion for the impact of uneven cash flow, to provide an emergency fund for exceptional unmitigated circumstances and to ensure that the Council remains a going concern. The current level of the Council's general reserves is set at £1.379m. This equates to 10% of the net revenue budget and includes an assessment of volatility within the business rates retention scheme. This figure is judged as a prudent level of balance to be set aside to ensure the Council remains financially liquid as a going concern. This fund is held as a fund of "last resort" when all other reserves or budgets have been completely depleted for unknown "Treasurer's risk".
- 4.3 Earmarked reserves are held to mitigate against potential specific risks that the Council faces; cushion against uncertainty; provide for anticipated liabilities and provide short term investment for strategic priorities or support the operational delivery of specific services. These reserves are held for either strategic purposes to give flexibility in the use of corporate resources or are held as specific ring-fenced reserves for operational needs.

4.4 Given the increased pressures on the annual revenue budget the ability for the Council to build up reserves will become increasingly difficult in future years. Clear protocols therefore should be in place for the use of each earmarked reserve that set out:

- The reason for/purpose of the reserve;
- How and when the reserve can be used;
- An assessment of the adequacy of the reserve in light of risk factors;
- Procedures for the reserve's management and control; and
- A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

## 5. **RISK FACTORS**

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

<b>Risk</b>	<b>Reserve</b>
Short term liquidity and cash flow.	General (Treasurer's Risk)
Unforeseen emergencies.	General
Strategic service transformation and ability to ensure services remain fit for purpose and deliver value for money.	Transformation
Achievement of high priority strategic objectives that require pump priming or inward investment.	Growth Town Centre Management
Financial risks inherent in major developments and projects that are aligned to strategic priorities.	Growth
Provide interim support for emerging risks that were unknown at budget setting and are an unavoidable commitment through regulatory or legislative reform that are outside the direct control of the council	Transformation Revenue Support
Fluctuations, loss and uncertainty in funding or income levels coupled with the Council's ability to respond in a timely way, thereby providing a buffer to enable the Council to downsize.	Transformation
Variations in business rate yield due to the impact of appeals and other factors which can reduce funding availability	Business Rates Volatility
Ensure resources available to provide for future unavoidable and non-recurrent specific needs.	Transport & Plant Local Development Framework (Local Plan) Town Ctre & Weavers Triangle Flood Burnley Bondholders Cremator Relining
Transparency in accounting arrangements for self-financing initiatives.	Taxi Licensing Selective Licensing
Respond to changes in demand for services.	Housing Benefit Administration Subsidy
Potential liability as guarantor from lower-than-anticipated take-up of service.	Rail Services

## 6. **REPORTING FRAMEWORK**

6.1 The level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the Head of Finance. The protocols covering all reserves are set out in Sections 7 & 8 for strategic and operational reserves respectively.

6.2 The Medium-Term Financial Strategy and the Council's annual Revenue Budget report, include a statement showing movements in reserves. In addition, the Medium-Term Financial Strategy includes a forward forecast of future balances for the relevant period.

## 7. STRATEGIC RESERVES PROTOCOL

Reserve	Level of reserve	Purpose	How & When Used	Control Procedures	Timescale for review
<b>Transformation</b>	Recommended to have available balance of £1.5m uncommitted at 31/3/19	To support specific projects aimed at transforming services either to reduce the cost base; deliver value for money or ensure services remain fit for purpose	Used to mitigate the impact of any one off expenditure that arises from organisational and transformational change and to assist with organisational downsizing	Managed by the Head of Finance (Chief Financial Officer)	The overall level will be reviewed twice-yearly as part of the final accounts and budget processes and any movements monitored as part of the budget monitoring process
<b>Growth</b>	This reserve will cease to exist once depleted	To assist the Council in achieving its strategic objectives through the provision of one-off investment as leverage	Used to pump prime projects that deliver demonstrable wider strategic benefits that enable the council to fulfil its place shaping role	Managed by the Chief Executive	

## 8. OPERATIONAL RESERVES PROTOCOL

Operational Reserve	Level of Reserve	Purpose	How & When Used	Procedures for Management & Control	Timescale for Review
<b>Business Rates Volatility</b>	Recommended to have no greater than £500k uncommitted by the end of any financial year	To safeguard against the inherent volatility within the business rates retention system particularly around the potential impact of appeals	Used to support the business rates funding figure included within the Council's net revenue budget in the event that actual business rates collected generate a figure below this estimated funding figure	Managed by the Head of Finance (Chief Financial Officer)	Twice-yearly, as part of the final accounts and budget processes

<b>Operational Reserve</b>	<b>Level of Reserve</b>	<b>Purpose</b>	<b>How &amp; When Used</b>	<b>Procedures for Management &amp; Control</b>	<b>Timescale for Review</b>
<b>Transport &amp; Plant</b>	Dependent on planned replacement strategy for transport and plant financed from within service revenue budgets	To manage the financing of the Council's transport & plant requirements	There is an annual payment into the reserve, which helps to equalise spending, as transport & plant replacements are due	Managed by the Head of Green Spaces and Amenities	Twice-yearly, as part of the final accounts and budget processes
<b>Local Development Framework (Local Plan)</b>	Anticipated spending requirements	To fund the necessary work needed for the Core Strategy and other development plans	Any cost of the preparation of the Local Development framework will be funded through drawdown on this reserve	Managed by the Head of Regeneration and Planning Policy	Monitored as part of budget monitoring process
<b>Taxi Licensing</b>	Self-financing	To ensure the costs associated with licensing is ring-fenced and recovered by the taxi trade	To manage annual surpluses and deficits on the account	Managed by the Monitoring Officer	The overall level will be reviewed twice-yearly as part of the final accounts and budget processes and any movements monitored as part of the budget monitoring process
<b>Selective Licensing</b>	Self-financing	To ensure the costs associated with licensing are ring-fenced and recovered by landlords	To manage annual surpluses and deficits on the account	Managed by the Head of Housing and Development Control	
<b>Housing Benefit Administration Subsidy</b>	Dependent on additional specific funding received in respect of housing benefit administration	To manage short term fluctuations in workload within the Revenues & Benefits service	To provide flexible temporary staffing resource to maintain the performance of the Team	Managed by the Head of Finance (Chief Financial Officer)	Requirements for additional staff resource are monitored by Liberata and changes agreed with the Head of Finance and Chief Operating Officer
<b>Rail Services</b>	Mirrors the potential liability that the Council may face	To provide a contingency in the event the Council has to act as guarantor	In the event that the Council is required to meet the costs incurred	Managed by the Head of Regeneration and Planning Policy	Monitored as part of project completion and assessment of take up and demand for service

<b>Operational Reserve</b>	<b>Level of Reserve</b>	<b>Purpose</b>	<b>How &amp; When Used</b>	<b>Procedures for Management &amp; Control</b>	<b>Timescale for Review</b>
<b>Flood Reserve</b>	Mirrors the potential liability that the Council may face	To cover any irrecoverable costs arising from the December 2015 floods	In response to cost pressures as a consequence of the December 2015 floods. To cover any irrecoverable costs	Managed by the Head of Finance (Chief Financial Officer)	Monitored as part of completion of works and payments made
<b>Town Centre Management Reserve</b>	This reserve will cease to exist once depleted	To attract / enable businesses to relocate into the town centre	In response to requests for assistance	Managed by the Head of Regeneration and Planning Policy	Monitored as part of budget monitoring process
<b>Primary Engineer Reserve</b>	Anticipated spending requirements	To support a training initiative in schools within Burnley	To fund delivery of the training on an annual basis	Managed by the Chief Executive	Monitored as part of budget monitoring process
<b>Town Centre &amp; Weavers Triangle Reserve</b>	Anticipated spending requirements	To enable the Council to deliver a major Town Centre regeneration scheme	To assist in procuring the expertise to carry out an exercise to develop a vision and plan for the town centre	Managed by the Head of Regeneration and Planning Policy	Monitored as part of budget monitoring process
<b>Burnley Bondholders Reserve</b>	Self-financing	To manage the excess sponsorship contributions for bondholder organisations	To fund Burnley brand and marketing initiatives in order to attract economic investment into the area	Managed by the Head of Regeneration and Planning Policy	Monitored as part of budget monitoring process
<b>Cremator Relining Reserve</b>	Dependent on planned replacement strategy for cremator relining financed from within service revenue budgets	To manage the financing of the Council's cremator relining requirements	There is an annual payment into the reserve, which helps to equalise spending, as cremator relining are due	Managed by the Head of Green Spaces and Amenities	Monitored as part of budget monitoring process

Operational Reserve	Level of Reserve	Purpose	How & When Used	Procedures for Management & Control	Timescale for Review
<b>Revenue Support Reserve</b>	Anticipated spending requirements	To provide funding for unanticipated reductions in income and initiatives to offset budget reductions	To be used in response to income pressures identified during the budget monitoring process	Managed by the Head of Finance (Chief Financial Officer)	Monitored as part of budget monitoring process



## REPORT TO EXECUTIVE



<b>DATE</b>	<b>12 February 2018</b>
<b>PORTFOLIO</b>	<b>Resources &amp; Performance Management</b>
<b>REPORT AUTHOR</b>	<b>David Donlan</b>
<b>TEL NO</b>	<b>01282 477172</b>
<b>EMAIL</b>	<b>ddonlan@burnley.gov.uk</b>

## 2018/19 Treasury Management Strategy and 2018/19 – 2020/21 Prudential and Treasury Indicators

### PURPOSE

1.
  - a) To comply with the amended Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011.
  - b) To outline a treasury management strategy statement for the financial year 2018/19.
  - c) To set out prudential indicators for the financial years 2018/21 in line with the CIPFA's Prudential Code 2013.
  - d) To seek approval for the Council's Minimum Revenue Provision (MRP) Policy Statement for the financial year 2018/19 in accordance with Government regulations.

### RECOMMENDATION

2. That the Executive recommend to Full Council approval of ;
  - a) The treasury management strategy statement for 2018/19 as set out in Appendix 1
  - b) The prudential and treasury indicators for 2018/19 to 2020/21 per Appendix 2 including the authorised limit for external debt of £33.817m in 2018/19.
  - c) The list of Counterparties for Deposits outlined within Appendix 3.
  - d) The Council's MRP Statement for 2018/19 as set out in Appendix 4 of this report.

### REASONS FOR RECOMMENDATION

- 3 a) To provide the proper basis required by current Government regulations and guidance to make charges for debt repayment (MRP) to the Council's revenue account.

- 3 b) To fulfil statutory and regulatory requirements and to provide a clear framework for local authority capital finance and treasury management.

## SUMMARY OF KEY POINTS

### 4. **Background**

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

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

*As a consequence treasury management is defined as:*

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

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

The Council is required to adopt a Treasury Management Strategy each year in advance of the forthcoming year. This report sets out the Treasury Management Strategy Statement for 2018/19 in Appendix 1 as well as the Prudential and Treasury Indicators for 2018/19 to 2020/21 in Appendix 2.

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

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

- Treasury strategy and prudential and treasury indicators (this report) covering:
  1. the capital plans (including prudential indicators);
  2. a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
  3. the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
  4. an investment strategy (the parameters on how investments are to be managed).
  
- A mid year treasury management report – This will update members with the

progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is being met or whether any policies require revision.

- An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy during the previous year.

### Scrutiny

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

### Capital Strategy

In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019-20, all local authorities will be required to prepare an additional report, a Capital Strategy report, which is intended to provide the following;

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

The aim of this report is to ensure that all elected members on the Full Council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy.

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

### List of Counterparties

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

### Minimum Revenue Provision (MRP)

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

### Economic Update

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

## FINANCIAL IMPLICATIONS AND BUDGET PROVISION

- 6.
- The limit which can be deposited with the Council's bankers is to remain at £15m per Appendix 3.
  - The maximum value of deposits over 364 days and up to 2 years is to be £4m (with a maximum of £2m with any one counterparty, with the exception of the banking institutions whose individual limit is £4m). See Appendix 3.
  - The new limits for external debt for 2018/19 will be £32.207m for the operational boundary and £33.817m for the authorised limit (2017/18 = £35.067m).
  - Borrowing has a longer term impact on the revenue budget because of the costs of finance. Appendix 2 shows the incremental impact of the capital investment proposals contained in the Councils capital investment programme which is also being considered for approval in February.

## POLICY IMPLICATIONS

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

## DETAILS OF CONSULTATION

8. None.

## BACKGROUND PAPERS

9. None

## FURTHER INFORMATION

PLEASE CONTACT:

**David Donlan**  
**Accountancy Division Manager**

**Asad Mushtaq**  
**Head of Finance**

## Treasury Management Strategy for 2018/19

The strategy for 2018/19 covers two main areas:

### Capital Issues

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

### Treasury Management Issues

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

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

## Capital issues

### The Capital Prudential Indicators 2018/19 – 2020/21 (See Table 1 in Appendix 2)

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

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

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

<b>Table 1 Capital Expenditure</b>	<b>2016/17 Actual £000</b>	<b>2017/18 Revised Estimate £000</b>	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>
Programmed Spend	6,790	11,418	10,141	10,474	6,096
<b>Financed by:</b>					
Capital receipts	1,313	2,275	2,384	1,865	1,595
3rd Party Contributions	667	408	213	411	592
Capital grants	2,153	4,004	5,125	6,544	3,723
Revenue	754	2,474	828	514	111
<b>Net borrowing need for the year</b>	<b>1,903</b>	<b>2,257</b>	<b>1,591</b>	<b>1,140</b>	<b>75</b>

## Ratio of Financing Costs to Net Revenue Streams

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

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

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

The CFR does not increase indefinitely, as the MRP is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

<b>Table 2</b>	<b>2016/17 Actual £000</b>	<b>2017/18 Revised Estimate £000</b>	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>
<b>Capital Financing Requirement</b>					
Total CFR at 31 <sup>st</sup> March	28,560	30,017	30,673	30,858	29,938
<b>Net financing need for the year</b>	<b>1,123</b>	<b>1,457</b>	<b>656</b>	<b>185</b>	<b>(920)</b>

<b>£m</b>	<b>2016/17 Actual £000</b>	<b>2017/18 Revised Estimate £000</b>	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>
<b>Movement in CFR represented by</b>					
Net borrowing need for the year (Table 1 above)	1,903	2,257	1,591	1,140	75
Less MRP and other financing movements	(780)	(800)	(935)	(955)	(995)
<b>Movement in CFR in Year</b>	<b>1,123</b>	<b>1,457</b>	<b>656</b>	<b>185</b>	<b>(920)</b>

## Incremental Impact of Capital Investment Decisions on Council Tax

This indicator identifies the revenue costs associated with the proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The costs include the investment interest to be foregone by using capital receipts, reserves and provisions, and the proposed revenue contributions to capital (RCCO). The costs are expressed as an amount per Band D property using the 2018/19 council tax base of 23,118 for comparative purposes.

### Treasury Management Issues

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

### The Council's Current Portfolio Position

Within the prudential indicators in Appendix 2 there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its total debt, net of any investments, does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years. In the Council's case, the estimated external debt at 31<sup>st</sup> March 2018 of £24.1m is less than the CFR which ranges from £29.9m to £30.9m which means that the Council 'borrows internally' (using reserves and balances) to finance past capital spending as this tends to be cheaper than external debt.

### Treasury Limits for 2018/19 to 2020/21

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

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

Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years, details of the Authorised Limit can be found in Table 2 in Appendix 2 of this report outlining the prudential and treasury indicators for 2018/19 – 2020/21.

**The Operational Boundary** is the limit beyond which external debt is not normally expected to exceed and is normally similar to the CFR. It is proposed to set this at 5% above the CFR.

**The Authorised Limit** is a further key indicator representing a control on the maximum level of borrowing, beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, whilst not desired, could be afforded in the short term, but is not sustainable in the longer term. It is proposed to set this at 5% above the operational boundary and includes provision for 'unusual cash movements'.

### **The Borrowing Strategy**

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

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

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

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

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

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

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

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

The Council's maximum borrowing requirement (Authorised Limit for external debt) is £33.817m next year. This is limited to 5% above the operational boundary of £32.207m, which has been set at 5% above the CFR.

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



### **Debt Rescheduling**

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

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

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

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

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

### **Investment Strategy**

#### *Background:*

There are strict limits in terms of the type of institution with which funds may be deposited and the length of time funds can be invested for. These limits are reviewed annually [as a minimum] and the current listing was incorporated into the mid-year treasury management report approved by Full Council on 22 November 2017.

The Council's deposit priorities focus on;

- Security of Capital
- Liquidity, and
- Yield

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

#### *Monitoring Performance:*

Within the counter parties listing we have retained a £15m limit with HSBC Bank plc, coinciding with retaining HSBC as the provider for administering the Council's banking facilities [contract renewed in December 2015 for a three year term]. The Council continues to have a 'sweep' facility for our current account. This means that if we do not deposit monies with other counterparties but leave the balance with HSBC, they will automatically transfer the money into an interest earning deposit account. This account is effectively a call account whereby we can get the money back instantly if required. The current rate the Council is achieving on these deposits is higher than that achieved with some other counterparties.

### Approved list of Counterparties for Deposits

As part of the Treasury Policy Statement as a minimum the approved list of counterparties are reviewed annually and reported to Council. The current list was approved on 22 November 2017. It is proposed that the maximum amount that can be deposited with counterparties for a period exceeding 364 days and up to 2 years remains limited to £4m which is shown in Appendix 3.

### **Creditworthiness Policy**

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

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

This modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service gives a much improved level of security for its investments. It is also a service which the Council would not be able to replicate using in house resources.

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

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

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

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

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

### **Property Funds**

Officers have identified the potential for attractive returns for long-term investments in funds that have a wide portfolio of managed property assets, used for rental investment returns and capital growth.

Over 100 Local Authorities invest in various commercial property funds where returns are higher than deposits in banking institutions, and where there is an opportunity for growth over the medium to long-term. Evidence suggests that returns of more than 4% can be achieved, although there is a requirement for a long-term investment (minimum of 5 years) to make it worthwhile and offset any initial set up costs.

As with any investment, there is a risk that the principal invested may reduce in value (as well as increase in value).

A maximum limit of £2m to be invested in total in a property fund has been agreed in the mid-year report in November, subject to a rigorous appraisal and selection process being undertaken using the expertise and experience of our advisors, Link Asset Services.

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

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

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

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

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## **PRUDENTIAL AND TREASURY INDICATORS**

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

#### **Capital Expenditure**

This shows the capital programme as it currently stands. Members will note that the amount estimated to be included within the programme for 2018/19 is £10.141 million.

This is a reduced value from the previous year, (and £4m of this is slippage from 2017/18), and through obtaining the associated funding through grants, capital receipts and other contributions the borrowing required has been minimised. This means that the effect of the investment on the Council's revenue account has been factored into the 2018/19 revenue budget within prudent limits. There is still uncertainty about the levels of spend in future years.

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

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

The net revenue stream is the estimated amount of spending to be met from Government Grants and local taxpayers. It is used in projections and for estimating the need for budget savings. It is based upon the system of Government revenue support and assumes a 2.99% increase in Council Tax for 2018/19 and a 1.99% increase for the following two years. The Council tax base used for assessing the impact on revenue is 23,118 which is the calculation given under the system of Council tax funding (22,579 for 2017/18)

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

#### **Net Borrowing Requirement**

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

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

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

#### **Incremental impact of capital investment decisions**

This indicator requires a comparison between the total budgetary requirement of the Council including and excluding the costs of changes to the existing capital programme. The proposed Burnley Borough Council Band D Council Tax for 2018/19 is £291.50 and includes the borrowing costs of capital investment decisions prior to 2018/19. The indicator shows, in terms of a Band D charge, how much extra will be paid by Council Tax payers as a result of capital programme spending during the next three years.

## PRUDENTIAL AND TREASURY INDICATORS 2018/19 - 2020/21

TABLE 1 - PRUDENTIAL INDICATORS	2016/17 Actual £' 000	2017/18 Revised Estimate £' 000	2018/19 Estimate £' 000	2019/20 Estimate £' 000	2020/21 Estimate £' 000
Capital Expenditure	6,790	11,418	10,141	10,474	6,096
Ratio of financing costs to net revenue stream	10.7%	11.9%	13.3%	14.3%	15.3%
Net borrowing requirement brought forward 1 April			32,207	32,401	31,435
Capital Financing Requirement as at 31 March	28,560	30,017	30,673	30,858	29,938
Incremental impact of capital investment decisions Increase in council tax (band D) per annum			2.12	3.05	1.83

TABLE 2 - TREASURY MANAGEMENT INDICATORS	2016/17 Actual £' 000	2017/18 Revised Estimate £' 000	2018/19 Estimate £' 000	2019/20 Estimate £' 000	2020/21 Estimate £' 000
Authorised Limit for external debt -			33,817	34,021	33,007
<i>For 2018/19, 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 -			32,207	32,401	31,435
<i>This is lower than the authorised limit by the additional headroom provided for "unusual cash movements". It equates to the maximum level of external debt projected in estimates.</i>					
Actual/Estimated external debt at year end	20,616	24,107			
Upper limit for fixed interest rate exposure expressed as :- Net interest re fixed rate borrowing / investments			100%	100%	100%
Upper limit for variable rate exposure expressed as :- Net interest re variable rate borrowing / investments			25%	25%	25%
Upper limit for total principal sums invested over 364 days	0	4,000	4,000	4,000	4,000

TABLE 3 - Maturity Structure of fixed rate borrowing during 2018/19		lower limit	upper limit
This indicator limits the period to repayment of overall expected debt outstanding and shows five bands. There are minimum and maximum proportions of overall debt within each band. This means that the amount of debt in each band will fall within this range as a proportion of overall debt.	under 12 months	0%	35%
	12 months - within 24 months	0%	20%
	24 months - within 5 years	10%	30%
	5 years - within 10 years	10%	55%
	10 years and above	15%	60%

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

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

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

Link Asset Services' modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are used to determine the maximum duration for deposits and are therefore referred to as durational bands. This approach gives a much improved level of security for its deposits. The table below also shows the current limits for deposits with any bank or group of banks which is £2m except for the Councils own bank, HSBC, which has an individual limit of £15m and other named institutions below (£4m) .

<b>Banking Institutions Colour Bandings</b>	<b>Maximum Duration [per Link Asset Services]</b>	<b>Current Individual Limits per Bank / Group of Banks (£)</b>
White	0 months	No deposits to be placed
Green	100 days	Unlimited, but no more than 4m per Bank / Group of Banks
Red	6 months	Unlimited, but no more than 4m per Bank / Group of Banks
Orange/Blue	12 months	To a maximum of 4m over 364 days, and no more than 4m per Bank / Group of Banks
Purple	24 months	To a maximum of 4m over 364 days, and no more than 4m per Bank / Group of Banks

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

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

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

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

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

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



## Minimum Revenue Provision (MRP) policy statement 2018/19

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

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

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

#### Relating to the Financial Year 2018/19

The Council's policy on making the minimum revenue provision (MRP) for the repayment of debt to be charged to the Council's revenue account for the financial year 2018/19 is as follows:

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

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

The MRP shall be calculated:

- a) For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, MRP will be charged on a 2% straight line basis. This ensures that the debt will be repaid within 50 years.
- b) For capital expenditure funded from prudential borrowing in accordance with option 3 of the guidance for financial years 2008/09 to 2017/18 and assumed for 2018/19.

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

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

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

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## **Economic update**

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

### **1/ Global economy:**

The Eurozone (EZ). Economic growth in the eurozone (EZ), (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the European Central Bank (ECB) eventually cutting its main rate to -0.4% and embarking on a massive programme of Quantative Easing. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.1% y/y), 0.7% in quarter 2 (2.4% y/y) and +0.6% in quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the ECB is still struggling to get inflation up to its 2% target and in November inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

USA. Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.2%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and four increases since December 2016; the latest rise was in December 2017 and lifted the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its \$4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

China Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Japan. GDP growth has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However, it is still struggling to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

### **2/ UK economy:**

Economic Growth After the UK surprised on the upside with strong economic growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income

and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure.

Inflation. While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the Monetary Policy Committee, (MPC), meeting of 14 September 2017 managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.1% in November so that may prove now to be the peak.)

Forward guidance. At Its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

### **Prospects for Interest Rates**

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

The MPC increase in November removed the emergency cut in August 2016 following the EU referendum. The MPC also gave forward guidance that they expected to increase Bank Rate only twice more by 0.25% by 2020 to end at 1%.

The Link Asset Services forecast includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

**Link Asset Services interest rate forecast:**

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Dec 2017	0.50	1.50	2.80	2.50
Mar 2018	0.50	1.60	2.90	2.60
Jun 2018	0.50	1.60	3.00	2.70
Sep 2018	0.50	1.70	3.00	2.80
Dec 2018	0.75	1.80	3.10	2.90
Mar 2019	0.75	1.80	3.10	2.90
Jun 2019	0.75	1.90	3.20	3.00
Sep 2019	0.75	1.90	3.20	3.00
Dec 2019	1.00	2.00	3.30	3.10
Mar 2020	1.00	2.10	3.40	3.20
Jun 2020	1.00	2.10	3.50	3.30
Sep 2020	1.25	2.20	3.50	3.30
Dec 2020	1.25	2.30	3.60	3.40
Mar 2021	1.25	2.30	3.60	3.40

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## Scrutiny Work Programme 2017/18

June	<p>Notice of Key Decisions and Private Meetings          Outturn budget reports 2016/17          Treasury Management 2016/17          Year-end performance report 2016/17</p>
<b>*9<sup>th</sup> August – Additional Meeting*</b>	<p>Empire Theatre</p>
September	<p>Notice of Key Decisions and Private Meetings          Report/presentation from Liberata          Revenue Budget Monitoring Q1          Capital Budget Monitoring - Q1          MTFS/Budget Setting Process 2018/19          Review Groups          Work Programme</p>
*Monday 13 <sup>th</sup> November* Budget Scrutiny Panel	<p>NKDPM          Environmental Enforcement          Revenue Budget Monitoring Q2          Capital Budget Monitoring - Q2          Fees &amp; Charges          Additional Budget Reports?          Review Groups          Work Programme</p>
<b>*Additional Meeting* 29<sup>th</sup> November</b>	<p>Half Year performance report          Leisure Trust Annual Report          Community Safety Annual Report</p>
8 <sup>th</sup> February 2018 Budget Scrutiny Panel	<p>NKDPM          Revenue Budget Monitoring Q3          Capital Budget Monitoring - Q3          Budget Reports          Draft Strategic Plan          Food Hygiene Rating System          Review Groups          Work Plan</p>
21 <sup>st</sup> March 2018	<p>Notice of Key Decisions and Private Meetings          State of the Local Economy (reduce to annual reporting)          Resident Satisfaction Survey          Review Groups          Work Plan 2018-19</p>

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