

SCRUTINY COMMITTEE

Thursday, 7th February, 2019
6.30 pm





SCRUTINY COMMITTEE

BURNLEY TOWN HALL

Thursday, 7th February, 2019 at 6.30 pm

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

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

Notice in writing of the subject matter must be given to the Head of Legal & Democratic Services by 5.00pm on the day before the meeting. Forms can be obtained for this purpose from the reception desk at Burnley Town Hall, Manchester Road or at the Contact Centre, Parker Lane, Burnley or from the web at:

<http://burnley.moderngov.co.uk/ecCatDisplay.aspx?sch=doc&cat=13234> . You can also register to speak via the online agenda. Requests will be dealt with in the order in which they are received.

AGENDA

1) *Apologies*

To receive any apologies for absence.

2) *Minutes*

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

5 - 12

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** 13 - 18
To consider the Key Decisions to be taken for the period February to April 2019.
- 8) Community Safety Annual Report** 19 - 22
To consider the annual Community Safety Report.
- 9) Half Yearly Performance report** 23 - 28
To consider a report outlining the Council's mid-year performance data.
- 10) Draft Strategic Plan** 29 - 44
To consider the Council's Draft Strategic Plan 2019/20 – 2021/22.
- 11) Revenue Budget Monitoring Quarter 3** 45 - 58
To consider a report on the Council's forecast year end position based on actual income and expenditure to 30th December 2018.
- 12) Capital Budget Monitoring Quarter 3** 59 - 70
To consider an update on capital expenditure and resources as at 31st December 2018.
- 13) Revenue Budget 2019/20** 71 - 88
To consider the Council's 2019/20 Revenue Budget.
- 14) Medium Term Financial Strategy** 89 - 116
To consider the Council's Medium Term Financial Strategy 2020/21 to 2023/24 incorporating the Reserves Strategy.
- 15) Capital Budget 2019/20 and Capital Investment Programme 2019/20 - 2023/24** 117 - 140
To consider the proposed Capital Budget for 2019/20 and the Capital Investment Programme for 2019/20 to 2023/24.
- 16) Treasury Management Strategy & Prudential Borrowing** 141 - 160
To consider a Treasury Management Strategy for 2019/20, and Prudential and Treasury Indicators 2019/20 to 2021/22.

17) Scrutiny Review Groups

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

18) Work Programme 2018/19

161 - 162

To consider any additions to the draft Work Plan for 2018/19.

MEMBERSHIP OF COMMITTEE

Councillor Andrew Tatchell (Chair)
Councillor Margaret Brindle (Vice-Chair)
Councillor Tom Commis
Councillor Ivor Emo
Councillor Dale Ferrier
Councillor Danny Fleming
Councillor Beatrice Foster
Councillor Joanne Greenwood
Councillor Marcus Johnstone

Councillor Lubna Khan
Councillor Shbana Khan
Councillor Gordon Lishman
Councillor Margaret Lishman
Councillor Sobia Malik
Councillor Tony Martin
Councillor Paul Reynolds
Councillor Christine White

PUBLISHED

Wednesday, 30 January 2019



SCRUTINY COMMITTEE

BURNLEY TOWN HALL

Monday, 10th December, 2018 at 6.30 pm

PRESENT

MEMBERS

Councillors A Tatchell (Chair), M Brindle (Vice-Chair), I Emo, D Ferrier, B Foster, J Greenwood, G Lishman, M Lishman, T Martin, P Reynolds and C White

OFFICERS

Mick Cartledge	– Chief Executive
Lukman Patel	– Chief Operating Officer
Asad Mushtaq	– Head of Finance and Property
Jayne Enright	– Principal Environmental Health Officer - Food Safety
Howard Hamilton-Smith	– Finance Manager
Eric Dickinson	– Democracy Officer

ALSO IN ATTENDANCE

Councillors Margaret Brindle, Sue Graham, Elizabeth Monk, and Lian Pate

21. Apologies

Apologies were received from Councillors Marcus Johnstone and Sobia Malik.

21. Apologies

Apologies were received from Councillors Marcus Johnstone and Sobia Malik.

22. Minutes

The minutes of the meeting held on 17th September 2018 were approved as a correct record and signed by the Chair.

23. Notice of Key Decisions and Private Meetings

Eric Dickinson reported that the following item on the Notice of Key Decisions and Private Meetings, originally scheduled for the 11th December 2018 Executive meeting, would be taken to a future meeting with the next Executive on the 11th February 2019;

- Market Square Development at Charter Walk

IT WAS AGREED

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

24. UCLAN Expansion in Burnley

Dr Ebrahim Adia, Provost of UCLAN, gave a verbal presentation on UCLAN's expansion in Burnley.

He set out some of the courses which UCLAN planned to offer in the next few years e.g. degree apprenticeships, engineering, and also medical courses which in particular were targeted at international students.

He also highlighted the importance of offering a student experience which included both academic and social aspects including student accommodation.

He set out the benefits to Burnley of UCLAN expansion including graduate retention, increased productivity, higher skilled workforce, increased research capacity, increased innovation and knowledge transfer in the workplace, economic benefits of students and staff spending in Burnley.

Members asked the following questions/;

- With employers having higher entry requirements does UCLAN offer placements with local employers to its students?
UCLAN prepares its students for work by validating in built work experience and offering innovative degree apprenticeships including a match- up of students with employers at the end of their first year.
- How is the resident population being encouraged to go to UCLAN, and there appears to be a shortage of hotel accommodation in Burnley for degree ceremonies? Mick Cartledge referred to the ongoing project at Crow Wood to provide a new.
UCLAN had a dedicated external liaison officer who talked to schools, and UCLAN also reached out to primary schools to raise aspirations and offered visits to Victoria Mill.
- Landlords at the Private Rented Sector Forum (PRSF) seemed to have a wait and see approach to student accommodation demand?
UCLAN's accommodation officer was in contact with landlords regarding the provision of quality furnished accommodation. UCLAN were prepared to engage directly with the PRSF.
Mick Cartledge stated that the Council was willing to intervene to provide first year accommodation and create confidence in the student housing market.
- Where were the international students from and were there visa issues?
UCLAN's international students were from North America, the Middle East and Asia, and there is no agreed position as yet regarding visas for EU students after March 2019.
- Were the Bachelor degree apprenticeships offering a Masters qualification following commercial sponsorship?

UCLAN has a partnership model with 125 organisations.

- Has there been any research done about the percentage of young people going to their local university?

UCLAN does have an outreach capacity and local role models may help over time, but at the moment not aware of any research done on the impact of a university on local take up.

IT WAS AGREED

That Dr Ebrahim Adia be thanked for his presentation.

25. Food Safety Delivery Plan

Jayne Enright set out the Food (Official Controls) Delivery Plan for 2018/19 for consideration, with the main outcome being to safeguard public health. She emphasised that 97% of premises had reached a 3 to 5 rating with standards overall maintained since 2017.

Members made the following points;

- What was the definition of “unrated” premises and those “out of the programme”.
“Unrated premises” were those new businesses which were still awaiting inspection.
“Out of the programme” premises were those which were registered outside the Borough but which operated inside such as mobile units, which would be inspected inside the Borough and a recommendation given to the registering authority
- The profile of Burnley referred to the Industrial revolution but could it be refreshed to include reference to Burnley’s place as an engineering base and especially high technology businesses?
This would be looked at.
- Was allergy advice being given to premises?
We refer to the Food Law Code of Practice when inspecting premises and this allows us to take into consideration the control of allergens when considering the confidence in management element of the inspection. Advice is given at the time of the inspection.
- Was there an obligation on premises to display their rating?
Not mandatory in England, although it is in Wales and Scotland and Northern Ireland, but local ratings can be accessed on a Food Hygiene Ratings app which not everyone has access to so it would be easier for the public to see ratings displayed at the business - it is one of the Food Standard Agency’s priorities to make display mandatory in England. Burnley Market does encourage ratings to be displayed and high ratings, with social media promotion by the Council for 5 rated establishments. Council events do not accept premises with 0 to 2 ratings, and it is a Trading Standards offence to wrongly display a rating.
- At festivals with 40 or 50 food stalls, how were inspections done?
A safety procedure has been developed by Council Officers through the Events Safety Group based on forwarding questionnaires to the event organiser, which are then returned to Environmental Health & Licensing and looked at by the team and visits done if appropriate as a priority

IT WAS AGREED

That the report be noted.

26. Health & Safety Delivery Plan

Jayne Enright set out the Health and Safety Intervention Plan (reviewed 2018/2019) and emphasised the work done with the Fire Authority, Police, the Council's Housing and Development Control Service Unit, and local businesses.

Members asked the following questions;

- What is the Council's involvement with music festivals where there is noise pollution and many residents can be affected who do not necessarily live adjacent to the event?

When event organisers apply for a Temporary Event Notice, Environmental Health & Licensing will ask for noise and risk assessments and the organiser will often inform local residents of the upcoming event. If the service unit receives complaints following an event that has taken place, these can be taken into consideration if the same event takes place again. There is a night time noise team at the Council and this service can be used to monitor noise complaints over the weekend. Councillors can contact Officers if they have knowledge of concerns with regard to an event.

- Are tattoo studios part of the Plan?

Tattoo studios need to be registered and inspections are done before they can operate. We are encouraging businesses to sign up to a rating scheme with regards to tattooing that is operating in some other districts in Lancashire.

- Is body piercing part of the Plan?

This activity needs to be registered. Twelve years ago infection control guidance was produced and has been adopted by the Chartered Institute of Environmental Health, and is potentially a policy to be adopted here.

- Are nail bars part of the Plan, and are there any issues with human trafficking?

If we receive complaints with regard to nail bars we will visit them and investigate complaints. In terms of the inspection programme, we prioritise the larger businesses and target the low risk businesses like nail bars by sending out information to them or requesting the business to complete a self- assessment.

A Council Officer has attended a human trafficking course, and Officers work with the police and other statutory authorities.

IT WAS AGREED

That the report be noted.

27. Revenue Budget Monitoring Q2

Asad Mushtaq presented a report on the Council's Revenue Budget 2018-19 Quarter 2 as at 30th September 2018.

IT WAS AGREED

That the report be noted

28. Capital Budget Monitoring Report Q2

Asad Mushtaq reported on the Council's Capital Budget Monitoring 2018-19 Quarter 2 as at 30th September 2018.

Members asked the following questions;

- There were a number of examples in Appendix 1 of 0% spend, what action was being taken?

The narrative should explain reasons for the spend up to 30th September 2018 e.g. other organisations carrying out initial design work, but where necessary the meaningful narrative will be reinforced.

IT WAS AGREED

That the report be noted.

29. Treasury Management Mid-Year Review

Howard Hamilton-Smith reported on the Council's Mid Year 2018-19 Review., and stated that all the indicators were on target.

IT WAS AGREED

That the report be noted.

30. Commercial Strategy 2019-20 (Fees & Charges)

Howard Hamilton-Smith reported on the Council's Commercial Strategy 2019-20 (Fees and Charges) and highlighted the 3% rise, except for those areas outlined in Paragraphs 10 to 19 of the report.

IT WAS AGREED

That the report be noted.

31. Scrutiny Review Groups

Councillor Andrew Tatchell gave an update on the work of the active Review Groups.

He stated that the Dementia Group had been working up a Strategy and that a report would be brought to the next Scrutiny meeting on 7th February 2019 with a view to a report going to the 11th February 2019 Executive.

He also stated that the Railway Review would be revisited in the New Year, focusing on whether work that had been agreed would be done by various Bodies at the previous Review had been carried out.

Members asked the following questions;

- Would new rolling stock which had been promised by the end of the Year be in operation by then?

This was among a number of issues to be scrutinized to see what differences had been made to platforms, the station and car parking e.g. now a ticket machine had been installed on Platform 1.

IT WAS AGREED
That the report be noted

32. Work Programme 2018/19

Eric Dickinson reported on the Work Programme for the remainder of 2018-19, and indicated that the following reports would now be taken at the 7th February 2019 meeting;

- Half –Year Performance; and
- IIP

IT WAS AGREED
That the report be noted.

33. Exclusion of the Public

That the public be excluded from the meeting before discussion takes place on the items relating to Minutes 34 to 37 in view of the nature of the business to be transacted, if the public were present there would be a disclosure to them of exempt information, within the meaning of Part VA of the Local Government Act 1972.

34. Workforce Planning

Lukman Patel reported on proposed workforce planning reductions as part of the budget savings for 2019-20.

Members asked about the possibility of continued funding for a number of posts.

IT WAS AGREED
That the report be noted.

35. Financing of Gym Equipment and Refurbishment - St Peters Leisure Centre

Lukman Patel reported on funding to replace the fitness equipment, and refurbishing the fitness and associated areas, at St Peter's Leisure Centre.

He set out the Council's and the Leisure Trust's respective roles.

Members asked questions regarding the method of acquiring the equipment, the short term effect of the project on the gym's users and income, and maintenance of the gym equipment.

IT WAS AGREED

That the report be noted.

36. Pioneer Place

Mick Cartledge reported on development proposals at Curzon Street (Pioneer Place) and Manchester Road.

IT WAS AGREED

That the recommendations in the report be unanimously endorsed.

37. On the Banks Development - Sandygate Square

Mick Cartledge reported on proposals to proceed with phase 4 of the "On the Banks" scheme with the development of a 139 bed student accommodation scheme.

IT WAS AGREED

That the recommendations in the report be unanimously endorsed.

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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 (unless otherwise stated) during the months February to May 2019, published by 11th January 2019.
- 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.

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
Market Square Development at Charter Walk	To consider a report on Market Square Development at Charter Walk	Yes	February 2019	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	Asad Mushtaq Head of Finance and Property Executive Member for Resources and Performance Management
Strategic Priorities for Community Safety Strategy	To consider a report on Strategic Priorities for Community Safety Strategy	Yes	February 2019	Public	Report setting out the key issues	Jo Swift Head of Streetscene Executive Member for Community and Environmental Services
Woodtop School	To consider a report on Woodtop School	Yes	February 2019	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	Report setting out the key issues	Kate Ingram, Strategic Head of Economy and Growth Executive Member for Economy and Growth

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
				particular person (including the authority holding that information		
Selective Licensing –Trinity, Queensgate and Gannow	To consider a report on Selective Licensing – Trinity, Queensgate and Gannow	Yes	February 2019	Public	Report setting out the key issues	Paul Gatrell Head of Housing and Development Control Executive Member for Housing and Leisure
Annual Pay Policy Statement 2019/20-Localism Act 2011	To consider the Annual Pay Policy Statement 2019/20-Localism Act 2011	No (Full Council decision)	February 2019	Public	Report setting out the key issues	Heather Brennan Head of People and Development Executive Member for Resources and Performance Management
Strategic Plan 2019	To consider the Strategic Plan 2019	No (Full Council decision)	February 2019	Public	Report setting out the key issues	Rob Dobson Head of Policy and Engagement Leader

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
Revenue Budget 2019/20	To consider a report on Revenue Budget 2019/20	No (Full Council Decision)	February 2019	Public	Report setting out the key issues	Asad Mushtaq Head of Finance and Property Executive Member for Resources and Performance Management
Capital Budget 2019/20 and Capital Investment Programme 2019/22	To consider a report on Capital Budget 2019/20	No (Full Council Decision)	February 2019	Public	Report setting out the key issues	Asad Mushtaq Head of Finance and Property Executive Member for Resources and Performance Management
Treasury Management Strategy 2019/20 and Prudential Treasury Indicators	To consider the Treasury Management Strategy 2019-20	No (Full Council Decision)	February 2019	Public	Report setting out the key issues	Asad Mushtaq Head of Finance and Property Executive Member for Resources and Performance Management

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
Medium Term Financial Strategy 2019/20 to 2022/23 Including Reserves Strategy	To consider a Medium Term Financial Strategy 2019-20 to 2022-23 Including Reserves Strategy	Yes	February 2019	Public	Report setting out the key issues	Asad Mushtaq Head of Finance and Property Executive Member for Resources and Performance Management
Notice of Motion on Housing Standards – referred by 19 th December 2018 Full Council	To consider the financial effects of the Notice of Motion on Housing Standards – referred by 19 th December 2018 Full Council	No (Full Council decision)	February 2019	Public	Report setting out the key issues	Paul Gatrell Head of Housing and Development Control Executive Member for Housing and Leisure
Notice of Motion on Community Skips – referred by 19 th December 2018 Full Council	To consider the financial effects of the Notice of Motion on Community Skips – referred by 19 th December 2018 Full Council	No (Full Council decision)	February 2019	Public	Report setting out the key issues	Jo Swift Head of Streetscene Executive Member for Community and Environmental Services

Meetings of the Executive will be held on the following dates: 11th February, 19th March and 24th April 2019. 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 by the following dates: 18th February, 21st March, and 1st May 2019.

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

E-mail: cwardby@burnley.gov.uk

Published: 10th January 2019

Community Safety Report 2018-2019

REPORT TO SCRUTINY COMMITTEE



DATE	07/02/2019
PORTFOLIO	Community Services
REPORT AUTHOR	Richard Brown
TEL NO	01282 425011 Ext 3375
EMAIL	rbrown@burnley.gov.uk

PURPOSE

1. To provide an update to the Scrutiny Committee of Burnley's community safety performance as part of the required statutory function.

RECOMMENDATION

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

REASONS FOR RECOMMENDATION

3. Burnley as part of the Pennine Community Safety Steering Group has agreed the community safety priorities between 2018-2021. The priority setting process is currently aligned with Blackburn with Darwen's process which runs from July 2018. As of 2021 this will be changed to run alongside the Pan Lancashire process.
4. The Strategic priorities for 2018-2021 are as follows; (Not in any ranked order)
 - Violent Crime
 - Domestic abuse
 - Child sexual exploitation
 - Road Safety
 - Burglary
5. The priorities are reviewed on a three yearly cycle, with the next full strategic assessment due to be completed and overseen by Pennine Community Safety Partnership in April 2021.
6. Local community safety delivery in Burnley remains the responsibility of the Multi Agency Tasking and Coordinating Group which continues to work well locally.
7. Local activities and the response of the Multi Agency Tasking and Coordinating Group meeting will also take into account emerging threats identified through the Partnership Analyst and/or data provided by partner agencies and the community monthly via the Group meetings.

SUMMARY OF KEY POINTS

Community Safety Projects and Activity in Burnley 2018/19

8. All local activities are agreed through the Multi Agency Tasking and Co-ordinating meeting and emerging and predictive threats, such as alcohol related crime in the run up to Christmas are considered. In addition informing the community of our actions and their responsibilities in reducing crime are a key element in all local activities undertaken.
9. The Community Alcohol Partnership is now established in Burnley. The initiative is a joint enterprise between community safety agencies and partners to tackle the effects of alcohol on our communities.
10. 10 new alley gate schemes will be completed in the Borough by the end of the 2018/19 financial year providing extra security for 246 properties in areas highlighted as experiencing high levels of anti-social behavior and crime related to the rear of properties.
11. A Multi-agency working group is targeting commercial properties that are involved in illegal activity, for example selling illicit tobacco and alcohol, persistent offenders of environmental infractions, risk of fire due to illegal connection to electricity. Burnley and Pendle are piloting a process that involves utilising other civil actions to those licensed premises that continue to sell illicit tobacco and are linked to wider criminal activity. The pilot will run alongside and compliment the current review process.
12. The Serious Organised Crime Panel is now in place and established, representing the Pennine Community Safety Partnership footprint. The panel will consider organised crime activity and the subsequent threats across District boundaries and how as a multi-agency partnership appropriate responses can be delivered.
13. In partnership with schools in Burnley a number of sessions have been delivered to year 10 and 11 students, the sessions covered awareness and advice relating to domestic abuse and the exploitation of young people. This will be expanded during 2018/19 with further sessions aimed at young people planned.
14. Partnership members have come together to develop a Youth Panel, the panel responds to reports of anti-social behavior involving young people in geographical areas of Burnley identified through the analytical data supplied to the partnership group. As a result anti-social behavior in Burnley continues to fall.
15. Burnley has been recognised for its work to tackle domestic abuse and has been awarded White Ribbon status, highlighting the Council and its partner's commitment not to tolerate or condone any form of domestic abuse. Burnley Council has also

passed a cross party motion to support the campaign.

16. Strategically there has been a shift in how partners are responding to crime and anti-social behaviour, to identify when these issues can be tackled at an earlier stage focusing on the vulnerability and complex needs associated with individuals who regularly place demands on services. A multi-agency “Hub” is now in place at Tay Street that will reduce duplication and increase efficiencies when dealing with individuals and families with multiple complex needs.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

17. Community Safety delivery has remained pro-active over recent years with strong partnership arrangements in place, but pressures through continued austerity is providing ever increasing challenges to those agencies involved in this agenda.

POLICY IMPLICATIONS

18. The Strategic Assessment will be reviewed yearly with a full assessment to be carried out in 2021 overseen by the Pennine CSP.

DETAILS OF CONSULTATION

19. None

BACKGROUND PAPERS

20. None

FURTHER INFORMATION

PLEASE CONTACT: Richard Brown Community Safety Project Officer Ext 3375

ALSO: Joanne Swift, Head of Streetscene x7301

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REPORT TO SCRUTINY COMMITTEE



DATE	7th February 2019
PORTFOLIO	Resources and Performance
REPORT AUTHOR	Rob Dobson
TEL NO	3115
EMAIL	rdobson@burnley.gov.uk

Mid year performance report 2018-19

PURPOSE

1. To inform Scrutiny Committee of the council's mid-year performance.

RECOMMENDATION

2. That members note
 - the council's mid-year performance data, and
 - that the council has successfully retained its Gold Investors in People accreditation and Health and Wellbeing Award.

REASONS FOR RECOMMENDATION

3. To help inform the committee's work programme.

SUMMARY OF KEY POINTS

4. Sections 5 and 6 of this report provide highlights from the council's performance scorecards.

The report does not comment on finance measures as these are reported separately in budget monitoring reports.

Where comparison with other authorities is available for the indicators, this is also reported.

5. **On target indicators**
 - Corporate: average number of days per employee lost to sickness absence.
 - On average, employees took 1.41 days during Q2 compared to 1.57 in the same period last year. The council remains on target to achieve less than 6 days per employee at year end (see chart 1).
 - Liberata: telephone calls answered within target time.
 - With 80% of calls answered within time, this measure has recovered from last quarter, when 73% were answered on time (see chart 2).

- Liberata: average number of days to process benefits new claims and change of circumstances.
 - Against a target of 7 days, the Q2 result was 5.17. In Q2 last year, Liberata achieved 6.81 days.
 - The latest available data for comparison with other areas is from Q1 18/19 (this measures housing benefit processing only), and shows that Burnley's housing benefit processing time was the fastest amongst districts in the North West.

- Streetscene: street cleanliness- street survey results.
 - Targets for litter, detritus, graffiti and flyposting were all achieved in Q2.

- Streetscene: missed bin collections.
 - The measure was back on target with 37 bins per 100,000 collections missed. The target is 40 or fewer (see chart 3 below).

- Housing and Development: no. of households living in temporary accommodation.
 - At the end of the quarter, 5 households were living in temporary accommodation, against a target of 12. In the same period last year, the figure stood at 18.

- Housing and Development: percentage of planning applications processed within target time.
 - Processing times for major, minor and "other" applications were all on target:
 - Major: 100%, against a target of 60%
 - Minor: 86%, against a target of 65%
 - Other: 85%, against a target of 80%
 - Using Q4 2017-18 data for comparison, Burnley's performance against each of these measures was similar to the statistical nearest neighbour average.

- Policy and Engagement: Facebook post engagement.
 - Council posts had over 60,000 engagements during the quarter, more than 4 times the baseline target of 13,000.

6 Off target indicators

- Liberata: wait time in the one stop shop (this is not a contract KPI).
 - The average wait time in the one stop shop is 12 minutes, against a target of 10 mins.
 - Though off target, there has been steady improvement over the last 4 quarters.

7 Investors in People

The purpose of the liP assessment is to externally verify that the council is continuing to provide high quality services that are affordable and sustainable, and which meet residents' needs and continue improve despite limited resources.

The council has been successfully accredited with the Investors in People Standard for many years, and has been assessed by the current liP Practitioner in conjunction with an internal review team for a significant number of years.

The council has been accredited with a Gold award at its previous two assessments (2012 & 2015) under version 5 of the Investors in People Standard.

The Gold award represents achievement of world-class best practice. It highlights cutting-edge organisations operating at the very highest levels of people management practice, using Investors in People to drive the organisation forward. Only 15% of organisations assessed under the updated and more rigorous liP version 6 Standard have attained gold status.

The independent Practitioner particularly commended the outcome given, *“the added stretch that the new version 6 Standard provides and given the significant amount of change the organisation continues to go through, including the requirement to continue to make significant financial savings and to deliver services with a reducing workforce.”*

Appendix 2 sets out the strengths, and opportunities for improvement, identified in the Practitioner's report to the council.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

8. There are no financial implications at this time.

POLICY IMPLICATIONS

9. There are no additional policy implications associated with this report.

DETAILS OF CONSULTATION

10. Not applicable

Appendix 1- performance indicator trends

Chart 1

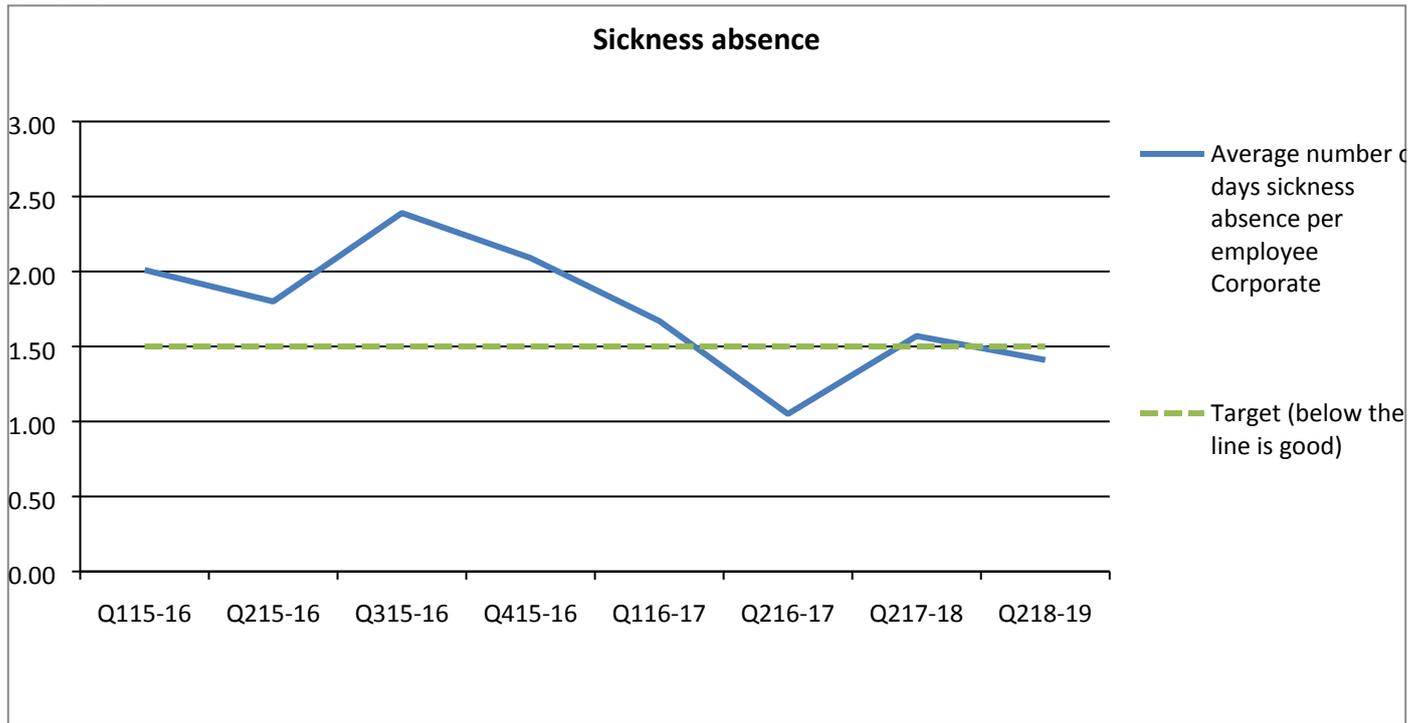


Chart 2

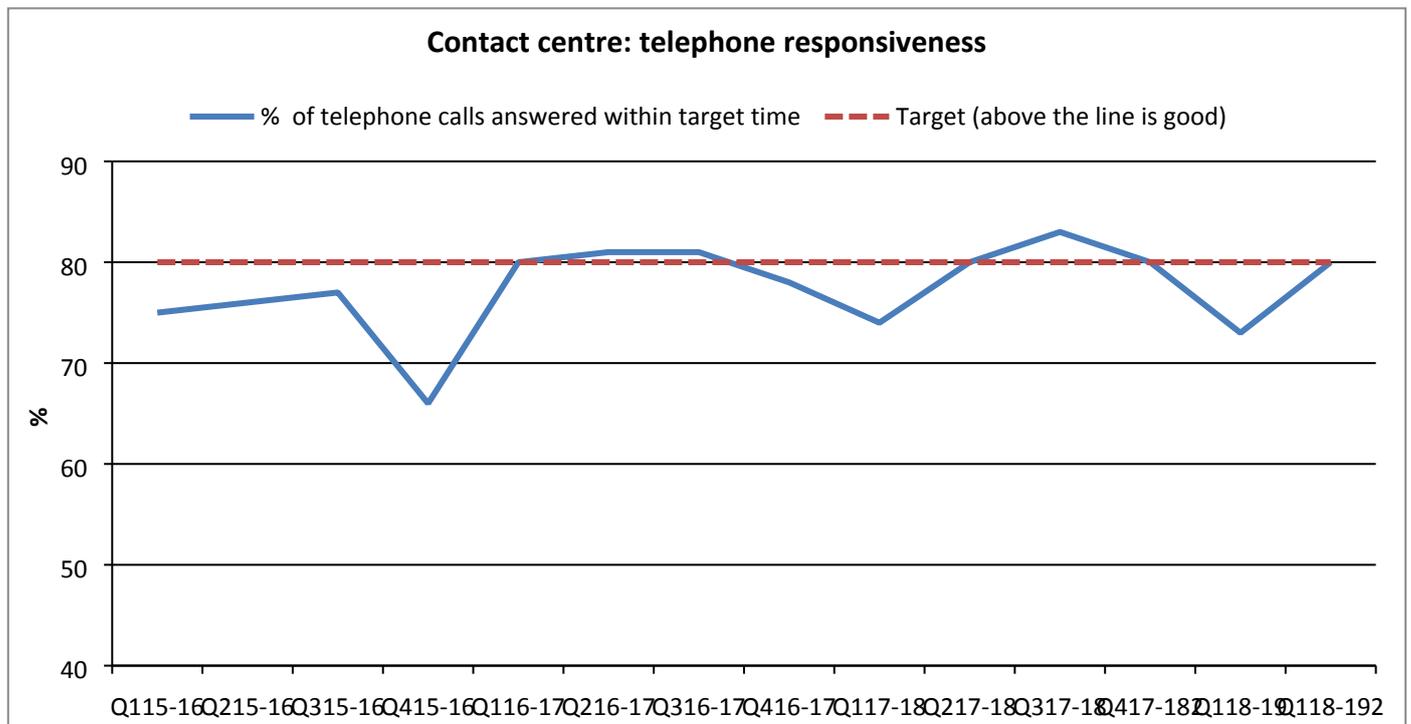
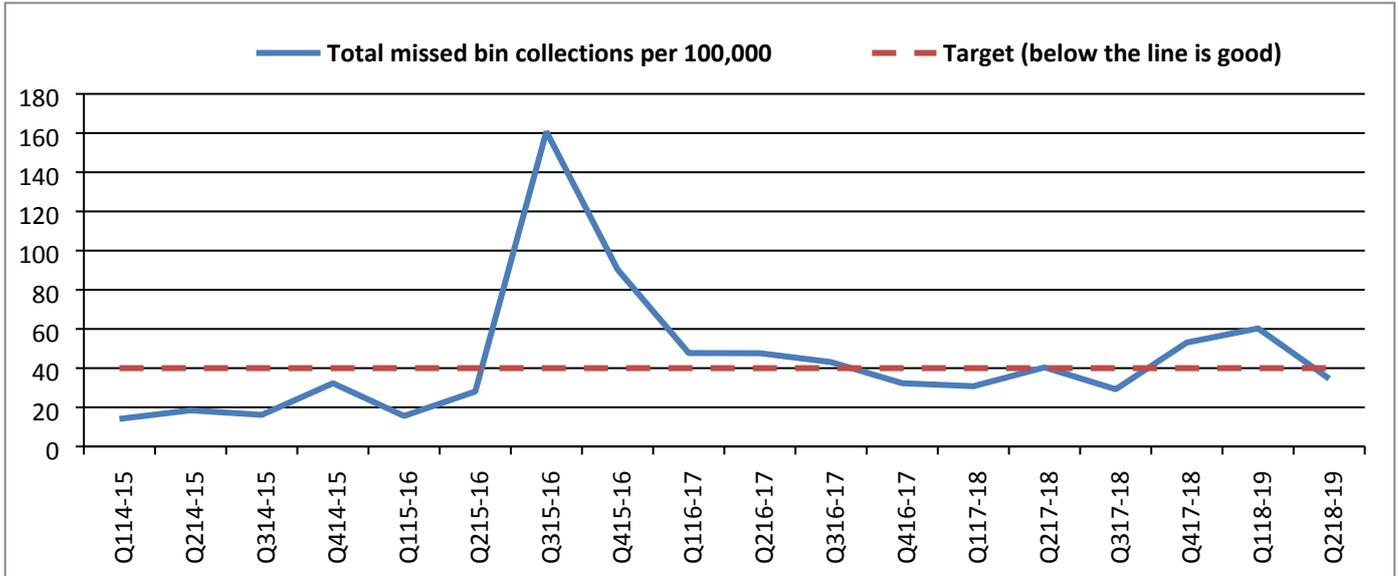


Chart 3



Appendix 2- liP report

The assessment identified a number of strengths:

- A clear purpose and vision which is effectively communicated to and understood by people.
- A values-based culture where a lot of work has been done over the past 3 years to further refine and embed these values and to identify those underlying behaviours which support them.
- An open culture where there appear to be good levels of trust at all levels and where there is a real confidence in the leadership team to take the organisation forward.
- Consistent line management of people where most managers are considered to be both supportive and motivational in their approach to leading and managing their teams; something which is evident through the Council's overall performance outcomes that are being achieved.
- An ongoing review of the Council's overall structure to ensure it remains fit for purpose and is aligned to achieving the vision going forward, including making all of the required budget savings.
- A culture which encourages effective team working and which over time has continued to be strengthened and continues to be a focus going forward.
- An ongoing commitment to developing people skills and making the most of people's talents for mutual benefit.
- Effective working with a number of external strategic partners which are delivering positive outcomes.
- An ongoing and long-time commitment to continuously improving how people are led, managed and developed with numerous feedback mechanisms and review systems in place, enabling senior leaders to take ongoing temperature checks of employee motivation. There are also systems in place to enable the organisation to assess progress over time and the impact of any improvements made.

As always with Investors in People accreditation, the assessment also suggested some opportunities to improve still further in line with good practice which included:

- Continuing the ongoing development of leadership development with a view to fully embedding a culture of inspirational leadership at all levels of management, as part of the Council's ambition to become high performing (liP Platinum) in all areas.
- Embed leadership 360 feedback process as common practice so that improvements in individual leadership can be measured over time.
- Further promote and embed the Council's staff suggestion scheme so that the organisation is able to track its impact over time.
- Continuing to seek periodic feedback from staff about the Council's overall approach to reward and recognition.
- Consider utilising 'pulse' surveys as a more immediate and flexible way of seeking staff feedback on particular aspects of how they are being led and managed.
- Identify what additional key measures/people metrics the Council should now continue to monitor/report on (following the provision of a significant amount of data for this assessment) in order to show a journey of continuous improvement.

ITEM NO	[AgendaItem]
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Strategic Plan 2019

REPORT TO SCRUTINY COMMITTEE



DATE	07/02/2019
PORTFOLIO	Leader
REPORT AUTHOR	Rob Dobson
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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 regular residents' survey is conducted to help determine key priorities.

BACKGROUND PAPERS

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

FURTHER INFORMATION

PLEASE CONTACT:

Mick Cartledge, CEO.

ALSO:



Burnley.gov.uk

Burnley Borough Council's Strategic Plan

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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

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's services will continue to change in the years ahead.

The budget challenge is immense. In 2018, Council's Medium-Term Financial Strategy, assumed the need to save a total of £3.2 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 value for tax payers include rationalisation of our estate and generating extra revenue through new homes being built across the borough.

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

Our guiding principles

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

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

Who is this document for?

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

What is the purpose of the Strategic Plan?

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

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

Burnley Council Services

- We collect rubbish, recyclable or non-recyclable, from every household 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 3,000 calls and 500 visitors every week at our contact centre.
- We award benefit to around 10,500 households a year and assess over 66,000 changes in circumstances.
- We provide a quality advice and enforcement service for vulnerable households and individuals and work to tackle homelessness.
- We provide public protection services: we conduct food safety checks on food establishments; we carry out health and safety inspections of warehouses and retail premises; we license pubs and clubs and taxis; we investigate environmental pollution complaints about noise, smoke and private water supplies; and we provide CCTV monitoring.
- 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 2018- what did we achieve?

Places

- The regeneration of neighbourhoods continued apace. With help from the Council, new homes were built by Calico on the Perseverance Mill site in Padiham. Calico also opened their gateway housing project, which assists our most vulnerable residents through support and training helping them to access sustainable housing, education and employment. Work got underway to build 250 homes on the former school site off Kiddrow Lane.
- We completed the restoration of Thompson Park.
- By the end of Q3, we had brought 32 prosecutions for environmental crimes such as flytipping
- Since the start of April 2018, the housing enforcement team has helped to resolve over 200 new disrepair complaints from private rented sector tenants.

Prosperity

- The Business Support Team promoted inward investment, managing c. 60 live property enquiries for companies looking to relocate into the Borough or expand within (update in Q4)
- In the year up to September 2018, 39 jobs were created through the Business Growth Programme.
- We adopted a new Local Plan, which will shape Burnley's growth over the next decade.
- We have delivered new highways infrastructure and public realm improvements in partnership with LCC
- We have secured £4.6m of external funding to deliver key projects including flood defence works in Padiham
- We have led the development of a new Town Centre and Weavers Triangle Masterplan and procured a development partner and put in place funding to deliver a major town centre leisure led retail development: "Pioneer Place."
- We have delivered further phases of On the Banks, with new apartments and work has started on a student accommodation scheme.

People

- Our partner Burnley Leisure, with support from the Council, upgraded the gym at St. Peter's Centre.
- Between April and November 2018, the Council had: awarded disabled facilities grants to 149 residents; provided 18 Emergency Works grants to eliminate serious disrepair in residential properties, and made available the Heating Rebate Scheme to tackle fuel poverty with 86 grants awarded for energy efficiency improvements.
- The Council partnered with the Burnley FC in the Community, the local NHS, and schools to increase pupil access to mental health support in schools.

Performance

- The Council approved budget savings of £0.88m to assist in balancing the budgets in 2019/20, 2019/21 and 2020/21. Building on savings approved in 2017 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.
- In October the Council received confirmation that it had successfully retained its Gold Investors in People accreditation and IiP Health and Wellbeing Award
- More customers transacted with the Council online in 2018.

What do we want to achieve during 2019 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 organisational development goals.

This structure helps:

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

People - creating flourishing, healthy and confident communities

What are the challenges and opportunities?

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

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

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

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.

Feedback from residents also shows that reducing crime and antisocial behaviour is another priority.

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

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

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

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

Prosperity – promoting transformational economic change for Burnley

What are the challenges and opportunities?

The Burnley economy has shown strong growth over the last decade. Manufacturing businesses still make up a significant part of the local economy, with key strengths in aerospace and automotive. In response to global challenges the sector has adapted new technologies, delivering higher value products and processes, which in turn bring wealth to the local area. At the same time, the economy has diversified, with growth in the digi-tech and logistics and distribution sectors.

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

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 will act as the key supporting framework for encouraging employment and housing investment, with the aim of maintaining the recent trend of private sector job growth and growing the borough’s skilled workforce.

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

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

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 2018, the Council was told it “should be proud of its achievements” following a review of its services and plans for the borough by an independent peer review team. The review team first inspected the council in 2016, so was returning to review what progress had been made. In its latest assessment, the review team said the council had “built on the positive work it had identified two years ago.” The council will learn from best practice and will continue to adapt to the needs of its customers.

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

Year End Corporate Performance Scorecard 2017/18

Measure	Target	Result	On target
<i>Outcomes</i>			
% of residents satisfied with the Council overall	48%	45%	
% users satisfied with parks and open spaces (A)	70%	84%	
% satisfied with leisure facilities	55%	60%	
% satisfied with general household waste collection	80%	74%	
% satisfied with litter free public land	47%	49%	
% stating that ASB is a problem in the local area	28%	32%	
Private sector investment levered through inward investment service and development projects	£10m year end	£51.2m	
<i>Internal processes</i>			
Average number of days to process new claims and change of circumstances (benefits processing)	9	6	
Telephone calls answered within target time (%)	80%	78%	
No. of businesses relocation assists	10	13	
<i>Organisational development</i>			
Average number of days sickness absence per employee	6	6	
<i>Finance</i>			
Forecast revenue budget outturn (£)	£14,596,000	£14,299,000	

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Revenue Monitoring Report 2018/19 – Quarter 3 (to 30 December 2018)

REPORT TO EXECUTIVE



DATE	11 February 2019
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Asad Mushtaq
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PURPOSE

1. To report the forecast outturn position for the year as at 31 March 2019 based upon actual spending and income to **30 December 2018**.

RECOMMENDATION

2. The Executive is asked to:
 - a. Note the projected revenue budget forecast breakeven position, see Revenue Budget Summary and detailed Service Reports below and Appendix 2.

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

- b. The latest revised budget of £15.090m as shown in Appendix 1, and
- c. The net transfers from earmarked reserves of £0.014m as shown in Appendix 3.
- d. The carry forward of forecast unspent budgets as requested by Heads of Service in Appendix 4. These amounts totalling £52k to be transferred into the transformation reserve and transferred back out to create additional revenue budgets in 2019/20 or when required.

REASONS FOR RECOMMENDATION

3. To give consideration to the level of revenue spending and income in 2018/19 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 three in-year reports on revenue budget monitoring presented to the Executive and Scrutiny Committee during the course of the financial year. This is the third in-year report for 2018/19. In addition to these three 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 and capital budgets. 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 contribution over £50k.
- Decisions made by the Executive.

Members are asked to approve the latest revised budget of £15.090m as shown in Appendix 1.

6. Revenue Budget Summary

As at the end of December 2018, the overall financial position is currently projected to breakeven, as shown in the table below:

	Latest Revised Budget £'000s	Forecast Outturn £'000s	Variance £'000s
Pay	9,026	8,980	(46)
Other revenue budgets	7,186	7,059	(127)
In-year efficiency savings target	(250)	(77)	173
Reserves	(872)	(872)	-
	15,090	15,090	-
Financed by:			
Council Tax	(6,739)	(6,739)	-
Business Rates	(5,473)	(5,473)	-
Revenue Support Grant	(2,228)	(2,228)	-
New Homes Bonus	(561)	(561)	-
Council Tax surplus	(89)	(89)	-
Forecast (under) / over spend as at end of December 2018	-	-	-

Salary Savings Target

In setting the budget for 2018/19, it was assumed that £150k would be saved by not filling posts immediately. The latest position is that £221k of salary savings have been secured to date, exceeding the target for the financial year by **£71k**. As the

non-salary savings target has not yet been met the excess salary saving will be used to offset any shortfall.

Non-salary Savings Target

It was also agreed that there would be an in-year efficiency savings / additional income target of £250k. The latest position is that £173k of non-salary savings have been secured to date, leaving a shortfall of **£77k** to identify during the remainder of the year. The £71k of additional salary saving will be used, if required, leaving a shortfall of £6k. It is forecast at this stage that this target will be achieved; however this will be monitored closely throughout the year.

7. Service Reports

The following tables show the Council's service units and their corresponding current forecast outturn position in comparison to their revised budget and the previously reported variance.

a. Management Team

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Moven't This Report £'000s
Management Team	333	333	333	-	-	-
Total	333	333	333	-	-	-

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

b. Policy and Engagement

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Moven't This Report £'000s
Emergency Planning	2	2	2	-	-	-
Communications	80	77	76	(1)	(1)	-
Community Engagement	204	229	228	(1)	-	(1)
Performance & Policy	113	124	124	-	-	-
Management & Admin	70	45	45	-	-	-
Total	469	477	475	(2)	(1)	(1)

A (£1k) saving on Team Awards has been achieved

c. People and Development

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
People & Development	250	258	258	-	-	-
Total	250	258	258	-	-	-

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

d. Green Spaces and Amenities

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Bereavement Service	(850)	(924)	(924)	-	-	-
Parks & Green Spaces	1,506	1,515	1,515	-	-	-
Art Gallery & Museum	223	253	253	-	-	-
Transport	73	73	73	-	-	-
Total	952	917	917	-	-	-

Income continues to be closely monitored during the year to enable early identification of areas where a forecasted shortfall of excess of income within the year so that remedial action can be taken. There is nothing to report at this stage and income is expected to meet the targets set.

e. Legal & Democratic Services

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Legal Services	293	251	215	(36)	(38)	2
Governance	788	773	761	(12)	(12)	-
Total	1,081	1,024	976	(48)	(50)	2

Additional salary savings of £8k have been identified, being a £5k Agency budget, and a £3k maternity saving.

Additional small overspends within Legal Service totalling **£2k** have been identified and declared in quarter 3.

f. Finance and Property

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Finance Unit	711	735	735	-	-	-
Property	(353)	(377)	(303)	74	74	-
External Audit	65	65	65	-	-	-
Mortgages / HA Loans	(61)	(61)	(61)	-	-	-
Misc Income & Expend	(10)	(10)	(10)	-	-	-
Treasury	935	935	905	(30)	(10)	(20)
Total	1,287	1,287	1,331	44	64	(20)

Additional salary savings of (£29k) relating to the vacant Principal Accountant and Finance Manager posts, along with Consultancy savings. This is a one-off saving and has been picked up in budget setting for 2019/20

Rental income from the Council's investment properties continues to be closely monitored during the year, with the anticipated shortfall still at £74k.

Treasury costs continue to be monitored closely during the year. Interest receivable is forecast to be (**£20k**) surplus, due to investments in Property Funds, bringing the revised forecast for Treasury to (£30k) surplus

g. Revenues and Benefits

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Revs & Bens Client	(391)	(382)	(382)	-	-	-
HB Payments/Subsidy	(74)	(74)	(74)	-	-	-
Council Tax Support	(165)	(165)	(165)	-	-	-
Cost of Collection	(703)	(703)	(703)	-	-	-
Total	(1,333)	(1,324)	(1,324)	-	-	-

Caseload numbers continue to reduce due to Universal Credit. This has resulted in a reduction in the amount of housing benefit payments made to claimants during the year with a corresponding reduction in housing benefit subsidy received from the Department for Work & Pensions. This will continue to be closely monitored during the year.

h. Leisure Trust Client

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Mechanics & Arts	47	47	47	-	-	-
Leisure Centres	557	556	556	-	-	-
Total	604	603	603	-	-	-

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

i. Streetscene

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Engineering Services	120	126	126	-	-	-
Community Safety	245	254	254	-	-	-
Car Parking	(565)	(568)	(547)	21	7	14
CCTV	137	139	131	(8)	(8)	-
Environmental Servs	2,737	2,756	2,751	(5)	-	(5)
Regulation	(244)	(240)	(240)	-	-	-
Management & Admin	725	705	705	-	-	-
Total	3,155	3,172	3,180	8	(1)	9

There is an additional forecast shortfall in income of **£14k** in relation to car parking enforcement income, bringing the total shortfall to £21k.

Additional income of **(£5k)** for Court Costs has been forecast within Backyard Clearance.

j. Housing and Development Control

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Housing	413	572	552	(20)	-	(20)
Development Control	(68)	(68)	(41)	27	-	27
Building Control	83	83	78	(5)	-	(5)
Selective Licensing	(49)	(49)	(49)	-	-	-
Total	379	538	540	2	-	2

Additional income of **(£20k)** has been achieved, through Civil Penalty Notice charges being raised.

A shortfall Development Control income of **£27k** is based on Planning Fees and Pre Planning Application anticipating a £30k shortfall. A small software saving of (£3k) has been identified in year. Planning Fees will be closely monitored until year end.

Building Control contribution to Blackburn with Darwen is anticipated to be **(£5k)** less than budget.

k. **Economy and Growth**

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Markets	91	106	106	-	-	-
Planning Policy	198	203	203	-	-	-
Economic Devt	472	498	498	-	-	-
Regeneration Devt	520	190	220	30	30	-
Management & Admin	123	138	138	-	-	-
Total	1,404	1,135	1,165	30	30	-

A projected shortfall in income of £30k in relation to the Vision Park Development was reported in quarter 1.

It is also worth noting the Market Hall income is similarly volatile and difficult to predict. Economy & Growth, together with the Finance Business Partner, will continue to monitor the position and are actively marketing vacant units. Works to address the ventilation problems in the market are current underway and will assist in the retention of existing market holders whilst making it more attractive to new tenants.

l. **Strategic Partnership**

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Strategic Partnership	3,610	3,610	3,550	-	(60)	-
Total	3,610	3,610	3,550	-	(60)	-

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

m. Corporate Budgets

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Democratic Represent'n	21	20	20	-	-	-
Corporate Management	75	50	50	-	-	-
Corporate Costs	1,626	1,756	1,815	59	51	8
Statutory Adjustments	1,690	2,649	2,616	(33)	(33)	-
Taxation & Grants	(596)	(544)	(544)	-	-	-
Total	2,816	3,931	3,957	26	18	8

Additional salary savings of £67k have been identified and used to meet the corporate salary saving target reported in paragraph 6 above. The additional salary savings has resulted in an overall salary saving declared for the year of £221k, exceeding the target for the year by £71k.

As mentioned in paragraph 6, non-salary savings of £173k have been secured to date. £165k of this was reported in quarters 1 and 2 with a further **£8k** identified in quarter 3. This reduces the target of £250k for in-year efficiency savings / additional income, leaving a shortfall of £77k to identify during the remainder of the year.

The savings proposals for 2019/20, included proposed reductions in posts which have been subject to formal consultation. The cost of any redundancies will either be met from underspends within the current financial year in the first instance, however, if there are insufficient underspends identified the costs will be met from the Transformation Reserve.

n. Earmarked Reserves

The table below shows the current forecast outturn position and compares this with the revised budget and the previously reported variance.

	Original Budget £'000s	Revised Budget £'000s	Current Forecast £000's	Current Variance £000's	Variance Last Reported £'000s	Movem't This Report £'000s
Earmarked Reserves	83	(872)	(872)	-	-	-
Total	83	(872)	(872)	-	-	-

There is no proposed use of reserves in 2018/19 to support revenue expenditure. However, any shortfall in meeting the in-year efficiency savings targets within 2018/19 will need to be met from reserves. At this stage it is expected that this target will be achieved.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

8. As shown in the body of the report.

POLICY IMPLICATIONS

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

DETAILS OF CONSULTATION

10. None

BACKGROUND PAPERS

11. None

FURTHER INFORMATION

PLEASE CONTACT:

Asad Mushtaq – Head of Finance and Property

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Movements in Revenue Budget 2018/19 - to 31 December 2018

	Original Budget	Changes Cycle (Cycle 3)	Changes Previous Cycles	Transfers to /(from) Earmarked Reserves (see App 3)	Grants Unapplied carried forward from 2017/18	TOTAL OVERALL MOVEMENT	Revised Budget
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Management Team	333	-	-		-	-	333
Policy and Engagement	469	-	(57)	63	2	8	477
People and Development	250	-	8		-	8	258
Green Spaces and Amenities	952	(48)	(13)	15	11	(35)	917
Legal and Democratic Services	1,081	8	(65)		-	(57)	1,024
Finance and Property	1,287	(2)	(28)	30	-	-	1,287
Revenues and Benefits	(1,333)	-	-		9	9	(1,324)
Leisure Trust Client	604	(1)	-		-	(1)	603
Streetscene	3,155	(27)	(1)	42	3	17	3,172
Housing and Development Control	379	(2)	3	86	73	160	539
Economy and Growth	1,404	(2)	29	(361)	65	(269)	1,135
Strategic Partnership	3,610	-	-		-	-	3,610
Corporate Budgets	2,816	74	127	914	-	1,115	3,931
Use of Earmarked Reserves	83	-	(3)	(789)	(163)	(955)	(872)
	15,090	-	-	-	-	-	15,090

Movements in Revenue Budget 2018/19 - to 31 December 2018

	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	317	16	-	333	317	16	-	333	-	-	-	-
Policy and Engagement	431	361	(315)	477	431	359	(315)	475	-	(2)	-	(2)
People and Development	173	85	-	258	173	85	-	258	-	-	-	-
Green Spaces and Amenities	1,850	1,111	(2,044)	917	1,850	1,111	(2,044)	917	-	-	-	-
Legal and Democratic Services	700	877	(553)	1,024	692	845	(569)	968	(8)	(32)	(16)	(56)
Finance and Property	787	2,019	(1,519)	1,287	758	2,007	(1,463)	1,302	(29)	(12)	56	15
Revenues and Benefits	-	30,895	(32,219)	(1,324)	-	30,895	(32,219)	(1,324)	-	-	-	-
Leisure Trust Client	-	850	(247)	603	-	850	(247)	603	-	-	-	-
Streetscene	1,012	4,034	(1,874)	3,172	1,012	4,026	(1,858)	3,180	-	(8)	16	8
Housing and Development Control	1,347	383	(1,191)	539	1,317	375	(1,181)	511	(30)	(8)	10	(28)
Economy and Growth	1,038	1,005	(908)	1,135	1,038	1,005	(878)	1,165	-	-	30	30
Strategic Partnership	-	3,610	-	3,610	-	3,550	-	3,550	-	(60)	-	(60)
Corporate Budgets	1,371	3,184	(624)	3,931	1,392	3,256	(624)	4,024	21	72	-	93
Use of Earmarked Reserves	-	-	(872)	(872)	-	-	(872)	(872)	-	-	-	-
Total	9,026	48,430	(42,366)	15,090	8,980	48,380	(42,270)	15,090	(46)	(50)	96	-

Movements in Revenue Budget 2018/19 - to 31 December 2018

Position on Earmarked Reserves	Transformation Reserve	Growth Reserve	Other Specific Reserves	Total Reserves
	£'000	£'000	£'000	£'000
Opening Balance at 1 April 2018	(1,831)	(3,218)	(1,729)	(6,778)
Original Budget 2018/19 - Use of Reserves 2018/19	-	1,273	(1,356)	(83)
Carry forwards from 2017/18 Approved	216	-	-	216
	(1,615)	(1,945)	(3,085)	(6,645)
Changes during 2018/19				
Approved Quarter 1	195	(46)	598	747
Approved Quarter 2	(25)	-	3	(22)
Reported in Quarter 3	-	14	-	14
	170	(32)	601	739
Anticipated Balance at 31 March 2019	(1,445)	(1,977)	(2,484)	(5,906)
Approved Use of Reserves in future years	25	1,853	2,484	4,362
Balance after approvals	(1,420)	(124)	-	(1,544)

Requests for Revenue Budget Carry Forwards from 2018/19 into 2019/20

Appendix 4

<u>Service Unit / Task</u>	<u>Details</u>	<u>Amount Requested £</u>	<u>Budget Code</u>	<u>Budget 2018/19 £</u>	<u>Forecast Spending / (Income) 2018/19 £</u>	<u>Remaining 2018/19 £</u>
<u>Streetscene</u>						
Enforcement Cameras	We are currently working with LCC to get an agreement in place, to mount cameras onto their lampposts to tackle illegal fly tipping / dumping into back yards.	12,300	R6060/1811	13,000	700	12,300
IDOX Software	There is currently £5k in R6010/1979 which is earmarked spend for this system – but depending upon the progress of implementation of this product this may need to be c/f into next year.	5,076	R6010/1979	12,604	7,528	5,076
		17,376		25,604	8,228	17,376
<u>Comms Servcs Performance & Policy</u>						
Children's University	Balance required to fund Yr 3 from the £20k budget approved by the Executive	9,040	R2206/2021	12,780	3,740	9,040
		9,040		12,780	3,740	9,040
<u>Finance</u>						
Accountancy	Balance of Finance transformation budgets to complete work on intelligent scanning, asset accounting and bank reconciliation modules	20,000	R2073/Various	30,000	10,000	20,000
		20,000		30,000	10,000	20,000
<u>Economy & Growth</u>						
BID Burnley Town Centre	BID Loan Fund - Stage 1 Feasibility Study	5,250	R2275	5,250	-	5,250
		5,250		5,250	-	5,250
Totals		51,666		73,634	21,968	51,666

Capital Monitoring Report 2018/19 – Quarter 3 (to 30 December 2018)

REPORT TO EXECUTIVE



DATE	11 February 2019
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Asad Mushtaq
TEL NO	(01282) 477173
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PURPOSE

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

RECOMMENDATION

2. The Executive is asked to:
 - a. Recommend to Full Council, approval of net budget changes totalling a decrease of £2,503,339 giving a revised capital budget for 2018/19 totalling £7,823,205 as detailed in Appendix 1.
 - b. Recommend to Full Council, approval of the proposed financing of the revised capital budget totalling £7,823,205 as shown in Appendix 2.
 - c. Note the latest estimated year end position on capital receipts and contributions showing an assumed balance of £2,475,114 at 31 March 2019 as shown in Appendix 3.

REASONS FOR RECOMMENDATION

3. To effectively manage the 2018/19 capital programme.

The budget decrease of £2,503,339 includes slippage of £2,598,055, per Appendix 1. The material reasons are changes to major schemes, such as:

- Prairie Artificial Pitch - £485,000 – Delay in Grant Application
- Lower St James Street - £400,000 – Procurement/Value Engineering
- Former Open Market & Former Cinema Block - £830,000 – Delay in Demolition

SUMMARY OF KEY POINTS

4. Monitoring Information

On 21 February 2018 Full Council approved the 2018/19 original capital budget, totalling £10,140,512. Since February, a number of reports have been approved by the Executive,

resulting in revising the 2018/19 capital budget to £10,326,544 (as at 11 December 2018 Executive).

This is the final of three in-year monitoring reports, and as such the appendices accompanying this report provide Members with the position as at 30 December 2018 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 2018. The expenditure to date is £3,875,322 which is 50% of the proposed revised budget.
- b. **Revised budget and financing elements – Appendix 2** shows the revised budget of £7,823,205, 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 third party contributions. As at the end of this round of budget monitoring the assumed level of surplus available local resources, after taking into account the 2018/19 capital commitments, totals £2,475,114. The resources are reducing each financial year, to an estimated negative balance on general capital receipts by March 2021. This is due to reduced opportunities to realise capital receipts, as the estate reduces, which will leave a lesser capital programme going forward.

6. Revenue Implications

a. Revenue Contributions 2018/19

The Capital Programme includes Revenue Contributions of £1,227,221, being:

Scheme	£
Thompson Park Restoration Project	230,447
Play Area Improvement Scheme	2,500
Vehicle and Machinery Replacement	159,069
Calder Park	2,000
Former Open Market & Former Cinema Block	297,197
Contribution to Shopping Centre Redevelopment	375,000
Padiham Town Hall – Flood Works	3,048
Building Infrastructure Works	157,960
Total Revenue Contributions	1,227,221

b. Prudential Borrowing 2018/19

The proposed revised capital budget for 2018/19 includes a use of Prudential Borrowing totalling £895,179.

The revenue implications of borrowing £895,179 are a Minimum Revenue Provision (MRP) of £56k and an interest charge, assuming 4% on the borrowing, would equate to £36k for a full year.

The original capital budget for 2018/19 of £10,140,512 included a planned borrowing requirement of £1,591,440. This has subsequently changed as schemes have slipped

from 2017/18 into 2018/19.

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 2019/20 (the year after the schemes are completed). The interest cost will be dependent on the timing of the borrowing and is subject to the interest rate at the time the borrowing is undertaken. The full year costs will be included within the revenue budget for 2019/20.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

7. A decrease in the 2018/19 capital programme of £2,503,339 to give a revised budget of £7,823,205 and a decrease in the borrowing requirement, of £1,118,502 from Quarter 2 to Quarter 3, revising the total to £895,179.

POLICY IMPLICATIONS

8. None arising directly from this report.

DETAILS OF CONSULTATION

9. None

BACKGROUND PAPERS

10. None.

FURTHER INFORMATION

PLEASE CONTACT:

Asad Mushtaq – Head of Finance & Property

ALSO

Martin Dixon – Finance Business Partner

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2018/19 CAPITAL BUDGET CYCLE 3 MONITORING - UPDATE

APPENDIX 1

Scheme Name	Budget as at Exec 11/12/18 £	Adjustments Per This Report		Changes to be approved in this report A + B £	Revised Budget £	Total Spend as at 31/12/18 £	% Schemes Spend £	Financed by External Funding £	Narrative provided by Project Officers/Heads of Service
		Budget Adjustments A	Reprofiled into Future Years B						
		£	£	£					

GREEN SPACES & AMENITIES

Thompson Park Restoration Project	728,577	14,716		14,716	743,293	509,836	69%	512,846	The works are substantially complete, with some civil engineering work to complete including work to car parks, lake bridge, paddling pool and construction of octagonal shelter
Prairie Artificial Pitch	485,000		(485,000)	(485,000)	-	-	0%	-	Work will not start in this financial year. The grant application to the Football Foundation is now being considered at the January Football Foundation panel meeting following a delay securing planning permission.
Play Area Improvement Programme	130,015	40,000		40,000	170,015	1,056	1%	113,015	Orders have been issued for play equipment to the value of £105k Work commenced on site at Faraday St in early December with Towneley due to start in late January. Approval is sought to bring in additional £40,000 from 3rd party receipts
Calder Park	10,132			-	10,132	10,131	100%	8,132	complete
Stoops Wheeled Sport	130,355		(130,355)	(130,355)	-	-	0%	-	Tenders for this scheme to be returned 21st January 2019. The scheme may start on site in this financial year but the contract completion date has been put back to 12th July 2019 to encourage contractors to tender for this specialist work. Budget to be reprofiled into 2019/20
Vehicle & Machinery Replacement	119,069	40,000		40,000	159,069	107,633	68%	-	Will complete shortly
	1,603,148	94,716	(615,355)	(520,639)	1,082,509	628,656	58%	633,993	

STREETSCENE

Burnley Town Centre Pedestrianisation Upgrade	13,615			-	13,615	-	0%	-	The scheme is now complete and all the budget is fully committed / spent.
River Training Walls	78,289		(28,289)	(28,289)	50,000	25,279	51%	-	£20k will be spent in Quarter 4 on minor emergency repairs and planned works. The remainder will need to be carried over to 2019/20 for proposed works on the River Brun at Bank Hall which are estimated to cost £75k. These works can only take place between June and September 2019, due to the ecological requirements of the Environment Agency in this location.
Lower St James Street	400,000		(400,000)	(400,000)	-	-	0%	-	A joint funded scheme is planned with Lancashire County Council (LCC). It is anticipated the scheme will commence in spring 2019/20.
CCTV Infrastructure	65,331			-	65,331	1,830	3%	-	£55k is committed for spend this financial year on essential upgrade work across the town. The remaining budget has been allocated for further upgrade work of the Council's camera infrastructure.
Alleygate Programme	51,082			-	51,082	-	0%	-	10 consultations and site surveys now completed with works ordered. Project still on track for completion in Q4. All budget committed.
	608,317	-	(428,289)	(428,289)	180,028	27,109	15%	-	

2018/19 CAPITAL BUDGET CYCLE 3 MONITORING - UPDATE

APPENDIX 1

Scheme Name	Budget as at Exec 11/12/18 £	Adjustments Per This Report		Changes to be approved in this report	Revised Budget £	Total Spend as at 31/12/18 £	% Schemes Spend	Financed by External Funding £	Narrative provided by Project Officers/Heads of Service
		Budget Adjustments	Reprofiled into Future Years	A + B					
		A	B	A + B					
ECONOMY & GROWTH									
Vision Park	295,904			-	295,904	95,936	32%	97,402	The remaining balance will be paid at the end of the defects period, prior to end March 2019
Padiham Townscape Heritage Initiative	121,323		(61,323)	(61,323)	60,000	-	0%	60,000	It is estimated that £60,000 of expenditure will be incurred by the end of the financial year to prepare public realm designs and some architectural fees. The balance should be rolled forward to 2019/20
Former Open Market & Former Cinema Block	1,400,353		(830,000)	(830,000)	570,353	298,678	52%	-	All asbestos has been removed. The ramp to the closed market has re-opened. The 1992 glazed-atrium, sub structure has been completely demolished. The principal demolition will begin early January 2019, therefore £830k to be reprofiled into 2019/20
Weavers Triangle - Starter Homes	52,271			-	52,271	52,271	100%	52,271	Project completed
NW Burnley Growth Corridor	785,117		(13,088)	(13,088)	772,029	283,666	0%	772,029	Detailed design work is being carried out for the public realm and flood defence works. £13,088 to be reprofiled into 2019/20
Burnley-Pendle Growth Programme	200,000		(200,000)	(200,000)	-	4,030	0%	-	Works to key junctions around Burnley Town Centre have been completed, further works planned at Rosegrove and manchester Road Rail Station to be completed by March 2021.
Town Centre & Weavers Triangle Project Work	350,000			-	350,000	267,156	76%	-	Expenditure on target for various projects in the Town Centre and Weavers Triangle.
	3,204,968	-	(1,104,411)	(1,104,411)	2,100,557	1,001,737	48%	981,702	
FINANCE & PROPERTY									
Town Hall Building Works	80,000		(70,000)	(70,000)	10,000	8,122	81%	-	Discussions underway with Roofing Contractor working on Town Hall Roof. Additional work required following more extensive investigations. Unlikely to be significant additional spend this financial year and therefore £70k to be reprofiled.
Contribution to Shopping Centre Redevelopment	375,000			-	375,000	375,000	100%	-	Complete
Padiham Town Hall - Flood Works	3,048			-	3,048	-	0%	-	Small retention held on completed works which will be released once the identified defects are addressed later in January 2019.
Rationalisation of Operational Estate	300,000		(180,000)	(180,000)	120,000	16,932	14%	-	Further works underway and spend being processed. Likely spend by year end in the order of £120,000. Full budget should be spent by the end of June 2019, and therefore £180k reprofiled into 2019/20
Leisure Centre Improvements	93,077			-	93,077	29,563	32%	-	Further works completed and spend being processed. Approximately £17k uncommitted and to be allocated before year end.
Building Infrastructure Works	816,827		(200,000)	(200,000)	616,827	206,471	33%	-	Burnley Town Hall Roof works starting on 7th January 2019. £200k to be reprofiled into 2019/20.
	1,667,952	-	(450,000)	(450,000)	1,217,952	636,088	52%	-	

2018/19 CAPITAL BUDGET CYCLE 3 MONITORING - UPDATE

Scheme Name	Budget as at Exec 11/12/18 £	Adjustments Per This Report		Changes to be approved in this report £	Revised Budget £	Total Spend as at 31/12/18 £	% Schemes Spend	Financed by External Funding £	Narrative provided by Project Officers/Heads of Service
		Budget Adjustments	Reprofiled into Future Years						
		A	B	A + B					
HOUSING & DEVELOPMENT CONTROL									
Emergency Repairs	120,000			-	120,000	34,511	29%	120,000	19 grants have been approved to date, totalling £65K
Better Care Grant	1,500,000			-	1,500,000	772,901	52%	1,500,000	A total of £ 1.6 million has been committed with, 164 grants completed and 84 adaptations approved and in progress.
Energy Efficiency	40,000			-	40,000	39,481	99%	40,000	The scheme is fully committed however we are awaiting an Affordable Warmth Fund payment of £18,661 from Lancashire County Council. This will allow us to assist more households this year with energy efficiency measures and reducing fuel poverty.
Empty Homes Programme	1,100,000			-	1,100,000	613,816	56%	-	This year we have purchased 6 properties, with a further 4 with legal to complete. 12 Compulsory Purchase Orders (CPO) are being prepared and will commence over the coming months. Over 80 live cases are being worked on by the Empty Homes Officer some of which will convert into CPOs as the year progresses. So far this year we have completed 3 renovations with a further 3 to commence before the end of the financial year. We have received 45 empty home loan enquiries and 10 have been taken up so far this year. The budget for 2018/19 is fully committed and is anticipated to be fully spent by the year end of March 2019.
Interventions, Acquisitions and Demolitions	163,000			-	163,000	102,054	63%	-	This budget will be used to fund the neighbourhood improvement scheme in the Ingham and Lawrence Street selective licensing area which will see the front elevations of properties painted and improved.
	2,923,000	-	-	-	2,923,000	1,562,763	53%	1,660,000	
CHIEF EXECUTIVE / CORPORATE INITIATIVES									
Ward Opportunities Fund	99,159			-	99,159	18,969	19%	-	A range of small projects have received funding from Members. A significant underspend is projected at year end in line with previous years.
	99,159	-	-	-	99,159	18,969	19%	-	
LEISURE CLIENT									
St Peter's LC - Gym Refurbishment	220,000			-	220,000	-	0%	20,000	Scheme Complete with invoices to be paid shortly
	220,000	-	-	-	220,000	-	0%	20,000	
	10,326,544	94,716	(2,598,055)	(2,503,339)	7,823,205	3,875,322	50%	3,295,695	

2017/18 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 £	
Green Spaces & Amenities								
Thompson Park Restoration Project	743,293		230,447	512,846			-	743,293
Play Area Improvement Programme	170,015		2,500		54,500		113,015	170,015
Vehicle & Machinery Replacement	159,069		159,069					159,069
Calder Park	10,132		2,000				8,132	10,132
	1,082,509	-	394,016	512,846	54,500	-	121,147	1,082,509
Streetscene								
Burnley Town Centre Pedestrianisation Upgrade	13,615	13,615						13,615
River Training Walls	50,000				50,000			50,000
CCTV Infrastructure	65,331	65,331						65,331
Alleygate Programme	51,082				51,082			51,082
	180,028	78,946	-	-	101,082	-	-	180,028
Economy & Growth								
Vision Park	295,904	-		97,402	198,502			295,904
Padiham Townscape Heritage Initiative	60,000			60,000	-			60,000
Former Open Market & Former Cinema Block	570,353	273,156	297,197					570,353
Weavers Triangle - Starter Homes	52,271			52,271				52,271
NW Burnley Growth Corridor	772,029			772,029				772,029
Town Centre & Weavers Triangle Project Work	350,000	250,000			100,000			350,000
	2,100,557	523,156	297,197	981,702	298,502	-	-	2,100,557
Finance & Property								
Towneley Hall Building Works	10,000				10,000			10,000
Contribution to Shopping Centre Redevelopment	375,000		375,000					375,000
Padiham Town Hall - Flood Works	3,048		3,048					3,048
Rationalisation of Operational Estate	120,000				120,000			120,000
Leisure Centre Improvements	93,077	93,077						93,077
Building Infrastructure Works	616,827		157,960		458,867			616,827
	1,217,952	93,077	536,008	-	588,867	-	-	1,217,952
Housing & Development Control								
Emergency Repairs	120,000			120,000				120,000
Better Care Grant	1,500,000			1,500,000				1,500,000
Energy Efficiency	40,000			40,000				40,000
Empty Homes Programme	1,100,000					1,100,000		1,100,000
Interventions, Acquisitions and Demolitions	163,000					163,000		163,000
	2,923,000	-	-	1,660,000	-	1,263,000	-	2,923,000
Chief Executive								
Ward Opportunities Fund	99,159				99,159			99,159
	99,159	-	-	-	99,159	-	-	99,159
Leisure Client								
St Peters LC - Gym Refurbishment	220,000	200,000					20,000	220,000
	220,000	200,000	-	-	-	-	20,000	220,000
TOTAL OF ALL SCHEMES	7,823,205	895,179	1,227,221	3,154,548	1,142,110	1,263,000	141,147	7,823,205

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CAPITAL RECEIPTS AND CONTRIBUTIONS ANALYSIS FOR 2018/19 AND CIP 2019-24

APPENDIX 3

	<u>General Capital Receipts</u> £	<u>Vacant Property Initiatives Receipts</u> £	<u>Section 106 Money</u> £	<u>3rd Party Cont'ns</u> £	<u>Total</u> £
Capital Resources Brought Forward on 1 April 2018	1,090,856	2,703,316	229,981	65,399	4,089,552
Add					
Resources Received As At 30 December 2018:	567,043	147,113	47,272	191,102	952,530
Transfer between reserves	150,000	(150,000)	-	-	-
Further Resources Estimated to be Received during 2018/19:	123,950	-	-	20,000	143,950
Potential Resources Available during 2018/19	1,931,849	2,700,429	277,253	276,501	5,186,032
Less					
Required to finance Capital Programme	(1,142,110)	(1,263,000)	-	(141,147)	(2,546,257)
Earmarked for Revenue Expenditure	-	-	(2,345)	-	(2,345)
Earmarked for Delivery By Outside Bodies	-	-	(162,316)	-	(162,316)
Potential Capital Resources Carried Forward on 31st March 2019	789,739	1,437,429	112,592	135,354	2,475,114
Add					
Resources Estimated to be Received during 2019/20	292,500	1,199,000	-	500,000	1,991,500
Transfer between reserves	150,000	(150,000)	-	-	-
Less - 2019/20 Capital Budget	(974,784)	(1,600,000)	(41,242)	(550,600)	(3,166,626)
Estimated Surplus / (Shortfall) of Resources as at 31st March 2020	257,455	886,429	71,350	84,754	1,299,988
Add - Resources Estimated to be Received during 2020/21	193,750	1,050,000	-	122,708	1,366,458
Less - 2020/21 Capital Budget	(661,145)	(1,400,000)	(53,350)	(180,360)	(2,294,855)
Estimated Surplus / (Shortfall) of Resources as at 31st March 2021	(209,940)	536,429	18,000	27,102	371,591
Add - Resources Estimated to be Received during 2021/22	100,000	1,165,000	-	578,360	1,843,360
Less - 2021/22 Capital Budget	(747,483)	(1,400,000)	-	(578,360)	(2,725,843)
Estimated Surplus / (Shortfall) of Resources as at 31st March 2022	(857,423)	301,429	18,000	27,102	(510,892)
Add - Resources Estimated to be Received during 2022/23	100,000	1,080,000	-	27,000	1,207,000
Less - 2022/23 Capital Budget	(500,720)	(1,400,000)	-	(27,000)	(1,927,720)
Estimated Surplus / (Shortfall) of Resources as at 31st March 2023	(1,258,143)	(18,571)	18,000	27,102	(1,231,612)

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REPORT TO THE EXECUTIVE



DATE	11th February 2019
PORTFOLIO	Resources & Performance Management
REPORT AUTHOR	Asad Mushtaq
TEL NO	(01282) 477173
EMAIL	amushtaq@burnley.gov.uk

Revenue Budget 2019/20

PURPOSE

1. To consider the estimates of revenue income and expenditure for 2019/20 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 2019/20;
- ii) Approve the proposals contained in this report;
- iii) Set a Council Tax Requirement of £6,962,402 for the financial year 2019/20;
- iv) Set a Net Budget Requirement of £15,814,610 for 2019/20;
- v) Receive and consider the statutory report issued by the Head of Finance and Property under the Local Government Act, 2003;
- vi) Authorise the Chief Operating Officer/Heads of Service to progress action plans to deliver the 2019/20 budget;
- vii) Approve a Council Tax (Band D) figure of £300.22 for this Council for the year commencing 1st April 2019 and adopt the statutory resolution to set the full Council Tax for the year. This is equivalent to a 2.99% Council tax increase.
- viii) Increase the additional Council Tax premium from 2019/20 onwards for properties that have been empty for over 2 years, from 50% to 100%. This will mean paying 200% Council Tax for these properties.

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 2019/20 that ensures the viability of the Council and aligns resources to the Council's strategic priorities.
5. To bring empty homes back into use in line with the Council's strategic commitment.

SUMMARY OF KEY POINTS

BACKGROUND

6. This report summarises the key issues that elected Members will need to consider when finalising the Revenue Budget 2019/20. 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 2019/20
Appendix 2	Growth
Appendix 3	Further Savings/Additional Funding Requirements
Appendix 4	Equality Impact Assessment

7. The schedule of proposed fees & charges, which forms an integral part of the budget process, was approved at the meeting of full Council on 19th December 2018.
8. The proposals contained within this report have been developed as a result of discussions and presentations at various Member and officer forums.
9. The Local Government Act 2003 sets out the requirements for sound financial management. Section 25 is particularly relevant when the budget and Council Tax for the coming year are being set. It requires the Chief Financial Officer to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. This report is contained elsewhere on your agenda.
10. 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.
11. 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.
12. 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 2019/20

13. The proposed net revenue budget for 2019/20 is as set out in the table below:

	£'000	£'000
Net Revenue budget - original 2018/19		15,090
Spending pressures reported September 2018	532	
Savings approved September 2018	<u>(901)</u>	(369)
Proposed Growth - Appendix 2		4
Further spending pressures (Corporate items) 2019/20		64
Transfer to Business Rates Volatility Reserve		1,058
Transfer to Revenue Support Reserve		100
Further savings proposed - Appendix 3		(133)
Net Budget requirement		<u>15,814</u>
Financed from:		
<u>Government Settlement Funding Assessment</u>		
Business rates baseline *		5,810
New Homes Bonus		607
Council Tax Yield		6,962
<u>Business Rates in addition to Baseline Funding</u>		
Additional business rates above baseline	2,228	
Renewable energy	<u>239</u>	2,467
Collection fund deficit - Burnley share		(32)
		<u>15,814</u>

* For 2019/20 only the Revenue Support Grant is incorporated into the Business Rates Baseline

Recap on Budget decisions taken September 2018

14. Members at Executive and Council in September 2018 approved budget savings of £901k for 2019/20, following receipt of the initial budget report that outlined a savings requirement of £1,028k. The information presented to Members at that time is shown below:

Position Approved September 2018:

	£'000
<u>Net Spending Increases/(Decreases)</u>	
Pay awards and increments	209
General inflation	313
Pensions Costs	60
Cost share agreement	-
Strategic Partnership - Additional Income	-
Reversal of one-off growth 2018/19	(39)
Borrowing costs & MRP	-
Other net continuation budget changes	-
Fees and charges increases	(39)
Growth	28
	<hr/>
	532
<u>Net Funding (Increases)/Decreases</u>	
Revenue Support Grant	614
Business Rates	(132)
New Homes Bonus	147
Council Tax - indicative 1.9% increase	<hr/> (133)
	496
<u>Savings and Funding Increases</u>	
Net savings	(901)
<u>Contribution to Earmarked Reserves</u>	
Budget Gap Remaining - September 2018	<hr/> 127 <hr/>

LOCAL GOVERNMENT SETTLEMENT

15. 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 0.5% in 2019/20 (3.5% in 2018/19).
16. Settlement Funding Assessment (SFA)
SFA is set by the Government and comprises Revenue Support Grant (RSG - the general grant funding to local authorities) and the Baseline Funding Level for business rates income. It was estimated in the September Council report that RSG would reduce by 27.6% which was confirmed in the provisional settlement figure for 2019/20. However, as Burnley is part of the Lancashire Business Rates Pilot pool in 2019/20, RSG is now incorporated into Business Rates Baseline funding for 2019/20 rather than received as a separate grant.

17. 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.
18. 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 2019/20.

FURTHER BUDGET PRESSURES AND SAVINGS IDENTIFIED

19. 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 2019/20. Appendix 3 shows the residual budget gap as at September 2018 and the identified additional pressures and savings to balance the 2019/20 budget.

GROWTH PROPOSALS

20. 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.
21. Consequently, only one item of revenue budget growth is included within the proposals for 2019/20. The growth item is shown in Appendix 2 for information and has been included within the revenue budget for 2019/20.

COUNCIL TAX

22. The proposals in this paper assume that the Council's Band D Council tax will increase by 2.99% from the 2018/19 level of £291.50 to £300.22. This level of charge will yield an estimated total income of £6,962,402.
23. 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 2019/20, 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 2019/20 is 3%, or more than 3%, greater than its relevant basic amount of council tax for 2018/19.

COUNCIL TAX PREMIUM

24. Under government proposals that came into force for 2012/13, designed to get long term empty properties back into use, the Council chose to apply a 50% empty homes premium to properties empty and unfurnished for over two years. This meant that the owner would need to pay 150% of the annual Council Tax charge. Updated Government proposals give the freedom to Councils to extend this to 100% from 2019/20, meaning the owner would need to pay 200%, which is the recommendation of this report.
25. A forecast for the increased charges collectable by increasing the premium is £325k for

2019/20. However, of this Burnley's share would £47k. Although it should be noted that the collection rate significantly reduces for properties with Council Tax premium's applied (75% in 2017/18 compared to a general 95% target) and further premiums are expected to decrease the collection rate even more. However, the utilisation of the premium is intended to bring empty homes back into use rather than generate revenue.

26. Government have also given further discretion to Councils from 2020/21 (200% premium for properties empty for 5 – 10 years) and 2021/22 (300% premium for properties empty for 10 years plus). However, these proposals will be considered in due course in conjunction with an impact assessment on properties brought back into use through use of premiums.

BUSINESS RATES

27. The expected amount of business rates to assist in funding the Council's spending next year is included as part of the Government's 2019/20 funding settlement. The figure announced is £5.180m. 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 £2.228m. This is an increase of £1.058m over the amount expected in 2019/20 and will be transferred to the Business Rates Volatility Reserve.
28. 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 £239k 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 2019/20 and future years. This represents an increase of £4k over the amount expected in 2018/19.
29. 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 2019/20 finance settlement announced in December 2018, the Government approved the formation of the Lancashire Business Rates Pool as part of its 75% retention Pilot scheme for 2019/20 only. As a consequence of this and of currently being part of a pool, the levy that the Council would previously have had to pay to Central Government will be retained locally.
30. As part of the ongoing consultation around the new business rate retention proposals, the Government is proposing a reset, or partial reset, of the amount of Business Rates each Council expects to receive. A reset would mean that any previous growth in business rate income above the expected amount, achieved under the existing system, would be lost. This would mean an additional pressure on council's that had used any excess Business Rates income when balancing their annual budgets. It is expected that the new system of accounting for Business Rates will come into effect in 2020. However, details at this stage of how funding will affect Burnley Council is not yet known.

COLLECTION FUND SURPLUS

31. 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 deficit figure of £201k of which this Council's share is £32k which is 15.9% as a proportion of the overall total.

COMMERCIAL STRATEGY & FEES AND CHARGES

32. 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 2019/20 in this area.
33. During the budget process, it has been assumed that income budgets would increase in 2019/20 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 3% 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 1st January 2019 as has been the case previously. The tariff of fees and charges mainly effective from 1st January 2019 was approved by full Council on 19th December 2018. The estimated additional increase in income in 2018/19 as a consequence of the approved increases is £39k and forms part of the overall savings approved in September 2018 to balance the budget.

STRATEGIC EARMARKED RESERVES AND GENERAL FUND RESERVE

34. 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.
35. The table below shows the anticipated use of strategic reserves for 2019/20 and later years. 40. The overall forecast position on reserves is shown in the table below. This includes all strategic earmarked and general reserves. The forecast below includes current approved and future commitments, future anticipated spend and future anticipated income into the reserves. This table excludes any reserves held for specific operational reasons:

	Strategic Earmarked Reserves £'000	General Reserve £'000	Budget Support Reserve £'000	Total £'000
Balance as at 01/04/18	5,049	1,379	-	6,428
Approved use to Q3 2018/19	(1,627)	-	54	(1,573)
Balance available after approvals	3,422	1,379	54	4,855
Future commitments and risks	(3,081)	-	1,904	(1,177)
Balance remaining	341	1,379	1,958	3,678

36. The Revenue Support Reserve is essential to provide resilience for the Council in light of reduced funding. As the authority adjusts to meet the pressures of reductions in Government funding, as well as awaiting the outcome of central government's funding review, which will govern local government funding from 2020/21 onwards, it has become increasingly challenging to produce savings annually as the authority contracts in resource and size. Savings proposals will carry more risk of successful implementation, whether they are income or expenditure-related. The Revenue Support Reserve will be required to provide temporary mitigation for some of these risks. However, the purpose of the reserve is also to temporarily provide for unanticipated reductions in income, provide for unexpected revenue spend and to support shortfalls in major capital projects beyond their business cases and after their allocated reserves are exhausted. The above forecast assumes a 10-year programme to build-up this reserve from the General Fund.

RISK ASSESSMENT

37. 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.
38. Two major capital schemes – Pioneer Place and Sandygate Square Development - saw their funding report approved at Full Council in December 2018. These represent significant long-term costs for the Council, and will require a material amount of borrowing over 30 to 50 years, with payback dependent on the success of the schemes. This carries significant financial risk for the authority and is an important element of the financial horizon of this Council. As part of mitigation strategies for these schemes a revenue support reserve has been set up this year with ongoing budget commitment to build up a balance over 10 years to somewhat protect the Council from shortfalls in income relating to this scheme or generally to support and budgetary shortfalls. It should be noted however that before the Pioneer Place construction commences the scheme requires:
- i. a pre-let to be completed for the new supermarket on Manchester Road;
 - ii. a pre-let to be completed for the new cinema on Pioneer Place; and
 - iii. pre-lets to be completed for 75% of the remaining units on Pioneer Place including Unit 2 adjacent the cinema, with the said pre-lets achieving a minimum of 75% of

the estimated full rent payable.

39. 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 2019/20 revenue budget is unduly onerous and the levels of reserves forecast will be sufficient in accordance with the medium term financial strategy (MTFS).
40. 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.
41. 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 2019/20.
42. Pay inflation has been increased by 2% in 2019/20 and future years. 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.
43. 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 2019/20 and beyond.
44. The Council entered into a contract with Liberata as our external service provider for around a third of Council services from 1st 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.
45. In summary, after taking consideration of the issues in this report and the risks referred to above, the 2019/20 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.
46. 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

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

POLICY IMPLICATIONS

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

49. 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

50. None.

BACKGROUND PAPERS

51. None.

FURTHER INFORMATION

PLEASE CONTACT:

Asad Mushtaq – Head of Finance and Property

ALSO:

without

Summary Revenue Budget 2019/20

<u>Estimated Net Spending</u>	Pay	Non-Pay	Reserves	Net Spending
<u>Service</u>	£'000	£'000	£'000	£'000
Management Team				
Policy & Engagement				
People & Development				
Green Spaces and Amenities				
Legal & Democratic Services				
Finance & Property				
Revenues and Benefits				
Leisure Trust Client				
Streetscene				
Housing and Development Control				
Economy & Growth				
Strategic Partnership				
Corporate Budgets				
Earmarked Reserves				

System generated data. To be
included prior to Full Council 20
February 2019

Net Budget Requirement

Collection Fund Deficit		£'000	£'000
Business Rates Retention Scheme			(32)
Business Rate Baseline Funding		5,810	
Additional Business Rates Forecast – Burnley Element		2,228	
Additional Retained Income - Renewable Energy Schemes		239	8,277
Council Tax Yield			6,962
New Homes Bonus			607
			<u>15,814</u>

without

2019/20 Revenue Budget**Growth Proposals**

	Ongoing £'000	One-off £'000	Total £'000
Public Funerals	4	-	4
Total Growth	4	-	4

without

REVENUE BUDGET 2019/20**Summary of Budget Gap Remaining and Savings**

	£'000	£'000
<u>Budget gap reported September 2018</u>		127
<u>Finalisation of continuation estimates 2019/20</u>		
<u>Further Increases/(Decreases) - Net Spending Pressures</u>		
Annual contribution to Revenue Support Reserve	100	
Pay and increments forecast adjustment	29	
Income adjustments	23	
Growth (see Appendix 2)	4	
Reduction in Pension Costs	(69)	
Various net adjustments in finalising continuation estimates	10	97
<u>Further (Increases)/Decreases - Funding</u>		
Additional New Homes Bonus	(5)	
Adjustment to Business Rates Baseline Funding	4	
Additional 1% Increase in Council Tax and Growth (assuming a 2.99% increase)	(90)	(91)
Residual budget gap - February 2019		133
less: <u>Further Savings - February 2019</u>		
Deletion of vacant post - Policy & Engagement	(29)	
Policy and Engagement - operational savings	(4)	
Finance Transformation Programme savings	(10)	
Legal and Democracy - operational savings	(22)	
Markets operational savings	(5)	
Deletion of vacant post - Economy & Growth	(15)	
Realign homelessness service	(16)	
Review of recharges to Selective Licensing	(24)	
Reduce contribution to Pennine Lancashire Building Control	(8)	
		<u>(133)</u>
		<u>-</u>

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APPENDIX 4 - EQUALITY IMPACT ASSESSMENT

REVENUE BUDGET SAVINGS PROPOSALS 2019/20

1.	Title of EIA	Equality Impact Assessment – Revenue Budget Savings Proposals 2019/20
2.	Person responsible for the assessment	Rob Dobson
3.	Contact details	01282 475 842 rdobson@burnley.gov.uk
4.	Date of assessment	Completed 21st January 2019

SUMMARY

The outcome of this equality impact assessment is that all proposals being currently considered for savings in 2019/20 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 2019/20 that: <ul style="list-style-type: none"> is in line with the agreed Medium Term Financial Strategy; responds to the financial challenges facing the council; enables the council to continue its focus on agreed priorities.
2.	Who are the main stakeholders?	Stakeholder analysis showed that the main stakeholders are Burnley Council's: <ul style="list-style-type: none"> service users residents/Council tax payers Councillors; and Council employees.
3.	How are they expected to benefit?	Through the council ensuring a sustainable future for its services through good financial management and transparent decision making to determine priorities.
4.	How will the change be implemented?	The budget will be agreed through decision making structures and processes in line with the council constitution. The agreed budget in 2019/20.
6.	Is the responsibility for the proposed function shared with another department or authority	The decisions on council budget rest with the council.

	or organisation?	
--	------------------	--

A. DATA COLLECTION

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

B. COMMUNICATION AND INVOLVEMENT

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

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

¹ 'All areas of impact' refers to the detailed list of proposed revenue budget savings proposals 2019-20

Group	Area/s of impact	Positive impact	Negative impact – specified as high, medium or low	Neutral impact	Reason
	impact				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.

Equality impact assessment action plan

A review of the 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 2019, or earlier if issues are reported to the council. A specific area of focus will be to ensure that the relocation of customer service centre maintains or improves accessibility for older people, people with disabilities and people living with long term limiting illnesses such as dementia.

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REPORT TO THE EXECUTIVE



DATE	11th February 2019
PORTFOLIO	Resources & Performance Management
REPORT AUTHOR	Asad Mushtaq
TEL NO	01282 477173
EMAIL	amushtaq@burnley.gov.uk

**Medium-Term Financial Strategy – 2020/21 to 2023/24
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 2020/21 to 2023/24, highlighting uncertainties, underlying risks and make recommendations to Council. The Medium-Term Financial Strategy should be read in conjunction with the revenue budget 2019/20 and the associated statutory report of the Chief Finance Officer.

RECOMMENDATION

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

REASONS FOR RECOMMENDATION

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

SUMMARY OF KEY POINTS

4. A Medium-Term Financial Strategy (MTFS) is a key component of the Council's strategic planning process, aligning resources to service priorities and providing early identification of requirements for efficiency and cost improvement programmes. The MTFS provides an overarching framework for, and context to, the preparation of the annual budget. It provides an indicative headline position of the overall financial health of the Council, providing early sight of issues for full consideration by the Council and Executive.
5. Council will be aware that the 2019-21 MTFS was approved in February 2018. 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 2019/20 in December 2018, as well as incorporating a further 4 years, namely 2020/21, 2021/22, 2022/23 and 2023/24. These additional years bring the format of the report and monitoring in line with new Capital Strategy, which is elsewhere on this agenda.
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 four financial years 2020/21, 2021/22, 2022/23 and 2023/24, is a cumulative budget gap of £4.5m (29.0% of the 2019/20 net budget of £15.815m).
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 and Property

ALSO:

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MEDIUM-TERM FINANCIAL STRATEGY

2020/24



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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 2019/20 on future years;
 - Gap analysis for 2020/21, 2021/22, 2022/23 and 2023/24 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 2019/20, 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 2019/20 as they affect 2020/21, 2021/22, 2022/23 and 2023/24:
 - The Government's intention to phase out Revenue Support Grant by 2020

- The level of Council tax increase (excluding any social care) beyond which a referendum is required has been maintained at 3% for 2019/20
- The calculation of Core Spending Power
- Continuation of New Homes Bonus - from 2017/18 the Government introduced a baseline for housing growth, 0.4% of a Council's band D equivalent properties, which will be deducted from the grant calculation each year. The settlement confirms this also applies to 2019/20
- The Government is currently in the process of reviewing the components of the business rates retention system, both individually and in aggregate, and the role they can play in providing a strong incentive for local authorities to grow the business rates in their area while minimising complexity. This reform of the system fits with the Government's aim to introduce 75% business rate retention in 2020, in a way that is fiscally neutral.
- Confirmation of the Lancashire Pool being accepted as one of the Business Rates Pilots for 2019/20

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 2019/20 includes Revenue Support Grant, Business Rates baseline funding, Council Tax and New Homes Bonus. As with 2018/19, no maximum decrease in spending power has been set for 2018/19. Burnley's Core Spending Power will reduce by 0.5% in 2019/20 (3.5% in 2018/19). Given that no maximum decrease has been set there will also be no payment of ESG in 2019/20.
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 2019/20 will see a further 0.5% reduction; in comparison to 2018/19 whilst the England average will see a 2.8% increase.

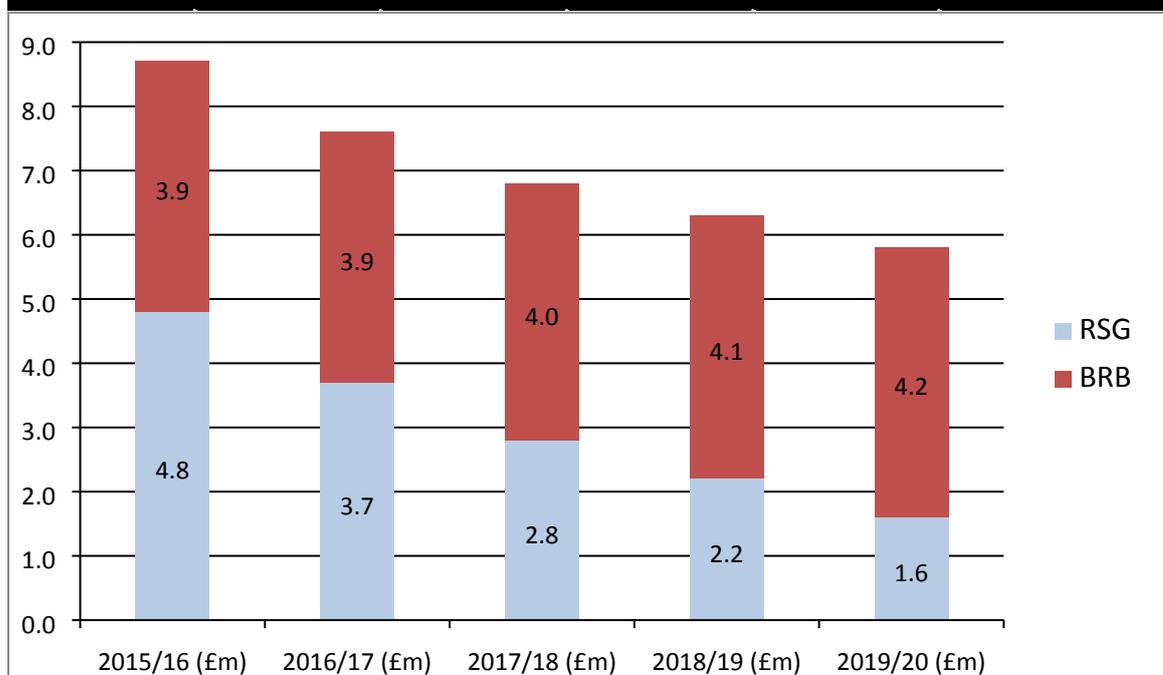
**TABLE A
SPENDING POWER REDUCTION /
(INCREASE)**

Year	Burnley (%)	England Average (%)	Ratio
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*
2019/20	0.5	(2.8)	N/A*

**n/a in 2018/19 and 2019/20 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 0.5% for 2019/20, there is a much greater 27.6% cash reduction in Government Revenue Support Grant funding, which for Burnley in 2019/20 is rolled into the Business Rates funding mechanism due to be being part of the 75% retention pilot. The former Revenue Support Grant (RSG) element of the settlement for 2019/20 will be £1.614m (£614k less than in 2018/19). 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):

**TABLE B
BURNLEY'S SETTLEMENT FUNDING ANALYSIS**



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 (%)
2015/16	30	18
2016/17	25	16
2017/18	20	9
2018/19	16	3
2019/20	12	3

12. The Government's current intention is that the 2019-20 settlement will confirm the final year of the multi-year settlement that has provided certainty for 4 years. The 2019 Spending Review will confirm overall local government resourcing from 2020-21, and the Government is working towards significant reform in the local government finance system in 2020-21. This means that there will be a greater demand on Council tax payers and businesses locally over the coming 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. These future levels of funding will not be known until the spending review and redesign of local government funding completes, scheduled to be late 2019. However, it should be noted that as RSG will not be paid as a grant in 2019/20 and will in effect be part of Burnley's business rates baseline for 2019/20 there is a small element of risk attached to this if collection falls short of expectation. However, this is considered a minor risk given the expected collection of Business Rates forecast in 2019/20.

BUSINESS RATES PILOTS 75% RETENTION

13. The Ministry of Housing, Communities and Local Government (MHCLG) published its pilot prospectus for 2019/20 on the 24 July 2018 to seek applications to test a new scheme of business rates retention based on a 75% retention model. The main points of the 2019/20 pilots are:
- The 2019/20 pilots will be at 75% Business Rates Retention i.e. lower than the 100% pilots of 2017/18 and 2018/19;
 - The 'no detriment' clause applied to the 2017/18 and 2018/19 pilots will not apply to pilots set up for 2019/20. This meant that any pool operating under the 2017/18 and 2018/19 pilots would not be any worse off than they would have been under the existing 50% BRR scheme;
 - There will be a mandatory safety net set at 95% to reflect the additional risk locally that 75% retention introduces. This will apply pilot wide and not to individual authorities, therefore any authority with a shortfall against their

- business rate baseline will be absorbed within the pool. As with the previous pilots, no levy will be paid;
- Revenue Support Grant will be rolled into the existing baseline need;
14. The proposed application from Lancashire consisted of all current pool members, plus Blackpool, Blackburn and Preston. This left Lancaster as the only authority not to participate as they have quantified the risks to them as too great, given the vulnerability of their business rates position due to the two power stations. The application was ultimately successful and will come into force for 2019/20
 15. In 2018/19 Burnley are part of a Lancashire pooling arrangement which allows constituent members to come together and be treated as a single member of a business rate pool to combine their funding calculations under the business rate scheme, effectively adding their numbers together for all elements of the funding calculation, such as the tariff and top-ups. The benefit to be gained is that collectively, it produces a lower percentage levy calculation. Each authority continues to retain the growth in its business rates income that it would have retained as an individual authority outside of the pool. However, as part of a pool the Council would no longer be required to pay any levy to Central Government.
 16. The Lancashire application set out what the tier splits would be for each member. Based on the existing 50% scheme there would potentially be 25% extra growth to be shared out between districts, Lancashire County Council and Fire & Rescue.
 17. 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.
 18. 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 2019/20 revenue budget. Additional income of £2.2m is included within the 2019/20 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.

NEW HOMES BONUS

19. 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.

20. 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 2019/20 has remained at 0.4%. This means that the first 122 properties. 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

21. 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.
22. 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.
23. The financial impact each year of not increasing council tax at all is an additional pressure of around £135k, assuming a 1.99% rise is foregone.

AN IMPACT ASSESSMENT OF THE REVENUE BUDGET 2019/20 ON FUTURE YEARS

24. The Medium-Term Financial Strategy for 2020-24 is dependent on the delivery of a number of assumptions within the annual budget for 2019/20. This strategy assumes that:
 - the Council will approve an annual budget that delivers savings and increased funding totalling £1.02m without having to use reserves to support the delivery of the 2019/20 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.
25. 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 2019.

POTENTIAL GAP FOR 2020/21, 2021/22, 2022/23 and 2023/24

26. The overall funding gap for 2020/24, using planning assumptions, is summarised below:

	Reduction from 2018/19 Provisional Settlement (average 4% reduction of Core Spending Power)	
	(£m)	%
Anticipated funding reduction	0.7	
Pay and Prices/other	0.2	
Potential Gap 2020/21	0.9	6.3
Anticipated funding reduction	0.7	
Pay and Prices/other	0.6	
Potential Gap 2021/22	1.3	9.1
Anticipated funding reduction	0.8	
Pay and Prices/other	0.4	
Potential Gap 2022/23	1.2	8.0
Anticipated funding reduction	0.7	
Pay and Prices/other	0.4	
Potential Gap 2023/24	1.1	7.4
Cumulative Potential Gap 2020/24	4.5	30.8

27. Underlying assumptions included within the forecast are:

- Council tax will increase by 1.99% each year;
- No increase has been factored in for non-inflationary changes in council tax base; business rates or additional new homes bonus
- Pay award assumed at 2% per annum, fees and charges income at 2% per annum; and
- Transitional funding to replace the loss of Revenue Support Grant (RSG)
- No assumptions built into forecast regarding changes to Council Tax Support claimant numbers.

28. The above scenario assumes a continuation of reduction of government funding causing a reduction in Core Spending Power at a pace similar than that which has been seen over this decade, as part of austerity measures, that is circa 4% year-on-year (with Core Spending Power defined as RSG/Transitional Support, Business Rates, Council Tax and New Homes Bonus). However, as 2019 will see the conclusion of the spending review and redesign of the funding

mechanism for local government, below are 2 further scenarios showing Core Spending Power reductions at 2% and at 0%. These reflect the uncertainty that local government has with regards to funding. -:

	Reduction from 2018/19 Provisional Settlement (average 2% reduction of Core Spending Power)	
	(£m)	%
Anticipated funding reduction	0.4	
Pay and Prices/other	0.2	
Potential Gap 2020/21	0.6	4.3
Anticipated funding reduction	0.4	
Pay and Prices/other	0.6	
Potential Gap 2021/22	1.0	7.2
Anticipated funding reduction	0.4	
Pay and Prices/other	0.4	
Potential Gap 2022/23	0.8	5.4
Anticipated funding reduction	0.4	
Pay and Prices/other	0.4	
Potential Gap 2023/24	0.8	5.7
Cumulative Potential Gap 2020/24	3.2	22.6

	Reduction from 2018/19 Provisional Settlement (average 0% reduction of Core Spending Power)	
	(£m)	%
Anticipated funding reduction	0.1	
Pay and Prices/other	0.2	
Potential Gap 2020/21	0.3	2.3
Anticipated funding reduction	0.1	
Pay and Prices/other	0.6	
Potential Gap 2021/22	0.7	5.1
Anticipated funding reduction	0.1	
Pay and Prices/other	0.4	
Potential Gap 2022/23	0.5	3.5
Anticipated funding reduction	0.1	
Pay and Prices/other	0.4	
Potential Gap 2023/24	0.5	3.8
Cumulative Potential Gap 2020/24	2.0	14.7

29. Until there are indicative allocations of funding for 2020/21 and beyond, the ability to forecast funding elements is severely restricted and it is incumbent on the Government to provide certainty to this sector without delay. It is necessary to show various scenarios of funding changes due to this therefore the above scenarios present a range of funding changes, which are summarised below:-

	4% reduction of Core Spending Power (£m)	2% reduction of Core Spending Power (£m)	0% reduction of Core Spending Power (£m)
Potential Gap 2020/21	0.9	0.6	0.3
Potential Gap 2021/22	1.3	1.0	0.7
Potential Gap 2022/23	1.2	0.8	0.5
Potential Gap 2023/24	1.1	0.8	0.5
Cumulative Potential Gap 2020/24	4.5	3.2	2.0

BALANCING OVER THE MEDIUM TERM

30. 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.
31. 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.
32. 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.
33. 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.
34. 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.
35. 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.
36. Finally, as reported to Full Council in December 2018 this Authority intends to commission two significant capital projects, namely the Pioneer Place development and the Sandygate Square Student Accommodation scheme. Both these developments will require significant financial support from the Council, as well taking on significant commercial risk over the lifetime of these projects (50 years and 30 years, respectively). These schemes will also require significant use of reserves and will also see unprecedented amounts of borrowing – circa £32m.

These present threats to the financial viability of the Council. However, in partial mitigation, various strategies have been put in place.

37. These include contractual affordability conditions for the Pioneer Place scheme to become unconditional, a strategy to build up reserves over the next 10 years to provide a buffer for budget pressures, specific reserves for the schemes to renew the assets and capture any over-performing income and recognition of limited capacity to take on other significant capital schemes.
38. It should be noted however that before the Pioneer Place construction commences the scheme requires:
 - i. a pre-let to be completed for the new supermarket on Manchester Road;
 - ii. a pre-let to be completed for the new cinema on Pioneer Place; and
 - iii. pre-lets to be completed for 75% of the remaining units on Pioneer Place including Unit 2 adjacent the cinema, with the said pre-lets achieving a minimum of 75% of the estimated full rent payable.

RISKS

39. The significant risk areas are:

RISK	MITIGATION	ASSESSMENT
(i) Ability to maintain a balanced budget over the medium-term	Consideration of core purpose of the Council. Development of a multi-year planned and systematic programme of efficiency and cost reduction measures; Ensure effective programme management to ensure timely delivery. Maintain an effective reserves strategy. Undertake close monitoring of Pioneer Place/Sandygate Square schemes.	HIGH
(ii) Funding uncertainty with regard to the proposed changes in NHB funding, changes in Business Rates funding and the fair funding review for local government.	Horizon scanning national developments and proactive contribution to help shape the funding framework. Lobby for additional resources with government and also through the LGA. Seek to maximise local funding sources.	HIGH
(iii) Business rate volatility including appeals	No projected increase factored into MTFs, reserves available as buffer in short term. Active consideration of all appeals to minimise impact on revenues.	HIGH

RISK	MITIGATION	ASSESSMENT
(iv) Partnership performance – achievement of planned savings and delivery of these savings on time	Continued development of enhanced contract management skills and procedures. Project management discipline. Consolidation of good working relationships with contract partners.	MEDIUM
(v) Reserves - potential impact on reserves position, if they are required to support the delivery of a balanced budget over the medium-term.	Include policy on use of reserves within Medium-Term Financial Strategy (attached). Programme of action to increase reserve levels over the next 10 years.	HIGH
(vi) Potential claw-back or loss of any external or grant funding.	Compliance to external and grant funding conditions, careful programme monitoring of capital projects.	MEDIUM
(vii) Prices - the Strategy only allows for budget increases in specific areas, e.g. business rates and contractual requirements. The forecast for CPI and RPI is for bigger increases.	Review at each update of the Strategy	LOW
(viii) Pay – 2% 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

RISK	MITIGATION	ASSESSMENT
(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

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

	Strategic Earmarked Reserves £'000	General Reserve £'000	Revenue Support Reserve £'000	Total £'000
Balance as at 01/04/18	5,049	1,379	-	6,428
Approved use to Q3 2018/19	(1,627)	-	54	(1,573)
Balance available after approvals	3,422	1,379	54	4,855
Future commitments and risks	(3,081)	-	1,904	(1,177)
Balance remaining	341	1,379	1,958	3,678

41. The reserves position does not include any requirement to support the budget gap on an on-going basis.
42. General reserves are held to provide short term emergency funds for exceptional circumstances and to cover risks that could impact the Council as a going concern. The current level of the Council's General Reserve is set at £1.379m, and 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.
43. 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.

44. The Revenue Support Reserve is essential to provide resilience for the Council in light of reduced funding. As the authority adjusts to meet the pressures of reductions in Government funding, as well as awaiting the outcome of central government's funding review, which will govern local government funding from 2020/21 onwards, it has become increasingly challenging to produce savings annually as the authority contracts in resource and size. Savings proposals will carry more risk of successful implementation, whether they are income or expenditure-related. The Revenue Support Reserve will be required to provide temporary mitigation for some of these risks. However, the purpose of the reserve is also to temporarily provide for unanticipated reductions in income, provide for unexpected revenue spend and to support shortfalls in major capital projects beyond their business cases and after their allocated reserves are exhausted. The above forecast assumes a 10-year programme to build-up this reserve from the General Fund.
45. 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.
46. 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.
47. 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 MTF period. The adequacy of strategic earmarked reserves will continue to be monitored to meet future demands.

MONITORING & REVIEW

48. 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.

49. 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.
50. 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.
51. The Council will operate a commercial strategy which will be reviewed periodically.
52. 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.
53. The financial modelling projections contained within this Medium-Term Financial Strategy are a dynamic model, which will be updated, revised and reported following receipt of business intelligence, changes to underlying assumptions and as the position becomes clearer.

APPENDIX 1: RESERVES STRATEGY

BACKGROUND

1. The Council continues to face significant financial challenges. 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.
2. Within this context, reserves play a vital role in offering transitional support to act as a buffer and to ensure smooth service transition as the Council adapts to organisational changes and new ways of working; and to offer time limited opportunity for investment to aid strategic delivery.
3. It is imperative, therefore, that the Council has in place a strong and robust reserves strategy, that adequately reflects the future needs of the organisation, set at a level that mitigates against future risks and certainties and provides opportunity for investment within the confines of overall affordability and availability of resource.
4. Given the current context of operations there are no planned arrangements for replenishing reserves drawn down, although a minimum level of reserve (general reserve) has been assessed for the Council to remain a going concern. As part of the finalisation of the year end position, opportunities will be taken, if possible, to replenish reserves in the light of risk appraisal.
5. This reserves strategy sets out the protocol for use of reserves and re-assesses the adequacy of reserves.

LEGISLATIVE/REGULATORY FRAMEWORK

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

Government that Councils should utilise their reserves over the medium term and the views of professional and regulatory bodies who suggest that reserves should be increasing over the same period.

ROLE OF THE CHIEF FINANCIAL OFFICER

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

PURPOSE OF RESERVES & BALANCES

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

- A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

RISK FACTORS

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

Risk	Reserve
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
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 Centre Master Plan Burnley Bondholders Cremator Relining
Transparency in accounting arrangements for self-financing initiatives.	Taxi Licensing Selective Licensing
Respond to changes in demand for services.	Transformation

REPORTING FRAMEWORK

17. The level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the Head of Finance and Property. The protocols covering all reserves are set out below for strategic and operational reserves respectively.

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

STRATEGIC RESERVES PROTOCOL

Reserve	Level of reserve	Purpose	How & When Used	Control Procedures	Timescale for review
Transformation	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 and Property (Chief Financial Officer)	The overall level will be reviewed twice-yearly as part of the final accounts and budget processes and any movements monitored as part of the budget monitoring process
Growth	This reserve will cease to exist once depleted	To assist the Council in achieving its strategic objectives through the provision of one-off investment as leverage	Used to pump prime projects that deliver demonstrable wider strategic benefits that enable the council to fulfil its place shaping role	Managed by the Chief Executive	

OPERATIONAL RESERVES PROTOCOL

Operational Reserve	Level of Reserve	Purpose	How & When Used	Procedures for Management & Control	Timescale for Review
Business Rates Volatility	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 and Property (Chief Financial Officer)	Twice-yearly, as part of the final accounts and budget processes

Operational Reserve	Level of Reserve	Purpose	How & When Used	Procedures for Management & Control	Timescale for Review
Transport & Plant	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
Local Development Framework (Local Plan)	Anticipated spending requirements	To fund the necessary work needed for the Core Strategy and other development plans	Any cost of the preparation of the Local Development framework will be funded through drawdown on this reserve	Managed by the Strategic Head of Economy and Growth	Monitored as part of budget monitoring process
Taxi Licensing	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
Selective Licensing	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	

Operational Reserve	Level of Reserve	Purpose	How & When Used	Procedures for Management & Control	Timescale for Review
Primary Engineer Reserve	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
Town Centre Master Plan	Anticipated spending requirements	To enable the Council to deliver a major Town Centre regeneration scheme	To assist in procuring the expertise to carry out an exercise to develop a vision and plan for the town centre	Managed by the Strategic Head of Economy & Growth	Monitored as part of budget monitoring process
Burnley Bondholders Reserve	Self-financing	To manage the excess sponsorship contributions for bondholder organisations	To fund Burnley brand and marketing initiatives in order to attract economic investment into the area	Managed by the Strategic Head of Economy and Growth	Monitored as part of budget monitoring process
Cremator Relining Reserve	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
Revenue Support Reserve	Anticipated spending requirements	To provide funding for unanticipated reductions in income and initiatives to offset budget reductions	To be used in response to income pressures identified during the budget monitoring process	Managed by the Head of Finance & Property (Chief Financial Officer)	Monitored as part of budget monitoring process

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REPORT TO EXECUTIVE



DATE	11 th February 2019
PORTFOLIO	Resources & Performance Management
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CAPITAL BUDGET FOR 2019/20 AND 2019-24 CAPITAL INVESTMENT PROGRAMME

PURPOSE

1. To recommend approval of the capital budget for 2019/20

RECOMMENDATION

2. a) That Full Council be recommended to;
 - (i) Approve the 2019/20 Capital Budget, totalling £18,215,545, as set out in Appendix 1
 - (ii) Note the 2019-24 Capital Investment Programme as also set out in Appendix 1.
 - (iii) Note the estimated position on capital resources as set out in Appendix 2.
- b) That subject to 2a) i) above the Executive:
 - (i) Approve the release of capital scheme budgets including slippage from 2018/19, subject to compliance with the Financial Procedure Rules and that there will be full compliance with Standing Orders for Contracts.
- c) Approve the Capital Strategy 2019-24, as set out in Appendix 3

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 2019/20.

SUMMARY OF KEY POINTS

4. **Background:**

In formulating the 2019/20 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 2019/20 capital budget and the 2019-24 CIP.

The review process has included:

- A review and revision of the existing schemes approved in the 2018-21 CIP, in February 2018.
- 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. **2019/20 Capital Budget:**

Appendix 1 provides Members with a summary of the capital investment programme for 2019/20 to 2023/24 and a list of those schemes being proposed for the 2019/20 capital budget totalling £18.215m showing the financing elements for each individual scheme. It also shows draft capital budgets for 2020/21 to 2023/24 along with the financing elements for those years.

Members are asked to note that the level of estimated capital receipts is sufficient to finance the £974,784 required for all the schemes put forward for 2019/20.

7. **Capital Resources:**

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

- balances in hand as at the 1st April 2018
- 2018/19 commitments approved to date
- level of resources assumed to be available as at 31st March 2019
- estimated “new” receipts to be received during 2018/19 to 2023/24
- resources required to finance part of the 2019/20 proposed capital budget
- resources required to finance the schemes proposed for future years
- anticipated balance as at 31st March 2024.

The resources are reducing each financial year, to an estimated negative balance by March 2021. This is due to reduced opportunities to realise capital receipts, as the estate reduces, which will leave a lesser capital programme going forward.

Please note, all capital schemes that are committed after 2019/20, do not require capital resources after March 2020.

8. **Revenue Budget Implications:**

Capitalised Salaries

Members will be already aware that capitalised salaries are a major element in balancing the Council's revenue budget. The expected revenue income for staff time recharged against identified capital projects is £224k in 2019/20

Costs of Prudential Borrowing

Of the proposed £7,452,936 prudential borrowing requirement for 2019/20, there is 1 new scheme requiring additional borrowing of £5,705,736 by the Council. This scheme is Sandygate Square

The estimated full year interest cost for the additional borrowing is £228k. This cost may not be required until 2020/21, dependant on the timing of the borrowing.

The additional Minimum Revenue Provision (notional debt repayment) charge for the £5,705,736 additional borrowing on Sandygate Square, would be £190k, and would not be required until 2022/23, when the schemes are anticipated to complete.

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

Additional Information –Pioneer Place

It should be noted that before the Pioneer Place construction commences the scheme requires:

- i. a pre-let to be completed for the new supermarket on Manchester Road;
- ii. a pre-let to be completed for the new cinema on Pioneer Place; and
- iii. pre-lets to be completed for 75% of the remaining units on Pioneer Place including Unit 2 adjacent the cinema, with the said pre-lets achieving a minimum of 75% of the estimated full rent payable.

Additional Information – Sandygate Square

In order to effectively access, in a timely manner, the full range of specialist services required to deliver phase 4 of this development the intended procurement route to directly appoint Mace Ltd is to be amended from access via the Crown Commercial Services Framework to the NHS Shared Business Services (SBS) Framework. This change does not impact on the financial business case of this project; it remains fully compliant with financial regulation, and continues to negate the need for a costly tender exercise. It is therefore recommended that the direct appointment of Mace Ltd be made through the NHS SBS Framework.

9. **2019-24 Capital Investment Programme:**

As previously stated, Appendix 1 outlines a summary of the proposed 2019-24 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.

10. **2019-24 Capital Strategy:**

Appendix 3 provide Members with the 2019-24 proposed Capital Strategy.

The Council is committed to ensuring that the investment of capital resources reflects

the Council's corporate priorities and is affordable, financially prudent and sustainable. This Capital Strategy is designed to assist in the delivery of that commitment.

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

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

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

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

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

POLICY IMPLICATIONS

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

DETAILS OF CONSULTATION

13. None.

BACKGROUND PAPERS

14. None.

FURTHER INFORMATION

PLEASE CONTACT:

Asad Mushtaq - Head of Finance & Property

ALSO

Martin Dixon - Finance Business Partner

Capital Investment Programme 2019/20 to 2023/24

<u>Service Unit</u>	<u>Scheme Name</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>TOTAL</u>
		£	£	£			£
Schemes Committed By Decision of the Council							
Green Spaces & Amenities	Thompson Park Restoration Project	35,000	-	-	-	-	35,000
Economy & Growth	Padiham Townscape Heritage Initiative	692,924	722,322	122,420	94,155	-	1,631,821
Economy & Growth	Pioneer Place	189,666	14,106,107	12,059,629	-	-	26,355,402
Economy & Growth	Sandygate Square	5,705,736	3,268,080	308,373	-	-	9,282,189
Total of Schemes Committed By Decision of the Council		6,623,326	18,096,509	12,490,422	94,155	-	37,304,412
Schemes Managed by Liberata							
Finance & Property	Rationalisation of Operational Estate	180,000	-	-	-	-	180,000
Finance & Property	Leisure Centre Improvements	75,000	75,000	75,000	75,000	75,000	375,000
Finance & Property	Building Infrastructure Works	905,250	1,289,958	767,366	577,572	248,435	3,788,581
Finance & Property	Liberata Fee	66,445	135,189	80,317	60,388	25,829	368,168
Total of Schemes Managed by Liberata		1,226,695	1,500,147	922,683	712,960	349,264	4,711,749
Housing Investment Programme							
Housing & Development	Emergency Repairs	120,000	120,000	120,000	120,000	120,000	600,000
Housing & Development	Better Care Grant	3,223,649	1,000,000	1,000,000	1,000,000	1,000,000	7,223,649
Housing & Development	Energy Efficiency	40,000	40,000	40,000	40,000	40,000	200,000
Housing & Development	Empty Homes Programme	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	6,500,000
Housing & Development	Interventions, Acquisitions and Demolitions	300,000	100,000	100,000	100,000	100,000	700,000
Total of Housing Investment Programme		4,983,649	2,560,000	2,560,000	2,560,000	2,560,000	15,223,649
Other Schemes							
Green Spaces & Amenities	Brun Valley Forest Park	41,242	-	-	-	-	41,242
Green Spaces & Amenities	Stoops Wheeled Sport	130,355	-	-	-	-	130,355
Green Spaces & Amenities	Crematorium Improvements	-	-	-	132,000	142,000	274,000
Finance & Property	Burnley Mechanics MI Space HLF Scheme	-	994,800	1,255,360	-	-	2,250,160
Green Spaces & Amenities	Prairie Artificial Turf Pitch	1,107,000	-	-	-	-	1,107,000
Green Spaces & Amenities	Play Area Improvement Programme	43,000	80,000	68,000	45,000	-	236,000
Green Spaces & Amenities	Worsthorne Recreation Ground Improvements	268,000	-	-	-	-	268,000
Green Spaces & Amenities	Vehicle & Machinery Replacement	140,000	140,000	140,000	140,000	140,000	700,000
Green Spaces & Amenities	Extension of Burnley Cemetery	25,000	-	-	220,000	220,000	465,000
Streetscene	Alleygate Programme	25,000	25,000	25,000	25,000	25,000	125,000
Economy & Growth	Former Open Market & Former Cinema Block	830,000	-	-	-	-	830,000
Economy & Growth	NW Burnley Growth Corridor	2,033,989	2,086,856	-	-	-	4,120,845
Economy & Growth	Burnley Pendle Growth Programme	-	722,000	-	-	-	722,000
Economy & Growth	Town Centre & Weavers Triangle Project Work	250,000	250,000	-	-	-	500,000
Economy & Growth	Lower St James Street	400,000	-	-	-	-	400,000
Streetscene	River Training Walls	88,289	-	60,000	-	60,000	208,289
Total of Other Schemes		5,381,875	4,298,656	1,548,360	562,000	587,000	11,932,294
Total of All Schemes		18,215,545	26,455,312	17,521,465	3,929,115	3,496,264	69,172,104

2019/20 CAPITAL BUDGET AND FINANCING ELEMENTS

APPENDIX 1

Classification Heading	Service Unit	Scheme Name	Original Proposed Budget £	Budget Adjustments £	Revised Proposed Budget £	FINANCING ELEMENTS													Total Proposed Budget £			
						Prudential Borrowing £	Revenue Cont'n / Reserves £	LCC £	Better Care Grant £	Heritage Lottery Fund £	Lancashire Enterprise Partnership £	Football Foundation £	Urbaser £	Sport England £	Lancashire Environment Fund £	Calico £	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	15,250	35,000					35,000											35,000	
	Economy & Growth	Padiham Townscape Heritage Initiative	443,028	249,896	692,924					391,249	151,675							150,000			692,924	
	Economy & Growth	Pioneer Place	-	189,666	189,666						189,666											189,666
	Economy & Growth	Sandygate Square	-	5,705,736	5,705,736					5,705,736												5,705,736
Schemes Managed by Liberata	Finance & Property	Rationalisation of Operational Estate		180,000	180,000													180,000			180,000	
	Finance & Property	Leisure Centre Improvements	75,000	-	75,000	75,000															75,000	
	Finance & Property	Building Infrastructure Works	-	905,250	905,250	387,200	102,000												416,050		905,250	
	Finance & Property	Liberata Fee	-	66,445	66,445														66,445		66,445	
Housing Investment Programme	Housing & Development	Emergency Repairs	120,000		120,000					120,000											120,000	
	Housing & Development	Better Care Grant	1,000,000	2,223,649	3,223,649					3,223,649											3,223,649	
	Housing & Development	Energy Efficiency	40,000		40,000					40,000												40,000
	Housing & Development	Empty Homes Programme Interventions, Acquisitions and Demolitions	900,000	400,000	1,300,000															1,300,000	1,300,000	
	Housing & Development	Empty Homes Programme Interventions, Acquisitions and Demolitions	100,000	200,000	300,000															300,000	300,000	
Other Schemes	Green Spaces & Amenities	Brun Valley Forest Park	-	41,242	41,242															41,242	41,242	
	Green Spaces & Amenities	Stoops Wheeled Sport	-	130,355	130,355										50,000	30,000	40,755	2,000		7,600	130,355	
	Green Spaces & Amenities	Prairie Artificial Turf Pitch	485,000	622,000	1,107,000	180,000							500,000							427,000	1,107,000	
	Green Spaces & Amenities	Play Area Improvement Scheme	62,500	(19,500)	43,000																43,000	43,000
	Green Spaces & Amenities	Worsthorne Recreation Ground Improvements	203,500	64,500	268,000									175,000						47,000	46,000	268,000
	Green Spaces & Amenities	Vehicle and Machinery Replacement	108,975	31,025	140,000						113,000										27,000	140,000
	Green Spaces & Amenities	Extension of Burnley Cemetery	421,087	(396,087)	25,000	25,000																25,000
	Streetscene	Alleygate Programme	50,000	(25,000)	25,000																25,000	25,000
	Economy & Growth	Former Open Market & Former Cinema Block	-	830,000	830,000	830,000																830,000
	Economy & Growth	NW Burnley Growth Corridor	4,055,557	(2,021,568)	2,033,989																	2,033,989
	Economy & Growth	Town Centre & Weavers Triangle Project Work	500,000	(250,000)	250,000	250,000																250,000
	Economy & Growth	Lower St James Street	-	400,000	400,000						400,000											400,000
	Streetscene	River Training Walls	30,000	58,289	88,289																88,289	88,289
TOTAL OF ALL SCHEMES			10,074,197	8,141,348	18,215,545	7,452,936	804,666	-	3,383,649	426,249	2,185,664	675,000	-	50,000	30,000	40,755	974,784	1,600,000	591,842	18,215,545		

2020/21 CAPITAL BUDGET AND FINANCING ELEMENTS

APPENDIX 1

Classification Heading	Service Unit	Scheme Name	Original Proposed Budget £	Budget Adjustments £	Revised Proposed Budget £	FINANCING ELEMENTS									Total Proposed Budget £
						Prudential Borrowing £	Revenue Cont'n / Reserves £	Better Care Grant £	LCC £	Heritage Lottery Fund £	Lancashire Enterprise Partnership £	Capital Receipts £	Vacant Property Initiative Receipts £	3rd Party / Section 106 Unsecured £	
Committed By Decision of the Council	Economy & Growth	Padiham Townscape Heritage Initiative	360,942	361,380	722,322					570,647	98,325	-		53,350	722,322
	Economy & Growth	Pioneer Place	-	14,106,107	14,106,107	14,106,107			-						14,106,107
	Economy & Growth	Sandygate Square	-	3,268,080	3,268,080	3,268,080									3,268,080
Schemes Managed by Liberata	Finance & Property	Leisure Centre Improvements	75,000	-	75,000	75,000						-			75,000
	Finance & Property	Building Infrastructure Works	220,000	1,069,958	1,289,958	634,002	200,000					455,956			1,289,958
	Finance & Property	Liberata Fee	-	135,189	135,189							135,189			135,189
Housing Investment Programme	Housing & Development	Emergency Repairs	120,000		120,000			120,000							120,000
	Housing & Development	Better Care Grant	1,000,000		1,000,000		1,000,000								1,000,000
	Housing & Development	Energy Efficiency	40,000		40,000		40,000								40,000
	Housing & Development	Empty Homes Programme Interventions, Acquisitions and Demolitions	900,000	400,000	1,300,000								1,300,000		1,300,000
	Housing & Development		100,000		100,000								100,000		100,000
Other Schemes	Green Spaces & Amenities	Burnley Mechanics MI Space HLF Scheme	1,255,360	(260,560)	994,800	303,440				573,000				118,360	994,800
	Green Spaces & Amenities	Play Area Improvement Scheme	61,500	18,500	80,000							45,000		35,000	80,000
	Green Spaces & Amenities	Vehicle and Machinery Replacement	108,975	31,025	140,000		113,000							27,000	140,000
	Streetscene	Alleygate Programme	25,000		25,000							25,000			25,000
	Economy & Growth	NW Burnley Growth Corridor	1,549,526	537,330	2,086,856						2,086,856				2,086,856
	Economy & Growth	Burnley-Pendle Growth Programme	-	722,000	722,000		722,000								722,000
	Economy & Growth	Town Centre & Weavers Triangle Project Work	250,000		250,000	250,000							-		250,000
TOTAL OF ALL SCHEMES			6,096,303	20,359,009	26,455,312	18,636,629	1,035,000	1,160,000	-	1,143,647	2,185,181	661,145	1,400,000	233,710	26,455,312

2021/22 CAPITAL BUDGET AND FINANCING ELEMENTS

APPENDIX 1

Classification Heading	Service Unit	Scheme Name	Proposed Budget £	FINANCING ELEMENTS							Total Proposed Budget £	
				Prudential Borrowing £	Revenue Cont'n / Reserves £	Better Care Grant £	LCC £	Heritage Lottery Fund £	Capital Receipts £	Vacant Property Initiative Receipts £		3rd Party / Section 106 Unsecured £
Committed By Decision of the Council	Economy & Growth	Padiham Townscape Heritage Initiative	122,420					122,420				122,420
	Economy & Growth	Pioneer Place	12,059,629	8,617,832	441,797		3,000,000					12,059,629
	Economy & Growth	Sandygate Square	308,373	308,373								308,373
Schemes Managed by Liberata	Finance & Property	Leisure Centre Improvements	75,000	75,000						-		75,000
	Finance & Property	Building Infrastructure Works	767,366	233,200						534,166		767,366
	Finance & Property	Liberata Fee	80,317							80,317		80,317
Page 124 Housing Investment Programme	Housing & Development	Emergency Repairs	120,000			120,000						120,000
	Housing & Development	Better Care Grant	1,000,000			1,000,000						1,000,000
	Housing & Development	Energy Efficiency	40,000			40,000						40,000
	Housing & Development	Empty Homes Programme Interventions, Acquisitions and Demolitions	1,300,000							1,300,000		1,300,000
	Housing & Development		100,000							100,000		100,000
Other Schemes	Green Spaces & Amenities	Burnley Mechanics MI Space HLF Scheme	1,255,360					724,000			531,360	1,255,360
	Green Spaces & Amenities	Vehicle and Machinery Replacement	140,000		113,000						27,000	140,000
	Green Spaces & Amenities	Play Area Improvement Scheme	68,000						48,000		20,000	68,000
	Streetscene	Alleygate Programme	25,000						25,000			25,000
	Streetscene	River Training Walls	60,000						60,000			60,000
TOTAL OF ALL SCHEMES			17,521,465	9,234,405	554,797	1,160,000	3,000,000	846,420	747,483	1,400,000	578,360	17,521,465

2022/23 CAPITAL BUDGET AND FINANCING ELEMENTS

APPENDIX 1

Classification Heading	Service Unit	Scheme Name	Proposed Budget £	FINANCING ELEMENTS							Total Proposed Budget £
				Prudential Borrowing £	Revenue Cont'n / Reserves £	Better Care Grant £	Heritage Lottery Fund £	Capital Receipts £	Vacant Property Initiative Receipts £	3rd Party / Section 106 Unsecured £	
Committed By Decision of the Council	Economy & Growth	Padiham Townscape Heritage Initiative	94,155				94,155				94,155
Schemes Managed by Liberata	Finance & Property	Leisure Centre Improvements	75,000	75,000				-			75,000
	Finance & Property	Building Infrastructure Works	577,572	207,240				370,332			577,572
	Finance & Property	Liberata Fee	60,388					60,388			60,388
Housing Investment Programme Page 125	Housing & Development	Emergency Repairs	120,000			120,000					120,000
	Housing & Development	Better Care Grant	1,000,000			1,000,000					1,000,000
	Housing & Development	Energy Efficiency	40,000			40,000					40,000
	Housing & Development	Empty Homes Programme Interventions, Acquisitions and Demolitions	1,300,000						1,300,000		1,300,000
	Housing & Development		100,000						100,000		100,000
Other Schemes	Green Spaces & Amenities	Crematorium Improvements	132,000	132,000							132,000
	Green Spaces & Amenities	Vehicle and Machinery Replacement	140,000		113,000					27,000	140,000
	Green Spaces & Amenities	Play Area Improvement Scheme	45,000					45,000			45,000
	Green Spaces & Amenities	Extension of Burnley Cemetery	220,000	220,000							220,000
	Streetscene	Alleygate Programme	25,000					25,000			25,000
TOTAL OF ALL SCHEMES			3,929,115	634,240	113,000	1,160,000	94,155	500,720	1,400,000	27,000	3,929,115

2023/24 CAPITAL BUDGET AND FINANCING ELEMENTS

APPENDIX 1

Classification Heading	Service Unit	Scheme Name	Proposed Budget £	FINANCING ELEMENTS						Total Proposed Budget £
				Prudential Borrowing £	Revenue Cont'n / Reserves £	Better Care Grant £	Capital Receipts £	Vacant Property Initiative Receipts £	3rd Party / Section 106 Unsecured £	
Schemes Managed by Liberata	Finance & Property	Leisure Centre Improvements	75,000	75,000			-			75,000
	Finance & Property	Building Infrastructure Works	248,435	210,760			37,675			248,435
	Finance & Property	Liberata Fee	25,829				25,829			25,829
Page 126 Housing Investment Programme	Housing & Development	Emergency Repairs	120,000			120,000				120,000
	Housing & Development	Better Care Grant	1,000,000			1,000,000				1,000,000
	Housing & Development	Energy Efficiency	40,000			40,000				40,000
	Housing & Development	Empty Homes Programme Interventions, Acquisitions and Demolitions	1,300,000					1,300,000		1,300,000
	Housing & Development		100,000					100,000		100,000
Other Schemes	Green Spaces & Amenities	Crematorium Improvements	142,000	142,000						142,000
	Green Spaces & Amenities	Vehicle and Machinery Replacement	140,000		113,000				27,000	140,000
	Green Spaces & Amenities	Extension of Burnley Cemetery	220,000	220,000						220,000
	Streetscene	River Training Walls	60,000				60,000			60,000
	Streetscene	Alleygate Programme	25,000				25,000			25,000
TOTAL OF ALL SCHEMES			3,496,264	647,760	113,000	1,160,000	148,504	1,400,000	27,000	3,496,264

CAPITAL RECEIPTS AND CONTRIBUTIONS ANALYSIS FOR 2018/19 AND CIP 2019-24

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> £
Capital Resources Brought Forward on 1 April 2018	1,090,856	2,703,316	229,981	65,399	4,089,552
Add					
Resources Received As At 30 December 2018:	567,043	147,113	47,272	191,102	952,530
Transfer between reserves	150,000	(150,000)	-	-	-
Further Resources Estimated to be Received during 2018/19:	123,950	-	-	20,000	143,950
Potential Resources Available during 2018/19	1,931,849	2,700,429	277,253	276,501	5,186,032
Less					
Required to finance Capital Programme	(1,142,110)	(1,263,000)	-	(141,147)	(2,546,257)
Earmarked for Revenue Expenditure	-	-	(2,345)	-	(2,345)
Earmarked for Delivery By Outside Bodies	-	-	(162,316)	-	(162,316)
Potential Capital Resources Carried Forward on 31st March 2019	789,739	1,437,429	112,592	135,354	2,475,114
Add					
Resources Estimated to be Received during 2019/20	292,500	1,199,000	-	500,000	1,991,500
Transfer between reserves	150,000	(150,000)	-	-	-
Less					
2019/20 Capital Budget	(974,784)	(1,600,000)	(41,242)	(550,600)	(3,166,626)
Estimated Surplus / (Shortfall) of Resources as at 31st March 2020	257,455	886,429	71,350	84,754	1,299,988
Add					
- Resources Estimated to be Received during 2020/21	193,750	1,050,000	-	122,708	1,366,458
Less					
- 2020/21 Capital Budget	(661,145)	(1,400,000)	(53,350)	(180,360)	(2,294,855)
Estimated Surplus / (Shortfall) of Resources as at 31st March 2021	(209,940)	536,429	18,000	27,102	371,591
Add					
- Resources Estimated to be Received during 2021/22	100,000	1,165,000	-	578,360	1,843,360
Less					
- 2021/22 Capital Budget	(747,483)	(1,400,000)	-	(578,360)	(2,725,843)
Estimated Surplus / (Shortfall) of Resources as at 31st March 2022	(857,423)	301,429	18,000	27,102	(510,892)
Add					
- Resources Estimated to be Received during 2022/23	100,000	1,080,000	-	27,000	1,207,000
Less					
- 2022/23 Capital Budget	(500,720)	(1,400,000)	-	(27,000)	(1,927,720)
Estimated Surplus / (Shortfall) of Resources as at 31st March 2023	(1,258,143)	(18,571)	18,000	27,102	(1,231,612)

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Burnley Borough Council
CAPITAL STRATEGY 2019 to 2024

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Burnley Borough Council

CAPITAL STRATEGY 2019 to 2024

1. BACKGROUND

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

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

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

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

2. LINKS TO OTHER COUNCIL STRATEGIES AND PLANS

The Strategic Plan

The current Strategic Plan (covering the period 2017/18 to 2019/20) sets out the Council's overarching priorities and is developed around four main themes:

People – creating flourishing, healthy and confident communities.

Places – making the Borough a place of choice

Prosperity – promoting transformational economic change for Burnley, and

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

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

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

Asset Management Strategy (AMS)

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

Treasury Management Strategy (TMS)

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

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

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

3. CAPITAL EXPENDITURE AND INVESTMENTS

Capital Expenditure

Capital expenditure is incurred on the acquisition or creation of fixed assets and investments, or expenditure that enhances or adds to the life or value of an existing asset that is needed to provide Council services. Fixed assets are tangible or intangible assets that yield benefits to the Council for a period of more than one year, for example, land, buildings, vehicles, IT software. This is in contrast to revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services. For the purposes of this Capital Strategy a major scheme will be one with a total capital cost of £250,000 or above. Major schemes will be subject to a greater degree of rigour regarding bidding (detailed business case required), monitoring and review (both

during the project and post-completion). Current examples of such schemes are those for the Development of Student Accommodation at Sandygate Square and Pioneer Place - Development of Land at Curzon Street and Manchester Road.

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

Capital Investments

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

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

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

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

Other Long-Term Liabilities

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

4. THE CAPITAL PROGRAMME

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

Development of the Capital Programme

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

Capital Bids

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

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

Assessment of the Bids

The individual bids will be assessed by a Capital Programme Officer Group (CPOG) comprising Finance and Property staff and service representatives. Assessment will be based on a scoring system which measures the merits of the bids against a set of criteria including the strategic fit, risks and financial aspects of the scheme including whether the scheme generates savings, for example, invest to save projects will generally attract a high priority.

The results of the scoring will assist in prioritising the schemes in the event that overall available capital resources (after taking account of the resourcing requirements of schemes already committed) are insufficient to fund all bids.

Following the principle that the degree of process rigour should be proportionate to project size, more detailed business cases are required for major capital schemes. These business cases must demonstrate a link between the outcomes of the project and the benefits to the Council. They must provide evidence of strategic fit, demonstrate that the scheme is affordable, achievable and financially sustainable over the long term and, where appropriate, provide sensitivity analysis of the key financial variables to illustrate the impact of changes in the original assumptions. There must also be a full analysis of the risks, threats and opportunities involved with the project.

Approval of Capital Programme

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

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

Current Major Scheme Developments

Three capital schemes with significant financial implications for the Council are currently being developed. Both schemes address key Council priorities.

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

The proposed redevelopment of the Curzon Street site in the town centre will supplement the existing thriving retail and service centre with a wider leisure, cultural and social experience during the day and into the evening that will underpin Burnley as an attractive place to live work and visit.

The site provides an opportunity for a major leisure-led development, bringing a cinema and new restaurants and shops into the town centre.

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

The capital cost of the project is currently forecast to be in the region of £26.3m and will be a major financial commitment for the Council. Currently the net cost to the Council after taking account of partners contributions is planned to be funded by borrowing. For such a major project it is essential to consider the long-term financial implications to ensure they are sustainable. Whole life costing including servicing the debt (both interest and repayment) and other associated revenue costs and income over a 50 year period has been modelled. The model also includes a sensitivity analysis of the key financial variables to provide an indication of the financial impact should any of the original assumptions change.

It should be noted however, that before the Pioneer Place construction commences, the scheme requires:

- i. a pre-let to be completed for the new supermarket on Manchester Road;
- ii. a pre-let to be completed for the new cinema on Pioneer Place; and
- iii. pre-lets to be completed for 75% of the remaining units on Pioneer Place including Unit 2 adjacent the cinema, with the said pre-lets achieving a minimum of 75% of the estimated full rent payable.

Development at Sandygate Square

This project to develop student accommodation will support the Council's strategic themes of Place and Prosperity bringing back to use a redundant brownfield site and ensuring that the infrastructure is in place to enable UCLAN to achieve its aims of growing the number of students in Burnley bringing considerable economic and social benefits to the borough.

The estimated capital cost of the scheme is £9.3m. The proposal is to fund the scheme through external borrowing over a 30 year term.

A financial model of forecast costs and income over the full 30 year period has been prepared, together with a sensitivity analysis of the key financial variables, to inform sustainability considerations.

For both of the above schemes the modelled financial implications over the medium and longer term will be embedded in the Council's overall capital and revenue strategies to enable a view to be taken on the affordability and sustainability of the proposals.

If these projects proceed as planned the current view is that there will be limited scope for any further major capital developments in the period covered by this Capital Strategy. In this period, new projects are likely to be restricted to developments required to meet statutory requirements, those identified in the Asset Management Strategy as essential to maintain the Council's existing asset base and cost saving initiatives. However, the position will be kept under review.

North West Burnley Growth Corridor

This £7.9m project aims to deliver vital infrastructure projects, designed to support housing growth and to revitalise Padiham Town Centre, bringing in funding sources from the Lancashire Local Enterprise Partnership (LEP), the Environment Agency (DEFRA) and Padiham Townscape Heritage. The project brings together two key infrastructure schemes – Flood defence work along the River Calder, unlocking 240 new homes and public realm improvements along Burnley Road in Padiham Town Centre.

5. FUNDING THE CAPITAL PROGRAMME

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

The main sources of capital funding are summarised below:

Borrowing

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

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

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

Capital Receipts

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

Through the Asset Management Strategy the Council will identify existing assets which become surplus to requirements through, for example, changes in service delivery or transformation of ways of working. The Council's Property Disposals Framework addresses the process of surplus asset disposal. The sale of these assets generates a capital receipt which can either be used to fund the capital programme or repay outstanding debt on assets financed from loans, subject to regulations, to reduce debt servicing costs.

It is recognised that the ability to generate capital receipts may diminish over time and this will be reflected in forward looking assumptions about the level of receipts available to finance the capital programme.

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

Revenue Funding

Funding of capital schemes using contributions from revenue is allowed.

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

External Funding (Grants and Contributions)

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

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

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

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

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

Leasing

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

Revenue Implications of the Capital Programme

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

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

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

6. MANAGEMENT OF THE CAPITAL PROGRAMME

In Year Capital Monitoring

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

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

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

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

7. RISK MANAGEMENT

Risk management forms an essential part of the Capital Strategy. Major capital schemes require careful management to mitigate, transfer or eliminate the potential risks which can arise. Where key risks or opportunities are identified they should be subject to the provisions and processes set out in the Council's Corporate Risk Management Strategy.

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

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

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

The referendum on 23 June 2016 resulted in a decision for the United Kingdom to leave the European Union. The negotiations on the exit arrangements are ongoing and there is currently a degree of uncertainty around the economic situation which the Council will face. This may impact a number of the risk elements set out above. The position and its effect on the Council's capital strategy will continue to be closely monitored.

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

8. PERFORMANCE MANAGEMENT

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

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

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

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

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

9. KNOWLEDGE AND SKILLS

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

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

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

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

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REPORT TO EXECUTIVE



DATE	11 February 2019
PORTFOLIO	Resources & Performance Management
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2019/20 Treasury Management Strategy and 2019/20 – 2021/22 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 2019/20.
 - c) To set out prudential indicators for the financial years 2019/22 in line with the CIPFA's Prudential Code 2017.
 - d) To seek approval to increase the maximum limit for deposits with HSBC UK Bank plc to £25m.
 - e) To seek approval for the Council's Minimum Revenue Provision (MRP) Policy Statement for the financial year 2019/20 in accordance with Government regulations.

RECOMMENDATION

2. That the Executive recommend to Full Council approval of ;
 - a) The treasury management strategy statement for 2019/20 as set out in Appendix 1
 - b) The prudential and treasury indicators for 2019/20 to 2021/22 per Appendix 2 including the authorised limit for external debt of £44.480m in 2019/20.
 - c) The list of Counterparties for Deposits outlined within Appendix 3.
 - d) The increase in maximum deposits to be held with HSBC UK Bank plc to £25m.
 - e) The Council's MRP Statement for 2019/20 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 borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

5. Treasury Management Statutory & Regulatory Requirements

The Council is required to adopt a Treasury Management Strategy each year in advance of the forthcoming year. This report sets out the Treasury Management Strategy Statement for 2019/20 in Appendix 1 as well as the Prudential and Treasury Indicators for 2019/20 to 2021/22 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 & Property, who will act in accordance with the Council's policy statement and Treasury Management Practices (TMP's) and CIPFA's Standard of Professional Practice on Treasury Management.

Capital Strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a Capital Strategy report, which will provide the following;

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

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

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

Increase in Borrowing Requirement

Tables 1 and 2 in Appendix 1 show a significant increase in the council's borrowing need for 2019/20 and the following two years. This is due to two major developments, being On the Banks Development-Sandygate Square (Student Accommodation) and Pioneer Place, as approved for inclusion in the Capital Programme by Full Council in December 2018.

It should be noted however that before the Pioneer Place construction commences the scheme requires:

- i. a pre-let to be completed for the new supermarket on Manchester Road;
- ii. a pre-let to be completed for the new cinema on Pioneer Place; and
- iii. pre-lets to be completed for 75% of the remaining units on Pioneer Place including Unit 2 adjacent the cinema, with the said pre-lets achieving a minimum of 75% of the

estimated full rent payable.

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 be increased from £15m to £25m as 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 2019/20 will be £40.436m for the operational boundary and £44.480m for the authorised limit (2018/19 = £33.817m).

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:

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Head of Finance and Property

Treasury Management Strategy for 2019/20

The strategy for 2019/20 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, Ministry of Housing, Communities and Local Government (MHCLG) MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

Capital issues

The Capital Prudential Indicators 2019/20 – 2021/22 (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).

Table 1 Capital Expenditure	2017/18 Actual £000	2018/19 Revised Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Programmed Spend	9,982	7,823	18,216	26,455	17,521
Financed by:					
Capital receipts	946	2,405	2,575	2,061	2,148
3rd Party Contributions	343	141	592	234	578
Capital grants	4,278	3,155	6,791	4,488	5,006
Revenue	1,944	1,227	805	1,035	555
Net borrowing need for the year	2,471	895	7,453	18,637	9,234

Ratio of Financing Costs to Net Revenue Streams

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

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

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

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

Table 2	2017/18 Actual £000	2018/19 Revised Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Capital Financing Requirement					
Total CFR at 31 st March	30,230	30,295	36,760	54,353	62,510
Net financing need for the year	1,671	65	6,465	17,593	8,157

£m	2017/18 Actual £000	2018/19 Revised Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Movement in CFR represented by					
Net borrowing need for the year (Table 1 above)	2,471	895	7,453	18,637	9,234
Less MRP and other financing movements	(800)	(830)	(988)	(1,044)	(1,077)
Movement in CFR in Year	1,671	65	6,465	17,593	8,157

Treasury Management Issues

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

investment strategy.

The Council's Current Portfolio Position

Within the prudential indicators in Appendix 2 there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt, does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. In the Council's case, the estimated external debt at 31st March 2019 of £25m is less than the CFR which ranges from £30.2m to £62.5m 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 2019/20 to 2021/22

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 2019/20 – 2021/22.

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

The Authorised Limit is a further key indicator representing a control on the maximum level of borrowing, beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, whilst not desired, could be afforded in the short term, but is not sustainable in the longer term. It is proposed to set this at 10% above the operational boundary and includes provision for 'unusual cash movements'.

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 & Property will monitor interest rates and adopt a pragmatic approach to changing circumstances:

Appendix 1

- 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 £44.480m next year. This is limited to 10% above the operational boundary of £40.436m, which has been set at 10% above the CFR.

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

Debt Rescheduling

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] . The latest deposit counterparties list was approved by the Full Council on 21 February 2018..

The Council's deposit priorities focus on;

- Security of Capital
- Liquidity, and
- Yield

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

Monitoring Performance:

The council has retained HSBC UK Bank plc as the provider for administering the Council's banking facilities [contract renewed in December 2018 for a three year term]. The Council continues to have a 'sweep' facility for our current account. This means that if we do not deposit monies with other counterparties but leave the balance with HSBC, they will automatically transfer the money into an interest earning deposit account. This account is effectively a call account whereby we can get the money back instantly if required. The current rate the Council is achieving on these deposits is 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 21 February 2018.

Due to the significant increase in borrowing in 2019/20 and 2020/21 it is proposed that the maximum deposit limit of £15m with HSBC UK Bank plc be increased to £25m, to be kept under review during completion of the major capital schemes during this period.

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

Creditworthiness Policy

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

Appendix 1

- 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

The council completed the appraisal and selection process for a property fund investment in October 2018. A maximum limit of £2m to be invested in total in a property fund was agreed in the mid-year report in November 2017/18.

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 & Property through recommendations to Full Council, will ensure that the terms of their appointment and the methods by which their value will be assessed, are properly agreed and documented, and will be subject to regular review.

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 2019/20 is £18.216 million.

This is an increased value from the previous year, and is due to significant projects being undertaken by the council including Pioneer Place and Sandygate developments.

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 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 2019/20 and a 1.99% increase for the following two years.

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

The prudential indicators for the incremental impact on council tax have been removed in the revised Prudential Code 2017. This is to allow focus on a longer term and a more informed view of affordability.

PRUDENTIAL AND TREASURY INDICATORS 2019/20 - 2021/22

TABLE 1 - PRUDENTIAL INDICATORS	2017/18 Actual £' 000	2018/19 Revised Estimate £' 000	2019/20 Estimate £' 000	2020/21 Estimate £' 000	2021/22 Estimate £' 000
Capital Expenditure	9,982	7,823	18,216	26,455	17,521
Ratio of financing costs to net revenue stream	11.6%	12.0%	13.1%	15.5%	20.6%
Net borrowing requirement brought forward 1 April	//////	//////	40,436	59,788	68,761
Capital Financing Requirement as at 31 March	30,230	30,295	36,760	54,353	62,510

TABLE 2 - TREASURY MANAGEMENT INDICATORS	2017/18 Actual £' 000	2018/19 Revised Estimate £' 000	2019/20 Estimate £' 000	2020/21 Estimate £' 000	2021/22 Estimate £' 000
Authorised Limit for external debt -	//////	//////	44,480	65,767	75,637
<i>For 2019/20, 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 -	//////	//////	40,436	59,788	68,761
<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	24,134	25,002	//////	//////	//////
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 2019/20		lower limit	upper limit
This indicator limits the period to repayment of overall expected debt outstanding and shows five bands. There are minimum and maximum proportions of overall debt within each band. This means that the amount of debt in each band will fall within this range as a proportion of overall debt.	under 12 months	0%	20%
	12 months - within 24 months	0%	20%
	24 months - within 5 years	5%	25%
	5 years - within 10 years	5%	30%
	10 years and above	15%	70%

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 £25m and other named institutions below (£4m) .

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

As previously stated, an exception to the above is that the Councils own bank, HSBC, has an individual limit of £25m.

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

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

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

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

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

Minimum Revenue Provision (MRP) policy statement 2019/20

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 2019/20

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 2019/20 is as follows:

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

The Council is recommended to approve the following MRP Statement:

The MRP shall be calculated:

- a) For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, MRP will be charged on a 2% straight line basis. This ensures that the debt will be repaid within 50 years.
- b) For capital expenditure funded from prudential borrowing in accordance with option 3 of the guidance for financial years 2008/09 to 2018/19 and assumed for 2019/20.

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). Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this was probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. The ECB is forecasting inflation to be a little below its 2% top limit through the next three years so it may find it difficult to warrant a start on raising rates by the end of 2019 if the growth rate of the EU economy is on a weakening trend.

USA. President Trump's massive easing of fiscal policy is fuelling a, (temporary), boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and the reduction in the unemployment rate to 3.9%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.2 % in November, However, CPI inflation overall fell to 2.2% in November and looks to be on a falling trend to drop below the Fed's target of 2% during 2019. The Fed has continued on its series of increases in interest rates with another 0.25% increase in December to between 2.25% and 2.50%, this being the fifth increase in 2018 and the ninth in this cycle. However, they did also reduce their forecast for further increases from three to two. This latest increase compounded investor fears that the Fed is over doing the rate and level of increases in rates and that it is going to cause a US recession as a result. There is also much evidence in previous monetary policy cycles, of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world plunging under the weight of fears around the Fed's actions, the trade war between the US and China, an expectation that world growth will slow, Brexit etc.

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. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

Japan. - has been struggling to stimulate consistent significant GDP growth and 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. It is likely that

loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

2/ UK economy:

Economic Growth The flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.

Inflation. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.3% in November. In the November Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate. This inflation forecast is likely to be amended upwards due to the Bank's report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget; this is likely to add 0.3% to GDP growth at a time when there is little spare capacity left in the economy, particularly of labour.

Forward guidance. At their November quarterly Inflation Report meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary or contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years time, but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also *raise* Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.

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 flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth became increasingly strong during 2018 until slowing significantly during the last quarter. At their November quarterly Inflation Report meeting, the MPC left Bank Rate unchanged, but expressed some concern at the

Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. On a major assumption that Parliament and the EU agree a Brexit deal in the first quarter of 2019, then the next increase in Bank Rate is forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

Link Asset Services interest rate forecast:

Link Asset Services Interest Rate View													
	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

The interest rate forecasts provided by Link Asset Services are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

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Scrutiny Work Programme 2018/19

<p>27th June</p>	<p>Notice of Key Decisions and Private Meetings Report/presentation from Liberata Outturn budget reports 2017/18 Treasury Management 2017/18 Year-end performance report 2017/18 S106 Agreements Review Groups Work Plan</p>
<p>17th September</p>	<p>Notice of Key Decisions and Private Meetings Leisure Trust Annual Report Revenue Budget Monitoring Q1 Capital Budget Monitoring - Q1 MTFS/Budget Setting Process 2019/20 Peer Review follow up Review Groups Work Plan</p>
<p>*Monday 10th December* Budget Scrutiny Panel</p>	<p>NKDPM Presentation - UCLAN Revenue Budget Monitoring Q2 Capital Budget Monitoring - Q2 Fees & Charges Treasury Management Mid-year update Food Delivery Plan Health & Safety Delivery Plan Half Year performance report Pioneer Place On the Banks IIP Workforce Planning Review Groups Work Plan</p>
<p>7th February 2019 Budget Scrutiny Panel</p>	<p>NKDPM Revenue Budget Monitoring Q3 Capital Budget Monitoring - Q3 Budget Reports Community Safety Annual Report Half year performance Draft Strategic Plan Review Groups Work Plan</p>
<p>13th March 2019</p>	<p>Notice of Key Decisions and Private Meetings State of the Local Economy (reduced to annual reporting) Resident Satisfaction Survey Petition Results – Recycling bins?? Jo/Sean</p>

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