

## Finance Council

Monday, 25th February, 2019

6.00 pm

Council Chambers - Old Town Hall, Blackburn

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### AGENDA

1. Chief Executive to read the notice convening the meeting
2. Prayers
3. Apologies for Absence
4. Minutes of the Council Forum meeting held on 24th January 2019  
Minutes , 24/01/2019 Council Forum 3 - 6  
To receive and confirm the minutes of the Council Forum meeting held on 24<sup>th</sup> January 2019.
5. Declarations of Interest  
DECLARATIONS OF INTEREST FORM 7  
Form attached.
6. Mayoral Communications  
  
In respect of the following items 7 and 8, technical questions on the contents of the report should be raised directly with Louise Mattinson, Director of Finance and Customer Services ([louise.mattinson@blackburn.gov.uk](mailto:louise.mattinson@blackburn.gov.uk)) by 12 noon Friday 22<sup>nd</sup> February 2019.
7. Capital Strategy 2019/20  
Capital Strategy Report 8 - 64  
Asset Management Plan 2015-16
8. The Robustness of the 2019/20 Budget and the Recommended Level of Reserves  
Robustness of Budget 2019-20 65 - 77

In respect of Items 9 and 10 below, under the Local Government (Standing Orders) (England) (Amendment)

**Regulations 2014, which came into force on 25th February 2014, the Council is required to record on the minutes of a budget decision meeting the names of the persons who cast a vote for or against the decision or who abstained from voting.**

**Also in respect of items 9 and 10, Council are reminded that under Section 25 of the Local Government Act 2003 Members have a duty to have regard to the robustness report of the Director of Finance and Customer Services, the Council's Section 151 Officer. As such the Mayor will only accept amendments that have a robustness report from the Director of Finance and IT attached. The Mayor will then ask if it is the intention of any Member to put forward an amendment during the debate on the Budget. This will help allow a reasonable debate on the Budget.**

<b>9.</b>	<b>Revenue Budget 2019/20, Medium Term Financial Strategy and Capital Programme 2019-2022</b>	
	<b>Revenue Budget 2019-20 Report</b>	<b>78 - 124</b>
	<b>Copy of Revenue Budget 2019-20 Appendix A</b>	
	<b>Copy of Revenue Budget 2019-20 Appendix B</b>	
	<b>Copy of Revenue Budget 2019-20 Appendix C</b>	
	<b>Revenue Budget 2019-20 Appendix D</b>	
	<b>Appendix E Pay Policy Statement 2019-2020</b>	
<b>10.</b>	<b>Council Tax for 2019/20</b>	
	<b>Council Tax Report 2019-20 to Finance Council</b>	<b>125 - 131</b>

Date Published: 15<sup>th</sup> February 2019  
Harry Catherall, Chief Executive

## **COUNCIL FORUM** **Thursday, 24 January 2019**

**PRESENT** –*The Mayor, Councillor Pat McFall, Councillors Afzal; Akhtar H, Akhtar P; Bateson; Casey; Connor; Daley; Davies; Fazal; Floyd; Gee; Groves; Gunn; Hardman; Harling; Hussain I; Hussain M; Hussain S; Jan-Virmani; Kay; Khan M; Khan Z; Khonat; Liddle; Mahmood; Marrow; Oates; Patel; Richards; Rigby C; Riley; Shorrocks; Sidat; Slater Jo; Slater Ju; Slater N; Smith D; Smith J; Talbot; Taylor and Whittle.*

### **RESOLUTIONS**

#### **47     Notice Convening Meeting**

The Chief Executive read out the notice convening the meeting.

#### **48     Apologies for Absence**

Apologies for absence were submitted on behalf of Councillors Batan, Brookfield, Hussain F, McGurk, Pearson, Rigby J, Salton, Slater Ja and Surve.

#### **49     Minutes Of The Previous Meeting**

The Minutes of Meeting of the Policy Council held on 6<sup>th</sup> December 2018 were agreed as a correct record.

#### **50     Declarations of Interest**

Declarations of Interest were received from Councillors Akhtar H, Khonat, Harling, Hussain M and Patel in respect of Agenda Item 9: Council Tax Empty Property Premium.

#### **51     Mayoral Communications**

The Mayor encouraged all Members to attend the Mayor's Ball on 31<sup>st</sup> March 2019, advising that tickets would shortly be available from the Mayor's Office.

#### **52     Council Forum**

No questions had been submitted by Members of the Public.

#### **53     To consider Motions submitted under Procedure Rule 12**

No Motions had been submitted under Procedure Rule 12.

#### **54     Gambling Act 2005 - Statement of Licensing Policy - 2019**

A revised Statement of Licensing Policy for the Gambling Act 2005 was submitted for approval.

The Policy needed to be reviewed every three years, with the last policy

published in January 2016. The proposed changes for 2019 were very limited. The main amendment reflected legislative changes introduced in April 2016 whereby operators of gambling premises were required to carry out a local risk assessment of the impact of the provision of their gambling facilities in the area on the licensing objectives. Information regarding the public health aspect of gambling had also been included. Other changes were to update contact details and titles of legislation.

**RESOLVED** – That the revised Statement of Licensing Policy for Gambling Act 2005 be approved.

## **55      Council Tax Empty Property Premium 2019/20**

*Ahead of discussion of this matter, the Councillors who had declared an interest left the room.*

A report was submitted which sought approval for the introduction of an increased Council Tax premium charge for long term properties from 1<sup>st</sup> April 2019.

Following the Government granting flexibility on the amount of discounts awarded to empty properties in 2013, the Council after due consultation with members and residents of the Borough, chose to introduce a premium charge of 50% on properties that had been empty for more than 2 years.

The main driver for the introduction of the premium was to incentivise owners of long term empty properties to bring them back into use. Any property that was brought back into use would provide financial benefits in the form of additional Council Tax income and new homes bonus.

With effect from 1<sup>st</sup> April 2019 councils had been given further flexibility to increase the premium charge from 50% to 100% for properties that had been empty for more than 2 years. In addition, from 2020/21 councils would also be able to increase the premium for properties which had been vacant for five years or more to 200%, and from 2021/22, increase the premium for properties which had been vacant for ten years or more to 300%.

### **RESOLVED -**

- a) That the contents of the report are noted, and;
- b) That the Council adopts the new powers concerning empty property premiums and increases the rate from 50% to 100%.

*At this point of the meeting those Councillors who had left the room re-joined the meeting.*

**56      Update from the Standards Committee**

The Chair of the Standards Committee presented an update report from the Committee, making particular reference to proposals relating to DBS checks for Councillors, a report on which would be presented to the March Council Forum meeting.

Several Conservative Councillors stated their opposition to the potential introduction of charges for DBS charges being met by Councillors. Following debate it was noted that this matter would be discussed in detail at the next meeting where a full report containing recommendations would be presented.

**RESOLVED** – That the report be noted.

**57      Updates from the Overview and Scrutiny Committees**

Update reports from the Policy and Corporate Resources, PEOPLE and PLACE Overview and Scrutiny Committees were presented by the respective Chairs.

**RESOLVED** – That the update reports be noted.

**58      Reports of the Executive Members with Portfolios:**

The Leader and Executive Members presented their update reports to the Council Forum, providing verbal updates as appropriate,

The Executive Member for Environment requested that the Council note and express thanks to all the volunteers who had given their valuable time to assist the various Your Call community clean up events.

**RESOLVED** – That the reports of the Leader and Executive Members be noted and that thanks be put on record for the excellent contribution made by Your Call volunteers.

**59      Draft Year Planner 2019/20**

The draft Year Planner for 2019/20 was submitted for Members comments ahead of submission of the final version to the next Council Forum meeting on 29<sup>th</sup> March 2019.

Councillor Andy Kay proposed changes to the proposed dates for Call-in and Training and requested that these be incorporated in the final version of the Year Planner.

**RESOLVED** – That the proposed changes be included in the final version to be submitted for Council approval on 29<sup>th</sup> March 2019.

**60      To consider any questions received from Members under Procedure Rule 11**

No questions from Members had been submitted under Procedure Rule 11.

Signed at a meeting of the Finance Council  
on Monday, 25<sup>th</sup> February 2019  
(being the ensuing meeting on the Council) by

MAYOR

## DECLARATIONS OF INTEREST IN ITEMS ON THIS AGENDA

**Members attending a Council, Committee, Board or other meeting with a personal interest in a matter on the Agenda must disclose the existence and nature of the interest and, if it is a Disclosable Pecuniary Interest or an Other Interest under paragraph 16.1 of the Code of Conduct, should leave the meeting during discussion and voting on the item.**

**Members declaring an interest(s) should complete this form and hand it to the Democratic Services Officer at the commencement of the meeting and declare such an interest at the appropriate point on the agenda.**

MEETING: **FINANCE COUNCIL**

DATE: **25<sup>TH</sup> February 2019**

AGENDA ITEM NO.:

DESCRIPTION (BRIEF):

NATURE OF INTEREST:

DISCLOSABLE PECUNIARY/OTHER (delete as appropriate)

SIGNED :

PRINT NAME:

(Paragraphs 8 to 17 of the Code of Conduct for Members of the Council refer)



**REPORT OF:           DIRECTOR OF FINANCE & CUSTOMER SERVICES**

**TO:                     FINANCE COUNCIL**

**ON:                     25<sup>th</sup> FEBRUARY 2019**

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**SUBJECT : CAPITAL STRATEGY REPORT 2019/20**

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## **1. EXECUTIVE SUMMARY**

This Capital Strategy is a new report for 2019/20 giving a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of the Council's services, along with an overview of how associated risk is managed and the implications for future financial sustainability.

The report includes much of the information previously included in the Treasury Management Strategy report to Finance Council such as Minimum Revenue Provision (MRP) and the Prudential Indicators, but also includes additional information for Members to consider prior to agreeing the Capital Programme which is included at Section 8.0 of the Revenue Budget 2019/20, Medium Term Financial Strategy and Capital Programme 2019/22 Report that is also on the agenda.

## **2. RECOMMENDATIONS**

The Council is recommended to approve the proposed Capital Strategy for 2019/20, including:

- a) the proposed Flexible Use of Capital Receipts Strategy, as outlined in Appendix 2
- b) the Minimum Revenue Provision (MRP) Statement, which determines the Council's policy for repayment of debt (Appendix 3)
- c) the proposed prudential indicators for the forthcoming year (Appendix 4);
- d) the proposed Investment Strategy for 2019/20, as outlined in Appendix 5.

## **3. BACKGROUND**

The *Prudential Code for Capital Finance in Local Authorities* was updated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2017. The framework provided by the Prudential Code supports local strategic planning, local asset management and proper option appraisal.



The objectives of the Prudential Code are to provide a framework that will ensure for individual local authorities that:

- capital expenditure and investment plans are affordable;
- all external borrowing and other long-term liabilities are within prudent and sustainable levels; and
- treasury management and other investment decisions are taken in accordance with good professional practice.

In order to demonstrate that these objectives have been fulfilled, the Council should have in place a Capital Strategy that sets out the long term context in which capital expenditure and investment decisions are made and gives due consideration to service objectives, long term financing implications and potential risks to the authority.

This Capital Strategy has been drafted in response to the latest requirements of the Prudential Code. It is designed to form a key part of the Council's overall corporate planning policy, and includes the following key areas:

- Capital expenditure and financing including MRP
- Treasury management
- Other investments and long-term liabilities
- Revenue budget implications
- Knowledge and skills
- Prudential indicators

#### 4. KEY ISSUES

##### **CAPITAL EXPENDITURE AND FINANCING, INCLUDING MRP**

##### **Capital expenditure**

Capital expenditure is spending on assets such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what is deemed to be capital expenditure, for example assets costing below £10,000 are not capitalised and are instead charged to revenue in the year the expenditure is incurred.

For details of the Council's Capitalisation Policy, see **Appendix 1**.

In 2019/20, the Council is planning capital expenditure of £35.0 million, as summarised below:

*Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions*

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
Portfolio spending	18.7	28.6	30.6	9.3	1.8
Earmarked schemes	0	1.3	4.4	1.0	0
<b>Total Capital Programme</b>	<b>18.7</b>	<b>29.9</b>	<b>35.0</b>	<b>10.3</b>	<b>1.8</b>

Further analysis of planned capital expenditure by portfolio can be found in Appendix 2.

##### **Governance**

The key principles for the Council's 2019-2022 capital programme are summarised below:

- Capital investment decisions reflect the aspirations and priorities included within the Corporate Plan and supporting strategies.
- Schemes to be added to the capital programme will be evaluated and prioritised by the Director of Finance & Customer Services and senior management prior to Executive Board / Executive Member approval.
- The full cost of any capital scheme must be established at the outset, including any financing costs and future revenue operational costs.
- Commissioning and procuring of capital schemes will comply with the requirements set out in the Council's constitution and financial regulations / contract procurement rules.

The Council prepares its capital programme on a 3 year rolling basis, which is approved annually by Finance Council. Quarterly monitoring and outturn reports are considered by Executive Board during the financial year.

The capital investment plans identified within the capital programme are driven by the Council's Corporate Plan. The latest Corporate Plan is currently being consulted on and will set out the Council's top priorities for the period 2019-2023.

Capital spending priorities include:

- Transforming our systems to offer digital solutions which improve customer satisfaction by ensuring all services where appropriate are able to be accessed digitally, and to allow the Council to operate as efficiently as possible.
- Delivering the growth plan priorities of Industry and Gateways; Town Centre; and Housing.
- Maintaining and improving our highways to support economic growth and improve the connectivity of transport networks.
- Developing commercial floor space and priority housing sites.

For full details of the Council's proposed capital programme, see the *Revenue Budget 2019/20, Medium Term Financial Strategy and Capital Programme 2019-2022 Report* which is on the agenda of this meeting.

## Capital financing

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

*Table 2: Capital financing in £ millions*

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
External sources	13.2	17.6	17.5	8.9	1.7
Own resources	0.4	1.4	0.3	0	0
Debt	5.1	10.9	17.2	1.4	0.1
<b>Total capital financing</b>	<b>18.7</b>	<b>29.9</b>	<b>35.0</b>	<b>10.3</b>	<b>1.8</b>

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

*Table 3: Forecast MRP and Use of Capital Receipts to repay debt in £ millions*

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
Assumed use of Capital Receipts to repay debt	0.8	2.3	2.2	1.3	1.2
MRP	6.2	6.2	6.7	7.2	7.3

The Council's policy for setting a "prudent" level of Minimum Revenue Provision for repayment of debt, must be consistent with the Council's Medium Term Financial Strategy, and can be found at **Appendix 3**.

The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR):

- this increases as new debt-financed capital expenditure is incurred, and
- reduces as MRP increases and as capital receipts are used to replace debt.

The CFR is expected to increase by £8.3 million during 2019/20. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

*Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions*

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
General Fund services	214.0	216.9	225.8	219.2	211.4
Debt managed by LCC	16.0	15.7	15.3	14.9	14.6
PFI projects	69.9	69.7	69.5	69.3	69.1
<b>Total CFR</b>	<b>299.9</b>	<b>302.3</b>	<b>310.6</b>	<b>303.4</b>	<b>295.1</b>

## Asset management

To ensure that capital assets continue to be of long-term use, the Council has an Asset Management Plan in place. This ensures that land and property assets support the aims and objectives of the Council and its key services. In particular, the plan aims to:

- Enable the Council to understand the scope of its property and land assets portfolio i.e. where it is located, its suitability, condition and value.
- Maximise the beneficial and efficient use of property and land assets.
- Encourage the regular review and challenge of the continued use and ownership of property and land assets to ensure they are still delivering a rate of return and are fit for purpose.

- Ensure that buildings are properly maintained.

The Council's Asset Management Group acts as a strategic steering group, which formulates and reviews the aims and objectives of the Asset Management Plan. The group works with the Corporate Finance team in overseeing the Capital Expenditure and Capital Receipts programmes.

In line with the Council's Corporate Plan and growth agenda, a Growth Board has been established to prioritise and monitor growth and development schemes and support the Asset Management Plan.

The Council's current Asset Management Plan is attached to the agenda

## Asset disposals

When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or may be used to repay debt. At present the Council also has the authority to spend capital receipts on the revenue costs of service transformation projects until 2021/22, following a Government capitalisation direction giving all councils more flexibility in their use of capital receipts.

Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £3.4 million of capital receipts in the coming financial year as follows:

*Table 5: Capital receipts in £ millions*

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	Future years budget
Asset sales	0.8	2.3	4.4	5.0	32.8
Loans repaid	0	0.0	0.0	0.0	0.0
<b>Total Capital Receipts</b>	<b>0.8</b>	<b>2.3</b>	<b>4.4</b>	<b>5.0</b>	<b>32.8</b>

The Council plans to continue to utilise all of the capital receipts generated from the disposal of land and property in support of the Minimum Revenue Provision i.e. to repay debt.

For 2019/20, in preparing the Capital Strategy and the Budget and MTFs, it is assumed that all capital receipts will be utilised to reduce the MRP and repay debt, rather than buying new assets.

Further details of planned asset disposals, together with the Council's Flexible Use of Capital Receipts Policy are detailed in **Appendix 2**.

## **TREASURY MANAGEMENT**

Treasury management is concerned with keeping sufficient but not excessive cash balances available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash is met through borrowing; this avoids excessive credit balances or overdrafts in the bank current account.

**Borrowing strategy:** The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a

balance between low-cost short-term loans and long-term fixed rate loans where the future cost is known but higher.

Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, and transfers from local government reorganisation are shown below, compared with the capital financing requirement (see above).

*Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions*

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
Debt (including PFI and LCC debt)	292.5	277.1	286.2	277.2	268.6
Capital Financing Requirement	299.9	302.1	310.4	303.2	294.9

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this guidance during 2019/20.

**Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

*Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £ millions*

	2018/19 limit	2019/20 limit	2020/21 limit	2021/22 limit
Authorised limit - borrowing	234.2	250.8	244.2	236.4
Authorised limit – PFI and LCC debt	85.3	85.3	84.8	84.2
Authorised limit – total external debt	319.5	336.1	329.0	320.6
Operational boundary - borrowing	224.2	20.8	234.2	226.4
Operational boundary – PFI/LCC debt	85.3	85.3	84.8	84.2
Operational boundary – total external debt	309.5	326.1	319.0	310.6

**Investment strategy:** Treasury investments arise from receiving cash before it is required to be paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield; that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms could be invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns

below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

**Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and Customer Services and staff within the Finance team, who must act in line with the Treasury Management Strategy approved by Finance Council each year, although from 2019/20, this will be approved by the Executive Board. A regular officer group (Treasury Management Group) also reviews treasury management activity and ratifies operational decisions. Quarterly reports on treasury management activity are presented to the Audit and Governance Committee, which is responsible for scrutinising treasury management decisions.

Further details of the Council's borrowing and treasury investments can be found in the Treasury Management Strategy.

## **OTHER INVESTMENT AND LONG TERM LIABILITIES**

In addition to the treasury investments referred to in the section above, the Council may also make loans and investments for service purposes, and may purchase and maintain property for investment purposes. The Investment Strategy included at **Appendix 5** focuses on these other, non-treasury investments.

### **Service investments**

These investments, including loans and shareholdings, are made for their contribution toward service delivery objectives. For example, the Council could advance relatively small loans to local businesses and local residents for community and economic benefits. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still aims for such investments to contribute to its corporate priorities.

**Governance:** Decisions on service investments are made by the Director of Finance and Customer Services / the Executive Member Resources / the Executive Board, in line with the Council's constitution. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

### **Commercial investments**

Historically, the Council has invested in commercial property, largely for regeneration purposes, but has also received financial gain in the form of rental income.

As there are financial and wider economic returns, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include: vacancies, rent arrears and a fall in capital value. These risks are managed by the Council's Asset Management Group as part of their regular review of the continued ownership of property and land assets to ensure they are still delivering a rate of return and are fit for purpose.

**Governance:** Decisions on commercial investments are made by the Director of Growth and Development / the Executive Member Resources / the Executive Board in line with the Council's constitution. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

Further details on service and commercial investments are included in the Investment Strategy in **Appendix 5**.

## Liabilities

In addition to the debt detailed in Table 6 above, the Council is committed to making future payments to cover its pension fund deficit (valued at £258.222 million at 31<sup>st</sup> March 2018), and other liabilities arising from the Council's PFI contracts under the Building Schools for the Future programme (£66.848 million at 31<sup>st</sup> March 2018). It has also set aside £3.209 million to cover risks in relation to:

- Backdated appeals against the rateable value of business ratepayers (£1.681 million)
- Injury and damage compensation claims (£1.128 million)
- The aftercare costs for closed landfill sites (£0.400 million)

The Council is also at risk of having to settle additional insurance claims, not provided for in the list above, in relation to the "Scheme of Arrangement" between local authorities and the administrators of Municipal Mutual Insurance. The Council has not put aside any funds for this purpose because the potential liability is less certain and the amount cannot be measured reliably. It does however, disclose this item as a "contingent liability" in the Statement of Accounts.

**Governance:** Decisions on incurring new discretionary liabilities are taken by service managers in consultation with the Director of Finance and Customer Services. The risk of liabilities crystallising and requiring payment is monitored by the Finance Team together with budget holders, and significant potential liabilities are reported quarterly to Executive Board within the quarterly Corporate Budget Monitoring reports.

## REVENUE BUDGET IMPLICATIONS

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP repayments are charged to revenue, offset by any investment income receivable. The net annual charge is known as the Financing Cost; within the Prudential Indicators this is compared to the net revenue stream i.e. the amount funded from Council Tax, Business Rates and general government grants.

*Table 8: Prudential Indicator: Proportion of financing costs to net revenue stream*

	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
Main Programme capital financing costs as a proportion of Net Revenue Stream	13.93%	14.25%	14.78%	14.73%
BSF PFI capital financing costs as a proportion of Net Revenue Stream	4.87%	4.61%	4.62%	4.54%
<b>Ratio of financing costs to Net Revenue Stream</b>	<b>18.80 %</b>	<b>18.86%</b>	<b>19.40%</b>	<b>19.27%</b>

Further details of the revenue implications of capital expenditure can be found within the Revenue Budget 2019/20, Medium Term Financial Strategy and Capital Programme 2019-2022 Report which is on the agenda of this meeting.

**Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Director of Finance and Customer Services is satisfied that the proposed capital programme is prudent, affordable and sustainable as set out in the Robustness of the 2019/20 Budget and the Recommended Level of Reserves report which is on the agenda of this meeting.

## **KNOWLEDGE AND SKILLS**

The Council's approach to ensuring that the requisite knowledge and skills are held and demonstrated when making capital expenditure, borrowing and investment decisions, include:

- Employment of professionally qualified and experienced staff in senior positions with responsibility for making decisions.
- Training for council members to aid informed decision making and effective scrutiny
- Engagement of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers, and other appropriate advisors as required.

The intention is that by building a solid knowledge base for both Officers and Members, they are fully informed when taking decisions to realise corporate objectives. Specialist support from external advisors strengthens the decision making process and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

## **PRUDENTIAL INDICATORS**

The Prudential Code provides a framework to ensure that the capital investment plans of the Council are affordable, prudent and sustainable. The Prudential Indicators required by the Prudential Code are designed to support and record local decision making in a manner that is publicly accountable. They are not designed to be comparative performance indicators, and should be considered in parallel with the Treasury Management Indicators required by the CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*.

In setting or revising its Prudential Indicators, the Council must have regard to the following matters:

- service objectives – alignment with the Council's strategic plan
- stewardship of assets – asset management planning
- value for money – option appraisal
- prudence and sustainability – risk and implications for external debt and whole life costing
- affordability – the amount of money the Council can afford to borrow and the impact on revenue budgets

Although a number of Prudential Indicators have been referred to already in the body of this report, the full list of indicators is detailed in **Appendix 4**

## **5. POLICY IMPLICATIONS**

The policy implications from this report are contained within the Budget Strategy.



## **6. FINANCIAL IMPLICATIONS**

The financial implications arising from the proposed recommendations contained within this report have been incorporated into the 2019/20 Budget, the Medium Term Financial Strategy and Council Tax recommendations to be considered by the Council.

## **7. LEGAL IMPLICATIONS**

Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003.

Local authorities are required each year to set aside resources as provision for debt repayment, on the basis of making a prudent provision. The Minimum Revenue Provision (MRP) proposals set out in Appendix 3 comply with existing regulatory requirements.

## **8. RESOURCE IMPLICATIONS**

None as a direct consequence of this report.

## **9. EQUALITY IMPLICATIONS**

The decisions to be taken do not change policy and do not require any further consideration in respect of equality issues

## **10. CONSULTATIONS**

None required as a direct consequence of this report

Chief Officer: Louise Mattinson, Director of Finance and Customer Services – Ext 5600

Contact Officer: Julie Jewson, Senior Finance Manager – Ext 5893

Date: 15<sup>th</sup> Feb 2019

Background Papers: Capital programme 2019-2022 and associated papers

### **BLACKBURN WITH DARWEN BOROUGH COUNCIL - CAPITALISATION POLICY**

Unless expenditure qualifies as capital it will normally fall outside the scope of the Prudential Framework and will be charged to revenue in the period that the expenditure is incurred. If expenditure meets the definition of capital, there may be opportunities to finance the outlay from capital receipts or by spreading the cost over future years' revenues.

There are three routes by which expenditure can qualify as capital under the Prudential Framework:

- The expenditure results in the acquisition, construction or enhancement of non-current assets (tangible and intangible) in accordance with "proper practices"
- The expenditure meets one of the definitions specified in regulations made under the 2003 Local Government Act.
- The Secretary of State makes a direction that the expenditure can be treated as capital expenditure.

#### **Capitalisation under proper practices**

Proper practices are defined to include *the Code of Practice on Local Authority Accounting in the United Kingdom* (the Code). The Code is published annually and its provisions relating to capitalisation are based on IAS 16 *Property, Plant and Equipment*.

Expenditure on acquisitions and construction work is analysed to decide whether it satisfies the accounting rules for recognising a non-current asset in the Council's Balance Sheet. The amount capitalised generally comprises the purchase price plus any expense directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Examples include:

- acquisition of land and site preparation.
- acquisition, construction, preparation or replacement of roads, buildings and other structures.
- acquisition, installation or replacement of movable or immovable plant, machinery, apparatus and vehicles.
- acquisition of non-current assets that do not have physical substance but are identifiable and are controlled by the Council as a result of past events i.e. the Council will receive future economic benefits or service potential as a result of enforceable rights, such as a legal title or licence (intangible assets)

Capitalisation can include subsequent expenditure on existing assets, where the value of the asset is enhanced by:

- lengthening substantially the life of the asset.
- increasing substantially the open market value of the asset.
- increasing substantially the extent to which the asset can be used for a function of the Council.

Assets may also be recognised (at fair value) under leases, PFI contracts and similar agreements.

The Council has some limited discretion on what is deemed capital expenditure, for example assets costing below £10,000 (the de-minimis amount) are not capitalised and are charged to revenue in the year the expenditure is incurred.

### **Regulations made under the Local Government Act 2003**

Special arrangements exist in local government for the extension of the accounting definition of capital expenditure. Regulation 25 of the 2003 regulations (as amended) allows certain expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. The purpose of this provision is to enable payments to be funded from capital resources rather than charged to the General fund and impact on that year's council tax.

Capital expenditure within the 2003 regulations includes:

- The giving of a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure which would, if incurred by the Council, be capital expenditure (except for advances made to officers as part of their terms or conditions of employment or in connection with their appointment).
- The repayment of any grant or other financial assistance given to the Council for the purposes of expenditure which is capital expenditure.
- The acquisition of share capital in any body corporate (except for investments in Money Market Funds or an investment in a real estate investment trust).
- Expenditure incurred on works to any land or building in which the Council does not have an interest, which would be capital expenditure if the Council had an interest in that land or building.
- Expenditure incurred on the acquisition, production or construction of assets for use by or disposal to a person other than the Council which would be capital expenditure if those assets were acquired, produced or constructed for use by the council.

### **Revenue expenditure funded from capital under statute (REFCUS)**

This term relates to payments that would otherwise be revenue expenditure but are treated as capital expenditure for the reasons above, and are financed from capital resources.

The underlying revenue nature of the expenditure means that it is debited or charged to the Comprehensive Income and Expenditure account when it is incurred. The statutory provision to treat the expenditure as capital allows the debit against the General Fund to be reversed and posted to the Capital Adjustment Account, so that there is no impact on the Council's "bottom line".

The adjustment that is made between the accounting basis and the funding basis is reflected in the Movement in Reserves Statement within the Council's statutory accounts.

### **Capitalisation directions**

The Secretary of State for Housing, Communities and Local Government has powers to direct that expenditure that would not otherwise be capital should be treated as such. As the treatment of revenue expenditure as capital is contrary to the normal accounting requirement that long-term borrowing or capital receipts should only be used for capital

investment, the Secretary of State advises authorities that they must meet strict criteria before a direction will be given. These criteria are set out each year in a guidance note.

In December 2015, the Government issued a capitalisation direction allowing councils to use capital receipts more flexibly by using such receipts to fund “qualifying expenditure” on a project where incurring up-front costs would generate ongoing savings. In December 2017 government announced the continuation of the capital receipts flexibility programme for a further three years until 2021/22.

The capitalisation directions permit local authorities to treat revenue expenditure “incurred on projects designed to reduce future revenue costs and/or transform service delivery” as capital expenditure during the six financial years from 2016/17 to 2021/22. This capital expenditure may only be funded from new capital receipts arising from asset sales after 31<sup>st</sup> March 2016, not from existing capital receipts or borrowing.

The statutory guidance (published in 2016) includes examples of eligible projects to transform service delivery or deliver efficiency savings, including:

- Integrated services across different functions
- Shared services across different authorities
- New ways of working such as digital service delivery
- Joint working such as joint procurement or selling services to other authorities

Examples of the revenue costs that might be incurred on these projects might include:

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Collaboration between local authorities and central government departments to free up land for economic use;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Sharing Chief-Executives, management teams or staffing structures;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others).

The guidance is clear that only initial set-up costs may be capitalised, not on-going running costs.

**CAPITAL PROGRAMME 2019-2022****Capital expenditure**

In 2019/20, the Council is planning capital expenditure of £35.011 million as summarised below:

*Table 1: Estimates of Capital Expenditure in £ thousands*

<b>Portfolio</b>	<b>2017/18 actual £000</b>	<b>2018/19 forecast £000</b>	<b>2019/20 budget £000</b>	<b>2020/21 budget £000</b>	<b>2021/22 budget £000</b>
Health and Adult Social Care	1,264	2,344	1,504	1,398	1,398
Children, Young People and Education	6,541	5,182	1,765	263	263
Environment	1,089	732	0	0	0
Leisure and Culture	475	217	0	0	0
Neighbourhood and Prevention Services	88	0	0	0	0
Regeneration	7,812	17,428	22,767	7,594	150
Resources	1,386	2,753	4,582	0	0
<b>Portfolio spending</b>	<b>18,655</b>	<b>28,656</b>	<b>30,618</b>	<b>9,255</b>	<b>1,811</b>
Corporate ICT	0	0	3,393	0	0
Corporate Property Investment	0	1,294	1,000	1,000	0
<b>Earmarked schemes *</b>	<b>0</b>	<b>1,294</b>	<b>4,393</b>	<b>1,000</b>	<b>0</b>
<b>Total capital expenditure</b>	<b>18,655</b>	<b>29,950</b>	<b>35,011</b>	<b>10,255</b>	<b>1,811</b>

\* **Earmarked schemes** – as specific schemes are identified, budgets are allocated to portfolios.

The programme is predominantly comprised of existing commitments including investment in:

- our local transport plan, including both our successful Growth Deal 3 bid to open up the Pennine gateways around the borough and our Fabric Borders scheme, all of which will facilitate housing and business growth
- aids and adaptations through provision of disabled facilities grants
- regeneration of the borough, including our scheme at Blakey Moor to enhance the town centre in Blackburn and support the improvement of leisure

facilities and a night time economy, incorporating a cinema complex development

- facilitating housing and business growth
- support of income generation and commercialisation opportunities
- support of continued investment in IT services to underpin our 'digital first' approach to delivering efficiencies and in turn, cash savings
- support of our accommodation review which again will drive efficiencies and savings through rationalisation and a more cost effective use of space

Within the capital programme there is also a Property Investment Fund, which enables the Council to invest in land and property should the opportunity arise.

Further details of individual capital schemes included within the Council's capital programme are included as an appendix to the Revenue Budget 2019/20, Medium Term Financial Strategy and Capital Programme 2019-2022 Report, elsewhere on this agenda.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

*Table 2: Capital financing in £ thousands*

	<b>2017/18 actual £000</b>	<b>2018/19 forecast £000</b>	<b>2019/20 budget £000</b>	<b>2020/21 budget £000</b>	<b>2021/22 budget £000</b>
Government grants	12,644	12,378	9,893	5,205	1,661
External contributions	540	5,278	7,578	3,676	0
Revenue contribution	349	1,382	300	0	0
Borrowing	5,122	10,912	17,240	1,374	150
<b>Total capital financing</b>	<b>18,655</b>	<b>29,950</b>	<b>35,011</b>	<b>10,255</b>	<b>1,811</b>

### **Planned asset disposals**

The Asset Management Group monitors asset disposals and generation of capital receipts throughout the year. Capital receipts are generated through the sale of land and property no longer used by the Council and / or in order to facilitate commercial or housing development.

The MRP estimates that are included within the Council's 2019/20 Budget and MTFS are based on the following estimates of capital receipts:

	<b>2017/18 actual £000</b>	<b>2018/19 forecast £000</b>	<b>2019/20 budget £000</b>	<b>2020/21 budget £000</b>	<b>Future years budgets £000</b>
Disposal of land and property	0.760	2,350	4,431	4,967	32,807
Sale of investments	0	0	0	0	0
<b>Total capital receipts</b>	<b>0.760</b>	<b>2,350</b>	<b>4,431</b>	<b>4,967</b>	<b>32,807</b>

The Council plans to continue to utilise all of the capital receipts generated from the disposal of land and property in support of the Minimum Revenue Provision I.e. to repay debt.

### **Flexible use of capital receipts strategy**

The statutory guidance (published in 2016) states that for each financial year, a local authority should ensure it prepares a Flexible use of Capital Receipts Strategy. The guidance states that as a minimum, the Strategy should list each project for which the council plans to make use of the capital receipts flexibility and on a project by project basis, it should detail the expected savings/service transformation that it is expected to deliver. It also states that the Strategy should report the impact on the local authority's Prudential Indicators for the forthcoming year and subsequent years. The Strategy should be presented to Full Council for approval. The flexibility only applies to new capital receipts arising from 1st April 2016 until 31st March 2021.

The Council has no specific plans to use capital receipts flexibly for 2019/20 at this point in time. Should these plans change, an updated strategy will be presented to Full Council for approval as required.

### **MINIMUM REVENUE PROVISION (MRP) STATEMENT**

#### **Introduction**

When a Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory Minimum since 2008. The Council must approve an annual MRP Statement, which states how it will calculate its prudent provision for MRP.

The Local Government Act 2003 requires the Council to have regard to the government's current guidance on Minimum Revenue Provision. The guidance sets out a number of options for calculating MRP, but authorities retain flexibility over their determination of what is prudent. The broad aim of the guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The proposed methodologies for use within Blackburn with Darwen Borough Council are set out below and reflect the basic principles set out in the guidance, along with some locally determined and prudent modifications to make the MRP more straightforward to calculate.

#### **Proposed MRP Policy Statement for 2019/20**

The following MRP Policy is proposed, under guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) is as follows:

- (a) *For capital expenditure financed from debt arising up to 2007/08 and all new Government-supported borrowing arising from 2007/08 and thereafter* - to spread the cost outstanding at the end of 2014/15 evenly over 50 years (from 2015/16 through to 2064/65)
- (b) *For capital expenditure that is self-financed from debt arising in 2007/08 and thereafter* - to charge the expenditure over the expected useful life of the relevant asset ("the Asset Life Method"), but to use the annuity variant, based on the average Public Works Loan Board (PWLB) annuity rates prevailing in the year of the expenditure (rather than charging on a straight line basis over the asset life).
- (c) *For finance leases and 'on-balance sheet' Private Finance Initiative (PFI) contracts* - to use the annuity variant of the Asset Life Method, using the annuity rates built into the financing arrangements for the contracts. This means that the MRP will relate to the estimated asset life and may not match the value written down each year against the balance sheet liability of the respective lease or PFI contract.
- (d) *For historic debt that was entered into prior to unitary authority status and is managed by Lancashire County Council (LCC)* - to spread the cost on a straight line basis up to 2064/65, in alignment with the profile for historic supported borrowing
- (e) *In those cases where asset lives cannot be readily determined* - to use a default period of 20 or 25 years in line with government guidance. However the Council



may make its own determination in exceptional circumstances, if the recommendation of the guidance would not be appropriate.

- (f) *Where loans are made to other bodies for their capital expenditure* – to charge no MRP. However, the capital receipts generated by the repayments on those loans will be put aside to repay debt instead.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure.

Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives

Therefore, in the determination of MRP, the Council will be both:

- (a) **prudent** - working within the principle that debt be repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits, and
- (b) **practical** - making detailed determinations where the impact of the calculation will be material, but allowing a more general approach if that would be reasonable.

## **PRUDENTIAL INDICATORS FOR 2019/20**

### **Introduction**

Local authorities determine their own programmes for capital investment in fixed assets that are central to the delivery of quality public services. The Chartered Institute of Finance and Accountancy (CIPFA) Prudential Code provides a framework to ensure that the capital investment plans of the Council are affordable, prudent and sustainable.

The Prudential Indicators recommended in the Prudential Code are designed to support and record local decision making in a manner that is publicly accountable. They are not designed to be comparative performance indicators, and should be considered in parallel with the Treasury Management Indicators required by the CIPFA *Code of Practice on Treasury Management in the Public Services*.

The Prudential Indicators provide a broad framework to be considered alongside robust forecasting procedures embedded into the budget process of the Council. Forecasts should be regularly updated as the capital programme develops, and proposals should be considered in terms of their impact on the overall corporate position, ensuring that prudence and affordability are taken into account.

Prudential Indicators in relation to previous years actuals are taken directly from information in the Council's statement of accounts. The Prudential Indicators for the forthcoming and following years must be set before the beginning of the forthcoming year. The forward-looking Prudential Indicators include indicative figures for years two and three to allow decisions to be made with and appreciation of future trends. It is recognised that these will be subject to change but exist to promote a move away from the focus on annual decision making towards longer-term strategies.

Procedures are in place to monitor performance against the forward-looking indicators in order to highlight significant deviations from expectations.

### **Prudential Indicators for prudence**

#### **Estimates of Capital Expenditure in £ millions**

	<b>2017/18 actual</b>	<b>2018/19 forecast</b>	<b>2019/20 budget</b>	<b>2020/21 budget</b>	<b>2021/22 budget</b>
Portfolio spending	18.7	28.6	30.6	9.3	1.8
Earmarked schemes	0	1.3	4.4	1.0	0.0
<b>General Fund services</b>	<b>18.7</b>	<b>29.9</b>	<b>35.0</b>	<b>10.3</b>	<b>1.8</b>

Total capital spend in later years may be higher than currently forecast – however only spend funded from borrowing will impact on the Council's CFR.

*Estimates of Capital Financing Requirement in £ millions*

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
General Fund services	214.0	216.9	225.8	219.2	211.4
Debt managed by LCC	16.0	15.7	15.3	15.0	14.6
PFI projects	69.9	69.7	69.5	69.3	69.1
<b>Total CFR</b>	<b>299.9</b>	<b>302.3</b>	<b>310.6</b>	<b>303.5</b>	<b>295.1</b>

The Council must make reasonable estimates of the “total Capital Financing Requirement” – that is an estimate of the debt outstanding in respect of capital expenditure, including LCC debt and that relating to the recognition of assets acquired under PFI projects, at the end of each of the next three financial years. The LCC element relates to debt still managed by the County Council in respect of services transferred when Blackburn with Darwen became a Unitary Authority. The Other Long Term Liabilities in relation to PFI schemes are in respect of schools built under the Building Schools for the Future programme.

*Authorised limit and operational boundary for external debt in £ millions*

	2018/19 limit	2019/20 limit	2020/21 limit	2021/22 limit
Authorised limit - borrowing	234.2	250.8	244.2	236.4
Authorised limit – PFI and LCC debt	85.3	85.3	84.8	84.2
Authorised limit – total external debt	319.5	336.1	329.0	320.6
Operational boundary - borrowing	224.2	20.8	234.2	226.4
Operational boundary – PFI and LCC debt	85.3	85.3	84.8	84.2
Operational boundary – total external debt	309.5	326.1	319.0	310.6

*Gross Debt and the Capital Financing Requirement in £ millions*

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
Debt (including PFI and LCC debt)	292.5	277.1	286.2	277.2	268.6
Capital Financing Requirement	299.9	302.1	310.4	303.2	294.9

Statutory guidance is that debt should remain below the Capital Financing Requirement, except in the short-term.

## Prudential Indicators for affordability

### Estimates of the Incremental Impact of Capital Investment Decisions on the Council Tax

The incremental cost of any additional, unsupported borrowing required for new schemes to be added to the programme is not expected to be material on the 2019/20 budgets and as such has will have negligible impact on Council Tax. All new proposals are subject to the Council's governance and financial regulations and are reported accordingly, identifying the revenue costs associated with such schemes as applicable.

### Estimates of proportion of financing costs to net revenue stream

Although capital expenditure is not charged directly to the revenue budget, there are revenue budget implications i.e. interest payable on loans and MRP repayments, offset by any investment income receivable. The net annual charge is known as financing costs i.e. the cost of financing capital expenditure.

The Council must estimate the proportion of the revenue budget taken up in financing costs, by comparing financing costs to the net revenue stream i.e. the amount available to fund the Council's revenue budget from Council Tax, business rates and general government grants.

The Indicator below is calculated on the basis that all of the Capital Programme, including Contingent elements, is delivered and assumes no reduction in SFA when projecting the future Net Revenue Stream beyond 2019/20

	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
Main Programme capital financing costs as a proportion of Net Revenue Stream	13.93%	14.25%	14.78%	14.73%
BSF PFI capital financing costs as a proportion of Net Revenue Stream	4.87%	4.61%	4.62%	4.54%
<b>Prudential Indicator for ratio of financing costs to Net Revenue Stream</b>	<b>18.80 %</b>	<b>18.86%</b>	<b>19.40%</b>	<b>19.27%</b>

The Council's capital financing costs in respect of BSF PFI schemes – both MRP and financing charges (interest elements) – are included, but this cost is largely covered by central government grant and does not put a pressure on Council resources.

It remains the case that a significant proportion of the net revenue budget is taken up in supporting the Main Programme part of the Capital Programme.

### **INVESTMENT STRATEGY 2019/20**

#### **Introduction**

This investment strategy focuses on the Council's strategy in respect of non-treasury management investments.

The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as ***treasury management investments***),
- to support local public services by lending to or buying shares in other organisations (***service investments***), and
- to earn investment income (known as ***commercial investments*** where this is the main purpose).

#### **Treasury Management investments**

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA).

**Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

**Further details:** Full details of the Authority's policies and its plan for 2019/20 for treasury management investments are covered in a separate document, the Treasury Management Strategy, to be approved at Executive Board on 14<sup>th</sup> March 2019.

#### **Non-Treasury Management investments**

The Council may also make loans and investments for service purposes, and may purchase property for investment purposes. The investment strategy focuses on these other investments, which are included within the second and third categories above.

#### **Service Investments: Loans**

**Contribution:** The Council could advance relatively small loans to local businesses and local residents for community and economic benefits. For example, the capital programme includes a number of schemes where loans are given to support home owners unable to fund essential property repairs to bring properties back into use.

**Security:** The risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, the loans to home owners are registered as a charge against the property at the Land Registry which will be removed by the Council once full repayment of the loan has been made.

**Risk assessment:** The main purpose of these service loans is not to make a financial rate of return for the Council; it is to support the key priorities in the Council's Corporate Plan and the Empty Property Strategy. Bringing empty homes back into use will support the sustainability of the neighbourhood and provide much needed housing for people in

housing need. It also contributes to reducing the potential for anti-social behaviour by re-occupying long term empty homes.

### **Service Investments: Shares**

**Contribution:** The Council may invest in the shares of its partners to support local public services and stimulate local economic growth.

The Council has a 5% shareholding in Blackburn with Darwen and Bolton Local Education Partnership Limited, which was formed in order to deliver the capital investment elements of the Building Schools for the Future programme. The Council has also invested in Blackburn with Darwen and Bolton Phase 1 Holdings Limited, Blackburn with Darwen and Bolton Phase 1 Limited, Blackburn with Darwen and Bolton Phase 2 Holdings Limited, Blackburn with Darwen and Bolton Phase 2 Limited, which are special purpose companies established solely to deliver the new schools at Pleckgate, Witton Park and Blackburn Central with Crosshill under the Private Finance Initiative.

The Council has also a minority shareholding in a Special Purpose Vehicle together with a local developer for the purposes of acquiring a specific vacant site which has a history of stalled development activity and incidents of anti-social behaviour, vandalism and trespass; the SPV will prepare the site for future development by 3rd parties. The proposed development will contain a mix of employment and residential end uses, which will directly support growth in jobs and housing

**Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered.

**Risk assessment:** The Authority assesses the risk of loss before entering into such shareholdings by ensuring the Council's risk exposure is quantified and capped at the proposed initial investment. The main purpose of these shareholdings is not to make a financial rate of return for the Council; it is to support the key priorities in the Council's Corporate Plan and the service delivery objectives of its Growth agenda.

**Non-specified Investments:** Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

### **Commercial Investments: Property**

The Chartered Institute of Public Finance and Accountancy (CIPFA) define investment property as *property held **solely** to earn rentals or capital appreciation or both*. Commercial properties owned by the Council are held for regeneration, planning reasons and estate management purposes in addition to earning rental income therefore, they have been classified as property, plant and equipment within the accounting statements.

Government guidance in the context of this investment strategy has a different view and defines property to be an investment if it is held **primarily or partially** to generate a profit.

**Contribution:** The Council invests in local commercial property with the dual purpose of supporting the local economy and generating rental income to support expenditure spent

on local public services. The main categories of property investments held are as follows:

- Industrial estates
- Business centres
- Sundry commercial property
- Sundry shops
- Agricultural tenancy
- Industrial/ commercial development sites
- Residential development sites
- Vacant land

### **Loan Commitments and Financial Guarantees**

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council, and would be included here for completeness.

The Council has not incurred any such liabilities at this time.



## **BLACKBURN WITH DARWEN BOROUGH COUNCIL**

### **ASSET MANAGEMENT PLAN 2015/16**





## **EXECUTIVE SUMMARY**

### **WHY HAVE AN ASSET MANAGEMENT PLAN**

A documented, approved and implemented Asset Management Plan supports the corporate objectives of the Council, helps to improve service delivery and productivity, achieves beneficial and efficient use of land and property assets, reduces waste and surplus property and promotes customer and user satisfaction, comfort and health.

### **WHAT HAS BEEN ACHIEVED**

Since the last Asset Management Plan of 2010/11, the Council has made progress in a number of areas of good practice and delivery. Some of these have been generated by the Action Plan, brought to the Asset Management Group for regular review and monitoring and some in response to external factors and pressures. Key areas are:

#### **Corporate Asset Review Programme**

- Closure of a number of operational assets following service review
- Disposal of surplus assets
- Transfer to new service providers

#### **Property Review Programme**

- Disposal of surplus/development land
- Restructuring of industrial/commercial leases linked to investment
- Costs savings from Residential Ground Rents review

#### **Accommodation Strategy**

- Move away from expensive rented accommodation
- Opening of 10 Duke St
- Improvement in space utilisation

#### **Community Asset Transfers**

- Transfer of all Community Centres
- Implementation of other asset transfers such as football pitches

#### **Investment Portfolio**

- Improvement in occupation rates across all sectors

- Targeted planned maintenance resulting in new lettings
- Ongoing turnover of income producing assets.

#### Capital Receipts

- Fettered by economic conditions
- Some successful and productive transactions
- Sites readied for upturn in the economy.

### **HORIZON SCANNING - KEY THEMES**

Circumstances are ever changing and pressures mounting in key areas of asset management particularly as efforts continue towards achieving full economic recovery combined with innovative ways of maintaining desired public services and improving customer care. Key themes and actions emerging in this context are:

- Prospect of economic recovery and increase in confidence – we need to be ready to benefit from this.
- Identification, assembly and release of Employment Land
- Major Regeneration Projects and Strategic Acquisitions
- Housing Growth Delivery
- One Public Estate – Public Sector Corporate Working
- Community Engagement – Assets of Community Value
- Further implementation of the Corporate Landlord Approach
- Increased Provision for Extra Care facilities reflecting changing demographics
- Refresh of Corporate Asset Review Programme
- Review of the Investment Portfolio and Options: maintain; reduce; expand
- Further development of Accommodation Strategy – Agile Working
- Transparency Agenda regarding Property data
- Performance Management – revival of Benchmarking with other LA's as well as development of internal property performance data

### **WHAT NEEDS TO BE IN PLACE TO MEET THE CHALLENGES**

- A vision aligned to Corporate Objectives
- Raise the profile of Asset Management Planning

- A robust, realistic and deliverable Action Plan
- Adequate Resources: Staff; Finance
- Commitment from all service departments
- Elected Member support and engagement.

## 1. CONTEXT AND SCENE SETTING

### Introduction

The corporate Asset Management Plan assists the Council in using its property assets to improve the delivery of key services, ensure optimum accessibility to services and generally drive down corporate costs. Its potential benefits if applied corporately and consistently include:

- deliver excellent services for citizens, aligned with locally agreed priorities, whilst focusing investment clearly on need;
- empower communities;
- improve the economic well-being of an area;
- ensure that, once built, assets are correctly maintained;
- Efficient management and use of energy and reduced carbon emissions;
- increase co-location, partnership working and sharing of knowledge;
- improve the accessibility of services;
- generate efficiency gains, capital receipts, or an income stream; and
- improve the quality of the public realm.

The table below presents a brief summary of the land and property assets held by the Council.

Summary of Land and Property Assets			
Category	Description	Number of Assets	Asset Value
<b>INVESTMENT PORTFOLIO</b>			
01A	Markets	2	£2,910,500
01B	Blackburn Shopping Centre Equity (Est.)	1	£16,000,000
01C	Sundry Shops	39	£3,000,000
02A	Industrial Estates (Sites)	82	£6,447,250
02C	Sundry Commercial Property	108	£7,721,850
02D	Industrial Estates (Units)	94	£5,656,300
03A	Agricultural Tenancy	23	£3,364,900
03B	Grazing Licence	3	£136,500
05A	Industrial Dev Sites	8	£2,487,500
05B	Commercial Dev Sites	8	£4,375,000
05C	Residential Dev Sites	26	£9,768,290
06A	Open Space/Amenity Land	156	£603,500

06B	Vacant Land	154	£3,144,000
07A	Domestic Garage Sites	768	£213,000
07B	Garden Plots	438	
07C	Miscellaneous land agreements	37	
07E	Statutory Allotments	10	
08AB&C	Freehold Reversions	67	
<b>OPERATIONAL PORTFOLIO</b>			
09B	Sports Centres	6	£22,056,057
09C	Museum/Public Halls	4	£18,245,415
09D	Public Parks & Facilities	33	£1,427,501
09E	Outdoor Sports Amenity	19	£2,424,500
09F	Cemetery/Crematoria	4	£2,100,000
09H	Libraries	5	£3,810,257
09J	Youth Centres	5	£2,876,725
10F	Itinerant Sites	1	£150,000
10H	Community Centres	9	£1,480,000
11B	Business Centre	3	£2,375,000
11C	Access Points	2	£775,000
12A	Formal Car Park	29	£1,754,502
12B	Informal Car Park	37	£8,000
12E	Infrastructure	31	£435,000
13A	Depot/Store	15	£3,600,639
14A	Town Hall Office	4	£11,530,000
15A	Schools	43	£113,027,205
15B	Playing Fields	26	£1,978,000
15C	Miscellaneous Childrens Services	15	£7,939,314
15D	Childrens Centres	9	£11,357,397
16A	Adult Social Care	17	£6,530,000
90P	Private Leases	22	£1,970,000
	<b>TOTAL ASSETS</b>	<b>2296</b>	<b>£284,000,000</b>

Based on quinquennial rolling valuations to April 2014

Not all assets are valued where de minimus

The Asset Management Plan for 2015/16 will:

- Set out the context for corporate asset management across all services and assets within Blackburn with Darwen Borough Council.
- Describe the Council's asset Objectives to be achieved in the next few years.
- Identify the current position and carry out a gap analysis.
- Show how the asset stock will be developed.

- Describe the performance indicators to be applied and how progress will be monitored.
- Assist the Council in adapting to the current economic situation.

## **1. Purpose and Expectation of the AMP**

### **1.1. Why have an Asset Strategy?**

An asset strategy:

- Is a key tool in achieving corporate objectives and improving service delivery.
- Ensures that land and property assets support the aims and objectives of the Council and its key services.
- Enables the Council to understand the scope of its property assets portfolio and in particular where it is located, its suitability and sufficiency, condition and value.
- Assists in maximising the beneficial use of property assets.
- Promotes service benefits such as accessibility, user satisfaction and comfort.
- Generates efficiencies and cost savings.
- Encourages continuous review and challenge of the use and ownership of property assets.
- Ensures that buildings are appropriately maintained.

### **1.2. How does the AMP fit in with other Planning Documents and the Business Process?**

The Asset Management Plan is a key part of the Council's Corporate Business Planning Framework and is inextricably linked to the Capital Strategy. Effective business planning helps the Council to:

- Deliver its main aims and priority themes
- Match resources to priorities
- Effectively plan at all levels throughout the Council

The Council's framework for business planning and performance management has a number of key features:

- It is an integrated framework for financial and service planning at corporate, departmental and service level.
- There is a simple, annual cycle of activity, which has been embedded for a number of years.

- It is a process that starts early in the year to ensure decision-making around resources and priorities are inclusive.

The AMP specifically supports and interacts with other policies, strategies and programmes including:

- Departmental (Education etc.) Asset Management Plans
- Land and Property Disposal Policy
- Accommodation Strategy
- Blackburn Town Centre 12 Point Plan
- Planned Maintenance Programme
- Energy Policy
- Highways Asset Management Plan
- Housing Growth Delivery Programme
- Primary Capital Strategy for Change
- Health and Safety Policy



## **2. CORPORATE OBJECTIVES**

### **2. The Council's Objectives and Corporate Priorities**

#### **2.1. What is the Council seeking to do**

The Council's corporate vision, objectives and corporate priorities are set out in the Corporate Plan Diagram attached as Appendix 1.

The following is taken from the Corporate Plan 2013-15:

The Corporate Plan sets out six priority objectives. These are informed by public consultation, focusing on what the Council needs to achieve locally over the period of the plan. The priorities are:

- Creating more jobs and supporting business growth
- Improving housing quality and building more houses
- Improving health and well-being
- Improving outcomes for our young people – education and skills
- Safeguarding the most vulnerable people
- Making your money go further - supporting households in difficult financial times through efficient and effective use of council tax

The Council is confident that, despite the difficult challenges it faces, it can continue to work with staff, residents and partners to deliver excellent services for and with the people of Blackburn with Darwen. In delivering the priorities The Council is committed to:

- Working together with residents; businesses and our partners - developing local solutions via local problem solving
- Managing the impact of national reforms on residents and the Council – particularly around the welfare system, health services and educational provision
- Delivering high quality services – a well-managed authority which is fit for the future; efficient and effective; and continuing to use the best possible business models to deliver excellent services.

In summary, the ambition for a brighter future for the people of Blackburn with Darwen is based on making sure the Council is fit for the challenge ahead, building

on its strengths and always remembering that what's important to our communities is important to the Council.

### 3. OVERVIEW OF COUNCIL'S FINANCIAL HEALTH AND FUTURE FINANCIAL CHALLENGES

#### 3. The Council's Financial Context

##### 3.1. Overall Financial Position of the Council

The Council is a unitary authority that carries out the whole range of functions required of a statutory authority, delivers major services including education, social care, leisure culture and sport, regeneration and housing. As a result of this, the Council holds a diverse portfolio of land and building assets.

As at the 31st March 2014 the Council has property, plant and equipment assets of £458m as scheduled in Table 1 below:

Property, plant & equipment assets	2013/14 £m
Operational Assets	
Land and Buildings	322
Infrastructure Assets	81
Vehicles Plant & Equipment	21
Community Assets	7
Assets under construction	27
<b>TOTAL</b>	<b>£458</b>

Table 1 - Schedule of Property, plant and equipment assets at 31/03/14

At the same date the Council had reserves and balances of £61m of which:

£19m were earmarked for non-discretionary purposes mainly in relation to schools.

£29m were earmarked for specific purposes

£13m were General Fund balances

##### 3.2. Financial Outlook

The Council's Medium Term Financial Strategy currently covers 2014 to 2017 and is refreshed annually. The latest MTFS is being prepared against the backdrop of continuing restrictions on financial resources. The general economic difficulties

already bring additional demands on the Council's resources exacerbated by falling income levels and lower proceeds from asset sales.

### 3.3. Financial Context for Asset Decision Making

The Council has a track record of robust financial management and a strong finance function. The Council operates a three year business planning process of which the Medium Term Financial Strategy is an integral part.

The Council's budget, which should be viewed in conjunction with the AMP, includes details of revenue estimates and the capital programme. The following financial resources are committed to asset management priorities.

Table 2	2014/15 £000s	2015/16 £000s	2016/17 £000s
<b>Revenue</b>			
Corporate repairs & maintenance	1,868	1,965	TBC
<b>Corporate Resources</b>			
Corporate property investment			
Carbon management plan	19	204	0
Town Hall stonework	219	1,986	0
Accommodation strategy	26	614	0
Corporate DDA improvements work	49	200	0
Velvet lounge	777	0	0
Tower block air conditioning	285	71	0
Baroque	179	0	0
Griffin lodge	0	300	0
Town centre property regeneration	0	500	3,000
<b>Total Corporate Resources</b>	<b>1,554</b>	<b>3,875</b>	<b>3,000</b>
<b>Leisure, Culture &amp; Young People</b>			
Leisure strategy	0	325	2,121
<b>Schools &amp; Education</b>			
Intack	875	0	0
Roe Lee	400	350	0
Lower Darwen	1,321	300	0
Other schools	1,737	6,344	5,333
<b>Total Schools &amp; Education</b>	<b>4,333</b>	<b>7,094</b>	<b>5,333</b>
<i>Note: all Schools &amp; Education schemes are funded entirely by government grants</i>			

In addition to mainstream capital and revenue funds the Council has access to other resources via for example, external funding. Alternative delivery mechanisms including partnerships with other public sector bodies and the private sector are also used as a means of achieving strategic objectives.

In summary the Council seeks to:

- Continue to maximise revenue income and control costs.
- Continue to manage the maintenance backlog subject to available funding.
- Continue to develop and implement a programme of asset release to realise capital receipts to support the capital programme where it is in the Council's best interest to do so.
- Promote development through asset release in the Borough to provide wider benefits to residents through construction in terms of local employment and training opportunities
- Implement a property rationalisation programme that aligns with outcomes of the operational service review and supports co-location opportunities.
- Promote energy efficiency measures in order to reduce carbon emissions and costs concentrating on those assets that the Council is clear will be retained for the long term.

## **4. OVERVIEW OF CURRENT PORTFOLIO**

### **4. The Current Position and Asset Gap Analysis**

#### **4.1. What the Business Drivers mean for the Asset Base**

##### **Education/Children's Services**

BSF – The programme completed in November 2014 with a significant improvement in the quality of the Asset Base. A total of 8 schools received investment, (3 PFI new builds, 3 D&B new builds and 2 significant remodels).

The Extended Schools agenda, e.g. promoting more community use of assets, is now embedded in schools and funding has been removed but shared use of assets will continue to be expanded under the community use agreements in place.

Basic Need Funding – the Council is in receipt of significant funding starting in 2014 and continuing through to 2017 to ensure there is adequate provision of pupil places within the Borough. This will result in the expansion of existing schools, and or the development of new schools in the areas of need within the Borough.

Academies Programme – The national programme of converting under performing schools into Academies continues with schools in both the community and voluntary aided sector converting. This has resulted in a number of assets being transferred under either 125 year leases or by freehold to external educational providers.

##### **Social Care**

The Adult Services department is seeking to review its current assets in order to take a view on which establishments it would seek to retain and which may no longer be suitable linked to the business plan for the department.

The planned closure of the council's four in-house residential homes is due for completion in March 2015; the sites at Greenways and Fenisccliffe Bank are no longer in use and future plans are documented in 6.1 below. Longshaw House is no longer in use and has been declared surplus, and is being offered internally to the council and its partners before a decision is made on its future. Blakewater Lodge has also now been declared surplus along with Swallow Drive Resource Centre.

In terms of day service resources, extensive investment has been made in the remaining establishments, Stansfeld Centre and Hopwood Court which remain part of the department's portfolio along with St Aidens.

Work is underway to develop a management partnership with Age UK to co-locate third sector and local authority day services at Hopwood Court to expand the range and scope of services and ensure the most effective use of the asset base at this facility.

The independent living centre is now closed and will be vacated shortly.

### **Culture Leisure, Sport & Young People Department**

Priorities for Leisure and Culture facilities/assets aim to:

- Improve health & wellbeing
- Increase engagement and participation in wider cultural opportunities
- Improve outcomes for young people

Review of leisure facilities will be required in 2015/16; the priority will be to retain major services in the two town centres. For example in Blackburn the new Sports-Leisure scheme on the College Campus will be completed, releasing the old Waves site for redevelopment.

Libraries as a statutory service will continue to operate within Council assets with the focus on implementing a community-led management approach of the three branch libraries.

Review of the community assets is complete with nine assets no longer under Council operational control, although buildings remain Council assets.

Other assets with the department include: Blackburn Museum, Turton Tower, King Georges Hall, Darwen Library Theatre, Witton Park Pavilion Café, and youth provision.

The Play and Pitch Strategy is now complete, with a recommendation to improve the quality of existing grass pitches and increase new junior pitches to meet demand. The strategy identifies that there are sufficient 'all weather pitches' in the borough, however too many sand pitches and not enough 3G pitches.

## **Regeneration Portfolio**

A strategic acquisitions programme has built up opportunities over the years but this needs continuing resource input and funding.

Current preference is to continue to hold onto land and property assets in strategic locations in order to support and facilitate the future regeneration and employment growth agenda, although there are cost implications of holding property assets in this way. They tend to be assets ripe for development and therefore usually not readily let so holding costs such as insurance, empty rates and security often follow.

Key regeneration projects include the Blackburn Markets site redevelopment; Cathedral Quarter; Pennine Reach/New Bus Station.

## **Accommodation Strategy**

In October 2013 the Council successfully relocated 450 staff to the refurbished number 10 Duke Street in the town centre, that allowed the Council to vacate 3 leased properties. This strategy has allowed the Council to make ongoing revenue savings from rental payments ceasing.

The staff office accommodation strategy aims to deliver the following objectives:-

- Consolidation of office based staff in Blackburn and Darwen Town Centres wherever practicable
- To maximise space utilisation and work towards a best practice space standard of 6 square metres per person per full time equivalent, where the physical nature of the accommodation permits
- This target space standard will be reviewed against changes in future working patterns which enables more flexible, mobile and remote office working arrangements and how information technology supports this
- Reviewing existing office furniture and replacing with modern office furniture where there is an agreed business case and occupancy levels can be improved
- Further implementation of open plan working and reviewing how more traditionally constructed buildings can be modified to improve space utilisation
- Implementing fit for purpose office accommodation that contributes to the Council's carbon reduction targets.



- Ongoing review of space occupancy to ensure buildings/rooms are used to their full potential.

### **Shared Services with Strategic Partners**

Notably, this has been happening in small measures with the local NHS (CCG) where there is co-location taking place on some office sites.

In line with the government's "One Public Estate" initiative, the Council needs to have in place a more strategic and coherent plan for delivery.

### **4.2. Gap Analysis**

Examination of the key drivers and priorities have explored potential gaps between the current asset portfolio base and what is needed in the future to maintain high quality service delivery. Areas to be addressed are:

**Education facilities** – The provision of fit for purpose and high quality schools in the Borough will continue to be comprehensively addressed. The BSF programme met the requirements for high schools. This will help address the risk of the condition of high schools falling below standard and consequently affecting teaching services. Primary Schools were partially addressed by the Primary Capital initiative; further investment via the Basic Need Funding and the annual capital programme will assist in maintaining the quality of the assets.

Education and Children's Services function has historically benefitted from significant external funding. This enabled investment in new assets, extensions and improvements, subsequent reductions in revenue funding have resulted in a number of Children's Services assets becoming surplus, while there is a need to add capacity in the education sector.

**Adult Social Care** – The delivery of this service for older people and adults with disabilities is increasingly provided through commissioning and partnerships including Residential Homes and Day Centres. The portfolio has reduced over the years through greater efficiencies, disposal of unsuitable assets, greater use of home adaptations and continuation of the reablement agenda.

Further commissioned development modern residential homes, intermediate and extra care housing will be required to meet demographic pressures and priorities to sustain independent living for older people.

Some of the Day Centres are no longer fit for purpose as standards improve and will still require significant refurbishment or relocation and disposal. At the same time, there is further scope to develop and improve services in the areas of mobility, dementia services and respite care, and suitable assets will need to be retained and improved to accommodate these growth areas.

### **Culture Leisure, Sport & Young People Facilities**

2015-18 will see a review of all assets as part of budget efficiencies with particular emphasis on major assets such as Shadsworth and Daisyfield Pools. Although increasing the number of assets is unlikely in the future.

There is generally still a high maintenance backlog because of the age and poor condition of much of the stock.

New facilities added to the portfolio since 2014:

- Witton Park Arena
- Change of use for BRSA at Darwen Vale – to Junction 4 Skatepark
- Blackburn Sports & Leisure Centre (Opens March 2015)

There are currently sufficient statutory allotments but garden areas have a waiting list with majority waiting for plots in Darwen.

**Joint Service delivery** – current stock inadequate in some areas to support development of this.

**Maintenance backlog** – whilst a lot of improvement has been achieved following the centralisation of corporate planned maintenance and establishment of a dedicated resource, current levels are still below what is acceptable and further investment in major assets to be retained for the long term is required.

### **4.3. Approach to Closing/Eradicating the Gap**

**Operational Property Service Review Process** – A refresh of the Corporate Asset Review Programme will be undertaken and reported to Members. This will run

alongside service transformation and cost saving initiatives arising from budget pressures. The aim is to review all operational property assets as opposed to a “wish list”. A more detailed performance measurement process will be introduced to assist scoring and decision making.

**Property Review Programme (PRP)** – There will continue to be a challenge of the rationale for owning property assets. The aim will be to reduce the number of assets held by identifying surplus and under used assets and disposing of them. The PRP will identify opportunities for release of assets for disposal either now or in the future when market conditions improve. The PRP will also explore measures for performance improvement of retained assets through, for example, change of use or development, as well as measures for improved income generation.

**Realisation of Capital Receipts Programme** – This naturally follows the Property Review Programme where disposal options are recommended and approved. The programme is well established as a medium term capital receipts forecast which informs its contribution to the Capital Programme. Monitoring and reporting of capital receipts forecasts will continue to be developed and improved and realistic targets set reflecting the state of the portfolio and market conditions.

**External Funding** – We will continue to put appropriate resources into identifying and securing external funding, albeit declining, for property projects and more creative ways of resourcing new provision exploring, for example:-

- Joint Ventures
- Pension funds (Eg Greater Manchester Pension Venture Fund)
- BPRA (Business Premises Renovation Allowance) ?
- Development Company Approach ?
- Heritage and grant funding eg ERDF

**Growth** - We will continue to identify land and property assets that can be used as a driver/enabler of regeneration or development projects. Our emphasis will be on key strategic town centre/gateway sites, potential employment land and housing sites. We will take a flexible and creative approach to drive change and ensure delivery of new buildings and areas for a variety of uses. Assets do not have to be looked at in isolation but as part of the Council’s wider aspirations and corporate objectives. Highways, infrastructure and opportunistic acquisitions will all be considered if they will enable delivery.

**Employment Strategy** - Employment sites in the Borough vary in quality and in the roles they play. Existing employment sites need investment to enable them to adapt to the changing needs of new business.

In 2012 the Council commissioned consultants Jones Lang LaSalle to review the site allocations and development management policies of the Council in the context of the emerging Local Plan Part 2. In terms of employment land it identified Whitebirk Strategic site which is outside the borough as one of the best employment sites available to serve the needs of the borough.

The report identified a healthy demand for small and medium sized businesses however, the supply was not being met due in part to high cost of remediation of sites, banks being unwilling to lend to developers without pre-lets being in place and lack of available land.

There is an expected requirement of at least 66 hectares of employment land between 2011 and 2026, which needs to be brought forward for development (Use Classes B1, B2 and B8). Of this approximately 28 ha are under the Council's ownership with sites becoming available through land acquisition and infrastructure improvements. A large number of these sites are brownfield and prove to be challenging to bring to the market in view of associated costs of development, many requiring significant investment in transport links and infrastructure before they can be classed as readily available for business development. This may not be cost-effective for some of the poorer quality sites so it is unlikely without gap funding these will be improved and redeveloped.

The Council holds several large parcels of land which it intends to bring to the market once access and infrastructure issues have been resolved and is currently working on those issues. For example, in terms of meeting the gap, the report noted that the Council were already looking to promote sites around the new Freckleton St link road close to the centre of Blackburn on the town's inner orbital route and whilst there was a Masterplan in place this needed simplifying to factor in changes in the market. In addition to this area further land will be made available along the line of the new Pennine Reach funded road at Furthergate, which links that area directly to Junction 6 of the M65 (close to the Whitebirk Strategic Site). The majority of employment land in these areas is constrained currently due to the road building programme and is not necessarily ready for occupation.

Where the Council and developers have been tied into development agreements linked to land values at the height of the last economic property boom and these have resulted in stagnated development of the site, the agreements have been terminated in order to bring land back to the market at current day values.

The Council will need to look for ways of: -

- stimulating development including considering alternative ways of structuring disposals and the financing of schemes in particular where marginal returns are expected.
- maximising the availability of this land by ensuring the gaps identified in the employment land review are acknowledged and filled to ensure the targets for employment land are met.

The goals for the Council and its partners are:

- to facilitate the development of high quality strategic employment sites at Whitebirk Strategic Site, complete the final phase of Whitebirk Industrial Estate and the sale of the final plot at Shadsworth Business Park.
- that these sites will provide the great majority of employment opportunities in the Borough over the next few years;
- to re-engineer sites to maximise their attractiveness as business locations;
- to encourage the development of sustainable alternative uses for vacant brown field sites and derelict properties;
- to provide a greater level of co-ordination, business support and networking on employment sites;
- to support environmental improvements by businesses and encourage the adoption of environmental good practice including the development of sustainable travel planning; and
- to manage BwDBC property assets to support wider regeneration.

A new Development Sites Board is to be developed with particular focus on the efficient co-ordination of employment support programmes and regeneration of employment sites.

**Partnership Working** - Deliver services wherever possible from assets that are shared by services and with our partners. A combination of horizon scanning, the accommodation strategy, use of the property dashboard, Corporate Landlord

approach and more pro-active engagement with all partners will be used to ensure aspirations for a true One Public Estate approach are pursued.

**Housing Strategy** – Housing growth is recognised as being a key priority for the Council and delivery will be through a number of existing and new approaches:-

- Housing Growth Board
- Housing Growth Delivery Meetings
- Housing Tool Kit
- Housing Zone application
- Development Board
- Project Team approach to priority sites

As with other key strategic sites opportunities to use infrastructure, external funding and land swaps to encourage development will be actively investigated. A more challenging and scientific approach is required particularly when considering developer's viability assessments. This will allow a detailed negotiation and ensure an objective assessment and recommendation can be made where the Council is being asked to consider a reduced capital receipt, but where the objective of housing delivery is still a possible positive outcome. Whilst the focus will be on those sites where the Council can most directly influence delivery i.e. Council owned, there is also a clear need to be proactive in engaging with the owners of private sites to encourage delivery and be creative in providing potential enabling solutions egg infrastructure improvements.

**Implementation of true Corporate Landlord approach to asset management -**

The corporate landlord role involves a corporate overview of the acquisition, management, maintenance, improvement, review and rationalisation of property assets. The concept involves holding all property in a single central support service which becomes a notional landlord. Occupying departments no longer "own" their assets and become notional tenants. The role of the corporate landlord is to provide occupying services with the right accommodation for their needs in the right location. Property decisions are taken away from service providers and handled by professionals with the skills and abilities to drive out efficiencies and cost savings from assets but in consultation with service providers to ensure key services are not compromised. This concept which is now the preferred model in a number of local authorities is not fully implemented in the Council and will be developed to assist and accelerate the overall process of any gap eradication.

**Getting the best from the Investment Property Portfolio** - The model Strategy Review and Action Plan (attached as appendix 3) will be used as a basis for further development of a policy for the Council on this area of work.

As there are signs of improvement in the market and strong demand for accommodation types and sizes which cannot be satisfied by the existing portfolio it is an appropriate time to review the strategy and direction.

There needs to be an assessment of fitness for purpose of the existing properties and the capacity of the portfolio to be maintained and reshaped to satisfy current and future requirements whilst maintaining a reliable revenue stream. A radical approach may be required if the portfolio is not to risk increasing obsolescence.

This strategy will of course need to be considered in tandem with other corporate property objectives including regeneration schemes

**Community Asset Transfers** – The Community Centres transfer programme was successfully completed in 2013/14. The concept is now being extended into other areas community playing fields. Further development of asset transfer initiatives across all portfolios will take place.

**Planned Maintenance Programme** - The key requirements and aims of the Planned Maintenance Programme will continue to comprise:

- Ensuring that maintenance solutions will be cost effective in whole-life terms, and reflect the Council's sustainability policies.
- Achieving a 30% reactive and 70% planned split in revenue expenditure.
- A reduction in backlog maintenance.
- Undertaking planned preventative maintenance where performance or service could be seriously affected if repair work is not carried out.
- Reducing the running costs of facilities.
- Compliance with Statutory Legislation.

**Management of Increased Statutory Regulations** - Additional pressures for statutory compliance have been introduced over the last few years around asbestos, legionella, DDA and Fire Risk Assessments. The Council will need to maintain investment in its property assets to minimise risks.

**Energy and Carbon Management** – The objectives of the Council's energy policy and carbon management programme are to reduce energy consumption and use energy as economically as possible to save money and reduce carbon emissions. The Corporate Plan emissions reduction target is 10% year on year.

There are no longer any dedicated resources for energy efficiency or carbon reduction measures.



## 5. Asset Goals and Objectives and Vision for Asset Base

### 5.1. Asset Goals and Objectives

The Council's vision for its asset base is set out in Section 2.1. The priority goals and objectives over the next few years, subject to funding, together with performance measures and targets are set out in APPENDIX 1a.

### 5.2. The Overall Approach to the Use of Assets

- Develop a more robust and transparent **Corporate Landlord** preferred model approach to the management of assets and strengthen the central control of funding and budgets.
- Continuously review the suitability and sufficiency of assets and explore alternative means of accommodating key services including shared occupation.
- Ensure the asset base remains flexible in terms of the type, location, tenure etc., in order to quickly respond to service changes in the next 2-5 years.
- Utilise land and property assets as a key facilitator of Regeneration programmes and projects and as a driver for transformational change in service delivery and culture.
- Maintain and develop centralisation of planned maintenance to ensure efficiencies in the procurement and maintenance of buildings; improved compliance with statutory requirements; improved financial planning; Capital Investment targeted to approved Service Departmental priorities; and managing assets in a more sustainable way.

### 5.3. Key Themes

- Rationalisation of property assets and cost savings combined with a Structured Property Review Programme.
- Asset Release Strategy and Asset Transfer/Community Engagement.
- Regeneration and Development including Acquisition Strategy
- Accommodation Strategy to improve efficiency of space utilisation and the working environment; Co-location of Services
- Housing Growth
- Planned Maintenance Programme
- Value for Money
- Compliance with statutory requirements



#### **5.4. How the Asset Base will help Delivery of Objectives**

- Buildings in the right location being accessible to all users
- Assets that are suitable and sufficient e.g. size, functionality, condition etc, for the services being delivered from them.
- Compliant with all relevant legislation to ensure occupier and visitor health and safety (DDA, Fire, Asbestos, Legionella etc.).
- Effectively maintained assets to put and keep them in good and sound condition internally and externally both structural and fabric.
- Better physical accessibility to public buildings, improving customer experience and satisfaction levels.
- Environmentally sound to achieve sustainability and carbon reduction targets.
- Capable of multiple uses by better integration of services and use of technology with minimal need for adaptation.
- Working with key partners to provide a joined-up approach to service delivery including the sharing of buildings and facilities.

## **6. The Approach to Each Category of the Asset Base**

This section builds on the gap analysis and the way the gap will be closed or narrowed – in effect, this charts out the strategy behind the AMP itself. It describes the way in which the organisation will approach and decide upon the future of each part of the asset base by category.

### **6.1 Operational Portfolio**

#### **Education and Children's Services**

The continued provision of high quality schools in the Borough is a corporate priority and the principal aim will be to continue to seek additional funding to support the Capital Investment Strategies.

All assets need to be maintained and whilst future budget cuts are inevitable in the next few years, good planned maintenance must not be compromised.

There is scope for improvements to the training of building managers and occupiers particularly to enhance awareness of building management issues including health and safety.

#### **Adult Social Care**

A framework has been established to procure new modern residential home provision and extra care housing. The first mini-competition drawn from the framework has been run for the Greenways site and a provider selected to develop a new residential home. The Fenniscliffe Bank site is being retained by the Portfolio and a mini-competition will be run as and when planning issues are resolved as part of the new Local Plan. Beyond programmed developments including Greenways further sites will be required for new residential places and extra care housing. However the scale of this further requirement will depend on availability of Fenniscliffe Bank and viability of a proposed extra care development at Albion Mill.

It is anticipated that day services delivered from Day Centres will continue to shrink. This arises from improved technological developments such as "Telecare", and further investment in aids and adaptations to sustain people at home. As a result of this, a number of the current Day Centres have already been identified for release where they are no longer fit for purpose. However, those to be retained will benefit from further investment particularly where there is currently an under provision of personal care facilities. An extensive asset management capital programme has been completed for the two remaining Council day centres at Hopwood Court and Stansfeld Centre, providing modern facilities adaptable to the changing needs and

aspirations of the public. There is clear scope to extend the range and quality of services from these facilities and a number of emerging partnerships are being developed.

Shared use of assets is also an area that works well within the care services and a number of the Council's assets are used in this way. This helps to ensure that occupation levels of assets are maximised and the overall running costs across the whole portfolio are minimised. Proposals will be developed to further push forward this agenda both in terms of enabling multi use of the retained Day Centres and relocation of services into other assets such as Community Centres.

### **Culture Leisure, Sport & Young People Department**

The health and well being of the community remains high priority and key services will continue to be provided with emphasis on town centre locations.

For retained properties, the greater use of effective business planning will play a pivotal role in reducing costs and maximising income generation opportunities. In view of the typically high consumption levels in many leisure premises, energy costs will continue to be high profile and effective energy management will continue to be a priority.

The department will be working closely with voluntary organisations and local community groups to attract external funding to manage and improve current assets. To increase outdoor pitches, external funding is being sought to fulfil demand in the borough.

### **6.2 Office Accommodation Portfolio**

Further consideration will be given to implementing a more formal Corporate Landlord approach to asset management but in particular to the Accommodation Strategy, to ensure, inter alia, that departments are fully aware of the true costs of occupying valuable office space.

### **6.3 Investment Portfolio**

- Continue to implement the Property Review Programme to build on work carried out on the Industrial Estates Portfolio and develop a better understanding of the financial implications of releasing tenanted estate and options for re-investment.

- Preparation and implementation of a new strategy in line with the strategies and guidance developed by ACES/RICS.
- Review of funding for repair and maintenance of buildings.

#### **6.4 Non-Tenanted/Vacant Land**

- Simplify dealing with maintenance issues particularly through central pooling of budgets.
- Review of funding for maintenance of land
- Capital Receipts/Asset Release Programme.

#### **6.5 Growth Agenda**

Key Major Projects will continue as high priority to further improve the economy of the Borough and reduce deprivation. However, this will be influenced largely by the level of internal and external capital funding. We are also exploring new ways of working with the private sector to release alternative forms of investment funding. Key major projects include:

- Blackburn Town Centre:
  - Blackburn former Market Redevelopment site
  - Waves redevelopment site and Northgate THI
  - Simmons Street/Duke St redevelopment site
  - Tontine Street
- Strategic Sites:
  - Freckleton St Development Area
  - Furthergate Link Road
  - Whitebirk Strip
  - Ewood
  - Shadsworth Industrial Park
  - Pennine Reach
- Major Housing Sites:
  - Roe Lee
  - Griffin
  - Whinney Heights
  - Blackamoor Road
  - Moorland High School

## **7. Resources Implications of the AMP**

### **7.1. Capital implications**

Where it aligns with corporate asset objectives, capital provision has been made in the Council's 3 year Capital Programme for approved programmes and projects (subject to detailed business cases) to deliver asset change identified in the Capital Programme and AMP.

### **7.2. Recurring (resource/revenue/current) expenditure implications**

Revenue funding necessary to enable delivery of asset management plan objectives is identified in directorate business plans and provided through the Medium Term Financial Strategy.

### **7.3. ICT implications**

The purpose of both the Asset Management Plan and the ITC Strategy is to support the Council's corporate objectives and priorities and there are strong corporate links between the two.

### **7.4. Broad investment and divestment strategy for assets**

The Council carries out reviews on an asset category basis and individual reviews carried out inform policy decisions on how services wish to base staff for service delivery. Progressing investments and disposals will be based on robust business cases assessed through the Council's agreed Property Review Programme.

### **7.5. The overall approach to sourcing and procurement**

The Council adopts the commissioning of projects by the most suitable method using partnership support from Capita, individual Consultants, regional and national frameworks of consultants and public sector organisations (RICS, OGC). It has actively pursued the adoption of framework arrangements for larger construction projects by the appointment of key contractors for example in the BSF Programme. Use of these will ensure that best practice is adopted in design and construction, considering issues of sustainability, energy efficiency and innovative design to provide suitable and flexible designs for future use.

## **8. Performance Management for Assets**

### **8.1. Performance measures to be used**

- More effective procurement
- Cost Savings
- Improved Income Return
- Reduced office floorspace
- Reduced responsive maintenance
- Reduced carbon emissions
- Customer satisfaction

### **8.2. The performance management system**

The Council is a member of the Investment Property Forum Asset Management Planning Forum and the Association of Chief Estates Surveyors Benchmarking Club which assist in the production and comparison of national and local indicators. It is proposed that the Council continues its membership of such organisations and collects relevant property information to enable continued best value comparison, particularly with similar local authorities in the North West. This club will also be tasked with developing better measurement and assessment techniques and there will be a review of local indicators to ensure more meaningful comparisons are developed.

## 9. Organisational Arrangements for Asset Management

### **Governance, Responsibilities and Decision Making**

Delivery of the Council's asset management process fully embodies good practice principles:

- Link between corporate and property objectives/priorities.
- Clear asset related performance measures
- Full involvement of all key service areas.
- Working towards One Public Estate, and collaboration and sharing good practice with public sector partners
- Clear distinction between strategic and operational decision making.
- Clear reporting lines to the corporate centre.
- Integration of capital strategy and Asset Management plan.

The governance structure to facilitate good asset management is identified on the attached document (Appendix 4) entitled "Asset Management Governance":

**The Executive Board:** This is the executive decision making body responsible for key decisions made by the Authority. This includes any delegated decisions taken by officers following considerations by the AMG.

**Asset Management Group:** The Council's Asset Management Group acts as a strategic steering group to ensure the Council reviews all of its land and property holdings, and supports the aims and objectives set down in its Terms of Reference. The group is chaired by the Head of Property & Development reporting to the Director of Regeneration. The AMG's detailed Terms of Reference are described in Appendix 5.

### **Property and Construction SOG**

The group reviews the current Capita workplans for both Property Management & Building Services, which provides the opportunity for work volumes to be adjusted to reflect current operational priorities. The group also discusses routine service delivery matters, resourcing, performance management, KPI's, Health & Safety/ statutory compliance matters, service improvement and partnership working.

### **Development Growth Board**

In line with the Council's Corporate Objectives and emerging growth agenda, a Development Growth Board has been developed to run alongside and support the Asset Management Plan.

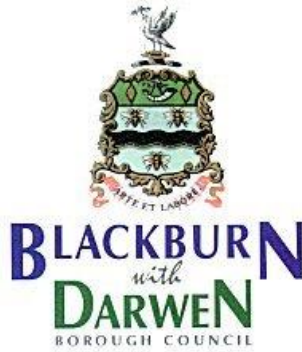
This has been set up to promote major regeneration and property development projects throughout the Borough with a view to contributing to economic growth, employment generation and enhanced income from business rates, Council Tax etc. The Board comprises elected Members, Chief Officers from the Council and Capita Directors. The Board receives reports from an Officer led Pre-Development Board, which gives direction to three themed development groups on development priorities and implementation of projects:

- Industry and Gateways task group
- Housing Growth task group, and
- Town Centres development group

## **10. Strategic Action and Milestones**

The main actions that will be taken over the next few years to deliver the AMP are described in the Action Plan attached as appendix 2. Some of these will further develop the strategy behind the AMP, some will implement asset change and some will implement organisational change.





<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE AND CUSTOMER SERVICES</b>
<b>TO:</b>	<b>FINANCE COUNCIL</b>
<b>DATE:</b>	<b>25<sup>th</sup> FEBRUARY 2019</b>

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**SUBJECT: The Robustness of the 2019/20 Budget and the Recommended Level of Reserves**

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## **1. PURPOSE OF THE REPORT**

Section 25 of the Local Government Act 2003 places a statutory requirement on the Council's Chief Financial Officer to report on:

- a) the robustness of the estimates within the overall budget, and
- b) the adequacy of the proposed level of financial reserves

In setting the Budget for 2019/20, Council is required to have regard to this report when making its budget decisions.

## **2. RECOMMENDATIONS**

An overall assessment of the current budget and the assumptions on which this is based, as well as future budget proposals, savings plans and activity forecasts, has identified that whilst there are risks, the overall budget provisions are considered sufficient to meet the Council's legal responsibilities and obligations.

A review of risks, mitigations and contingencies has also been undertaken alongside the review of reserves and provisions.

Finance Council is recommended to consider the assessment by the Director of Finance and Customer Services of;

- the robustness of the Revenue Budget and Capital Programme for 2019/20 (as outlined in the report of the Executive Member for Resources) and
- the adequacy and recommended level of proposed financial reserves (detailed in **Section 5.2** below).

## **3. RATIONALE**

The information provided below is to assist Members in their review of the overall Revenue Budget and Capital Programme and to provide assurance to them that financial advice has been provided throughout the budget setting process.

## 4. POLICY IMPLICATIONS

The Budget Strategy reflects the corporate priorities of the Council and policy requirements at both a corporate and departmental level.

## 5. FINANCIAL IMPLICATIONS

### 5.1 Robustness of the 2019/20 Budget

#### 5.1.1. Budget Strategy

The Council's overall framework for its medium term budget is contained within the Medium Term Financial Strategy (MTFS).

Development of the strategy has been somewhat frustrated as little movement has been made by the Government over the course of the current financial year to progress their stated intention to significantly change the way Councils are funded from 2020 onwards. They had announced in 2017/18 that consultations would be undertaken to progress the changes, however given the pressures they have faced in the Brexit negotiations, these have been slow to advance and indeed the consultations on the Fair Funding Review and on a future Business Rates Retention mechanism were only issued in mid-December 2018, with the Green Paper and consultation on Adult Social Care yet to be issued.

As such, whilst the MTFS would normally extend to cover the 3 year period beyond the end of the budget year, i.e. to 2022/23, as for the strategies presented in both 2017 and 2018, this MTFS has been limited to 2 rather than 3 additional years, i.e. to 2021/22, until more clarity is provided on the changes to the funding framework and mechanisms to be introduced by central Government.

Given the uncertainty and the number of factors in play, in developing the MTFS for these additional years we have therefore modelled various scenarios based on various assumptions of projected income and expenditure streams and these are detailed in the ***Revenue Budget 2019/20, Medium Term Financial Strategy and Capital Programme for 2019-22 report*** at **Appendix D**.

However the strategy presented does reflect Council-wide involvement, as it is based on an integrated approach to the preparation of capital and revenue plans and the associated strategies managing of risk and internal control. Together this ensures effective financial management and governance.

#### 5.1.2 Budget and Tax Setting Process

The annual budget preparation and tax setting process involves the development of robust medium term revenue forecasts and capital plans. In any financial year, the level of Government funding, additional cost pressures (including inflation, service specific pressures and areas of investment and growth), together with an increasing demand for services, necessitates a re-appraisal of service delivery and identification of efficiency savings to address any funding shortfall in order to deliver a balanced budget. The Budget Strategy and proposals submitted have been formulated to reflect these issues.

Throughout the formulation of the Budget Strategy, Portfolio Executive Members have been advised by the Chief Executive, the Deputy Chief Executive and Directors in

relation to the operational requirements around policy and legislative initiatives. Likewise, the Director of Finance and Customer Services and senior finance representatives have advised on financial impact, and provided comprehensive input to demonstrate financial viability throughout the process. In doing so, and to ensure the robustness of the budget and the budget setting process, we have been mindful of;

- Availability of reliable information;
  - we have sought to ensure that the budget is based on the most up-to-date and realistic assumptions (for example Government and Bank of England forecasts for pay and price increases and interest rate movements)
  - we have incorporated information provided by Government on funding, as detailed within the recent Local Government Finance Settlement, which reflects the last year of the 4 year settlement, which has covered the period 2016/17 to 2019/20 and which the Council accepted back in October 2016
  - working with colleagues across Lancashire, we have reviewed both the current and projected levels of income associated with Business Rates to determine the estimated financial impact of the new Lancashire 75% Business Rates Retention Pool pilot on the authority for the year
  - we have utilised demographic and trend data to project future levels of demand, given that demand in respect of adult social care and children's services are the biggest cost pressures and present the greatest financial risk to the Council at present
  - we have realigned waste budgets to reflect estimated tonnages and known price increases in 2019/20. The kerbside recycling contract is due for renewal in 2019/20 which now carries additional risk as the sell on price of recycling has fallen dramatically in recent years. Contractors are therefore seeking to pass on a proportion of this cost to councils.
- Council's guidance and strategy;
  - the Council's Constitution which contains a clear Budget and Policy framework
  - the Council's Budget Strategy and approach to budget setting which is clearly defined and communicated
  - consultation with residents, partners and businesses within the Borough and targeted engagement with service users such as the;
    - Residents Survey – November 2018
    - Council Tax Support Scheme Consultation – September 2018
    - Budget Setting 2019/20 – invitation to comment – February 2019
    - Residential Disabled Parking Bay consultation – January 2019
    - National Highways and Transport survey – June 2018
    - Disabled Now Card changes consultation – July 2018
- Corporate approach and integration;
  - service departments have identified budget pressures and risks at an early stage in the process and have clearly demonstrated realistic service plans linked to the budget resource available. These have been developed throughout the course of 2018/19 with regular monitoring and progress reporting by Officers at Executive Team and Management Board, and at Policy Development Sessions (PDS) with Portfolio Executive Members
  - the system of controllable budgets for each Portfolio provides a transparent and accountable arrangement to budget setting; consideration is given to both service specific and corporate cost pressures when determining the allocated

cash limit and each Portfolio is required to formulate a strategy to deliver savings and ensure a balanced budget

- the Council continues to closely monitor and instigate early action to meet both its immediate and medium term financial challenges. This approach has been effective in providing a level of resilience to address the Government's funding reductions over the period to 2019/20 and has encompassed savings relating to;
  - the 3 year savings programme of £26.0m approved by Council Forum in September 2014,
  - the £3.6m in-year budget savings programme of 2016/17,
  - the £15.0m savings programme developed during 2016/17 for implementation by the end of 2017/18
  - a savings programme of £8.0m developed during 2018/19 to close the budget gap of £4.9m for 2019/20 as identified at the Finance Council in 2018, and to address both the cost pressures and further reductions in income that have emerged over the course of the year
- Flexibility;
  - mechanisms to review options for service delivery are linked into the budget process
  - flexibility to free up resources to deliver service improvement and to deliver the Council's priorities
  - flexibility in budget management as included within the Council's Constitution

### **5.1.3 Capital Programme**

Affordability of capital expenditure plans is important in determining the overall robustness of the budget and adequacy of reserves to deal with potential variations.

The proposed Capital Programme for 2019 to 2022 of £47.1m is included within the report from the Executive Member for Resources. This predominantly comprises of existing commitments including investment in:

- our local transport plan, including both our successful Growth Deal 3 bid to open up the Pennine gateways around the borough and our Fabric Borders scheme, all of which will facilitate housing and business growth
- aids and adaptations through provision of disabled facilities grants
- regeneration of the borough, including our scheme at Blakey Moor to enhance the town centre in Blackburn and support the improvement of leisure facilities and a night time economy, incorporating a cinema complex development
- facilitating housing and business growth
- support of income generation and commercialisation opportunities
- support of continued investment in IT services to underpin our 'digital first' approach to delivering efficiencies and in turn, cash savings
- support of our accommodation review which again will drive efficiencies and savings through rationalisation and a more cost effective use of space

Before projects are allocated funding however, they are subjected to a rigorous business case approval process and detailed Member reports are produced in line with financial procedures as required.

These schemes will require strong project management and effective monitoring to ensure they are achieved on time and within budget. Failure to deliver against budget

on such large schemes could lead to potential overspends which could impact on the overall future capital programme, as additional costs could put pressure on the funding available for delivery of other schemes within the programme. To mitigate this risk, sound systems of internal control are in place with project boards established to provide the necessary governance structure, ensuring appropriate and timely reporting mechanisms.

#### **5.1.4 In year financial Monitoring Process**

The Council continuously seeks to strengthen its financial processes and controls. This approach, combined with existing effective arrangements, will provide a strong foundation enabling Members and Officers to continue to deliver the demanding targets and plans set within the Budget Strategy and the challenges identified for future years. In any budget however there are likely to be risks. In year financial monitoring processes are in place to mitigate these;

- overall budget monitoring takes place throughout the year at both Portfolio and Executive Board level to identify potential areas of pressure and to develop and implement corrective action. This in itself provides a strong control environment and is commensurate with sound corporate governance. Progress against efficiency targets is also monitored and reported to Executive Members.
- the Chief Executive and Deputy Chief Executive meet at least once a month with the Director of Finance and Customer Services and senior finance staff, to review both the Councils' overall financial position and the progress made in delivering the savings programme, as well as considering the impact of emerging changes in the local government financial landscape
- the Policy & Corporate Resources Overview & Scrutiny Committee meets regularly with the Executive Member for Resources, and with the Director of Finance and Customer Services, the Director of HR, Legal and Governance and the Director of Digital and Business Change, to review the Council's budget position and progress made against the agreed savings programme.
- other specific Boards and Groups such as the Growth Board, the Digital Board, the Workforce Review Board, the Strategic Commissioning Board and the Accommodation Board, who each meet regularly to oversee the sphere of activities within their specific remit.
- the financial model that underpins the MTFS is subject to continuous review throughout the year to enhance forward planning, policy prioritisation, resource allocation and assess opportunities to invest in achieving future efficiency savings. The assumptions, variables and information within the model are regularly updated to ascertain the impact of known changes (e.g. legislative changes such as the National Living Wage), potential changes (such as adjustments to government funding and precept levels), and also for the refinement of variables (such as inflation, interest rates and employers pension rates) in light of emerging information.
- the Council adopts a risk based approach to financial management which provides added value to the governance process and identifies risks associated with both the revenue and capital programme. The provision of sufficient levels of Unallocated Reserves, and for specific contingencies within the budget, mitigates against the financial risks from unforeseen financial issues so that these can be addressed in a

responsive and controlled manner. As part of its approach to risk management the Council also makes provision for Earmarked Reserves, i.e. funding reserved to address specific future needs.

### **5.1.5 Risk**

Ultimately the robustness of the budget is dependent on the strength of the arrangements in place to deliver the component parts and to manage the associated risks of these.

It must be recognised that given the significant reduction in resources over the past 9 years of austerity, and the resulting reconfiguration of the organisation and its services, the Council faces significant risks which impact upon the financial estimates included in this budget.

These risks include:

- potential increase in demand for services from residents, particularly social care services for the most vulnerable, which have been exacerbated by reductions in public sector expenditure in other areas such as the NHS and as a result of Welfare Reform, particularly the rollout of Universal Credit which commenced in the borough in February 2018
- the reaction by residents to changes to services
- the ability to raise and collect revenue from taxes, fees and charges
- changes in statutory and legislative requirements, including employment law
- changes by government in funding
- contractual obligations
- the challenging timescales in which to deliver the reductions required
- potential loss of skilled and experienced staff
- the development of free schools and academies and further education reforms

Whilst the 4 year settlement, effective from 2016/17, has provided some stability to assist in financial planning through to 2019/20, for 2020/21 and beyond, the uncertainty persists with regards to Government's plans for;

- the development and implementation of a Business Rates Retention Scheme,
- the development and implementation of a new Fair Funding formula,
- the future of Government grant funding including Public Health Grant and Improved Better Care Fund,
- plans for integration of the NHS and adult social care and
- the impact of Brexit,

All of the above present significant risk upon which it is impossible to model a longer term strategy without any degree of confidence in the underlying assumptions.

However, the approaches outlined in this paper in relation to risk management, scrutiny, continuous monitoring of both the current and forecast financial position, as well as regular modelling through the MTFS of the financial impact of changes in the external environment, should mitigate these risks; by identifying the risks and providing an assessment of exposure, magnitude and potential financial impact, plans can be developed and implemented to address them. Therefore this Budget Strategy, whilst

undoubtedly challenging, is achievable with strong project and risk management and with effective financial control.

## **5.2 Adequacy of Proposed Financial Reserves**

Reserves are an essential part of good financial management; they help the Council to cope with unpredictable financial pressures, help to smooth the impact of known spending requirements over time and help to fund any in-year overspends. As funding levels have continued to reduce, the Council has had to utilise reserves to cover any shortfalls in year to bridge the gap whilst cost and service reductions are fully implemented to address the imbalance.

There is no set formula for deciding an appropriate, or required, level of reserves and every Council is free to determine the level they hold; holding a low level of reserves offers little resilience to financial shocks and sustained financial challenges, however if reserves are too high, there may be opportunity costs of holding these resulting in a lack of investment in services that could provide better outcomes for residents, and/or increased savings, and/or revenue generation.

As such the level, purpose and planned use of reserves are important factors to consider in developing the MTFS and the annual budget.

### **5.2.1 Unallocated Reserve**

A General or Unallocated Reserve has been established within the budget to provide a contingency to cushion the impact of unexpected events or emergencies and to meet potential, future liabilities.

The calculation to support the 2019/20 budget is detailed at **Appendix A**. This is based on a framework that has been developed to identify areas of risk, an estimate of their financial value and an assessed level of that risk coming to fruition. This process produces a value from which a risk assessed, minimum level of Unallocated Reserves can be determined. The calculation also allows for a further escalation of the current pressures on the Council's finances e.g. pressures in demand for social care, above and beyond those included within the portfolio cash limited budgets, and those included within Earmarked Reserves as detailed below, e.g. the Earmarked Demand Reserve.

The sensitivity and risk analysis undertaken has identified that the minimum level of General Reserves required can remain at the current level of £4.0m as this is considered sufficient, to provide financial resilience in the event of unexpected spending pressures.

### **5.2.2 Earmarked Reserves and Provisions**

Earmarked Reserves are established to meet known or expected future liabilities where it is difficult to be specific about the exact financial amount of liability.

There are several categories of Earmarked reserves that the Council holds;

- sums set aside for specific significant schemes or projects such as the revenue costs of implementation of the digital programme, those associated with the accommodation review and those to support business growth
- reserves to fund the cost of workforce reviews, reorganisation and the part year effect of delivering savings

- reserves specifically retained for service departments for example the Future Demand Reserve in respect of adult social care and children's services
- School balances

The current forecast for Earmarked reserves at 31<sup>st</sup> March 2019 comprises;

£11.602m - total reserves of Council Use

£12.593m – Other reserves (including Schools)

A full breakdown of the Earmarked Reserves is attached at **Appendix B**

A review of the Earmarked Reserves held by the Council has also been undertaken to establish the purpose of the reserves and the likely timescale for their use.

## **6. LEGAL IMPLICATIONS**

This report is a requirement under Section 25 of the Local Government Act 2003.

## **7. RESOURCE IMPLICATIONS**

There are no resource implications as a direct consequence of this report

## **8. EQUALITY IMPLICATIONS**

There are no equality implications as a direct consequence of this report

## **9. CONSULTATIONS**

None applicable to this report

Contact Officer:	Louise Mattinson, Director of Finance and IT,
Date:	25 <sup>th</sup> February 2019
Background Papers:	Budget Papers elsewhere on this agenda



## GENERAL FUND UNALLOCATED RESERVES

General reserves are available to assist as working balances to help cushion the impact of uneven cash flows, and as a contingency against unexpected events or emergencies. They can also serve to provide short term funding in advance of funding allocations. The table below identifies a number of issues that pose risks against the budget. These figures have then been scaled back by a factor of 50% as it is unlikely that all these events would occur, or indeed happen at the same time.

<u>Risk Event</u>	<u>£ 000's</u>
<b>General budget risks</b> <ul style="list-style-type: none"> <li>• Demand pressures – significant parts of the Council's budget, particularly in Adults and Children's Social Care, are 'demand led' and can create significant demands for increased expenditure during the year</li> <li>• Overspend of budgets within service areas</li> <li>• Service specific cost increases e.g. large scale increases in gas and electricity and in waste disposal</li> <li>• Inflationary increases above those forecast which may arise due to the uncertainty of Brexit</li> <li>• Inflation cannot be contained within existing budgets</li> </ul>	3,000
<b>Savings</b> In order to contain cost pressures, portfolios are still in the process of delivering a number of saving proposals where implementation may be delayed or may not be achieved. Whilst the Council holds a Part Year Effect of Savings Reserve to mitigate the financial impact of such occurrence, and monitors and manages achievement of the these through budget management at Director, Executive Member and Executive Board level, non-delivery presents a risk	1,250
<b>Risk of reduced revenues from rents, fees and charges</b> In addressing the reductions in funding, the Council has sought to maximise all available income streams to reduce the budget gap. Given the economic climate and residents and/or businesses may choose not to use council income generating services, along with the risk that as schools convert to Academies they will not require support from the Council, income streams could be at risk.	500
<b>Interest rates</b> Although interest rates have been historically low for several years, the difficulties in the global economy expose the UK to potential, but unexpected, interest rate changes. As such there is a risk that in relation to borrowing, rates are understated and interest receivable estimates are overstated. The council has taken action during 2018/19 to convert £35.0million of short term variable borrowing into longer term borrowing at fixed rates.	100
<b>Emergencies</b> The Council is required to maintain provision to meet the cost of emergencies that cannot be met from budgets or by insurance cover. Significant costs on emergencies are met by Central Government under the "Bellwin" scheme but these are only triggered once the Council's expenditure has exceeded a pre-determined limit (0.1% of the revenue budget). Only 85% of the costs above this limit are then covered.	250

<b><u>Risk Event</u></b>	<b><u>£ 000's</u></b>
<b>Contingent liabilities</b> The Council does not maintain a 'general' contingency within its revenue budget but relies on in-year savings and balances to meet any unexpected demands. Unexpected demands, particularly those that result from a legal decision, a change in government legislation or a determination in government legislation, could present a risk to the Council's finances.	1,500
<b>Welfare Reform and Universal Credit</b> The impact of the changes on the Council's financial position are difficult to predict and therefore as the reforms and changes are rolled out, there is a risk of increase in demand for services from those hardest hit financially. The Council is feeling the financial impact of the Universal Credit reforms, for example through increased demands on services, and this is expected to increase over time in line with the flow of residents moving to UC.	500
<b>Litigation Claims</b> As the Council faces reductions in resources for future provision of services there is an increased risk of litigation, albeit that robust risk assessment procedures and sufficient insurance policies are in place.	400
<b>Risk of Business Rates and Council Tax collection shortfalls</b> The risk of a reduction in collection rates; <ul style="list-style-type: none"> <li>• in Business Rates - due to outstanding and potential future rating appeals and due to the economic climate</li> <li>• in Council Tax – due to the economic climate and the impact of Universal Credit on claimants who may not as readily claim Council Tax Support, as the usual referral route to this, i.e. through Housing Benefit claims, is no longer applicable to this group of individuals</li> </ul>	500
<b>SUBTOTAL</b>	<b>8,000</b>
Adjustment to reflect the unlikely probability that all of these events take place simultaneously (50% likelihood)	- 4,000
<b>Recommended minimum level of Balances</b>	<b>4,000</b>

	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>Projected level of balances at start of each year</b>	6,038	*6,791	* 6,791
Budget proposals – contributions from (-) or to (+) balances	753	*0	*0
<b>Balances estimated at end of each year</b>	6,791	* 6,791	* 6,791

*\* as noted in Appendix D of the Revenue Budget 2019/20, Medium Term Financial Strategy and Capital Programme 2019-2022 Report, the budget gap of £5.719m in 2020/21 and £6.591m in 2021/22 do not reflect the impact the Government's intention to change how local government is funded, and the distribution of this funding, specifically;*

- *Business Rates Retention and the future tariff and top-up system,*
- *the implementation of the Fair Funding Review,*
- *the future funding of adult social care and the potential integration of social care with health*
- *the future changes in the schools funding formula*

- *the uncertainty around the impact of Brexit*

*Nor do they include any resultant savings required to ensure expenditure is commensurate with the funding available to the Council.*

*Until more detail is available on these proposals, and until this can be modelled to ascertain the impact on Blackburn with Darwen Borough Council, income and expenditure streams included in the MTFS are based on the best information available, and on a suite of conservative assumptions; it is assumed that any short term shortfalls will be addressed through the application of both ear-marked reserves and through the unallocated, general reserve, the allocation of which will be determined over the course of 2019/20 and will be reported to Council, although it is recognised that the Council has a low level of reserves upon which to call.*

## APPENDIX B

### EARMARKED RESERVES

The Council has a number of reserves which have been earmarked for specific purposes. These reserves are listed below, together with the purpose of the reserve and the amounts.

Name	Purpose	Balances estimated at 1 April 2019 £ 000's	Planned movements 2019/20 £ 000's	Balances estimated at 31 Mar 2020 £ 000's
<b>Reserves held for discretionary use by the Council</b>				
Specific project/ expenditure reserves	Revenue savings that have been earmarked for specific projects or purposes in future years	6,769	(2,113)	4,656
Highways Winter Maintenance	This reserve has been built up from budget underspends on winter maintenance and supplementary allocations to provide additional maintenance requirements in the event of severe winter weather conditions	24	0	24
Support for Future Redundancy Costs	This reserve is to support future remodelling of services	1,090	0	1,090
Part Year Effect of Future Savings Plans	This reserve is to support the delivery of future budget reductions	1,242	0	1,242
Digital Programme	This reserve is to meet the costs and requirements of the Digital Programme	964	0	964
<b>Reserves held for specified (non-discretionary) purposes</b>				
Maintenance of Wainwright Bridge	This reserve is the result of a contribution from Network Rail as maintenance of the new Wainwright Bridge becomes the responsibility of the Council – the reserve will support the portfolio once ongoing maintenance liabilities start to arise	506	0	506
S106 income (under the 1990 Town and Country Planning Act)	Developers' contributions to be applied to enhance or maintain infrastructure and facilities	111	0	111
Highways Claims	This reserve is required to support anticipated future highway claims in respect of current and previous years	611	0	611
Contingent liabilities – MMI scheme of arrangement	Following the liquidation of Municipal Mutual Insurance (MMI) in 1992, the Council will be liable for a share of claim liabilities in the event of an insolvent run-off, which is increasingly more likely	250	0	250
Arts Acquisition Fund	This fund was established so that new pieces of art can be purchased as and when they become available	15	0	15
Winifred Ferrier Bequest	The money was bequeathed to the Council to enable the purchase and exhibiting of items associated with the life of Kathleen Ferrier	20	0	20
<b>TOTAL RESERVES FOR COUNCIL USE</b>		<b>11,602</b>	<b>(2,113)</b>	<b>9,489</b>
<b>Reserves held in respect of joint arrangements and</b>				

Name	Purpose	Balances estimated at 1 April 2019 £ 000's	Planned movements 2019/20 £ 000's	Balances estimated at 31 Mar 2020 £ 000's
<b>charitable bodies</b>				
Darwen Market Traders	Funds held by the Council on behalf of Darwen Market Traders' Association	2	0	2
Joint Building Control Account	Accumulated surpluses in relation to the Joint Building Control agreement	209	0	209
Turton Tower Charity	Funds held by the Council in its role as trustee for the charity	52	0	52
Local Safeguarding Children's Board Fund	This fund was established from specific contributions to be used to support the LSCB	148	0	148
<b>Reserves held in relation to schools</b>				
Dedicated Schools Grant - surplus	DSG received but not yet deployed to meet eligible expenditure	6,530	0	6,530
LMS Schools balances	Funds held by schools under a scheme of delegation	*5,652	0	*5,652
<b>TOTAL OTHER RESERVES</b>		<b>12,593</b>	<b>0</b>	<b>12,593</b>

\*use of reserves to be determined through the Schools' Forum



**REPORT OF: EXECUTIVE MEMBER RESOURCES,  
ON BEHALF OF THE LABOUR GROUP**

**TO: FINANCE COUNCIL**

**DATE: 25th February 2019**

**PORTFOLIOS AFFECTED: ALL**

**WARDS AFFECTED: ALL**

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**SUBJECT: Revenue Budget 2019/20, Medium Term Financial Strategy and  
Capital Programme 2019-2022**

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## **1. PURPOSE**

To recommend to Finance Council the Budget Strategy and proposals for the Revenue Budget 2019/20, together with the Medium Term Financial Strategy (MTFS) and Capital Programme for 2019-2022.

## **2. RECOMMENDATIONS**

To approve the proposals for the Revenue Budget for the financial year 2019/20 as outlined in this report and specifically;

- 2.1 To approve an increase in Council Tax rates of 2.99% (i.e. a weekly increase of £0.84 for Band D Council Tax payers and of £0.56 for Band A Council Tax payers)
- 2.2 To note the individual portfolio controllable budgets for 2019/20 as set out in **Appendix A**
- 2.3 To note the work that has been undertaken to implement the £8.0m savings programme (as outlined at **Section 6**) to ensure a balanced budget in 2019/20 and to offset any other emerging cost pressures in-year and/or replenish reserves ahead of more significant savings that may be required from 2020/21, once the outcome of the Fair Funding Review and Business Rates Retention Reviews are known.
- 2.4 To note the significant risks and uncertainty that underpin the assumptions contained within the MTFS for the financial year 2020/21, due to the lack of information that is yet to be provided by central Government including;
  - the mechanisms for Business Rates Retention,
  - the outcome of the Fair Funding Review and the resulting redistribution of resource,
  - the Green Paper on Adult Social Care and the future plans for integration of health and adult social care and associated funding and
  - the impact of Brexit

- 2.5 To approve the utilisation of the Earmarked Reserves, as detailed in the *Robustness of the 2019/20 Budget and the Recommended Level of Reserves Report*
- 2.6 To delegate authority for the agreement of hourly rates and contract changes for social care providers for 2019/20, arising from the impact of the increase in the National Living Wage, to the Executive Member for Adult Social Care, in consultation with the Executive Member for Resources.
- 2.7 To approve the proposals for the Capital Programme for the period 2019-2021 as outlined in **Appendix C** and **Section 8** of this report
- 2.8 To approve the draft Medium Term Financial Strategy 2019-2022, as per **Appendix D** of this report
- 2.9 To approve, subject to recommendation **2.1** outlined above, the consequent Council Tax levels detailed in the formal resolution within the report from the Director of Finance & Customer Services
- 2.10 To exercise the flexibility given by central government to increase the premium charge on empty properties as follows;
- for those properties that have been empty for more than 2 years, to increase the premium from 50% to 100% with effect from 1<sup>st</sup> April 2019 (as agreed at Council Forum on 24<sup>th</sup> January 2019),
  - for those which have been vacant for five years or more to 200% with effect from 1<sup>st</sup> April 2020
  - for those which have been vacant for ten years or more to 300% with effect from 1<sup>st</sup> April 2021
- 2.11 To approve the Pay Policy Statement prepared in accordance with the requirements of Section 38 of the Localism Act 2011, including changes to the Executive and Chief Officer posts, to have effect for the year 2019/20 unless replaced or varied by the Council as set out in **Appendix E**.
- 2.12 To approve Denise Park, Chief Executive designate, as Acting Returning Officer for any constituency or part of the constituency coterminous with or contained in the Borough of Blackburn with Darwen, and Returning Officer for the elections of councillors for Blackburn with Darwen Borough Council from 26<sup>th</sup> March 2019. In addition approve Denise Park to act as Electoral Registration Officer for Blackburn with Darwen Borough Council from this date.

### 3. BACKGROUND

In balancing the Council's finances to meet the unprecedented financial challenges posed by the Government's austerity policy since 2010, combined with an ever increasing demand for services, difficult decisions have had to be made;

- some services have been curtailed, and in some instances have had to cease,
- staff have been made redundant and
- contributions to partnership and contract working have had to be scaled back,

Whilst Finance Council approved a balanced budget for 2018/19 and a Medium Term Financial Strategy (MTFS) for the period through to 2020/21 back in February 2018, this was predicated on some very challenging assumptions including;

- delivery of the remaining savings projects in scope and agreed at that date
- development of a further savings programme in order to address the projected budget gap for 2019/20
- a general increase in Council Tax in each year covered by the strategy
- absorption of inflationary, non-pay increases, across all budgets

The MTFS for 2019/20 identified a budget gap of £4.9 million; this was based on the funding contained within the last year of the Government's 4-year settlement, and other financial and demand information available to the Council back in January/February 2018. However as 2018/19 has progressed, further pressures have emerged that were not built into these figures, including further rises in demand in both Adult Social Care and in Children's Services, the latter resulting in significant cost increases for Children's Social Care. Both services have experienced continued increases both in the volume of people using these services and in particular the complexity of service user needs; 2018/19 has also seen increased demand pressures on highways and other cost pressures in relation to waste disposal.

To address these pressures we have used both earmarked and unallocated reserves but, as some of these additional costs are of a recurring nature, they will require further support in 2019/20 and beyond, and will need to be addressed through further savings, re-prioritisation of resources and from additional income. Details of the movement in the Budget Gap for 2019/20 are set out in **Appendix B**.

In accepting the Government's offer of a 4 year funding settlement through to 2019/20, many of the income figures included within the report for 2019/20 are based on the actual funding figures confirmed, however the position for 2020/21 and beyond is much less certain.

The Government has for some time reported its intention to fundamentally change the way in which Councils are funded including;

- a complete review and reset of the funding requirements of each council area through a "Fair Funding" review,
- a move to 75% Business Rates Retention from 2020,
- the withdrawal of Revenue Support Grant (RSG)
- the withdrawal of some other government grants (as yet to be determined) and
- a review of the funding of Adult Social Care.

However given the demands of Brexit, the development of this new approach has been significantly delayed.

As reported to Finance Council last year, our MTFS would normally extend for a period of 3 years beyond the end of the budget year, i.e. in this case, through to 2022/23, however given that the Government has still not shared proposals for their intended approach, nor the mechanisms for calculating any local government finance settlement, the future funding arrangements beyond 2019/20 are impossible to plan for with any certainty. Therefore in preparing this MTFS, we have focused on the year 2019/20 until more clarity is provided over the next 12 months. Whilst we have included figures for 2020/21 and 2021/22 within this report, these are based on scenario modelling for the impact of possible changes to funding streams, together with estimates of the future cost of existing services and the financial impact of emerging cost pressures, all of which are detailed in **Appendix D**. We will therefore update Council on any changes to these assumptions as further information is provided to us during the course of 2019/20.



This paper sets out the Labour Group's proposed Revenue Budget, Capital Programme and associated Council Tax level for 2019/20 together with the MTFS for the period 2019-2022 based on a review of the existing assumptions and data to reflect the most current information available.

#### **4. RATIONALE**

It is a statutory obligation for the Council to set a balanced Revenue Budget for the financial year 2019/20.

The key principles upon which both the Budget and the MTFS are based are:

- to balance the Council's budgets in each year of the MTFS period, ensuring that the Council has a sustainable and robust financial position in future years
- resourcing of services in line with statutory requirements and Council priorities, focusing on customer care and quality services against a backdrop of reducing resources
- planning for and managing change, whether related to need, demand for services, technological advances, legislation, local aspirations or resource allocation
- introducing a digital first approach to services whilst providing assistance and signposting to those who need it
- embedding a culture of value for money and efficiency savings (cashable and non-cashable) in all activities
- devolved budget management to Executive Members (with portfolio) and Directors
- balancing Council Tax increases with funding cuts and budget pressures
- maximising resources whether through grants, creating additional income or partnering opportunities
- ensuring significant risks are identified and mitigated where possible
- ensuring financial reserves reflect levels of business risk
- optimising capital spending freedoms

#### **5. KEY ISSUES – RESOURCES**

##### **5.1 Local Government Finance Settlement.**

The Local Government Finance Settlement sets out the amount of central Government funding that is available to each Council.

The Government's offer of a 4 year settlement in 2016/17 provided some clarity on which to base our MTFS for the period through to 2019/20. Having accepted this settlement, the Council is required to publish an Efficiency Plan based on savings plans and information contained within the Budget and MTFS; subject to approval of the attached 2019/20 Budget and MTFS 2019-2022, in publishing this report and the supporting documents, we are able to meet this obligation.

##### **5.2 Core Spending Power**

The Core Spending Power figure is provided to us by the Government as part of the Finance Settlement; it is a Government calculation and is an estimate of the core revenue funding available for local authority services, including Council Tax and locally retained Business Rates, with estimates of Council Tax income being based on the

Government's assumption that councils will apply the maximum increases available to them for the year ahead;

Core Spending Power	2018/19	2019/20	Change	Who Pays
	£'m	£'m	£'m	
Settlement Funding Assessment (SFA)	60.71	57.16	(3.55)	Govt
Council Tax Requirement	50.35	53.03	2.68	CT Payers
Adult Social Care Support Grant	0.47	0.00	(0.47)	Govt
Improved Better Care Fund	5.90	7.34	1.44	Govt
Adults Winter Pressures Grant	0.76	0.76	0.00	Govt
Social Care Support Grant	0.00	1.31	1.31	Govt
New Homes Bonus	1.23	0.94	(0.29)	Govt
Compensation for under-indexing the business rates multiplier	0.98	1.43	0.45	Govt
<b>Total</b>	<b>120.40</b>	<b>121.97</b>	<b>1.57</b>	

This calculation does not make any allowances for additional costs nor does it reflect inflationary and demand pressures which are expected to be self-funded by the Council. The figure shows that Government support has fallen a further £1.11m whilst £2.68m must be raised from Council Tax Payers to meet their figure of spending power.

### 5.3 Settlement Funding Assessment (SFA)

Every year a Settlement Funding Assessment (SFA) is announced for each authority by the Secretary of State; this represents an assessment of the level of resources required by the authority which will be met from Business Rates and Revenue Support Grant in the year.

As part of the multi-year settlement, figures have been provided for 2019/20.

SFA is defined as the sum of a local authority's;

- Baseline Funding Level (BFL) and
- Revenue Support Grant (RSG)

(see **section 5.3.2** below).

The BFL is split between resources received via:

- an assessment of what the Government believes the Business Rates will be for the borough, and the Council's share of this plus
- a top-up element provided by central Government, as detailed below

However during 2018/19, the Council, along with 13 of the other 14 councils across Lancashire (county, unitaries and districts), submitted a successful bid to become a Lancashire 75% Business Rates Retention (BRR) Pool Pilot for 2019/20; this was one of only 15 bids approved in the country as part of the Provisional Local Government Financial Settlement in December 2018.

As such, the comparison of the increase in the SFA for 2019/20 is significantly different to that of the previous year as it is calculated on a different basis. The detail below provides a comparison and includes figures based on both the actual SFA, as per the 75% BRR, and what it would have been if we had continued with the current 50% BRR model.

	2018/19 £m	2019/20 £m	2019/20 £m	2020/21 £m	2021/22 £m
	50% BRR	Based on 50% BRR	Based on 75% BRR	75% BRR	75% BRR
<b>Settlement Funding assessment (SFA)</b>	<b>60.71</b>	<b>57.16</b>	<b>57.16</b>	<b>*57.16</b>	<b>*57.16</b>
<b>Funded by:</b>					
Revenue Support Grant	17.84	13.31	-	*-	*-
Business Rate Baseline Funding Level (BFL)	42.87	43.85	57.16	*57.16	*57.16
Comprising					
- notional level of Business Rates retained by BwD (the Business Rates Baseline)	19.37	19.96	29.95	*29.95	*29.95
- Top-up funding provided by Government	23.50	23.89	27.21	*27.21	*27.21
<b>Reduction in SFA</b>		<b>(3.55)</b>	<b>(3.55)</b>	<b>*-</b>	<b>*-</b>

*\* Given the Government's intention to move to 75% BRR from 1<sup>st</sup> April 2020, the figures for 2020/21 and 2021/22 have been estimated by the Council based on an assumption that the approach to 75% BRR from that date will follow that of the Lancashire 75% BRR Pool Pilot, and that the SFA will remain at its 2019/20 level.*

### 5.3.1 Revenue Support Grant (RSG)

Revenue Support Grant (RSG) is the main central Government grant given to local authorities and can be used to finance revenue expenditure on any service.

The reduction in the grant to date has been significant, from a figure of £49.6m in 2015/16 down to what would have been £13.3m in 2019/20 had the Council not been part of the successful Lancashire BRR bid.

The condition of the pilot model is that RSG is foregone in favour of retention of an increase in the level of retained business Rates from 50% to 75%.

### 5.3.2 Local share of Business Rates

#### **Background**

Under the current 50% business rates retention system, at an individual authority level, the amount of business rates income retained is determined by the relationship between its Baseline Funding Level (BFL) and Business Rates Baseline (BRB) where;

- the BFL is the level of business rates income that the government determines that the authority needs to meet its 'Relative Need' (as determined following the national Relative Needs Assessment' exercise undertaken in 2011) and dependant on the total resources available within the national Local Government Finance Settlement and
- the Business Rates Baseline is the amount of business rates income an authority is predicted to raise.

Where a local authority's Business Rates Baseline is greater than its Baseline Funding Level, then the authority pays the difference as a 'tariff' which is then redistributed to those authorities where their Business Rates Baseline is less than their Baseline Funding Level, as in the case of Blackburn with Darwen; this is known as 'top-up'.

50% of the growth in an authority's locally raised Business Rates above its Baseline Funding Level can be retained with the other 50% passed over to central government.

The system now requires resetting in order to ensure that the distribution of resource remains aligned with changes in 'Relative Need' over the past 8 years.

Within the current system there is currently a mechanism for redistribution of funding;

- the Council is able to retain 49%
- 1% is passed to the Fire Authority and
- 50% (the central share) is paid over to the Government.

The Business Rates multiplier (unit charge) is subject to an inflationary uplift each year, at a rate determined by the government and applied nationally for all businesses to pay.

Any gain or reduction in Business Rates, above or below the Government's figure of what they estimate the authority will receive (as detailed in the table above) is also passed on the three parties in the same percentages.

A "**safety net**" mechanism provides additional funding for any Council that suffers a reduction in their total Business Rates income of more than 7.5%; i.e. the loss to the Council is capped at 7.5%, although the consequences of the national business revaluation exercise were exempt from this for although the total rates payable in the borough decreased with effect from 2017/18, the provisions of the Business Rates Retention mechanism ensured that the impact of the revaluation was neutral as the Government increased the 'top-up' payment to the Council. Whilst this stabilised the level of funding, it also increased the Council's future reliance on Government funding.

### **2019/20 pilot scheme**

As noted above, following a successful bid submission, the Council is now a member of a Lancashire 75% Business Rates Retention Pool Pilot.

Following the modelling exercise undertaken by the Lancashire Chief Finance Officers Group on the 2018/19 National Non-Domestic Rates Form 1 Returns (NNDR1), based on all participating authorities, it was identified that approximately £7.1m of predicted additional growth could be retained within the county under a 75% BRR scheme, of which Blackburn with Darwen's share would be £1.26m.

The mechanics of the successful bid include;

- Retention of an additional 25% of business rates growth (i.e. in the move from 50% to 75% retention)
- Loss of Revenue Support Grant (£13.3m in 2019/20 for BwD). The value of the RSG has been taken into account when revising the tariffs and top-up's for the pilot authorities with the intention that the impact on all participating authorities is revenue neutral (*as shown in the SFA breakdown in **section 5.3** above*).
- As a participating authority, we are exposed to a higher level of Business Rate risk for the duration of the pilot, i.e. for 2019/20, as we will also face a higher share of any losses arising as a result of appeals, bad debts and empty premises; i.e. the authority will share 75% of the cost of these rather than the 50% shared at present.

- The 2019/20 pilots do not benefit from the 'no detriment' clause enjoyed by the existing 100% BRR pilots (i.e. the clause through which government underwrites all losses within a pilot to ensure pilot members are no worse off by being a member of the pilot than they otherwise would be). Instead, the Safety Net threshold for the entire pool has been raised from 92.5% to 95% to recognise the increased risk sharing. i.e. the extent of the loss by the pool rather than the individual council is capped at 5%.
- Although the Safety Net threshold will only be activated by central Government on a pool wide basis, based on the 2018/19 NNDR1 figures, it seems highly unlikely that this will be triggered on the proposed Lancashire pilot. To minimise the risk to the pool, each authority will bear its own risk over and above the 5% Resilience Reserve created from the additional retained growth
- The first 5% of any additional growth in Business Rates in Lancashire (i.e. in the move from 50% to 75% BRR), will be used to create a 'Resilience Reserve' to mitigate against any associated, additional loss for any individual council as a result of them being a pilot member. If funds are remaining in this reserve at the end of the pilot, this will be used to further compensate individual councils facing a loss.
- A further 25% of the additional growth will be set aside to create a Lancashire wide fund to be used to target strategic economic growth and sustainability. This investment fund will be allocated on the basis of unanimous decision by members of the Lancashire Leaders Business Rates Pilot Group.
- The remaining retained growth will be apportioned according to the new tier splits i.e. Districts 56% (currently 40%); County Council 17.5% (currently 9%); unitaries 73.5% (currently 49%); fire 1.5% (currently 1%) to promote local economic growth and to enable the financial sustainability of pool members.

Whilst it is impossible to project with 100% accuracy the financial impact of 75% Business Rates Retention in 2019/20, the modelling undertaken on the 2018/19 Business Rate estimates (NNDR1 information) projected that there was potential for £1.26m of additional growth funding to be generated for Blackburn with Darwen Borough Council, from which a contribution to a Resilience Reserve and to an Investment Fund for use across Lancashire would be made; the projected net impact was retention of an additional £0.881m in the borough that would otherwise be retained by central government.

These figures have now been updated for the figures submitted within the 2019/20 NNDR 1 return and the projected net gain has increased to £1.25m as follows;

	2019/20 Income under 50% Retention Scheme	2019/20 Income under 75% Retention Scheme	Increase
Top-Up	23.89	27.21	3.32
Share of estimated Business Rates income	20.56	30.84	10.28
Share of Small Business Rate Relief Grant	2.35	3.53	1.18
Share of Localism Relief Grants – (incl new Retail Relief for properties with RV < £51k)	0.61	0.92	0.31
Less: Baseline Funding Level	(43.85)	(57.16)	(13.31)
<b>Growth Above Baseline</b>	<b>3.56</b>	<b>5.34</b>	<b>1.78</b>
Less: 5% Contribution to Resilience Fund	-	(0.09)	(0.09)
Less: 25% contribution to Lancashire Strategic Fund	-	(0.44)	(0.44)
<b>Therefore additional Growth retained as a member of the 75% Pilot</b>	<b>3.56</b>	<b>4.81</b>	<b>1.25</b>

### ***Future scheme***

Although the Government is intending to move to a national 75% BRR model in 2020/21, given the delays to date, we are unsure how their model will operate. A consultation on their high level proposals closed on 21<sup>st</sup> February 2019, and we expect further information to be provided on this as the year progresses. As such, we have assumed within the MTFS for 2020/21 and 2021/22 that the approach/mechanics of the Lancashire pilot will apply.

It must be noted however that the figures included are based on estimated figures for Business Rates growth, collection and for reliefs given in 2019/20, as per the figures we included in the National Non-Domestic Rates Form 1 Return (NNDR1) to MHCLG in January 2019. The actual figures for growth will not be known until after the 31<sup>st</sup> March 2020, on submission of our NNDR3 (outturn) return, and any shortfall in income against this will be recouped by government, or conversely, any additional monies arising from an increase above our projections, will be paid over to us and accounted for in the Business Rates Collection Fund

The associated income from this is included in **Appendix D - Section 5.0**

## **5.4 Council Tax**

### **5.4.1 Council Tax – general**

Blackburn with Darwen has the second lowest Council Tax in Lancashire.

Council Tax levels had remained frozen at their 2010/11 levels for 5 years until 2016/17 when, given the scale of the budget gap, the Council adopted a 1.99% increase in 2016/17 (i.e. the maximum general increase permitted under the Government's

referendum cap), alongside reductions in expenditure and increases in other available income streams.

Within the Financial Settlement for 2018/19, the Government announced an increase in the referendum cap for 2018/19 and 2019/20 from 2.0% to 3.0% and as such, they assumed within the figures they provided in the SFA, that the Council would apply the maximum Council Tax increase permissible without the need for a referendum, i.e. 2.99%.

The Government has made it clear that they wish for Councils to progress quickly towards becoming self-sufficient through the income they generate, of which Council Tax is the most significant source of income. This is difficult to achieve in Blackburn with Darwen given the profile of the properties that are chargeable to Council Tax across the borough which, despite the impact of the increase in the number, type and size of properties built through the Housing Growth Programme, and unlike many other councils across the country, is significantly weighted towards those which generate a lower yield as the table below illustrates;

Number of Properties Chargeable to Council Tax								
Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	TOTAL
As at 31 <sup>st</sup> January 2019								
34,837	9,281	8,358	4,425	2,046	784	579	70	60,380
57.7%	15.4%	13.8%	7.3%	3.4%	1.3%	1.0%	0.1%	100.0%

#### 5.4.2 Council Tax - Adult Social Care Precept

The Core Spending Power within the Financial Settlement for 2016/17 included an assumption that all authorities with responsibility for Adult Social Care would utilise the flexibility offered by Government to increase Council Tax in 2016/17 by an additional 2% without holding a referendum. This additional precept would be specifically used to assist in meeting expenditure on Adult Social Care functions. In 2017/18, the Government announced the option for Councils to continue to increase Council Tax through application of the precept, subject to a maximum increase of 3% in any one year and a total cap of 6% over the period 2017/18 to 2019/20; again the assumption was made within the Core Spending Power calculation produced by the Government that Councils would apply the maximum amount.

Given the scale of the mounting financial and demand pressures on adult social care services, the Council proceeded with the increase in 2016/17 and then applied a 3% increase in each of the following 2 years through to 2018/19 as presented to Finance Council last year; consequently, there is no further increase to be applied in respect of the Adult Social Care Precept in 2019/20.

#### 5.4.3 Local Council Tax Support Scheme

Universal Credit (Full Service) commenced in the borough in February 2018. As such, most claimants making new claims for Housing Benefit, Job Seekers Allowance, Tax Credits, Income Support, Child Tax Credits or the Employment and Support Allowance (ESA), or those with certain changes in circumstances, now move over to receive Universal Credit and as such their Housing Benefit ceases as it is subsumed within the Universal Credit payment. Due to further government delays, the transition of people from the various legacy benefits is not expected to commence until 2020, with the expected completion date now being 2022

The Council remains concerned that residents who are eligible for Council Tax Support will not claim this as the former referral route through their Housing Benefit claim, will no longer be there; failure to do so could increase the financial difficulties of some of the most vulnerable residents in our borough. To try to minimise this risk, throughout 2018/19 we have been working in partnership with the Department of Work and Pensions (DWP) and we have funded two members of staff who, alongside staff from Shelter (with whom we have contracted to provide additional support in this area), are now based alongside DWP staff at the Job Centre+ office to support residents in their transition to Universal Credit and to ensure they claim Council Tax Support, if applicable. This is to help minimise the adverse financial impact that Universal Credit may have on our residents and to ensure that as far as possible, this doesn't add further burden to those in dire financial difficulty.

Following a national award of contract by the Department of Work and Pensions, with effect from 1<sup>st</sup> April 2019, the Citizens Advice Bureau (CAB) will provide a 'Help to Claim' service to Universal Credit claimants both face to face in the DWP offices across the country and through other support mechanisms (e.g. call centres, on line access). For several months we have been in dialogue with the Citizens Advice Lancashire West branch, who will deliver the service in Blackburn and Darwen, to try and ascertain the scope and future impact of their service on our residents however, due to late notification of the contract, and the fact it was negotiated at a national level, the mechanics of how this contract will operate in the borough are still being developed. As such, we have extended funding from our own resources to maintain the current arrangements with our staff and Shelter until 30<sup>th</sup> September 2019.

As part of the Council's savings programme, during 2018/19 we reviewed, and following consultation, we agreed changes to the Council Tax Support Scheme in the borough. Since the requirement to introduce a localised Council Tax Support scheme in 2013, the Council has maintained a scheme that has been broadly in line with the previous national Council Tax Benefit scheme rules and Housing Benefit legislation. Following the introduction and roll out of Universal Credit, and the corresponding withdrawal of Housing Benefit for such claimants, this is becoming increasingly impractical and so at Council Forum in January, we amended our policy to reflect this and made changes including;

- the introduction of a minimum income level for Council Tax Support claimants who are self-employed. The level will be set in line with Universal Credit rules which calculate the minimum earnings at 35 hours per week, multiplied up by the National Living Wage or National Minimum Wage, whichever is applicable.
- The introduction of a cap for the calculation of Council Tax Support which limits the award to a band B council tax liability.
- Introduction of standard non-dependent deduction amounts

## **5.5 Funding for Social Care**

The publication of the Green Paper on adult social care has been delayed several times: from an original publication date of "summer 2017" and then to "the end of" 2017, a revised timeframe of "before the summer [Parliamentary] recess" (i.e. 25 July 2018) was announced. In June 2018, the then Health and Social Care Secretary announced a further delay to the "autumn" of 2018 following the announcement that a ten-year plan for the NHS would be developed; this was later tweaked to "before the end of the year". It will now be published "at the first opportunity in 2019" according to reported comments from the Government – no further details were provided as to when in 2019 publication might occur.



This has coincided with a period throughout which the Government has acknowledged that the increase in demand in this area, both current and projected, is unsustainable and that greater integration between health and social care is essential to addressing this. Despite the closer integration signalled in the Cabinet reshuffle of January 2018, when responsibility for social care moved from the Ministry of Housing, Communities and Local Government into the Department for Health, the recent release of the NHS 10 year Plan has not signalled any major changes to the approach that this will take and so we must await the Green Paper, on a date to be confirmed.

The detail below outlines the short term measures that have been introduced to assist in trying to address the funding shortfall in the interim;

### 5.5.1 Improved Better Care Fund

The Improved Better Care Fund was introduced in 2017/18, funded in part through reductions in the New Homes Bonus allocation, to provide specific funding for adult social care on an incremental basis up to 2019/20. In March 2017 additional iBCF funding was announced to provide assistance in alleviating some of the more immediate financial pressures on this service as follows;

	2019/20 £m	2020/21 £m	2021/22 £m
Improved Better Care Fund	6.26	6.26	6.26
Additional Improved Better Care Fund	1.08	1.08	1.08
<b>TOTAL iBCF</b>	<b>7.34</b>	<b>7.34</b>	<b>7.34</b>

The fund is allocated directly to Local Authorities through a separate Section 31 grant with the NHS and it is a requirement of the funding that iBCF is pooled and monitored together with the existing Better Care Fund.

Beyond 2019/20 there is no certainty for the future of either the iBCF funding or the additional iBCF funding and so, for the purposes of the MTFS, it has been assumed that the both the original iBCF and the additional iBCF will continue into 2020/21 and 2021/22 at their 2019/20 level; given the magnitude of the financial pressures on adult social care it is difficult to see how this can be addressed without a similar level of government funding being provided as a very minimum.

### 5.5.2 Adults and Children's Social Care

Aware of the persistent and significant pressures that local authorities are facing, the government announced in the Autumn Budget in October 2018 that they would provide additional resources across 2018-19 and 2019-20 to support social care. This funding includes £240 million in both 2018-19 and 2019-20 to support adult social care services to reduce pressures on the NHS over the winter months, and an additional £410 million Social Care Support Grant for local authorities to support adult and children's social care services. This has been distributed according to the existing Adult Social Care Relative Needs Formula and Blackburn with Darwen will receive;

- £0.764m – Adult Social Care Winter Pressures Funding and
- £1.31m - Adult and Childrens Social Care Support Grant.

The impact of the provision of these grants is offset to some extent by the withdrawal of the non-recurring £0.48m of Adult Social Care Support Grant allocated in 2018/19.

## 5.6 Dedicated Schools Grant (DSG)

DSG is paid in support of the local authority's schools budget and funding is now allocated in four notional blocks:

- Schools Block
- High Needs Block
- Early Years Block
- Central Services Block

The notional blocks are not individually ring-fenced but are ring-fenced in total and local authorities are responsible, in conjunction with their local Schools Forum, for determining the split of the grant between their own central expenditure and the Individual Schools Budget. The National Funding Formula for Schools determined by central Government is expected to be fully implemented for 2020/21, however for 2019/20, local authorities will continue to be responsible for allocating the Individual School Budget to individual schools in accordance with either a 'hard' National Funding Formula or 'soft' local schools' funding formula. For 2019/20 our local Schools Forum have agreed to continue with the 'soft' local funding formula.

For Dedicated Schools Grant the funding arrangements for 2019/20 are broadly similar to last year however there have been some changes between the DSG blocks of funding i.e. Schools, High Needs, Early Years and Central Services. All funding decisions taken by the Schools Forum are published in accordance with legislation.

## 5.7 Public Health

In 2019/20 the Public Health Grant remains as a ring-fenced grant to the Authority and as such reductions in funding are offset by a corresponding decrease in expenditure. For Blackburn with Darwen the 2019/20 allocation of grant is £14.44m (2018/19: £14.83m).

## 5.8 New Homes Bonus and Growth

### 5.8.1 New Homes Bonus

New Homes Bonus was introduced in 2011 as a "stimulus" for the provision of new homes and is a non-ring-fenced grant distributed between local authorities based upon new growth in housing provision in their area; the bonus covers new-build homes, conversions and long-term empty homes brought back into use, with an extra payment for providing affordable homes. The annual amount of the grant is based on one years' average Council Tax for the tax band in which the new home is expected to fall.

The length of time that the bonus is paid for, for each new home built, has reduced from 6 years when it was introduced, down to 5 years with effect from 2017/18 and down to 4 years from 2018/19.

The figures in the Finance Settlement have been incorporated into the 2019/20 budget and conservative estimates for 2020/21 and 2021/22 have been included in the MTFS as follows;

	2019/20 £m	2020/21 £m	2021/22 £m
New Homes Bonus	0.940	0.658	0.658

Payment of the bonus is only paid on housing growth above a baseline of 0.4%; growth below this level does not qualify for a bonus allocation. The Government has stated that it

will retain the option of making adjustments to the baseline in future years in the event of a significant increase in housing growth.

Given the uncertainties around this funding, the MTFS assumes we have no new NHB in future years.

### **5.8.2 Growth Agenda**

The Council remains committed to delivering a more prosperous Borough and as such, we have invested in a Growth Team which brings focus to all development activities within the area, and that works with all landowners, private developers and funding agencies to bring forward residential, commercial, town centre and infrastructure projects; these projects support the MTFS through increases in Business Rates, Council Tax and New Homes Bonus.

To date the Council has delivered 2,554 new homes in the Borough under the Local Plan since 2011 either through new build, conversions or bringing empty homes back into use. To widen the choice of housing in the borough, 700 of the new homes have been affordable.

## **5.9 Brexit**

It was announced in January 2019 that funding would be made available to help local authorities with specific costs which may arise due to Brexit. £40 million is to be allocated to all local authorities across the financial years 2018/19 and 2019/20, of which all unitary councils will receive £210,000; i.e. £105,000 in each financial year.

This funding has been included within Earmarked Reserves to be allocated as Brexit associated costs and cost pressures emerge.

## **5.10 Fees and Charges**

Executive Members, in conjunction with Chief Officers, regularly review all fees and charges for each portfolio. The Council has delegated authority to Chief Officers, in consultation with the relevant Executive Members and the Director of Finance and Customer Services, to agree changes where required.

Increases in fees and charges for existing services, together with the expansion of existing and the development of new services, have all contributed to addressing the budget pressures of the last few years and they will continue to do so.

## **6. KEY ISSUES - EXPENDITURE**

Given the scale of the financial challenge over the past few years, throughout the course of 2018/19 Executive Members and Officers have continued to review all services and worked to deliver the agreed budget reductions.

The development of a continuous approach to reviewing budgets, identifying cost pressures and the development and implementation of agreed strategies and options to manage costs within the resources available, has significantly assisted in managing the budget, however despite the efforts of Executive Members and Officers, the scale of the funding reductions combined with increases in demand for services and unfunded cost

pressures, has meant that further expenditure reductions have been required during 2018/19 and on into 2019/20, in addition to those already implemented since 2010.

The MTFS for 2019/20, as presented to Finance Council in February 2018, identified a budget gap of £4.9 million; this was based on the funding contained within the last year of the Government's 4-year settlement, and other financial and demand information available within the Council back in January/February 2018.

Following work completed over the summer months, the figures were refined to reflect updated information and projections and savings options were then developed and agreed in September and October to close the gap, and also to reflect new and emerging pressures as outlined below;

	Budget gap and cost pressures (see Section 6.1 below)	Officer Decisions and Actions Taken	Executive Member/Executive Board Decisions	Residual Net Pressures
Health & Adult Social Care	2.327	(0.802)	(1.525)	0.00
Children, Young People and Education	2.319	(1.321)	(1.377)	(0.379)
Neighbourhoods and Prevention	0.161	(0.111)	(0.065)	(0.015)
Environment	1.695	(0.206)	(0.437)	1.052
Leisure & Culture	0.698	(0.160)	(0.388)	0.150
Regeneration	0.637	(0.456)	(0.580)	(0.399)
Resources	0.390	(0.459)	(0.020)	(0.089)
<b>TOTAL</b>	<b>8.227</b>	<b>(3.515)</b>	<b>(4.392)</b>	<b>0.320</b>

Of the £8.227m cost pressures identified above, approximately £5.8m relates to demand pressures (as noted in Section 6.1 below) in respect of Adult Social Care, Children's Services and Environment, with other cost pressures identified reflecting overspends and income shortfalls over a range of cost centres within the £116m portfolio budgets.

The savings programme developed to close this gap includes;

	Savings Programme
Efficiencies/Demand Management	4.018
Increased Income	0.659
Workforce Savings	1.457
Alternative Service Delivery Models	1.773
<b>TOTAL</b>	<b>7.907</b>

Details of the movement in the Budget Gap for 2019/20 are detailed in **Appendix B** to this report.

## 6.1 Portfolio Budget Pressures

In delivering the budget for 2019/20 and in trying to develop the MTFS, despite the significant uncertainties regarding future funding mechanisms and the impact of this on the Council's level of resource, we have reviewed the budget pressures faced across all

of the portfolios and modelled the impact of actual and potential reductions in funding noted above.

An overview of some of the most significant cost pressures within the portfolios are outlined below. A number of these have been funded corporately within the 2019/20 budget and in the figures presented within the MTFS through to 2021/22 however, whilst the Council is recommended to approve a balanced budget for 2019/20, this is predicated on the delivery of the remaining projects/areas within the savings programme developed over the course of 2018/19, and on the containment of all current and emerging cost pressures within each portfolio.

### **6.1.1 Health and Adult Social Care**

The portfolio has again faced another challenging year in 2018/19, like the majority of councils with responsibility for social care. Whilst there has been additional funding provided through the additional IBCF and the additional Winter Pressures funding, the portfolio have needed to utilise the majority of this funding to contain ongoing financial pressures. In addition, the portfolio has continued to implement a variety of demand management strategies and alternative ways of delivering services which has enabled them to manage the increases in demand and increased costs due to the complexity of service user needs which have not abated. A breakeven position is forecast at 31<sup>st</sup> March 2019.

2019/20 is expected to be another challenging year for Adult Social Care as the portfolio will need to continue to deliver efficiencies to address current levels of demand and the increased cost of care arising from the National Living Wage. In addition the MTFS provides a limited resource in future years within earmarked reserves, should demand increase beyond the level assumed within the portfolio's budget.

### **6.1.2 Children, Young People and Education**

During 2018/19 the Children, Young People and Education portfolio has been faced with mounting cost pressures due to increasing social work caseloads in respect of vulnerable children, combined with increasing expenditure on commissioned placements and special guardianship orders. The number of children entering the care system, and the number of looked after children, have increased significantly during the course of 2018/19, giving rise to increased placement costs predominantly due to the limited capacity of in-house services and changes in complexity of need for individual children and young people. Whilst the portfolio continues to review services to offset financial pressures, options to mitigate the difficult financial position are much reduced; as such, containment has not been possible which has placed a heavy reliance on the use of Council reserves.

To address the ongoing pressures into 2019/20, the portfolio will invest in an alternative placement strategy to re-focus on, and build capacity in, our more cost-effective 'in-house' services. They will continue workforce transformation to strengthen our 'front door' to respond to, and manage, demand for services more effectively. In addition the MTFS provides for some additional demand in future years within earmarked reserves, should demand increase beyond the level assumed within the portfolio's budget.

### **6.1.3 Environment**

The portfolio has reported pressures in 2018/19 arising from shortfalls on income targets for car parking income and increased waste tonnages in 2018/19. For 2019/20 the budgets have been realigned to address the income shortfalls and to increase waste budgets for known price increases and estimated tonnages.

### **6.1.4 Regeneration**

The portfolio has been facing significant pressures, particularly on the budgets for the markets, for highways and for winter road maintenance. These pressures have been managed in 2018/19 by driving through efficiencies in working practice and the realisation of cost reductions and one off savings. As such, for 2019/20 and the period of the MTFS, the current pressures have been addressed through the corporate budget setting process.

## **6.2 Other Pressures**

### **6.2.1 Pay Awards and Pay Policy**

#### ***Pay Award***

The NJC pay agreement for 2018 – 2020 consisted of a flat rate pay increase of 2% in both 2018/19 and in 2019/20, with higher increases for the lower pay points; the agreement also included the introduction of a new pay spine with effect from April 2019.

Each Local Authority has been required to consider the local implications of the new pay spine and how it affects our grades. As such, we have been able to come to a local collective agreement with the trade unions on the adoption of the new pay spine, and in doing so, we are one of the first Local Authorities in the North West to achieve this; we have also engaged with schools in the Borough recommending that they adopt the same arrangements as the Council.

The cost of the pay award for 2019/20 will be approximately £387,000 which is not funded by the Government.

In the absence of any further information at this point, the MTFS also assumes further 2% pay awards for both 2020/21 and 2021/22; as is our standard approach, it is also assumed that the costs of incremental progression will be met from efficiencies and savings made within the individual portfolios.

#### ***Local Living Wage***

Unlike previous years, as the new spine has resulted in the minimum salary rising from £8.50 per hour to £9 per hour, we no longer need to adjust the council's pay rates to meet the Local Living Wage level as this rate is now subsumed within the bottom of the new pay spine.

#### ***Senior Management Structure***

In December 2018 the Council Forum approved a new Executive and Chief Officer structure for the Council which included the deletion of the post of Deputy Chief Executive noting savings to the Council to be fully realised in 2020/21. The Chief Officer Employment Committee have recently agreed the implementation arrangements to achieve these savings which will include the proposal for the payment of a Special Responsible Allowance (SRA) of £7,641 per annum to a Director to deputise in the absence of the new Chief Executive. Currently an SRA is only paid to the posts of

Director of Childrens' Services and Director of Adults and Prevention for their statutory DCS and DASS responsibilities respectively. The proposals for the allocation of a additional SRA is incorporated in the Pay Policy Statement attached as **Appendix E**. This Pay Policy Statement is prepared in accordance with the requirements of Section 38 of the Localism Act 2011 and is presented for approval.

### ***Returning Officer***

The Chief Officer Employment Committee also considered the arrangements for the 2019 local elections and recommend to the Council that the Chief Executive designate, Denise Park be appointed Returning Officer from the date of the commencement of the full elections process i.e. 26<sup>th</sup> March 2019, in addition to the previously approved roles for Electoral Services and General Elections from her appointment on 1<sup>st</sup> May 2019.

The Pay Policy Statement, including this and other updates, is set out in **Appendix E**.

### **6.2.2 National Living Wage**

Increases have been confirmed in the National Living Wage level of £0.38 to £8.21 with effect from 1<sup>st</sup> April 2019 (for workers aged 25 and above. Increases have also been confirmed in the National Minimum Wage levels as follows;

- Increase from £7.38 to £7.70 per hour for 21-24 year olds
- Increase from £5.90 to £6.15 per hour for 18-20 year olds
- Increase from £4.20 to £4.35 per hour for 16-17 year olds
- Increase from £3.70 to £3.90 per hour for apprentices

These increases have significant impact on our external providers, specifically those providing social care including residential and domiciliary care.

The commissioning budgets included in the 2019/20 budget include some provision for increases in provider hourly rates and contract changes from the increase in the NLW with effect from 1<sup>st</sup> April 2019, however until discussions to determine the impact of this with providers are held and fully understood, and the contract negotiations are completed, it is not possible to precisely quantify them this at this stage. In addition the portfolio will look to contain the increased cost of provider fees through the delivery of efficiencies and alternative delivery models.

In the Autumn Budget of 2018, the Chancellor confirmed that in 2019, the government will set the Low Pay Commission's (LPC) remit beyond 2020, to align with governmental aspirations of ending low pay. The government has said that it will consult with the LPC and other related parties in the coming months to set an appropriate policy and take account of the potential impact on employment and economic growth; the government's objective is for the national living wage to reach 60% of median earnings by 2020, subject to sustained economic growth.

Provision has been made within the MTFs for NLW increases in future years however as indicated above, it is not possible to precisely quantify the full financial impact of NLW increases year on year due to changes in demand and the care provider market.

It is recommended that delegated authority is given to the Executive Member for Health and Adult Social Care, in consultation with the Executive Member for Resources, to agree the hourly rates and contract changes with social care providers in 2019/20 applicable from April 2019.



### **6.2.3 Pensions**

Following the triennial actuarial valuation of the Local Government Pension Scheme in 2016, as agreed, a further stepped increase of 1.4% has been applied in 2019/20 in respect of Employer Pension contributions for the Blackburn with Darwen Borough Council section of the fund. This reflects the staged increase from 12.4% in 2016/17 to 14.8% in 2019/20, (with increases of 0% in 2017/18, 1% in 2018/19 and 1.4% in 2019/20). The increase in costs is required to meet the projected increase in the value of the future liabilities of those staff currently working in the organisation and who are in the pension fund.

As agreed with the Scheme Actuary and the Lancashire Local Pension Board, the Council will continue to repay the scheme deficit over an agreed 19 year repayment period and has reduced costs further, by approximately £0.75m over the 3 years to 2019/20, by taking advantage of the discount offered for a 3 year advance payment in respect of this.

The next triennial actuarial valuation, applicable to contributions from 1<sup>st</sup> April 2020 through to 31<sup>st</sup> March 2023, will be based on the scheme assets and projected liabilities in March 2019; whilst Equity markets have performed strongly since March 2016, despite a more volatile period in 2018, given the uncertainties in global markets, and in the UK caused by Brexit, it is difficult to tell at this stage whether Employer Contributions in to the scheme will increase, remain the same or reduce; as such we have assumed within the MTFS that these will remain at their 2019/20 levels.

### **6.2.4 Apprenticeship Levy**

The 2019/20 budget and MTFS also reflect the Apprenticeship Levy introduced in April 2017, which is an unfunded tax charged at 0.5% on the total wage bill for organisations with a payroll of over £3.0m. Employers in England can reclaim their contributions in the form of digital vouchers to pay for apprenticeship training programmes for both new and existing staff; this excludes however the costs of wages, travel, management costs, work placements or the running costs of the apprenticeship programme itself.

The Council has worked hard to ensure we fully utilise the digital vouchers created which in the main has assisted in the costs of training the apprentices recruited into the workforce during 2017/18 and 2018/19, and we intend to recruit more apprentices during 2019/20 as part of our workforce development strategy. Support of approximately £0.212m is included within the 2019/20 Budget to corporately fund the salary costs of a rolling programme of approximately 20 trainees each year. Any apprentices taken over and above this number will be funded from within the respective portfolio budgets.

### **6.2.5 Inflation**

Based on the information released by the Office of National Statistics in January 2019, the Consumer Price Index (CPI) for December stood at 2.1%.

Within the 2019/20 Budget and MTFS, provision has only been made for specific inflation on more volatile areas of expenditure such as utilities and waste and also for agreed price inflation within our larger contracts. For more 'general consumables', it has been assumed that this will be contained within existing budgets.



The commissioning budgets for adult social care do include some provision for increases in provider hourly rates and contract changes arising from the increase in the National Living Wage, however until discussions to determine the impact of this with providers are held and fully understood, and the contract negotiations are completed, it is not possible to precisely quantify them at this stage.

## **7. SUMMARY**

In light of the Local Government Finance Settlement for 2019/20 and the financial constraints on the authority, the Leader and the Executive Members will work with Officers to continuously review the allocation and use of resources including continued review of all expenditure and income budgets, of contractual commitments and property holdings and implementation of savings plans as required, set within the context of the Council's statutory responsibilities and corporate priorities.

Although we are able to recommend for approval a balanced budget for 2019/20, we cannot be complacent as this is predicated on estimates and assumptions that are not without risk;

- Risk that the forecast and provisions for demand are outstripped
- Risk that the expected income streams are not realised
- Risk that the use of strategic reserves may not be possible

The MTFS highlights a budget gap for 2020/21 of £5.719m, and for 2021/22 of £6.591m, although as noted throughout the report, there is significant uncertainty around the assumptions used to produce the figures in both these years given the lack of information provided by central Government at this time.

We join with colleagues in other authorities, through our membership of SIGOMA (Special Interest Group of Municipal Authorities) and through the LGA (Local Government Association) to lobby government for an urgent focus on the short and long term funding arrangements for local government; without this, it is impossible to plan financially not only in terms of our growth and development, but also in respect of identifying further cost reductions or service redesign and delivery; the current short-term, stop-gap measures are no longer sustainable.

Nonetheless, we will continue with the strategy that has served us well throughout the period of austerity to date, by continuously monitoring and reviewing both our income and expenditure streams, keeping abreast of the financial implications of developments both locally and nationally, and ensuring we develop and implement plans to deliver efficiency savings, maximising opportunities for growth and income generation within the financial constraints faced and pursuing prevention measures to curtail, or at least defer, demand.

We undertake to keep Council updated on developments on the future funding regime, and the impact this will have on Blackburn with Darwen, as the year progresses.

## **8. CAPITAL PROGRAMME 2018-2021**

In order to deliver the Capital Strategy, we recommend Finance Council approve the proposed Capital Programme for 2019 through to 2022 of £47.1m, as detailed at **Appendix C**. The programme recognises the importance of investment in the Borough and the impact that the schemes themselves will have on the regeneration and economic growth of the area in the future.

The programme is predominantly comprised of existing commitments including investment in:

- our local transport plan, including both our successful Growth Deal 3 bid to open up the Pennine gateways around the borough and our Fabric Borders scheme, all of which will facilitate housing and business growth
- aids and adaptations through provision of disabled facilities grants
- regeneration of the borough, including our scheme at Blakey Moor to enhance the town centre in Blackburn and support the improvement of leisure facilities and a night time economy, incorporating a cinema complex development
- facilitating housing and business growth
- support of income generation and commercialisation opportunities
- support of continued investment in IT services to underpin our 'digital first' approach to delivering efficiencies and in turn, cash savings
- support of our accommodation review which again will drive efficiencies and savings through rationalisation and a more cost effective use of space

Before projects are allocated funding however, they are subjected to a rigorous business case approval process and detailed Member reports are produced in line with financial procedures as required.

The programme will contribute towards the achievement of the Council priorities by creating more jobs and supporting business growth in the borough through construction, improving transport networks and enhancing the town centre, by improving housing quality and building more homes and also in assisting to deliver efficiencies and savings through the rationalisation of accommodation and maximising the use of technology to streamline services and processes.

Current commitments will continue to be reviewed to bring forward any additional schemes, subject to approval of robust business cases, and capital allocations for the schools in the borough will be added to the programme when provided by the Department of Education.

## **9. LEVEL OF RESERVES**

As noted in the report 'The Robustness of the 2019/20 Budget and the Recommended Level of Reserves', the Director of Finance and Customer Services is recommending to Finance Council that the minimum level of Unallocated Reserves for 2019/20 remains at £4.0m.

## **10. COUNCIL TAX**

The assumptions made within these budget proposals, which are in line with those made by the Government, are that the Council will increase Council Tax in 2019/20 by 2.99% reflecting a general increase in Council Tax to cover increases in the cost of Council services

## **11. MEDIUM TERM FINANCIAL STRATEGY**

The MTFS 2019 to 2022 at **Appendix D** has been reviewed and updated, incorporating;

- the funding allocation for 2019/20, representing the final year of the Government's 4 year settlement "offer" which was accepted by the Council in October 2016
- estimates for income and resources for 2020/21 and 2021/22, acknowledging that these are made in the absence of any information or detail regarding the allocation of local government funding for 2020/21 and beyond (i.e. the redistribution of local government funding as determined by the Fair Funding Review, the mechanics of the future Business Rates Retention Scheme, and the future provision and allocation of any other Government grant funding streams)
- other projections, forecasts and assumptions in relation to expenditure, inflation, interest rates, pensions, as outlined in **Appendix D**.

## **12.CONCLUSION**

The proposed revenue Budget Strategy will continue to focus on delivering the Council's priorities and will try to minimise the impact of spending cuts through the delivery of quality efficient and effective services to, and for, the citizens of this borough, whilst ensuring the Council operates within the financial constraints imposed by central Government.

## **13.APPENDICES**

- Appendix A - Budget Summary 2019/20 and Portfolio Controllable Budgets
- Appendix B - Balancing the 2019/20 Budget Gap
- Appendix C - Capital Programme 2019-22
- Appendix D - Medium Term Financial Strategy 2019-22
- Appendix E - Pay Policy Statement 2019/20

## **14.POLICY IMPLICATIONS**

The budget process is the mechanism by which the Council allocates resources so that it can achieve its policy objectives agreed at Policy Council.

## **15.FINANCIAL IMPLICATIONS**

The budget process will determine the Council's net revenue expenditure for 2019/20, the Capital Programme and the level of Council Tax, together with indicative figures for the following 2 years through to 2021/22.

## **16. LEGAL IMPLICATIONS**

The Council is legally obliged to set a balanced budget. The Local Government (Standing Orders) (England) (Amendment) Regulations 2014, which came into force on 25 February 2014 require local authorities to record in the minutes of a budget decision meeting the names of persons who cast a vote for or against the decision or who abstained from voting.

## **17.RESOURCE IMPLICATIONS**

Decisions taken during the budget process will affect the resources allocated to all service areas.

## **18.EQUALITY IMPLICATIONS**

All proposals where appropriate are subject to an Equality Impact Assessment before implementation.

## **19.CONULTATIONS**

The Council is committed to consultation with residents, businesses, partners and stakeholders. Over the course of 2018/19, consultation exercises have been conducted with both residents and businesses across the borough through face to face contact, postal surveys and via on line surveys to find out opinions on council services, views on proposed changes to services, and their preferred approaches to delivering savings and balancing the budget e.g. Resident Survey, Council Tax Support Scheme changes, consultation on residential disabled parking bays, National Highways and Transport Survey and the Disabled NoW Card changes.

This feedback has helped to shape the 2019/20 and MTFS proposals.

**CONTACT MEMBER:**     **Councillor Andy Kay, Executive Member for Resources**

**DATE:**                    **25th February 2019**

## Budget Summary 2019/20

	2019/20 budget as agreed at Finance Council 2018	Updated 2019/20 Budget 11 Feb 2019	Variation
	£000	£000	£000
<b>Net expenditure</b>			
Portfolio controllable budgets	115,240	116,102	862
Net income from support service recharges	(641)	(941)	(300)
Interest, MRP and revenue contributions	18,278	19,209	931
Contingencies	1,564	4,152	2,588
Parish precepts and grants	183	183	0
<b>Net expenditure</b>	<b>134,624</b>	<b>138,705</b>	<b>4,081</b>
<b>Resources</b>			
Government grants	58,234	53,234	(5,000)
Business Rates retained locally	19,958	30,843	10,885
Council Tax	50,501	51,231	730
Council Tax increase - general increase 2.99% (1.99% assumed in MTFS of Feb 2018)	1,002	1,527	525
Collection fund surplus / (deficit)	0	510	510
Contribution from / (to) ear-marked reserves	4,929	2,113	(2,816)
Contribution from / (to) unallocated reserves	0	(753)	(753)
<b>Net resources</b>	<b>134,624</b>	<b>138,705</b>	<b>4,081</b>
<b>Required Reductions in Expenditure/Increases in Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>

The table above identifies the changes between the summary 2019/20 Budget headings as presented in the MTFS to Finance Council back in February 2018 and the current, updated position presented to Finance Council on 25th February 2019.

PORTFOLIO CONTROLLABLE BUDGETS	2019/20 Budget
Health and Adult Social Care	49,047
Children, Young People and Education	30,782
Environment	8,969
Leisure and Culture	2,318
Neighbourhoods and Prevention Services	942
Regeneration	7,866
Resources	16,178
Schools and Education (non-DSG)	0
<b>TOTAL PORTFOLIO CASH LIMITS</b>	<b>116,102</b>

## Balancing 2019/20 Budget

	£000 (Reduction)/ Increase in Budget Gap
<b>2019/20 Budget Gap (as presented to Finance Council in February 2018)</b>	<b>4,929</b>
<b>INCOME</b>	
Reduction in New Homes Bonus	365
Net increase in Council Tax income due to change in growth assumptions, changes to Local Council Tax Support scheme and an additional 1% increase in the assumed rate of Council Tax (1.99% to 2.99%)	(185)
Social Care Winter Pressures Funding	(764)
Social Care Support Grant	(1,306)
Increase in Housing Benefit and Local Council Tax Support Admin Grant	(57)
Increase in Local Share of Business Rates due to Lancashire 75% BRR Pilot (incl associated increase in S31 grants) - see Section 5.3.2	(1,780)
Contribution by BwD to the Lancashire 75% BRR Pool Risk Reserve and Strategic Fund Reserve (agreed by all participating councils as part of the bid submission) - see Section 5.3.2	535
Increase in Local Share of Business Rates due to growth and impact of revaluations	(636)
Increase in S31 grants - Small Business Rate Relief, 2% multiplier cap and other Localism Reliefs (excl element of the increase due to move from 50% to 75% retention which is captured above)	(1,706)
Surplus on Business Rates and Council Tax Collection Fund in 2018/19	(510)
<b>Revised Budget Gap for 2019/20</b>	<b>(1,115)</b>
<b>EXPENDITURE</b>	
Cost pressures identified in the previous MTFS that have now be managed through the course of 2018/19	(1,135)
Portfolio cost pressures identified during 2018/19 (see section 6)	8,227
Portfolio Savings Programme identified during 2018/19 (see section 6)	(7,907)
Corporate Savings identified during 2018/19	(500)
Contingency for future in year demand	400
Adults Winter Pressure	764
Increase in pay award assumptions (incl changes to pay spine)	481
Contribution from DSG Central School Support	(300)
Increase in Interest paid and received/MRP	631
Increase in Pension Contribution costs	113
Increase in contribution from Earmarked reserves	(412)
Replenishment of Unallocated Reserves	753
<b>2019/20 Budget Gap/(Surplus)</b>	<b>0</b>

The table above summarises the way in which the Budget Gap for 2019/20 (as presented in the MTFS to Finance Council back in February 2018) has changed over the past 12 months to produce a balanced budget as required by statute.

	2019/20	2020/21	2021/22	Future Years
	£'000	£'000	£'000	£'000
<b>1. Estimated Available Resources</b>				
Unsupported Borrowing	17,240	1,374	150	-
- Department for Education	1,252	-	-	-
- Department for Transport Grants	4,799	3,299	-	-
- Disabled Facilities Grant	1,861	1,661	1,661	-
Other Specific Grants	1,981	245	-	-
<b>Government Grants</b>	<b>9,893</b>	<b>5,205</b>	<b>1,661</b>	<b>-</b>
External Contributions	7,578	3,676	-	-
Revenue Contributions	300	-	-	-
Capital Receipts	-	-	-	-
<b>TOTAL ESTIMATED AVAILABLE RESOURCES</b>	<b>35,011</b>	<b>10,255</b>	<b>1,811</b>	<b>-</b>

**2. Approved schemes****Health & Adult Social Care**

Disabled Facilities Grant	1,238	1,238	1,238	-
Telecare Project	160	160	160	-
Shorey Bank/Riverside Heights Extra Care Scheme Site	106	-	-	-
	<b>1,504</b>	<b>1,398</b>	<b>1,398</b>	<b>-</b>

**Children, Young People & Education**

Disabled Facilities Grant	463	263	263	-
Two Year Old Grant	186	-	-	-
Schools Programme - St Barnabas and St Pauls	452	-	-	-
Schools Programme- Audley Infant and Junior - New Heating System	450	-	-	-
Schools Programme - Shadsworth Juniors External Works	14	-	-	-
Schools Programme - Avondale Kitchen	100	-	-	-
Schools Programme - Feniscowles Heating	100	-	-	-
	<b>1,765</b>	<b>263</b>	<b>263</b>	<b>-</b>

**Regeneration**

Assistance to Industry	150	150	150	-
Blakey Moor	2,600	519	-	-
Local Transport Plan	2,500	3,312	-	-
Growth Deal 3 (Pennine Gateways)	6,821	3,100	-	-
Darwen East Corridor	176	-	-	-
National Productivity Investment Fund - Fabric Borders	2,179	-	-	-
Clearance - Bank Top & Griffin	200	-	-	-
Group Repair (Inner NW/Inner SE/Darwen)	3	-	-	-
Neighbourhood Intervention Fund	500	-	-	-
Equity Loans/PALS Griffin	150	-	-	-
Empty property cluster scheme	420	-	-	-
Reel Cinema	6,067	513	-	-
Cathedral Quarter Development Office Block	51	-	-	-
Development Investment Fund	250	-	-	-
Land Release Fund	700	-	-	-
	<b>22,767</b>	<b>7,594</b>	<b>150</b>	<b>-</b>

**Resources**

Corporate ICT Desktop Refresh	495	-	-	-
Corporate ICT Core Infrastructure Programme	790	-	-	-
Corporate ICT Wan Connectivity	90	-	-	-
Corporate ICT Microsoft EA	106	-	-	-
Corporate ICT Ticketing System KGH/DLT	27	-	-	-
Corporate ICT Legal Services Case Management System	68	-	-	-
Corporate ICT Corporate Website	92	-	-	-
Land Remediation Schemes	195	-	-	-
Corporate DDA Work	169	-	-	-
Griffin Lodge	300	-	-	-
Corporate Accommodation Strategy Phase 2	2,250	-	-	-
	<b>4,582</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>TOTAL Approved Schemes</b>	<b>30,618</b>	<b>9,255</b>	<b>1,811</b>	<b>-</b>
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**3. Earmarked schemes**

Corporate ICT	3,393	-	-	-
Corporate Property Investment	1,000	1,000	-	-
Vehicles	-	-	-	-
<b>TOTAL Earmarked capital reserves</b>	<b>4,393</b>	<b>1,000</b>	<b>-</b>	<b>-</b>

<b>TOTAL CAPITAL PROGRAMME</b>	<b>35,011</b>	<b>10,255</b>	<b>1,811</b>	<b>-</b>
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## **MEDIUM TERM FINANCIAL STRATEGY 2019 to 2022**

### **1.0 Purpose**

Robust medium term financial planning is essential, especially in the current economic environment. Ensuring the ongoing stability of budgets allows managers to plan over the longer term for their services and ensures that resources are deployed in the most effective way to achieve greater efficiency and to align their resources with the priorities of the Council. In this way viable, effective services can continue to be provided.

The purpose of the Medium Term Financial Strategy (MTFS) is to set the financial framework for the Council for the medium term to ensure delivery of strategic objectives and major projects. This requires a review and assessment of revenue budgets, the capital programme, levels of reserves and potential future Council Tax levels, based on funding projections and other financial and economic assumptions.

Although the strategy would normally extend to cover the 3 year period beyond the end of the budget year, i.e. to 2022/23, as for the MTFS presented to Finance Council in 2018, this MTFS has been limited to 2 rather than 3 additional years, i.e. to 2021/22, until more clarity is provided on central government's intended changes to the local government funding framework and distribution mechanisms as noted in **Section 3.0** below.

The MTFS forms a pivotal link between financial and business planning, both reflecting and influencing the key plans of the Council and re-aligning diminishing resources on the key priorities.

### **2.0 Local Context**

The MTFS underpins the Council's Corporate Plan, which was updated and agreed by elected Members at Policy Council in December 2018. The Plan sets out for residents, staff and partners, the Council's top priorities for the period through to 2020 and how the Council will continue to improve services and manage the ongoing and difficult financial challenges ahead. The current Corporate Plan however was developed in 2015, since when much has changed. As it is vital that we understand our residents, communities, businesses and employees, and that their needs are reflected in our priorities and objectives, it is timely therefore that we refresh the Plan to reflect the changes in Council structure and the range of initiatives, new partnerships and interventions we have put in place in recent years alongside the changing landscape in local government and the wider public sector.

Over the past few months we have undertaken activity that will help the Council make an informed decision on future priorities and objectives and these are being analysed. These include:

**State of the Borough** - we commissioned an independent assessment of the 'State of the Borough' covering three main topics – economy; people; and place. The commission examined our strengths, weakness, opportunities and threats.



**Joint Strategic Needs Assessment (JSNA) 2018** - the Council's JSNA Summary Review for 2018 provides an analysis of the key economic, social and environmental determinants of the life chances of our residents. It also provides an in depth analysis of our population and its health and considers current and future health and social care needs.

**Resident survey** - to help understand residents views the Council undertook a resident's survey which has been mailed directly to randomly selected households seeking views on council services, their local areas and our current priorities. An open platform was also made available so that all residents, partners, businesses and communities could share their views.

**Corporate Peer Challenge** – as the Council has undergone major change over recent years, it was felt timely to invite the Local Government Association's (LGA) Corporate Peer Challenge to the Council and explore how effectively we are delivering services to residents and business, our financial management and our organisational capacity. We also invited the Peer Team to provide observation and feedback on our approach to community engagement and our digital direction.

**LSP summit** - the LSP is a multi-agency group that represents the diverse public, private, voluntary, community and faith sectors in Blackburn with Darwen. Our first annual summit was held in October 2018 and partners from across the public sector, businesses, voluntary and faith sectors, along with education providers attended the event providing input identifying the top two or three key priorities for the Borough

**Social integration strategy** - through a series of consultation events and workshops with a wide range of local groups and organisations from across the borough, four priorities for the work have been identified;

1. Increasing economic prosperity for all of the borough's communities
2. Strengthening relationships between communities;
3. Building connections between young people from diverse communities; and
4. Connecting people from disadvantaged areas to zones of employment and shared spaces.

Over the coming weeks, officers will be finalising five or six key corporate priorities for the Council to focus on over the period to 2023, which will reflect the evidence base and emerging local and national policy issues, whilst building on our existing six priorities.

- Creating more jobs and supporting business growth
- Improving housing quality and building more houses
- Improving health and wellbeing
- Improving outcomes for our young people
- Safeguarding the most vulnerable people
- Making your money go further

Emerging themes include inclusive growth and social mobility; supporting young people and raising aspirations; safeguarding and supporting the most vulnerable people; connected communities and integration; reducing health inequalities and improving health outcomes; strengthening partnership working; financial resilience.

The Corporate Priorities and Plan will be underpinned by an action plan with key corporate and portfolio performance measures so that we can progress and monitor achievement of our priorities; it is expected that the new Corporate Plan and

Priorities will be reported to Council Forum on 28th March 2019 for consideration and approval.

Despite the sustained reductions in government funding that have significantly affected the Council and the services that it provides to the public since 2010, as a unitary authority we have strived to balance the many competing priorities across the services we provide. Given the uncertainty and risks associated with the future changes in funding from 2020/21, the challenge persists to continuously review and realign resources and to deliver efficiencies within the financial constraints imposed by the Government and in doing so, the Council is committed to mitigating, wherever possible, the impact on front line services.

### **3.0 Financial Context**

In accepting the 4 year settlement effective from 2016/17, the Council has been provided with some stability to assist in financial planning through to 2019/20, however for 2020/21 and beyond, the uncertainty with regards to Government's plans for;

- the development and implementation of a new Fair Funding formula,
- the development and implementation of a new Business Rates Retention Scheme,
- the future of government grant funding including Public Health Grant and Improved Better Care Fund,
- the Green Paper on Adult Social Care and the future plans for integration of health and adult social care and associated funding
- the impact of Brexit,

has made it impossible to model a longer term strategy without any degree of confidence in the underlying assumptions.

### **3.1 Fair Funding Review**

The current funding baselines for local authorities in England, as determined by the annual local government finance settlement, are based on an assessment of their relative needs and resources. The methodology behind this assessment was first introduced over ten years ago, and has not been updated since the introduction of the 50% business rates retention system in 2013-14

Whilst this approach has ensured that those councils who have grown their business rates since this time have benefited from the additional income generated, it also means that councils' underlying levels of 'need' have not been updated since the 2013-14 settlement. In addition, a desire to fully capture every aspect of local authorities' needs has led to increasingly large numbers of variables being included in the formulas, many of which had a relatively minimal impact on the overall distribution of funding.

As such it has been agreed that a simplified needs assessment formula, based on a smaller number of indicators, could achieve outcomes that are a good approximation of those of a more complex system

Future baseline funding levels will equal;

## ***The Relative Needs share of the LA***

### ***LESS***

#### ***A Relative Resources adjustment.***

#### **Where Relative Needs comprises;**

Foundation Formula – which it is proposed is based on the population of each authority

Plus several service specific formula

- Adult Social Care
- Children and Young People's Services
- Public Health
- Highways Maintenance
- Fire & Rescue
- Legacy Capital Finance
- Flood Defence and Coastal Protection

with the weighting of each of the above within the formula to be yet determined and,

#### **Relative Resources comprises;**

A measure of council tax base, including a treatment of discounts, exemptions, premiums and local council tax support, ***multiplied by***

A measure of council tax level, ***multiplied by***

A measure of the council tax collection rate, ***shared according to***

An approach to council tax tier splits in multi-tier areas.

A consultation on the proposals has run for 10 weeks and closed on 21 February 2019; we now await the response.

### **3.2 Business Rates Retention**

The Government's ambition for business rates retention remains two-fold:

1. to give local government greater control over the money it raises, recognising that local authorities are best placed to decide local priorities, and
2. to incentivise local authorities to support local economic growth.

As such, the business rates retention system is designed to transfer a level of risk and reward to local authorities, allowing growth or decline within a local economy to be reflected in an authority's business rates income. The consultation suggests a future approach to resets that would allow more authorities to keep more of their business rates growth, and reaffirms the Government's commitment to a safety net to protect authorities from sudden reductions in income, although it does not address how local authorities will transition from the current system to a reformed system or how the reforms would be operationalised; the Government expects to consult further on these points later in 2019.

#### ***Resetting Business Rates Baselines***

The resetting of Business Rates Baselines (BRB) will dictate the strength of the growth incentive for individual authorities by determining the amount of business rates growth they retain, and for how long.

At an individual authority level, under the current 50% Business Rates Retention scheme, the amount of business rates income retained is determined by the relationship between Baseline Funding Level (BFL) and Business Rates Baseline, as detailed in the main body of the report at **section 5.3**. Baseline Funding Level is the level of business rates income allocated to meet an authority's need, as determined by the Local Government Finance Settlement

The Business Rates Baseline is the amount of business rates income an authority is predicted to raise. Growth in the authority's locally raised business rates can be retained above its Baseline Funding Level (currently at 50%, which is the local share under 50% business rates retention).

The system requires resetting in order to ensure that the distribution of resource remains aligned with need. If the system is reset too frequently, then the growth incentive may be weakened and local authorities may be discouraged from building achieved growth into their base budgets or using growth for long-term investment. However, resetting too infrequently could mean that relative need grows faster than local tax resource.

The Government's view is that the most desirable reset option/type of reset, will provide a strong incentive for growth, allowing authorities to see the benefit of their locally raised income and also incentivising local authorities to take a strategic and long-term view and align their policies and practices around maximising growth in business rates.

As for the Fair Funding Review, the consultation has run for 10 weeks and closed on 21 February 2019; again we now await the response.

### **3.3 Green Paper on Adult Social Care**

As noted in the main body of the report at **section 5.5**, the publication of the Green Paper on adult social care has been delayed several times; from an original publication date of "summer 2017", the report still remains outstanding.

The Government has however acknowledged that the increase in demand in this area, both current and projected, is unsustainable and that greater integration between health and social care is essential to addressing this. Despite the responsibility for social care moving from the Ministry of Housing, Communities and Local Government into the Department for Health early in 2018 and the recent release of the NHS 10 year Plan, there is no further information as to what the changes may be to deliver such an approach and so we must await the Green Paper, on a date yet to be confirmed.

## **4.0 MTFS – Key issues and assumptions**

The MTFS has therefore been reviewed and updated within this financial context, ensuring that the Council's strategy remains to help support those in hardship whilst encouraging the growth of jobs and businesses.

From a base of £183.1 million in 2010/11, despite the benefits of the Lancashire 75% BRR pilot in 2019/20, the borough has seen a significant reduction in its level of recurring funding to £118.7 million in 2019/20; a reduction of 35%.

This reduction however does not fully reflect the actual level of cuts that the Council has had to make in staff and services; the figure is actually greater as over the period, the Council has had to absorb the costs of inflation (both pay and non-pay increases) and the costs of increasing demand, albeit that the figures do not include the one-off, non-recurring/time-limited funding streams that the government has provided to address pressures in the short term.

The Council has managed, with resilience and strong financial control, in balancing the delivery of good quality services to the residents of the borough and in meeting its statutory duties, alongside an unprecedented contraction in funding. It has done so through service reorganisation, redesign and successive savings programmes i.e.

- the Transformation Programme during 2010 to 2014
- the 3 year savings programme of £26.0m approved by Council Forum in September 2014,
- the £3.6m in-year budget savings programme of 2016/17,
- the £15.0m savings programme developed during 2016/17 for implementation by the end of 2017/18
- a savings programme of £8.0m developed during 2018/19 to close the budget gap of £4.9m for 2019/20, as identified at the Finance Council in 2018, and to address both the cost pressures and further reductions in income that have emerged over the course of the year

The Council will continue to monitor income and expenditure streams and to identify emerging cost pressures, particularly as more clarity emerges on the new funding mechanisms, and we will continue to develop, report and implement the necessary financial responses to ensure financial stability and sustainability going forward.

## **5.0 MTFS key issues and assumptions - Resources and Expenditure**

The key figures and assumptions included within the MTFS in relation to Resource and Expenditure levels are as follows;



RESOURCES	2019/20 £M	2020/21 £M	2020/21 £M	ASSUMPTIONS FOR 2020/21 and 2021/22
Revenue Support Grant	0.0	0.0	0.00	It has been assumed the mechanics of the Lancashire 75% BRR pilot model is a proxy for the government's final 75% BRR scheme
Top Up	27.2	32.1	31.5	Top-up plus Locally retained Business Rates equal the Business Rates Baseline.  It is assumed that all of the Business Rates related grants will form part of the new Business Rates Baseline following reset. As locally retained Business Rates increase by an inflationary uplift each year, the MTFS assumes that in 20/21 and 20/22, as this figure increases, the Top-Up (the balancing figure) has been reduced so that the overall Business Rates Baseline remains the same.
Locally retained Business Rates	30.8	30.6	31.2	
Business Rates related grants	6.5	0.0	0.0	
Council Tax	52.8	54.1	55.5	The MTFS assumes; <ul style="list-style-type: none"> <li>the MTFS has included a prudent estimate for growth in the tax base of £300k for both 20/21 or 21/22 – this model is under continuous review and in conjunction with the Growth and the Revenues Team</li> <li>a council tax increase of 1.99% in each year has been assumed</li> </ul>
(Deficit)/Surplus on Collection Fund	0.5	0.0	0.0	The MTFS assumes the Collection Fund for both Council Tax and Business Rates will breakeven
Council Tax Support and Housing Benefit Admin Grant	0.7	0.6	0.5	It is assumed that Housing Benefit Admin Grant will reduce as more claimants move over to Universal Credit.
New Homes Bonus	0.9	0.7	0.7	Given the uncertainties around this funding, the MTFS assumes we have no new NHB in future years
Better Schools Fund PFI funding	8.5	8.5	8.5	The funding level was agreed with Government at the outset of the PFI projects
Sc 31 Grant for Improved Better Care Fund	6.3	6.3	6.3	In the absence of the Green Paper on Social Care, the MTFS assumes that both the original iBCF and the additional iBCF will continue into 2020/21 and 2021/22 at their 2019/20 level; given the magnitude of the financial pressures on adult social care it is difficult to see how these can be addressed without a similar level of government funding being provided as a minimum
Additional Improved Better Care Fund (announced Spring 2017)	1.1	1.1	1.1	
Adult Social Care Grant	0.0	0.0	0.0	
Adult Social Care Winter Pressures Funding	0.8	0.8	0.8	
Social Care Support Grant	1.3	1.3	1.3	
<b>TOTAL RESOURCES</b>	<b>137.4</b>	<b>136.1</b>	<b>137.4</b>	

EXPENDITURE	2019/20 £M	2020/21 £M	2020/21 £M	ASSUMPTIONS FOR 2020/21 and 2021/22
Portfolio Controllable Budgets	116.1	117.0	117.0	The MTFS reflects the removal of non-recurring income, expenditure and one-off savings from the 2019/20 budgets
Contingencies	4.2	6.1	8.3	The assumptions made in respect of contingencies held in future years include; <ul style="list-style-type: none"> <li>• Pay award 2%</li> <li>• Inflationary uplift on specific expenditure lines e.g. commissioning and energy, of approximately 2%</li> <li>• Apprentice Levy and support for Corporate Apprentices</li> <li>• Payment of Pension Fund Deficit</li> <li>• Carbon Reduction Commitment</li> </ul>
Interest paid/received and MRP	13.2	13.8	13.9	The figures for 20/21 and 21/22 reflect the recent long term borrowing taken to hedge against interest rate increases
Interest paid/received and MRP in respect of PFI projects	6.3	6.3	6.2	The interest costs were agreed at the outset of the PFI projects
Revenue funded capital expenditure	0.3	0.0	0.0	
Schools contributions for prudential borrowing, for support services and from DSG Central Schools Support	(1.6)	(1.6)	(1.6)	Assumed at their 19/20 levels
Parish precepts/grants	0.2	0.2	0.2	Assumed at their 19/20 levels
Use of Earmarked Reserves	(2.1)	0.0	0.0	
Replenishment of Unallocated Reserves	0.8	0.0	0.0	
<b>TOTAL EXPENDITURE</b>	<b>137.4</b>	<b>141.8</b>	<b>144.0</b>	
<b>BUDGET GAP</b>	<b>0.0</b>	<b>(5.7)</b>	<b>(6.6)</b>	



The above figures assume that the Settlement Assessment will remain at the same level as 2019/20 in both 2020/21 and 2021/22, however we have also undertaken modelling to assess the impact of alternative scenarios as follows;

	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
<b>Scenario 1 - no reduction in Settlement Funding Assessment (SFA) (as above)</b>			
Total Resources	137,345	135,917	137,185
Total Net Council Expenditure	136,592	141,636	143,776
Use of balances to support budget (-ve) or contribution to balances (+ve)	753	(5,719)	(6,591)

<b>Scenario 2 - 3% reduction in Settlement Funding Assessment (SFA)</b>			
Total Resources	137,345	134,989	134,405
Total Net Council Expenditure	136,592	141,636	143,776
Use of balances to support budget (-ve) or contribution to balances (+ve)	753	(6,647)	(9,371)

<b>Scenario 3 - 5% reduction in Settlement Funding Assessment (SFA)</b>			
Total Resources	137,345	133,716	131,961
Total Net Council Expenditure	136,592	141,636	143,776
Use of balances to support budget (-ve) or contribution to balances (+ve)	753	(7,920)	(11,815)

The scenario modelling above has focussed on government funding to the Council however risks also prevail in respect of expenditure; whilst the MTFs includes inflationary cost pressures, both 20/21 and 21/22 assume no further increase in demand. If this proves not to be the case then the potential budget gaps in the above scenarios would increase further.

In summary, should the Government continue to impose funding reductions on the Council through;

- the implementation of the Fair Funding Review and
- through the new Business Rates Retention scheme AND/OR

- should it reduce the level of total funding available to Local Government through a programme of continued austerity,

the Budget Gap could increase significantly; in isolation a 5% reduction in the SFA alone would lead to a budget gap of almost £12.0mill in 2021/22 and this does not reflect changes in the assumptions that have been made regarding the continued support for social care and other resource and expenditure assumptions that are not without significant risk.

## **6.0 MTFS Financial Forecast - Summary**

Faced back in 2016 with a forecast deficit of almost £48 million by 2019/20, the Council has worked hard through implementation of a range of measures to close the budget gap; subject to the assumptions made in these papers, it has now managed to deliver this.

Significant progress has been made to date through delivery of the agreed savings programme and through increases in income.

From an income perspective, the 4 year settlement provided some stability for financial planning through to 2019/20 but as outlined above, 2020/21 is an unknown given the uncertainties around the future mechanisms for Business Rates Retention, tariff and top-ups, the implementation of the Fair Funding Review, the future funding issues of adult social care and the potential integration of social care with health and also the future changes in the schools funding formula.

From an expenditure perspective the situation is equally uncertain; inflation and interest rates are forecast to rise, which in turn will create demand for increases in pay. The uncertainty around the impact of Brexit looms large and the demand for services, specifically adult social care and children's services persist.

It is important to note that the figures upon which the budget gap of £5.719m in 2020/21 and £6.591m in 2021/22 are based cannot be relied upon within any degree of certainty given the significant risks around the assumptions made, particularly given the lack of information provided by central Government in relation to future funding, and the mechanisms for its distribution, at this time.

The MTFS presented therefore reflects the best estimate of future income and expenditure streams that we have at present. It is based on an array of current information and data sources and on a series of assumptions which are all referred to above and in the main body of the report.

# Blackburn with Darwen Borough Council Pay Policy Statement for the Year 2019/20

## 1. Introduction and Purpose

1.1 Under section 112 of the Local Government Act 1972, we (the Council) have the power to appoint officers on such reasonable terms and conditions as the authority “thinks fit”. This Pay Policy Statement details our approach to pay policy in accordance with the requirements of [Section 38 of the Localism Act 2011](#).

1.2 The purpose of this policy statement is to provide transparency regarding our approach to setting the pay of employees (excluding teachers working in local authority schools) by identifying:

- the methods by which salaries of all our employees are determined;
- the detail and level of remuneration of our most senior employees i.e. ‘Chief Officers’, as defined by relevant legislation;
- the Committee responsible for ensuring the provisions set out in this statement are applied consistently and in recommending any amendments to the full Council.

1.3 It applies for the year 2019/2020 unless replaced or varied by the full Council.

1.4 Once approved by the full Council, this policy statement will come into immediate effect and will be subject to review on at least an annual basis, the policy for the next financial year being approved by 31<sup>st</sup> March each year.

***This Pay Policy Statement makes reference to a number of related documents and information which can be accessed via links to the Council website. These links will be inserted when the document is approved by Full Council and published in accordance with paragraph 14.1 below.***

## 2. Other legislation relevant to pay and remuneration

2.1 In determining the pay and remuneration of all our employees, the Council will comply with all relevant employment legislation. This includes legislation such as the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, General Data Protection Regulation 2018 and where relevant, the Transfer of Undertakings (Protection of Employment) Regulations. We will also ensure there is no pay discrimination within our pay structures and that all pay differentials can be objectively justified through the use of job evaluation mechanisms, National Joint Council (NJC) and Hay Group, which directly establish the relative levels of posts in grades according to the requirements, demands and responsibilities of the role.

### **3. Pay Structure**

3.1 The Council uses the nationally negotiated pay spine(s) (i.e. a defined list of salary points) as the basis for our [local pay structure](#), which determines the salaries of the large majority of our (non-teaching) workforce together with locally determined rates where these do not apply.

3.2 We adopt national pay bargaining arrangements for the establishment and revision of the national pay spine(s), for example through any agreed annual pay increases negotiated nationally with joint trade unions.

3.3 All other pay related allowances for Senior Managers are the subject of either [nationally or locally negotiated rates](#), having been determined from time to time in accordance with collective bargaining machinery as for all employees.

3.4 In determining our grading structure and setting remuneration levels for posts, the Council takes account of the need to ensure value for money in the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet our requirements in providing high quality services to the community, delivered effectively and efficiently and at times at which the services are required.

3.5 New appointments will normally be made at the minimum of the relevant pay scale for the grade, although this can be varied where necessary to secure the best candidate. Where the appointment salary is above the minimum point of the pay scale and is not affected by other Council policies or processes, for example alternative employment or flexible retirement, this is approved in accordance with the Recruitment and Selection Policy.

3.6 From time to time it may be necessary for us to take account of the external pay levels in the labour market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, we will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using data sources that are appropriate and available from within the local government sector and outside.

3.7 Any temporary supplement to the salary scale for the grade is approved in accordance with the agreed policy.

### **4. Senior Management Remuneration**

4.1 For the purposes of this statement, Senior Management means 'Chief Officers' as defined within the Localism Act. The posts falling within the statutory definition are set out below, with details of their basic salary as at 1<sup>st</sup> April 2019.

4.2 Where we are unable to recruit Chief Officers, or there is a need for interim support to provide cover for a substantive Chief Officer post, the Council will, where necessary, consider engaging individuals under a 'contract for service'. These will be sourced through a relevant procurement process ensuring we are able to demonstrate the maximum value for money benefits from competition in securing the relevant service. In assessing such it should be noted that in respect of such engagements we are not required to make either pension or national insurance contributions for such individuals.

4.3 The Council does not currently have any Chief Officers engaged under such arrangements.

**5. Chief Executive and Chief Officer pay scales 2019/2020**  
(Last national pay award increase applied from 01/04/2019). All the posts listed below are permanent unless otherwise stated in the notes

**Executive**

Chief Executive of Council (Note 5.1i)

Harry Catherall

£145,122 - £158,572

[harry.catherall@blackburn.gov.uk](mailto:harry.catherall@blackburn.gov.uk) – 01254 585370

Deputy Chief Executive (Note 5.1ii)

Denise Park

£122,565 - £133,722

[denise.park@blackburn.gov.uk](mailto:denise.park@blackburn.gov.uk) – 01254 585655

**Council Management Board Directors** (Note 5.1iii)

£91,447- £97,888

Director of Adults & Prevention (DASS) (Plus SRA £7,641 Note 5.1iii)

Sayyed Osman

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Director of Finance & Customer Services

Louise Mattinson

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Director of HR, Legal & Governance

David Fairclough

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Director of Environment & Operations

Martin Eden

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Director of Digital & Business Change

Paul Fleming

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Director of Children's Services & Education (DCS) (plus SRA £7,641 Note 5.1iii & retention allowance £12,000 Note 5.1iv)

Jayne Ivory

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Director of Growth & Development

Martin Kelly

[martin.kelly@blackburn.gov.uk](mailto:martin.kelly@blackburn.gov.uk) – 01254 588686

Director of Public Health & Wellbeing (note 5.1v)

Dominic Harrison

[dominic.harrison@blackburn.gov.uk](mailto:dominic.harrison@blackburn.gov.uk) – 01254 (58)8920

## **Other Chief Officer Roles 2**

£80,076 - £87,740

Public Health Consultant (Medicine) (note 5.1vi)

Gifford Kerr

[gifford.kerr@blackburn.gov.uk](mailto:gifford.kerr@blackburn.gov.uk) - 01254 (58)8820

Growth Programme Director (note 5.1vii)

Simon Jones

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### **5.1 Notes**

Information is based on the Chief Officer structure with effect from 1<sup>st</sup> April 2019

i) Chief Executive Harry Catherall is to leave post on 30 April 2019.

ii) With effect from 1<sup>st</sup> April 2019. Deputy Chief Executive Denise Park Appointed as Chief Executive from 1<sup>st</sup> May 2019 and then post of Deputy Chief Executive is deleted from this date.(December 2018 Council Forum refers)

iii) There are a total of 3 special responsibility allowances paid to Chief Officers. One is paid for the DCS role, one is paid for the DASS role and a third paid for a Deputising role in the absence of the Chief Executive. The Officer to receive the third SRA is to be confirmed and this will be reported in the next update of this Policy.

iv) A temporary retention allowance is paid to the Director of Children's Services which is reviewed annually.

v) Following pay and grading review this post is confirmed as Director 1 – employee in receipt of temporary pay protection for 2019/20 on NHS VSM salary of £115,033 per annum

vi) Following pay and grading review this post is confirmed as Director 2 – employee in receipt of temporary pay protection for 2019/20 on NHS salary of £109,596 per annum

vii) Following transfer to Council in 2018 post is confirmed as Director 2 – but employee in receipt of pay protection for 2019/20 under TUPE salary of £114,445 per annum

viii)The Chief Officer Employment Committee determines the numbers and grades of Chief Officers - full terms of reference are contained in the Council Constitution. Appointments are subject to consultation with the Executive Board - Current membership of the Committee is as follows:

Leader of the Council

2 x Deputy Leader of the Council

Leader of Main Opposition Group

ix) The Chief Executive appointment is subject to full Council approval and the Chief Executive Employment Committee recommends pay and conditions of employment - full terms of reference are contained in the Council Constitution. Current Membership of the Committee is as follows:

Leader of the Council

2 x Deputy Leader of the Council

Leader of main Opposition Group.

x) The Chief Officer Structure Chart is set out at the end of this document.

## **6. Recruitment of Chief Officers**

6.1 The Council's policy and procedures with regard to recruitment of Chief Officers is set out within the [Council Constitution](#).

6.2 When recruiting to all posts we will take full and proper account of all relevant employment law and Equal Opportunities, Recruitment and Alternative Employment Procedures as approved by the Council.

6.3 The determination of the remuneration to be offered to any newly appointed Chief Officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment.

## **7. Policy on the remuneration of Chief Officers**

7.1 The salaries detailed above are determined by the respective Chief Executive/Chief Officer Employment Committee(s) (as applicable) and are based on the Hay Group methodology for job evaluation and also having due regard to the Council's duty to ensure best value and after taking professional advice on pay levels, market conditions and other relevant factors.

7.2 With the exception of progression through the incremental scale of the relevant grade being subject to satisfactory performance, which is assessed on an annual basis, the level of remuneration is not variable dependent upon the achievement of defined targets.

7.3 The Government determines and funds the [fees for Returning Officers](#) and for related electoral duties for National, European and Police and Crime Commissioner Elections and these are subject to full re-imbursement and paid to officers as appropriate. The fees for Local Elections are based on a County wide formula.

7.4 To meet specific operational requirements it may be necessary for an individual to temporarily take on additional duties to their identified role. Our arrangements for authorising any additional remuneration [e.g. honoraria, ex gratia, 'acting up'] relating to temporary additional duties for Chief Officers are set out in the [Council Constitution](#).

7.5 The level of remuneration is determined as set out above. Other than allowable expenses we make no payments in addition to the basic salary to Senior Managers for undertaking their core role. Overtime is not payable to Senior Managers.

## **8. Payments to Senior Managers on their ceasing to hold office under or to be employed by the authority.**

8.1 Our approach to payment of Senior Managers is the same as those which apply to all our employees including those related to [long service awards](#).

8.2 Currently, we operate early retirement scheme(s) where employees may apply for voluntary severance. Payments under the scheme are in accordance with the respective Pension Scheme Regulations.

8.3 Any applications within these schemes for Senior Managers however are subject to approval by the Chief Executive/Chief Officer Employment Committee (as appropriate).

8.4 In circumstances where employees find they are 'at risk of redundancy' they may apply for voluntary redundancy and the number of weeks redundancy pay is in accordance with national legislation or contractual national terms of employment. For Senior Managers as for

most other employees the Council pay is for the actual weeks' pay due. Again for those Officers in pension schemes payments are made in accordance with the Pension Scheme Regulations. Voluntary redundancy application is open equally to Senior Managers as it is for all appropriate employees.

8.5 In all instances, including Senior Managers, our approach is to avoid employee redundancies wherever possible and try and identify suitable alternative job options as opposed to compulsory or voluntary redundancy. As such, in circumstances where an Officer's role is redundant an alternative may be found and if suitable the employee could be redeployed into that role with temporary salary protection (if appropriate) in line with the Council's alternative employment process. For Senior Managers such considerations are for the Chief Executive/Chief Officer Employment Committee.

8.6 Employees who have applied for early retirement or voluntary redundancy will not be eligible to be employed by the Council for a period of 6 months from the date that they leave our employment, this includes employment by external agencies (including via Matrix), or by any other means.

8.7 Compensation payments for loss of office are considered in situations where the employment relationship is no longer tenable. The Council's approach is to treat each case on its individual merits, taking professional advice on appropriateness, and ensuring that all payments represent value for money to the taxpayer. For Senior Managers such considerations are for the Chief Executive/Chief Officer Employment Committee.

8.8 In accordance with wider practice any severance package would not normally exceed an 18 month payback period. I.e. severance pay would not be greater than one and a half year salary.

## **9. Lowest Paid Employees**

9.1 The lowest paid employees on a contract of employment with the Council are employed on full time [37 hours] equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's grading structure which is based on the National Joint [Council pay scales](#).

9.2 As at 31<sup>st</sup> December 2018, this was £16,394 per annum. We employ Apprentices who are not considered within the definition of 'lowest paid employees' as they are employed under defined training contract terms.

9.3 The relationship between the rate of pay for the lowest paid and Chief Officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.

9.4 As part of our overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate.

## **10. Apprentices**

10.1 Our rates for Apprentices are in line with the National Living Wage and the National Minimum Wage guidelines for non-apprentices. The rates change every April.

Tier 1 £6.15 – Those taking qualifications up to and including level 4

Tier 2 £7.70 – Those undertaking level 5 qualifications



## Apprentice Information

### Reporting Period – 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018

Figure		
A	The number of employees whose employment in England by the body began during the reporting period	<b>248</b>
B	The number of apprentices who began to work for the body in the reporting period and whose apprenticeship agreements also began in that period (This includes employees who were already working for the body before beginning their apprenticeship, as well as new apprentice hires)	<b>21</b>
C	the number of employees employed in England that the body has at the end of the reporting period (31 <sup>st</sup> March)	<b>2160</b>
D	the number of apprentices who work for the body at the end of the reporting period (31 <sup>st</sup> March)	<b>29</b>
E	Figure B expressed as a percentage of figure A	<b>8.5%</b>
F	Figure D expressed as a percentage of figure C	<b>1.3%</b>
G	The number of apprentices who worked for the body immediately before the reporting period started (1 <sup>st</sup> April)	<b>25</b>
H	Headcount on the day before the first day of each reporting period in the target period	<b>2121</b>
I	Figure B expressed as a percentage of figure H	<b>1.0%</b>

## 11. Gender Pay Gap

11.1 The Equality Act 2010 (Gender Pay Gap Information) Regulations came into effect in March 2017. They require that organisations with 250 employees or more publish a series of statistics covering a number of different measures of the gap between the total pay of male and female employees. These measures must be published, no later than 30 March each year for Public Authorities.

11.2 We were very pro-active in ensuring that a review of pay and reward was undertaken at a very early stage over ten years ago and we have continued to monitor the impact of this on our workforce. Men and women in the same role, performing equal work are paid equally, **‘same job – same pay’**. We actively support the progression of both men and women within the organisation and all employees progress proportionately.

11.3 Our Gender Pay information is outlined in our published Equality Watch Report 18/19 which can be viewed here: <http://www.blackburn.gov.uk/Pages/Equality-and-diversity.aspx>

## 12. Relationship between: Remuneration of Senior Managers, and Remuneration of non-Senior Managers

12.1 The Council has no formal policy on the relationship between the remuneration of Senior Managers and other employee groups.

12.2 Will Hutton's report entitled Fair Pay in the Public Sector contained a recommendation that the Chief Executive's salary should not exceed 20 times that of the lowest pay in the organisation.

12.3 At Blackburn with Darwen, the pay multiple between the Chief Executive's pay and the lowest paid employee in the organisation (see above) is 9.5:1, and is therefore well within this recommended range.

12.4 The summary workforce data is shown below.

Highest Pay Grade	£142,277 - £155,463
Highest Pay	£155,463
Lowest pay	£16,394
Average Pay (per annum) – mean	£27,300
Average Pay (per annum) – median	£24,657
Pay Difference (between average & highest pay) – mean	£128,164
Pay Difference (between average & highest pay) – median	£130,806
Pay Multiple (ratio between average & highest pay) - mean	5.7:1
Pay Multiple (ratio between average & highest pay) – median	6.3:1
Pay Multiple (ratio between the lowest and the highest pay)	9.5:1
Data based on pay as at	31/12/2018

### **Notes**

- The data is based on pay as at 31<sup>st</sup> December 2018.

### **13. Trade Union Facility Time (*The following section will be completed at the end of the 2018/2019 financial year and published accordingly*).**

Trade Union Facility Time information for the period 1<sup>st</sup> April 2018 – 31<sup>st</sup> March 2019.

13.1 The Trade Unions represented within the Local Authority are Unison, Unite and GMB.

13.2 Total number of employees who were relevant union officials during the relevant period

<i>Number of employees who were relevant union officials during the relevant period</i>	<i>Full-time equivalent employee number</i>

13.3 Number of employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

<i>Percentage of time</i>	<i>Number of employees</i>
0%	
1-50%	
51%-99%	
100%	

13.4 Percentage of total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

<i>First Column</i>	<i>Figures</i>
Provide the total cost of facility time	
Provide the total pay bill	
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	

13.5 As a percentage of total paid facility time hours, number of hours spent by employees who were relevant union officials during the relevant period on paid trade union activities.

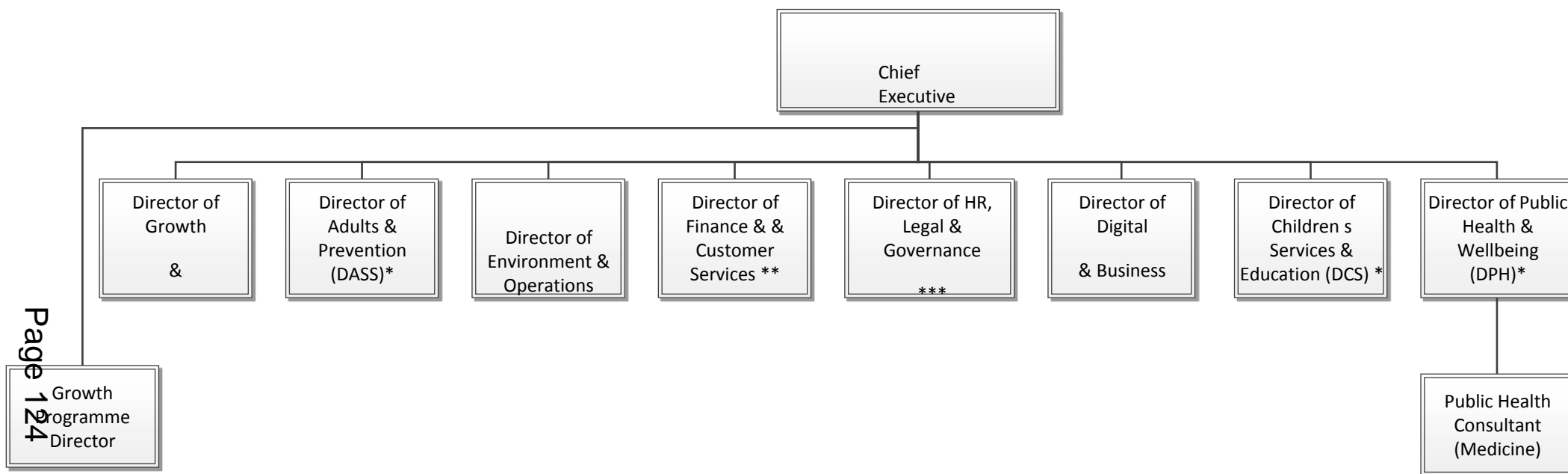
<i>Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:</i>  <i>(total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100</i>	
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## 14. Publication

14.1 Upon approval by the full Council, this statement will be published on the [Councils Website](#). The Policy will be updated and re-published at least annually.

Our [Annual Statement of Accounts](#) will also include a note setting out:

- the number of employees whose remuneration in that year was at least £50,000 in brackets of £5,000;
- the name of each employee and details of their remuneration, for employees whose salary is at least £150,000;
- details of remuneration and job title of certain senior employees whose salary is between £50,000 and £150,000.



- \* Statutory Directors with accountabilities to CEO
- \*\* Section 151 officer with accountabilities to CEO
- \*\*\* Monitoring officer with accountabilities to CEO
- \*\*\*\* Joint post Funded by Lancashire Councils hosted by BWDBC



**REPORT OF: DIRECTOR OF FINANCE & CUSTOMER SERVICES**

**TO: FINANCE COUNCIL**

**ON: 25th FEBRUARY 2019**

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**SUBJECT : COUNCIL TAX FOR 2019/20**

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**1. PURPOSE OF THE REPORT**

- 1.1 The Council, in its role as billing authority, is required to set amounts of Council Tax before 11 March in the financial year preceding that for which it is set.

**2. RECOMMENDATIONS**

- 2.1 The Council is recommended to approve the draft resolution setting the Council Tax for 2019/20, as set out in Appendix 1, or as amended at the meeting.

**3. BACKGROUND**

- 3.1 The Council, as billing authority, is required to calculate a Council Tax requirement for the forthcoming year in accordance with regulations made under Section 31A of the Local Government Finance Act 1992, as amended (the Act). In setting its Council Tax requirement, the Council takes into account any funding from reserves, income it expects to raise and general funding it will receive from Government as part of the Local Government Finance Settlement.
- 3.2 The Council is also required to set a basic amount of Council Tax for the financial year 2019/20. The Council Tax is set on the basis of:
- (a) The precept on the Collection Fund issued by the Police and Crime Commissioner for Lancashire.
  - (b) The precept on the Collection Fund issued by the Lancashire Combined Fire Authority.
  - (c) The Borough Council's precept on the Collection Fund, which is dependent on two factors:
    - (i) its council tax requirement, and
    - (iv) the precepts issued by the seven Parish / Town Councils.

These are discussed in more detail later in the report.

**4. RATIONALE**

- 4.1 To ensure that sufficient Council Tax is generated to meet all precepts.

## 5. KEY ISSUES

- 5.1 The Council Tax Requirement for 2019/20, together with the basic amount of Council Tax in relation to Band D properties for that part of the Borough having no Parish Councils are calculated as follows:

	<b>£M</b>
Council's proposed net expenditure	137.189
<b>Add:</b> Council's share of estimated deficit on the Council Tax Collection Fund	0.284
	<hr/> 137.473
<b>Less:</b> General government grant funding	- 53.234
Retained business rates income	- 31.637
	<hr/> 52.602
<b>Borough Council's Council Tax Requirement</b>	<hr/> <b>52.602</b>
 <b>Council Tax Base:</b>	 <b>34,839.53</b>
 <b>Council Tax at Band D</b>	 <b>£1,509.83</b>

5.2 Parish / Town Council's Precepts

From 1 April 2013 local council tax support schemes replaced council tax benefit in England. As a result the council tax base is reduced where a dwelling is in receipt of council tax support in a similar manner to other council tax discounts. This reduction in the tax base reduces the amount of council tax income that can be raised for the Borough as a whole, and for each parish area. In order to mitigate the effects of any reduction in tax base, the Council will again make a grant payment to make up the shortfall.

The Parish / Town Councils have each submitted their funding requirement, as detailed in Appendix 2. Members should be aware that the Parish Council precepts form part of the Council's expenditure for the purposes of the Council Tax i.e. the Parish Precepts are added to the Council's Council Tax requirement and the payments to Parishes are met from the General Fund. Consequently, there is no adjustment to it, even though the Council may collect more or less from the Parish by way of Council Tax.

The average of the Parishes element of the Council Tax is calculated as follows:

Total Parish Requirement	£183,464.36
<b>Less:</b> Grants paid by Borough Council	£27,336.50
Total Parish Precepts	<hr/> £156,127.86
 <b>Council Tax Base:</b>	 <b>34,839.53</b>
 <b>Average Parish Council Tax at Band D</b>	 <b>£4.48</b>

In accordance with Section 31B of the Act, the basic amount of Council Tax for the year, including Parish precepts, is £1,514.31 (i.e. £1,509.83 + £4.48).

5.3 Collection Fund

Members will note from the calculation shown in paragraph 5.1 above, that Blackburn's share of the deficit on the Council Tax Collection Fund is £283,914. Legislation requires that any such surplus or deficit must be reflected in the Council Tax calculation and, therefore, represents a reduction in funds for the

year 2019/20.

#### 5.4 Major Precepting Authorities

On 13th February 2019, the Police and Crime Commissioner for Lancashire agreed a budget and an expenditure precept for the year 2019/20. The amount of precept due from Blackburn with Darwen Council has been set at £7,018,423, after an adjustment of £34,260 in respect of the precepting authority's share of the estimated Collection Fund deficit. This results in a Band D Council Tax of £177.45, an increase of £24 per year for a Band D property.

At the time of writing this report, the recommendation in respect of the amount of precept due from Blackburn with Darwen Council had yet to go to the Lancashire Fire Authority meeting (held on Monday 18th). The paper produced for, and presented to, Finance Council has incorporated a recommended precept of £2,420,651, after an adjustment of £13,024 in respect of the precepting authority's share of the estimated Collection Fund deficit, which results in a Band D Council Tax of £69.48, an increase of 2.99%.

The aggregate Council Tax calculation in relation to Band D properties for that part of the Borough having no Parish Councils, is as follows:

	£M
Borough Council's Council Tax Requirement	52.602
Lancashire Police Authority Precept	7.018
Lancashire Combined Fire Authority Precept	2.421
<b>Total Council Tax requirement</b>	<b>62.041</b>

**Council Tax Base: 34,839.53**

**Aggregate Council Tax at Band D £1,780.76**

- 5.5 Having calculated the basic amount of Council Tax for a Band D property, the Council is then required to convert it into amounts for all Bands by applying the following proportions:

Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9

The Borough element of the Council Tax, together with the amount calculated for each band by the major precepting authorities, forms the aggregate Council Tax for each band.

For those parts of the Borough which have a Parish or Town Council, a higher tax is levied to finance the Parish or Town Council Precept as well. It follows therefore that the Borough will have 64 different Tax Rates i.e. 8 bands for 8 areas (7 Parish or Town Councils and the area of the Borough having no Parish), and these are shown in detail on the attached draft resolution.

#### 5.6 Draft Resolution

The draft resolution for setting the Council Tax is set out in Appendix 1 to this report. The elements which form the Council Tax calculation, as detailed in paragraphs 5.1 to 5.6 above, are:

- the "basic amount" of Blackburn's element of the Council Tax for 2019/20 is £1,514.31.

- the average of the Parishes element (£4.48) is then deducted to give the Council Tax at Band D for those parts of the Borough not having a Parish Council (£1,509.83).
- the calculation for all other Bands then follows e.g. Band A is 6/9ths (66.67%) of Band D, Band H is 18/9ths (200%) of Band D.

## **6. POLICY IMPLICATIONS**

The policy implications from this report are contained within the Budget Strategy.

## **7. FINANCIAL IMPLICATIONS**

The financial implication arising from the proposed recommendations of this report have been incorporated into the Budget Strategy.

## **8. LEGAL IMPLICATIONS**

Section 30 of the Local Government Finance Act 1992 provides that the amounts set for each band will be the aggregate of the Borough element for each band calculated under Section 36 and the amount calculated for each band by the major precepting authorities. The Council Tax must be set before 11 March in the financial preceding that for which it is set.

Under the Local Government (Standing Orders) (England) (Amendment) Regulations 2014, which came into force on 25 February 2014, the Council is required to record in the minutes of a budget decision meeting the names of persons who cast a vote for or against the decision or who abstained from voting.

## **9. RESOURCE IMPLICATIONS**

None as a direct consequence of this report.

## **10. EQUALITY IMPLICATIONS**

The decisions to be taken do not change policy and do not require any further consideration in respect of equality issues.

## **11. CONSULTATIONS**

The Council has consulted with its residents, business community, partners and other stakeholders throughout the Council Tax setting process.

<b>Chief Officer/Member</b>	Louise Mattinson, Director of Finance & Customer Services (Ext. 5600)
Contact Officer:	Karen Moore, Senior Finance Officer (Ext. 5929)
Date:	15th February 2019
Background Papers:	Budget documentation and reports previously issued



### **Blackburn with Darwen Borough Council**

#### **Draft Council Tax Resolution 2019/20 – Finance Council, 25 February 2019**

##### **The Council is recommended to resolve as follows:**

1. That it be noted that on 24th January 2019, the Council calculated the Council Tax Base for the year 2019/20 in accordance with regulations made under Section 31B(3) of the Local Government Finance Act 1992, as amended (the Act):
  - a) 34,839.53 being the Council Tax Base for the whole of the Council area (Item T in the formula in Section 31B of the Act); and
  - b) for dwellings in those parts of its area to which a Parish precept relates, as detailed in Appendix 2.
2. That the following amounts be calculated for the year 2019/20 in accordance with Sections 31 to 36 of the Act:
  - a) £387,019,000 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act taking into account all precepts issued to it by Parish Councils.
  - b) £334,261,068 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act.
  - c) £52,757,932 being the amount by which the aggregate at 2 (a) above exceeds the aggregate at 2 (b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).
  - d) £1,514.31 being the amount at 2 (c) above (Item R) divided by the amount at 1(a) above (Item T), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
  - e) £156,127.86 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (see Appendix 2).
  - f) £1,509.83 Being the amount at 2 (d) above less the result given by dividing the amount at 2 (e) above by Item T (1 (a) above), calculated by the Council, in accordance with Section 34 (2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

3. That it be noted that for the year 2019/20 the Police and Crime Commissioner for Lancashire has issued a precept to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, as indicated in the tables below.
4. That it be noted that for the year 2019/20 the Lancashire Combined Fire Authority has issued a precept to the Council in accordance with Section 40 of the Local Government Finance Act 1992, as indicated in the tables below, however at the time of writing this report, the precept had yet to be presented to the Lancashire Fire Authority meeting (held on Monday 18th).
5. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for the year 2019/20 for each part of its area and for each of the categories of dwellings.

a) Blackburn with Darwen Borough Council

<u>Part of the Council's Area</u>	<u>Valuation Bands</u>							
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>
Eccleshill Parish	£1,023.31	£1,193.87	£1,364.42	£1,534.97	£1,876.07	£2,217.18	£2,558.28	£3,069.94
Livesey Parish	£1,012.06	£1,180.74	£1,349.41	£1,518.09	£1,855.44	£2,192.80	£2,530.15	£3,036.18
North Turton Parish	£1,016.78	£1,186.24	£1,355.71	£1,525.17	£1,864.10	£2,203.02	£2,541.95	£3,050.34
Pleasington Parish	£1,010.30	£1,178.68	£1,347.07	£1,515.45	£1,852.22	£2,188.98	£2,525.75	£3,030.90
Tockholes Parish	£1,031.12	£1,202.97	£1,374.83	£1,546.68	£1,890.39	£2,234.09	£2,577.80	£3,093.36
Yate and Pickup Bank Parish	£1,021.28	£1,191.49	£1,361.71	£1,531.92	£1,872.35	£2,212.77	£2,553.20	£3,063.84
Darwen Town Council	£1,015.32	£1,184.54	£1,353.76	£1,522.98	£1,861.42	£2,199.86	£2,538.30	£3,045.96
All other parts of the Council's area	£1,006.55	£1,174.31	£1,342.07	£1,509.83	£1,845.35	£2,180.87	£2,516.38	£3,019.66

b) Major Precepting Authorities

<u>Precepting Authority</u>	<u>Valuation Bands</u>							
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>
Lancashire Police Authority	£134.30	£156.68	£179.07	£201.45	£246.22	£290.98	£335.75	£402.90
Lancashire Combined Fire Authority	£46.32	£54.04	£61.76	£69.48	£84.92	£100.36	£115.80	£138.96

c) Aggregate Council Tax

<u>Part of the Council's Area</u>	<u>Valuation Bands</u>							
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>
Eccleshill Parish	£1,203.93	£1,404.59	£1,605.25	£1,805.90	£2,207.21	£2,608.52	£3,009.83	£3,611.80
Livesey Parish	£1,192.68	£1,391.46	£1,590.24	£1,789.02	£2,186.58	£2,584.14	£2,981.70	£3,578.04
North Turton Parish	£1,197.40	£1,396.96	£1,596.54	£1,796.10	£2,195.24	£2,594.36	£2,993.50	£3,592.20
Pleasington Parish	£1,190.92	£1,389.40	£1,587.90	£1,786.38	£2,183.36	£2,580.32	£2,977.30	£3,572.76
Tockholes Parish	£1,211.74	£1,413.69	£1,615.66	£1,817.61	£2,221.53	£2,625.43	£3,029.35	£3,635.22
Yate and Pickup Bank Parish	£1,201.90	£1,402.21	£1,602.54	£1,802.85	£2,203.49	£2,604.11	£3,004.75	£3,605.70
Darwen Town Council	£1,195.94	£1,395.26	£1,594.59	£1,793.91	£2,192.56	£2,591.20	£2,989.85	£3,587.82
All other parts of the Council's area	£1,187.17	£1,385.03	£1,582.90	£1,780.76	£2,176.49	£2,572.21	£2,967.93	£3,561.52

## Appendix 2

### Town and Parish Council Precepts

	<u>2018/19</u>				<u>2019/20</u>				<u>Council Tax Increase /</u>
<u>Parish / Town Council</u>	<u>Tax Base</u>	<u>Precepts</u>	<u>Grant</u>	<u>Council Tax</u>	<u>Tax Base</u>	<u>Precepts</u>	<u>Grant</u>	<u>Council Tax</u>	<u>(Reduction)</u>
		£	£	<u>Band D</u> £		£	£	<u>Band D</u> £	<u>Council Tax Band D</u> <u>19/20 less 18/19</u> £
Eccleshill Parish	92.57	2,328.00	413.50	25.15	96.60	2,429.00	413.50	25.14	(0.01)
Livesey Parish	1,879.27	15,523.00	1,371.00	8.26	1,977.24	16,332.00	1,371.00	8.26	0.00
North Turton Parish	1,741.18	28,310.00	1,241.00	16.26	1,764.22	27,069.00	1,241.00	15.34	(0.92)
Leasington Parish	259.81	1,450.00	0.00	5.58	257.86	1,450.00	0.00	5.62	0.04
Rockholes Parish	211.47	7,454.84	146.00	35.25	208.50	7,682.86	146.00	36.85	1.60
Yate and Pickup Bank Parish	138.74	3,070.00	260.00	22.13	138.95	3,070.00	260.00	22.09	(0.04)
Darwen Town Council	7,414.15	98,095.00	23,905.00	13.23	7,461.76	98,905.00	23,905.00	13.15	(0.08)
<b>TOTAL / AVERAGE</b>	<b>11,737.19</b>	<b>156,230.84</b>	<b>27,336.50</b>	<b>4.55</b>	<b>11,905.13</b>	<b>156,127.86</b>	<b>27,336.50</b>	<b>4.48</b>	<b>(0.07)</b>