Public Document Pack

Finance Council

Monday, 24th February, 2020
Council Chamber,
Blackburn Town Hall,
6.00 pm

AGENDA

In respect of items 7 and 8, technical questions on the contents of the report should have been raised directly with Louise Mattinson, Director of Finance and Customer Services by 12 noon on Friday 21st February 2020.

In respect of Items 9 and 10 below, 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.

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 Customer Services 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.

Date Published: 14th February 2020
Denise Park, Chief Executive

COUNCIL FORUM
Thursday, 23 January 2020

PRESENT –*The Mayor Councillor Jim Shorrock, Councillors Afzal, Akhtar H, Akhtar P, Batan, Bateson, Brookfield, Browne, Casey, Connor, Daley, Davies, Desai, Floyd, Gee, Groves, Gunn, Hardman, Hussain I, Hussain M, Hussain S, Jan-Virmani, Kay, Khan M, Khan Z, Khonat, Liddle, Mahmood, Marrow, McFall, McGurk, Oates, Pearson, Rawat, Rigby C, Rigby J, Riley, Salton, Sidat, Slater Jaq, Slater Jo, Slater J, Slater N, Smith D, Smith J, Talbot D, Taylor B, and Whittle.*

RESOLUTIONS

38 Welcome and Apologies

Following the reading of the notice convening the meeting by the Chief Executive, the Mayor welcomed all to the meeting.

Apologies were received from Councillors Fazal, Harling and Patel.

39 Minutes Of The Previous Meeting

The Minutes of the Policy Council Meeting held on 5th December 2019 were agreed as a correct record.

40 Declarations of Interest

Councillor Suleman Khonat declared an interest in Agenda Item 7 – Motion on Fireworks (Retailer).

41 Mayoral Communications

The Mayor thanked Members and Officers for their condolences following the recent passing of his Mother.

Additionally, the Mayor reminded Members of the following forthcoming events; Holocaust Memorial Day on 28th January, a curry night for the Mayor's Charity on 10th February and the Mayor's Ball at Ewood Park on 20th March 2020.

42 Council Forum

The Chief Executive advised that no questions had been received under Procedure Rule 12.

43 To consider Motions submitted under Procedure Rule 12

One Motion had been received as follows:

Motion

The Pennine Community Safety Partnership, of which Blackburn with Darwen is a full member has highlighted significant concerns from communities across the region with regards the private use of fireworks.

Fireworks are used by people throughout the year to mark different events. Whilst they can bring much enjoyment to some people when used in the right way, they can cause significant problems and fear for other people and animals.

Animals are particularly vulnerable to their use with the RSPCA raising repeated concerns with government as detailed in their "Bang Out of Order" report. This notes that "loud noises, that are unpredictable and out of an animal's control – as is the case with fireworks – are particularly stressful for them. Being unpredictable, as well as intermittent and relatively infrequent, also makes it unlikely that animals will acclimatise to fireworks noise."

This isn't just an issue for domestic animals and wildlife. Vulnerable people can become confused and disorientated by the noise of fireworks, and of further concern individuals and groups can and do put themselves at risk of harm through their inappropriate use with significant resources locally having to be deployed each year to police private and unofficial events through the BrightSpark programme.

Council resolves:

(i) To request that organisers of all public firework displays within Blackburn with Darwen advertise them in advance of the event, allowing residents to take precautions for their animals and vulnerable people;

(ii) To support public awareness about the impact of fireworks on animal welfare and vulnerable people – including the precautions that can be taken to mitigate risks;

(iii) To write to the UK Government urging them to introduce legislation to limit firework sales to licensed firework operators and prevent their sale to the general public. To also limit the maximum noise level of fireworks to 90 decibels for those sold for private displays.

Proposed by: Councillor Mustafa Desai

Seconded by: Councillor Phil Riley

Following debate, Council Forum moved to a vote.

RESOLVED – That the Motion be carried.

44 Statement of Licensing Policy

Members receive a report which recommended approval of the revised Statement of Licensing Policy for the Licensing Act 2003.

The report advised that the Statement of Licensing Policy had to be kept under review and changed if deemed necessary and this exercise had to be carried out at least every 5 years.

The report outlined the amendments made which reflected legislative changes and updated information about the Borough and the insertion of a section on the role of public health, alcohol and licensing.

RESOLVED – That the Council approves the revised Statement of Licensing Policy for the Licensing Act 2003.

45 Update from other Committees

Updates from the Chairs of the PEOPLE and PLACE Overview and Scrutiny Committees were received on the work of their Committees along with an update from the Vice Chair of the Policy and Resources Overview and Scrutiny Committee.

RESOLVED – That the Updates from the Policy and Resources, PEOPLE and PLACE Overview and Scrutiny Committees be noted.

46 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 Leader confirmed that as referred to in an e-mail to Members earlier in the day, Councillor Vicky McGurk had been appointed as Executive Member for Finance and Governance.

RESOLVED – That the reports of the Leader and Executive Members be noted.

47 Draft Year Planner 2020-21

The Draft Year Planner for 2020-21 was submitted ahead of approval of the final version at Finance Council on 24th February 2020.

The Leader advised of proposed changes to the draft Year Planner, at the request of the Cathedral it was proposed that Civic Sunday be moved from Sunday 23rd May to Sunday 16th May 2021 – this was because Pentecostal Sunday fell on the 23rd May 2021.

As there were no Elections in 2021, it was therefore proposed that Annual Council be moved to Thursday 13th May 2021 (with Civic Sunday on the 16th as above) and that the scheduled Exec Board on 13th May 2020 be moved to 20th May 2020.

These changes would be reflected in the final version of the Year Planner that would be submitted to Finance Council.

RESOLVED – That the Draft Year Planner for 2020-21 as amended be approved and that the final version be submitted to Finance Council on 23rd February 2020 for confirmation.

48 To consider any questions received from Members under Procedure Rule 11

The Chief Executive advised that no questions from Members had been received under Procedure Rule 11.

Signed at a meeting of the Council Forum
on Thursday, 26 March 2020
(being the ensuing meeting on the Council Forum) 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: **24TH FEBRUARY 2020**

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 AND CUSTOMER SERVICES**
TO:	**FINANCE COUNCIL**
DATE:	**24th FEBRUARY 2020**

SUBJECT : CAPITAL STRATEGY REPORT 2020/21

1. EXECUTIVE SUMMARY

This report seeks approval for the 2020/21 Capital Strategy, set out in Appendix 1. The capital strategy gives a high-level overview of how the Council's capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risks are managed and the implications for future financial sustainability.

Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework, summarised in this report.

2. RECOMMENDATIONS

It is recommended that Members approve the proposed Capital Strategy for 2020/21 (in Appendix 1), including:

a) the proposed Flexible Use of Capital Receipts Strategy, outlined in ***Appendix 3***

b) the Minimum Revenue Provision (MRP) Statement, which determines the Council's policy for repayment of debt ***(Appendix 4)***

c) the proposed prudential indicators for the forthcoming year ***(Appendix 5);***

d) the proposed Investment Strategy for 2020/21, as outlined in ***Appendix 6***.

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 which gives due consideration to service objectives, long term financing implications and potential risks to the authority.

4. KEY ISSUES

The report outlines the Capital Strategy for the period 2020/21 to 2022/23.

The strategy is included at ***Appendix 1*** which covers:

- Capital spending priorities and governance – details of the key principles and investment priorities for the Council, including ongoing and potential further capital projects
- Capital expenditure and financing – an overview of the proposed capital programme and the financing for these schemes, including estimates of the future Capital Financing Requirement and Minimum Revenue Provision
- Asset management – information on the Council's Asset Management Strategies and the related procedures in place
- Asset disposals – forecast of future capital receipts and details on their intended use
- Treasury management – high-level detail on the borrowing and investment strategies, including risk management and governance information. Further details of the Council's borrowing and treasury investments can be found in the Treasury Management Strategy, approved by Executive Board annually in March
- Other investments and long term liabilities – details of non-treasury investments and long-term liabilities of the Council, including governance of such arrangements
- Revenue budget implications – information on the affordability of the Council's capital spending plans in the context of the Revenue Budget 2020/21
- Knowledge and skills - focussing on the skills and knowledge available to the Council in carrying out its capital investment activities, and the extent to which external advisors are used in the course of those activities

The strategy is supported by the details contained within ***Appendices 2 to 6*** as follows;

- ***Appendix 2*** (as referred to within the Capital Strategy at ***Appendix 1***) outlines the Council's capitalisation policy.

- ***Appendix 3*** (as referred to within the Capital Strategy at ***Appendix 1***) provides an overview of the Capital Programme, an estimate of capital receipts and the Council's 'flexible use of capital receipts' strategy.

- ***Appendix 4*** (as referred to within the Capital Strategy at ***Appendix 1***) details the Council's Minimum Revenue Provision Statement including the proposed policy for 2020/21.

- ***Appendix 5*** (as referred to within the Capital Strategy at ***Appendix 1***) highlights the proposed Prudential Indicators for prudence and affordability.

- ***Appendix 6*** (as referred to within the Capital Strategy at ***Appendix 1***) details the Council's investment strategy. This focuses on the non-treasury management investments of the Council and their associated risks.

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 2020/21 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 4** 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:	Jody Spencer-Anforth, Finance Manager – Ext 507748
Date:	24th February 2020
Background Papers:	Capital programme 2020-2023 and associated papers

Blackburn with Darwen Borough Council

Capital Strategy

2020/21 to 2022/23

Contents

1 Background

The Capital Strategy forms a key part of the Council's overall Corporate Budget Planning and provides a mechanism by which capital expenditure and investment decisions are aligned over the medium to long-term period.

The Council prepared a Capital Strategy for the first time in 2019/20, following the release of the updated *Prudential Code for Capital Finance in Local Authorities* by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2017.

This Strategy sets out the framework for all aspects of the Council's capital and investment expenditure including prioritisation, governance, funding and monitoring and risk management, and maintains links to other key strategic documents, notably the Treasury Management Strategy and Medium Term Financial Strategy.

2 Aims of the Capital Strategy and its links to the Council's Corporate Plan

The aim of this Strategy is to ensure that the Council has overall long-term policy objectives in this area, resulting in the identification of capital strategy requirements, governance procedures and clarity in its risk appetite.

The capital strategy gives a high-level overview of how the Council's capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risks are managed, and the implications for future financial sustainability.

Capital investment plans are driven by the Council's Corporate Plan. The Corporate Plan was agreed by elected members in March 2019 and is the Council's key strategic document. The Corporate Plan 2019-2023 sets out the Council's core priorities and ambitions for the next 4 years. The Council's plan has eight strategic priorities:

- **People:**
  - Supporting young people and raising aspirations
  - Safeguarding and supporting the most vulnerable people
  - Reducing health inequalities and improving health outcomes
- **Place:**
  - Connected communities
  - Safe and clean environment
- **Economy:**
  - Strong, growing economy to enable social mobility
  - Supporting our town centres and businesses
- **Council:**
  - Transparent and effective organisation

3 Capital spending priorities and governance

The key principles for the Council's 2020-2023 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 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 Council's capital investment priorities for 2020/21 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.

Local Plan 2018 to 2037

The Council is currently in the process of reviewing its Local Plan and expects the new plan, which will cover the period 2018 to 2037, to be submitted for consideration and approval in September 2021.

A number of studies have been conducted as part of this review, which highlighted some of the priority investment areas identified above:

- Industry

  The Council undertook an Employment Land Study Review in May 2019, looking at current business premises within the Borough, the projection of future need over the life of the Local Plan and the areas identified as potential sites to contribute towards fulfilling this identified need. This highlighted a requirement for additional industrial properties over the period, with the current demand being mainly for units sub-500sqm.

  The Council has a portfolio of industrial, retail and office properties, but will continue looking at opportunities for new developments to meet the future demand within the Borough.

- Housing

  In December 2018 the Council commissioned a Housing and Economic Need Assessment, which looked at the future development needs for housing and employment across the Borough. This identified a need for additional housing of differing size and tenure within the Borough over the period of the Local Plan, and also highlighted the fact that the forecast requirement exceeds the historic level of new houses delivered annually.

  Over recent years a number of new developments have started within the Borough, contributing towards fulfilling the need for residential housing in the area. The Council's Growth and Development team continue to work to identify potential sites for future developments, however the majority of this work does not fall within the Council's own capital programme.

  Currently around 5% of the total residential housing stock in the Borough is empty, with 13% of properites having stood empty for over 2 years. Empty properties in the borough can have negative environmental impact on neighbourhoods, in addition to being a wasted housing resource. Tackling empty properties supports the key priorities in the Council's Corporate Plan and the Empty Property Strategy. The Council currently has a Neighbourhood Intervention Project as part of the capital programme, which can be used to bring long-term empty properties back into use in cases where the owners have not done so themselves. This project will continue, and has the potential to grow, over the coming years.

Schools

As a result of new housing developments completed within the Borough, and those in the pipeline for the coming years, there is a need for additional school places in certain areas of Blackburn with Darwen, to meet the higher demand.

The Council has a Growth Education Board who meet regularly to review such matters and discuss potential sites for investment in creating new school places.

Pennine Gateways – Transport Infrastructure Growth Deal

The Pennine Gateways project, funded through the Lancashire Growth Deal, will deliver key transport infrastructure improvements at three of the main gateways into Blackburn with Darwen off the M65 motorway.

Investment at these adjoining gateways will extend the concept of the Hyndburn – Burnley – Pendle Growth Corridor to the M65 Growth Corridor and will release the potential of a number of adjacent strategic sites to attract and accelerate new development opportunities.

Major transport improvements will act as a catalyst for new housing and commercial development, contributing to the delivery of the Council's adopted Local Plan targets for new homes, businesses and jobs.

Continued Town Centre Development

There are a number of capital projects already ongoing within the town centre, which will continue to be supported into 2020/21 including:

- Cinema development
- Blakey Moor regeneration

There is a requirement for the continued funding of existing programmes of work on:

- Social Care (including an ongoing programme to provide aids and adaptations)
- Schools
- Environmental Services (Land Remediation Scheme)
- Growth and Development Projects (including Blakey Moor Renovation, LTP Corridors and Cinema Leisure Development)
- Development of the ICT Strategy
- Progression of the Corporate Accommodation Strategy

In addition to the projects referred to above, funding may be required in respect of further/new projects including:

- Low Carbon and Energy Efficiency Initiatives
- School Investment/ Pupil Places Pressures
- Housing Initiatives
- Transport and Highways
- Fleet Management

Further details of the Council's Capital Programme is included within the *Revenue Budget 2020/21, Medium Term Financial Strategy and Capital Programme 2020-2023 Report* which is on the agenda of this meeting.

4 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 by the Local Authority on assets owned by other bodies, and loans and grants made by the Local Authority 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 2**.

In 2020/21, the Council is planning capital expenditure of £39.9 million, as summarised below:

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

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
Portfolio spending	20.4	28.9	33.9	9.4	8.7
Earmarked schemes	0	1.7	6.0	1.5	1.5
Contingent schemes	0	0	0	1.5	1.5
Total Capital Programme	**20.4**	**30.6**	**39.9**	**12.4**	**11.7**

Further analysis of planned capital expenditure by portfolio can be found in **Appendix 3.**

5 Capital Financing (Including MRP)

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

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
External sources	13.1	17.5	23.8	9.2	8.5
Own resources	0.7	1.3	0.3	0	0
Debt	6.6	11.8	15.8	3.2	3.2
Total capital financing	**20.4**	**30.6**	**39.9**	**12.4**	**11.7**

Debt is only a temporary source of finance, since loans and leases must be repaid; these repayments must be financed over time, 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. The Council's planned MRP and use of capital receipts is as follows:

Table 3: Forecast MRP and Use of Capital Receipts To Repay Debt in £ millions

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
Capital Receipts To Repay Debt	2.7	3.5	4.2	5.0	3.4
MRP	6.2	6.5	7.1	7.5	7.9

The Council's policy for setting a "prudent" level of Minimum Revenue Provision for the repayment of debt, must be consistent with the Council's Medium Term Financial Strategy, and can be found at **Appendix 4.**

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 table below shows that the CFR is expected to increase by £7.9 million during 2020/21. 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

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
General Fund services	212.3	214.6	223.0	214.3	206.6
Debt managed by LCC	15.6	15.3	15.0	14.6	14.3
PFI projects	69.7	69.5	69.3	69.1	68.9
Total CFR	**297.6**	**299.4**	**307.3**	**298.0**	**289.8**

The capital financing requirement for 2020/21 and subsequent years includes a £5.0 million increase due to a change in the accounting for leases. This is an estimate based on latest information and will be amended as more information becomes available.

6 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. location, 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.

Asset Management Plans are normally produced every 3 to 5 years; the plan produced in 2015/16 is now in the process of review and development and will be published during 2020/21.

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 Development Growth Board has been developed to run alongside and support the Asset Management Plan.

The Council's Highways Asset Management Strategy was revised in July 2019. This document describes the Council's strategy for the management of its highway assets, considering long-term needs as well as the short-term position to address maintenance requirements. The objectives of this strategy are:

- To direct investment in the highway related assets on the basis of 'prevention is better than cure', having consideration to the Council's priorities, risk and the current condition of the assets.
- To improve the overall condition and explore the most cost effective maintenance treatments, based on the whole life of the assets.
- To facilitate the development of cost-effective forward works programmes over a number of years based upon the principles of life cycle planning.
- To ensure the Council adheres to its duty of care under the Highways Act 1980.

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7 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 £4.2 million of capital receipts in the coming financial year as follows:

Table 5: Capital receipts in £ millions

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	Future years budget
Asset sales	2.7	3.5	**4.2**	**5.0**	**33.3**
Loans repaid	0	0.0	0.0	0.0	0.0
Total Capital Receipts	**2.7**	**3.5**	**4.2**	**5.0**	**33.3**

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.

Further details of planned asset disposals, together with the Council's Flexible Use of Capital Receipts Policy are detailed in **Appendix 3.**

8 Treasury management

The Council produces a Treasury Management Strategy, which is approved annually by the Executive Board.

The Capital Strategy and Treasury Management Strategy are closely linked as the capital programme determines the borrowing need for the Council. This is part of the long term cash flow planning to ensure that the Council can meet its capital spending requirements.

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 is 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

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
Debt (including PFI and LCC debt)	277.1	307.5	300.9	279.6	268.3

Capital Financing Requirement	297.6	299.4	307.3	298.0	289.8

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. The Council expects debt to be in excess of the capital financing requirement temporarily at the end of 2019/20, this is due to slippage on some capital schemes, and additional borrowing required for the advance payment of pension costs in April 2020. However, as can be seen from Table 6, the Council expects to comply with this guidance during 2020/21. The effects of the advance payment of pension costs will cease by the end of 2022/23, at which point debt is anticipated to return to normal levels, when compared to the capital financing requirement.

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

	2019/20 limit	2020/21 limit	2021/22 limit	2022/23 limit
Authorised limit - borrowing	250.8	286.0	265.5	244.0
Authorised limit – PFI and LCC debt	85.3	84.8	84.3	83.8
Authorised limit – total external debt	336.1	370.8	349.8	327.8
Operational boundary - borrowing	240.8	276.0	255.5	234.0
Operational boundary – PFI/LCC debt	85.3	84.8	84.3	83.8
Operational boundary – total external debt	326.1	360.8	339.8	317.8

The authorised limit and operational boundary are calculated based on the projected capital financing requirement of the Council and an allowance for other short-term borrowing needs.

The authorised limit and operational boundary for 2020/21 and subsequent years include a £5.0 million increase due to a change in the accounting for leases. This is an estimate based on latest information and will be amended once further information becomes available.

Treasury 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 if required.

Risk management: The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to mitigate the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

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 Executive Board each year. A regular officer group (Treasury Management Group) also reviews treasury management activity and 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 which is to be presented to Executive Board for approval on 12 March 2020.

9 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 6 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 in making service investments than it is with treasury investments, however it still aims for such investments to contribute to its corporate priorities.

The Council has entered into joint ventures and partnerships previously, which have resulted in ownership of shares in the companies set up to deliver the objectives of these projects. These have included Building Schools for the Future – Private Finance Initiatives and joint ventures with development companies. These are held as long-term investments for the Council, but with the primary objective being their contribution towards service delivery.

Governance: Decisions on service investments are made by the Director of Finance and Customer Services / the Executive Member for Finance and Governance / the Executive Board, in line with the Council's constitution. Most loans and shares are capital expenditure and purchases will therefore 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 on 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 for Finance and Governance / 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 6.**

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 £269.165 million at 31st March 2019), and other liabilities arising from the Council's PFI contracts under the Building Schools for the Future programme (£65.130 million at 31st March 2019). It has also set aside £3.052 million to cover risks in relation to:

- Backdated appeals against the rateable value of business ratepayers (£1.673 million)
- Injury and damage compensation claims (£0.979 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 discretional 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.

10 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

	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
Main Programme capital financing costs as a proportion of Net Revenue Stream	9.15%	9.30%	9.56%	9.77%
BSF PFI capital financing costs as a proportion of Net Revenue Stream	4.61%	4.38%	4.32%	4.28%
Prudential Indicator for ratio of financing costs to Net Revenue Stream	**13.76%**	**13.68%**	**13.88%**	**14.05%**

Further details on the revenue implications of capital expenditure can be found within the *Revenue Budget 2020/21, Medium Term financial Strategy and Capital Programme 2020-2023* 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 2020/21 Budget and the Recommended Level of Reserves* report which is on the agenda of this meeting.

11 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, includes:

- 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.

12 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 5**.

Appendix 2

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 February 2018 government announced the continuation of the capital receipts flexibility programme 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 31st March 2016.

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.

Appendix 3

CAPITAL PROGRAMME 2020-2023

Capital expenditure

In 2020/21, the Council is planning capital expenditure of £39.910 million as summarised below:

Table 1: Estimates of Capital Expenditure in £ thousands

Portfolio	2018/19 actual £000	2019/20 forecast £000	2020/21 budget £000	2021/22 budget £000	2022/23 budget £000
Health and Adult Social Care	1,904	2,214	2,796	2,500	2,500
Children, Young People and Education	2,352	5,915	7,237	6,750	6,000
Environment	620	143	1,929	0	0
Public Health and Wellbeing	375	1,195	0	0	0
Growth and Development	13,194	17,242	17,781	150	150
Digital and Customer Services	1,687	1,467	697	0	0
Finance and Governance	288	765	3,490	0	0
Portfolio spending	**20,420**	**28,941**	**33,930**	**9,400**	**8,650**
Corporate ICT	0	90	3,116	0	0
Vehicles	0	1,549	0	0	0
Corporate Property Investment	0	2	2,864	1,500	1,500
Earmarked schemes *	**0**	**1,641**	**5,980**	**1,500**	**1,500**
Asset Management	0	0	0	1,500	1,500
Contingent schemes	**0**	**0**	**0**	**1,500**	**1,500**
Total capital expenditure	**20,420**	**30,582**	**39,910**	**12,400**	**11,650**

* **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.

Allocations are included for:

- creation of additional school places required within the Borough
- expected investment in existing assets

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 2020/21* 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

	2018/19 actual £000	**2019/20 forecast £000**	**2020/21 budget £000**	**2021/22 budget £000**	**2022/23 budget £000**
Government grants	8,898	13,945	14,175	8,000	8,000
External contributions	4,223	3,556	9,651	1,250	500
Revenue contribution	690	1,274	300	0	0
Borrowing	6,609	11,807	15,784	3,150	3,150
Total capital financing	**20,420**	**30,582**	**39,910**	**12,400**	**11,650**

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 2020/21 Budget and MTFS are based on the following estimates of capital receipts:

	2018/19 actual £000	2019/20 forecast £000	2020/21 budget £000	2021/2022 budget £000	Future years budgets £000
Disposal of land and property	2,712	3,520	4,248	4,958	33,251
Sale of investments	0	0	0	0	0
Total capital receipts	**2,712**	**3,520**	**4,248**	**4,958**	**33,251**

The Council plans to continue to utilise the majority of any 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 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 2022.

The Council has no specific plans to use capital receipts flexibly for 2020/21 at this point in time. Should these plans change, an updated strategy will be presented to Full Council for approval as required.

Appendix 4

<u>MINIMUM REVENUE PROVISION (MRP) STATEMENT</u>

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 2020/21

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 '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 assets acquired by leases* – MRP will be determined as being equal to the principal element of the rent or charge that goes to write down the balance sheet liability.

(e) *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.

(f) *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.

(g) *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.

Capital expenditure incurred during 2020/21 will not be subject to a MRP charge until 2021/22.

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.

Appendix 5

PRUDENTIAL INDICATORS FOR 2020/21

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 an 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

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
Portfolio spending	20.4	28.9	33.9	9.4	8.7
Earmarked schemes	0	1.6	6.0	1.5	1.5
Contingent schemes	0	0	0	1.5	1.5
General Fund services	**20.4**	**30.6**	**39.9**	**12.4**	**11.7**

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

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
General Fund services	212.3	214.6	223.0	214.3	206.6
Debt managed by LCC	15.6	15.3	15.0	14.6	14.3
PFI projects	69.7	69.5	69.3	69.1	68.9
Total CFR	**297.6**	**299.4**	**307.3**	**298.0**	**289.8**

The capital financing requirement for 2020/21 and subsequent years includes a £5.0 million increase due to a change in the accounting for leases. This is an estimate based on information currently available and will be amended once more information becomes available.

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

	2019/20 limit	2020/21 limit	2021/22 limit	2022/23 limit
Authorised limit - borrowing	250.8	286.0	265.5	244.0
Authorised limit – PFI and LCC debt	85.3	84.8	84.3	83.8
Authorised limit – total external debt	336.1	370.8	349.8	327.8
Operational boundary - borrowing	240.8	276.0	255.5	234.0
Operational boundary – PFI and LCC debt	85.3	84.8	84.3	83.8
Operational boundary – total external debt	326.1	360.8	339.8	317.8

The authorised limit and operational boundary for 2020/21 and subsequent years include a £5.0 million increase due to a change in the accounting for leases. This is an estimate based on information currently available and will be amended once more information becomes available.

Gross Debt and the Capital Financing Requirement in £ millions

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
Debt (including PFI and LCC debt)	277.1	307.5	300.9	279.6	268.3
Capital Financing Requirement	297.6	299.4	307.3	298.0	289.8

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. The Council expects debt to be in excess of the capital financing requirement temporarily at the end of 2019/20, this is due to slippage on some capital schemes, and additional borrowing required for the advance payment of pension costs in April 2020. However, as can be seen from table above, the Council expects to comply with this guidance during 2020/21.

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 2020/21 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.

	2019/20 forecast	**2020/21 budget**	**2021/22 budget**	**2022/23 budget**
Main Programme capital financing costs as a proportion of Net Revenue Stream	9.15%	9.30%	9.56%	9.77%
BSF PFI capital financing costs as a proportion of Net Revenue Stream	4.61%	4.38%	4.32%	4.28%
Prudential Indicator for ratio of financing costs to Net Revenue Stream	**13.76%**	**13.68%**	**13.88%**	**14.05%**

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.

Appendix 6

INVESTMENT STRATEGY 2020/21

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).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

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 2020/21 for treasury management investments are covered in a separate document, the Treasury Management Strategy, to be presented to Executive Board on 12th March 2020 for consideration and approval.

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 does not have any such liabilities at present.

REPORT OF:	DIRECTOR OF FINANCE AND CUSTOMER SERVICES
TO:	FINANCE COUNCIL
DATE:	24th FEBRUARY 2020

SUBJECT: The Robustness of the 2020/21 Budget and the Recommended Level of Reserves

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 2020/21, Council is required to have regard to this report when making its budget decisions.

2. RECOMMENDATIONS

An overall assessment of the proposed 2020/21 budget, and the assumptions on which this is based, including savings plans and activity forecasts, has identified that whilst there are risks, the overall budget provisions for the year 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 2020/21 (as outlined in the report of the Executive Member for Finance and Governance) 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 2020/21 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).

Once again, 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. This has been due to the continued distractions of Brexit, a change in Prime Minister in July 2019 and a General Election in December 2019.

Although the Government announced back in 2017/18 that consultations would be undertaken to progress local government funding reform, given the pressures and distractions noted above, these have been slow to advance;

- although, after considerable delay, the consultations on the Fair Funding Review and on a future Business Rates Retention mechanism were issued mid-December 2018, there has still been no response on the outcome of this

- in relation to social care;

    - in March 2017 the Government announced that it would issue a Green Paper on Social Care for public consultation.
    - in July 2019 it was reported in the Financial Times that the new Prime Minister had shelved the Green Paper and instead would issue a White Paper, expected in the autumn
    - in September 2019 the Prime Minister said he would bring forward proposals 'in due course'
    - in January 2020 he has said he will bring forward a plan for social care within this year.

As such, whilst the MTFS would normally extend to cover the 3 year period beyond the end of the budget year, i.e. to 2023/24, 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 2022/23, 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 at play, in developing the MTFS for 2021/22 and 2022/23 we have therefore modelled various scenarios based on various assumptions of projected income and expenditure streams and these are detailed in the ***Revenue Budget 2020/21, Medium Term Financial Strategy and Capital Programme for 20209-23 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 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 one-year, 2020/21 Provisional Local Government Finance Settlement. *(The Final Local Government Finance Settlement, which was due to be laid before Parliament on 12th February 2020 has now been deferred and as a consequence of the February Parliamentary Recess, the vote will not be held now until the week commencing 24th February.)*
    - 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 reviewed and realigned portfolio budgets at the lowest transactional level within overall portfolio cash limits, to reflect changes over time to ensure budgets are more in line with current levels of income and expenditure, for example the changes made in the waste budgets to reflect estimated tonnages and known price increases in 2020/21
    - we have reflected changes in service delivery such as changes to the kerbside recycling contract which will be brought back in-house in April 2020

- 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;
        - National Highways and Transport Survey 2019

    - Waste and Recycling Survey 2019
    - Our Community, Our Future engagement activities
    - Various service user consultation, including the development of a Customer Panel and Digital Customer Portal drop in sessions.
    - Council's Employee Survey 2019

- 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 2019/20 in readiness for 2020/21, 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 method has been effective in providing a level of resilience to address the Government's funding reductions over the period to date. The approach has been no different in addressing the forecast budget gap for 2020/21 which was presented to Finance Council in February 2019; this resulted in the development of a detailed savings programme of £4.7million across all portfolios, of which the majority of these savings will be fully delivered on 1st April 2020.

- 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 2020 to 2023 of £64.0m is included within the report from the Executive Member for Finance and Governance. 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.

Allocations are included for:

- creation of additional school places required within the Borough
- expected investment in existing assets

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.

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.

- at the Management Board meetings, the Chief Executive and Directors 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 Finance and Governance, along with the Director of Finance and Customer Services, 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 Modern Working Design Authority and the Digital Board, the Workforce Review Board, the Strategic Commissioning Board, the Children's Corporate Support & Challenge Board, the Asset Management Group, Treasury Management Group and the Accommodation Board, who each meet regularly to oversee the 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 10 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, which covered the period 2016/17 to 2019/20, provided some stability to assist in financial planning, for 2020/21 and beyond, uncertainty has prevailed with regards to the Government's plans for, and impact of;

- 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,
- devolution and mooted, potential local government reorganisation

The one-year, Provisional Local Government Settlement for 2020/21 was subject to delay and was only issued on 20th December 2019. The Final Local Government Finance Settlement which was due to be laid before Parliament on 12th February 2020 has now been deferred and as a consequence of the February Parliamentary Recess, the vote will not be held now on this until the week commencing 24th February.

This has exacerbated the uncertainty and the risk in our financial planning for 2020/21, and indeed in the absence of any figures, assumptions or framework for 2021/22, it has been almost impossible to prepare a credible financial strategy for the medium term beyond this with 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.

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.

The diminishing level of reserves, and the risks associated with this, have been widely reported across the Council over the past few years, a position that has arisen due to the ongoing impact of the Government's austerity programme since 2010/11. 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 have been implemented to address the imbalance.

This position was clear in the recent publication of the CIPFA (Chartered Institute of Public Finance and Accountancy) Resilience Indicators, released on 16th December 2019. These indicators aim to show the level of financial resilience of each local authority across England, of which several of the measures relate to the level of reserves. As at 31st March 2019, when compared to all other Unitary Authorities, Blackburn with Darwen had the 5th lowest level of reserves as a percentage net of revenue expenditure. This is not surprising as;

- this Council had the largest reduction in Core Spending Power of all Unitary authorities at 30.5% between 2010/11 and 2019/20 (£51.7million), which was the 32nd largest reduction out of all 350 local authorities in the country
- the Centre for Cities report published in January 2019 outlined that between 2009/10 and 2017/18, Blackburn with Darwen had the 5th largest real-term fall in total local government spending across the country
- latest IMD statistics tell us that the borough is ranked 9th in a list of the most deprived local authorities in the country.

These extreme financial challenges, coupled with rising demand for services due to high levels of deprivation, have meant that reserves have been utilised in order to deliver services.

As such the level, purpose and planned use of reserves has been considered very carefully in developing the MTFS and the annual budget, however the conclusion reached is that the additional funding provided in 2020/21 which has enabled a balanced budget to be set, and the Government's commitment to a Fair Funding formula, a new Business Rates Retention system and importantly a 'levelling up' across the country for future years, gives reassurance that the authority will at last be able to replenish its reserves going forward.

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 2020/21 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, 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 31st March 2020 comprises;

£9.611m - total reserves of Council Use

£12.060m – 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 Customer Services
Date:	24th February 2020
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.

Risk Event	£ 000's
General budget risks • 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 • Overspend of budgets within service areas • Service specific cost increases e.g. large scale increases in gas and electricity, waste disposal, social care • Inflationary increases above those forecast which may arise due to the uncertainty of Brexit • Inflation cannot be contained within existing budgets	3,000
Savings Whilst the Council holds a 'Savings - Part Year Effect Reserve' to mitigate against the adverse financial impact arising from potential slippage in the delivery of any required savings programmes, and monitors and manages achievement of the these programmes through budget management at Director, Executive Member and Executive Board level, non-delivery or significant slippage presents a risk	1,250
Risk of reduced revenues from rents, fees and charges 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
Interest rates 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.	100
Emergencies 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

Risk Event	£ 000's
Contingent liabilities 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
Welfare Reform and Universal Credit 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
Litigation Claims 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
Risk of Business Rates and Council Tax collection shortfalls The risk of a reduction in collection rates; • in Business Rates - due to outstanding and potential future rating appeals and due to the economic climate • 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	500
SUBTOTAL	**8,000**
Adjustment to reflect the unlikely probability that all of these events take place simultaneously (50% likelihood)	- 4,000
Recommended minimum level of Balances	**4,000**

	2020/21 £'000	2021/22 £'000	2022/23 £'000
Projected level of balances at start of each year	5,700	*6,200	* 6,200
Budget proposals – contributions from (-) or to (+) balances	500	*0	*0
Balances estimated at end of each year	6,200	* 6,200	* 6,200

* *as noted in Appendix D of the Revenue Budget 2020/21, Medium Term Financial Strategy and Capital Programme 2020-2023 Report, the budget gaps of £2.7m in 2021/22 and £7.6m in 2022/23 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 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 with 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 2020/21 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 31 March 2020 £ 000's	Budget proposals – contributions from (-) or to (+) reserves £ 000's	Balances estimated at 31 Mar 2021 £ 000's
Reserves held for discretionary use by the Council				
Specific project/ expenditure reserves	Revenue savings that have been earmarked for specific projects or purposes in future years	5,088	(450)	4,638
Support for Future Redundancy Costs	This reserve is to support future remodelling of services	501	0	501
Part Year Effect of Future Savings Plans	This reserve is to support the delivery of future budget reductions	1,188	0	1,188
Digital Programme	This reserve is to meet the costs and requirements of the Digital Programme	964	0	964
Reserves held for specified (non-discretionary) purposes				
Maintenance of Wainwright Bridge	This reserve is the result of a contribution from Network Rail as maintenance of the Wainwright Bridge is the responsibility of the Council – the reserve will support the costs of once ongoing maintenance liabilities as they arise	306	0	306
Maintenance of Witton Park 3G Pitches	The reserve has been set aside as a result of conditions imposed by the grant funding body in respect of the associated capital scheme	25	80	105
S106 income (under the 1990 Town and Country Planning Act)	Developers' contributions to be applied to enhance or maintain infrastructure and facilities	552	0	552
Highways Claims	This reserve is required to support anticipated future highway claims in respect of current and previous years	300	0	300
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.	250	0	250
Landfill Sites Remediation Costs	This reserve was established using funds from a former provision in order to supplement ongoing capital expenditure resources	400	0	400
Arts Acquisition Fund	This fund was established so that new pieces of art can be purchased as and when they	16	0	16

Name	Purpose	Balances estimated at 31 March 2020 £ 000's	Budget proposals – contributions from (-) or to (+) reserves £ 000's	Balances estimated at 31 Mar 2021 £ 000's
	become available			
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	21	0	21
TOTAL RESERVES FOR COUNCIL USE		**9,611**	**(370)**	**9,241**
Reserves held in respect of joint arrangements and charitable bodies				
Darwen Market Traders	Funds held by the Council on behalf of Darwen Market Traders' Association	3	0	3
Joint Building Control Account	Accumulated surpluses in relation to the Joint Building Control agreement	201	0	201
Turton Tower Charity	Funds held by the Council in its role as trustee for the charity	59	0	59
Local Safeguarding Children's Board Fund	This fund was established from specific contributions to be used to support the LSCB	154	0	154
Reserves held in relation to schools				
Dedicated Schools Grant - surplus	DSG received but not yet deployed to meet eligible expenditure	5,089	0	5,089
LMS Schools balances	Funds held by schools under a scheme of delegation	*6,554	0	*6,554
	TOTAL OTHER RESERVES	**12,060**	**0**	**12,060**

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

REPORT OF:	EXECUTIVE MEMBER FOR FINANCE AND GOVERNANCE, ON BEHALF OF THE LABOUR GROUP
TO:	FINANCE COUNCIL
DATE:	24th February 2020

PORTFOLIOS AFFECTED: ALL

WARDS AFFECTED: ALL

SUBJECT: Revenue Budget 2020/21, Medium Term Financial Strategy and Capital Programme 2020-2023

1. PURPOSE

To recommend to Finance Council the Budget Strategy and proposals for the Revenue Budget 2020/21, together with the Medium Term Financial Strategy (MTFS) and Capital Programme for 2020-2023.

2. RECOMMENDATIONS

To approve the proposals for the Revenue Budget for the financial year 2020/21 as outlined in this report and specifically;

2.1 To approve an increase in Council Tax rates of 1.99% (i.e. a weekly increase of £0.58 for Band D Council Tax payers and of £0.39 for Band A Council Tax payers)

2.2 To approve an additional increase in Council Tax rates of 2.0% to meet the costs of Adult Social Care, as provided for in central government guidance and the associated calculation of Local Authority Core Spending Power, (i.e. a weekly increase of £0.58 for Band D Council Tax payers and of £0.39 for Band A Council Tax payers)

2.3 To note the individual portfolio controllable budgets for 2020/21 as set out in **Appendix A**

2.4 To note the work that has been undertaken to implement the £4.7m savings programme (as outlined at **Section 6**) to ensure a balanced budget in 2020/21 and to offset any other emerging cost pressures in-year and/or replenish reserves ahead of any more significant savings that may be required from 2021/22, once the outcome of the Fair Funding Review and Business Rates Retention Reviews are known.

2.5 To note the significant risks and uncertainty that underpin the assumptions contained within the MTFS for the financial year 2021/22, 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 Government's plan to address the future of social care which the Prime Minister has said he will issue later this year and which is intrinsically linked to the future plans for the integration of health and adult social care and the potential changes in associated funding streams
- the impact of Brexit

2.6 To approve the utilisation of the Earmarked Reserves, as detailed in the *Robustness of the 2020/21 Budget and the Recommended Level of Reserves Report*

2.7 To delegate authority for the agreement of hourly rates and contract changes for social care providers for 2020/21, arising from the impact of the increase in the National Living Wage, to the Executive Member for Adult Services and Prevention, in consultation with the Executive Member for Finance and Governance and the Directors of Finance and Customer Services and Adults and Prevention.

2.8 To approve the proposals for the Capital Programme for the period 2020-2023 as outlined in **Appendix C** and **Section 8** of this report

2.9 To approve the draft Medium Term Financial Strategy 2020-2023, as per **Appendix D** of this report

2.10 To approve, subject to recommendation **2.1** and **2.2** outlined above, the consequent Council Tax levels detailed in the formal resolution within the report from the Director of Finance & Customer Services

2.11 In exercising the flexibility given by central government to increase the premium charge on empty properties, to note the decision taken at Finance Council in February 2019 to increase the premium charge on empty properties as follows;
- for those properties that have been vacant for five years or more to 200% with effect from 1st April 2020
- for those which have been vacant for ten years or more to 300% with effect from 1st April 2021

2.12 To approve the Pay Policy Statement prepared in accordance with the requirements of Section 38 of the Localism Act 2011, to have effect for the year 2020/21 unless replaced or varied by the Council, as set out in **Appendix E**.

2.13 To approve the introduction of a blue recycling bin for paper and card, thereby preventing approximately 1,800 tonnes of recyclable waste going to landfill each year. As outlined in **Section 6.1.3** of this report, following the recent tender exercise for the processing of recyclates, a capital investment of up to £1.5million will enable the council to deliver annual revenue savings of £0.8 million.

2.14 To approve the upfront payment of the Council's Pension Deficit Contribution and the estimated Future Service Contributions for current employees who are members of the pension scheme for the period 1st April 2020 to 31st March 2023, as outlined in **Section 6.2.3 and 6.2.6** of this report.

3. BACKGROUND

In 2010 the Conservative and Liberal Democratic coalition Government began the programme of austerity which has prevailed until the present day. The programme signalled the start of an unprecedented level of financial challenges across the public sector which has led to significant cuts across many areas.

Over the period 2010/11 to 2019/20;

- this Council has had the largest reduction in Core Spending Power of all Unitary authorities at 30.5% (£51.7million), which is the 32nd largest reduction out of all 350 local authorities in the country
- the Centre for Cities report published in January 2019 outlined that between 2009/10 and 2017/18, Blackburn with Darwen had the 5th largest real-term fall in total local government spending across the country
- latest IMD statistics tell us that the borough is ranked 9th in a list of the most deprived local authorities in the country.

These extreme financial challenges, coupled with rising demand for services due to high levels of deprivation, have meant that reserves have been utilised in order to deliver services. As at 31st March 2019, when compared to all other Unitary Authorities, Blackburn with Darwen had the 5th lowest level of reserves as a percentage net of revenue expenditure.

In balancing the Council's finances to meet the financial challenges since 2010, 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 2019/20 and a Medium Term Financial Strategy (MTFS) for the period through to 2021/22 back in February 2019, 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 2020/21
- a general increase in Council Tax in each year covered by the strategy
- absorption of inflationary, non-pay increases, across all budgets

The MTFS approved by Finance Council in February 2019 identified a budget gap of £5.7 million for 2020/21 based on the financial data and demand information available at that time. However as 2019/20 has progressed, the pressures identified have increased, in line with the national picture for upper tier authorities, including further rises in demand in Children's Services, particularly in relation to placement demand and costs due to the number of looked after children in the borough, along with further pressures on highways and the escalating costs in relation to waste disposal.

To address these pressures during 2019/20 we have used both earmarked and unallocated reserves but, as some of these additional costs are of a recurring nature and will require further support in 2020/21 and beyond, they 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 2020/21 are set out in **Appendix B.**

The assumptions for 2020/21 contained within the MTFS back in February 2019 were heavily caveated given the uncertainty of the future Local Government funding regime. The Government has for several years continued to state its intention to fundamentally change the way in which Councils are funded through;

- 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,
- 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, the demands of Brexit, a change in Prime Minister in July 2019 and a ‘snap’ general election in December 2019 brought a halt to the development of any of these changes.

As reported to Finance Council for the past 2 years, 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 2023/24, 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 2020/21 are impossible to plan for with any certainty. Therefore in preparing this MTFS, we have focused on the year 2020/21 until more clarity is provided over the next 12 months. Whilst we have included figures for 2021/22 and 2022/23 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 2020/21.

This paper sets out the Labour Group’s proposed Revenue Budget, Capital Programme and associated Council Tax level for 2020/21 together with the MTFS for the period 2020-2023 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 2020/21.

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. Due to the demands of Brexit, a change in Prime Minister in July 2019 and a 'snap' general election in December 2019, there have been significant delays in the release of the settlement for 2020/21; the Provisional Local Government Finance settlement was issued on 20th December 2019 however the Final Settlement, which was due to be laid before Parliament on 12th February 2020, has now been deferred and as a consequence of the February Parliamentary Recess, the vote will not be held now until the week commencing 24th February.

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	2019/20	2020/21	Change	Who Pays
	£'m	£'m	£'m Incr/(Decr)	
Settlement Funding Assessment (SFA) (predominantly business rates funding)	57.2	58.1	0.9	Govt
Council Tax Requirement	52.6	55.4	2.8	CT Payers
Improved Better Care Fund	8.1	8.1	0.0	Govt
Social Care Support Grant	1.3	4.9	3.6	Govt
New Homes Bonus	0.9	1.0	0.1	Govt
Compensation for under-indexing the business rates multiplier	1.4	1.8	0.4	Govt
Total	**121.5**	**129.3**	**7.8**	

This calculation does not make any allowances for inflationary, demand or cost pressures which are expected to be self-funded by the Council. The figure shows that whilst Government support has increased by £5.0m, largely through some additional funding to provide some support for both adults and children's social care pressures and through increased business rates income, £2.8m must still be raised from Council Tax Payers to meet the Government's published figure for Blackburn with Darwen's spending power.

This assumes the Council will apply both a general council tax increase and the 2% increase on the precept in respect of adult social care specifically.

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.

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

Due to the Council's membership of the successful Lancashire 75% Business Rates Retention (BRR) Pool Pilot in 2019/20 the allocation of RSG was forfeited, resulting in SFA being made up solely of the BFL element. As a result the notional retained business rates figure was increased significantly, reflecting a 75% local share rather than 50%, with top-up grant remaining as the balancing figure.

In order to provide a direct comparison, the table below includes the 2019/20 SFA figures as they would have been under the 50% BRR model.

	2018/19 £m	2019/20 £m	2019/20 £m	2020/21 £m
	50% BRR	**75% BRR Actual**	**50% BRR Comparative**	***50% BRR***
Settlement Funding assessment (SFA)	**60.7**	**57.2**	**57.2**	***58.1***
Funded by:				
Revenue Support Grant	17.8	-	13.3	*13.5*
Business Rate Baseline Funding Level (BFL)	42.9	57.2	43.9	*44.6*
Comprising				
- notional level of Business Rates retained by BwD (the Business Rates Baseline)	19.4	30.0	20.0	*20.3*
- Top-up funding provided by Government	23.5	27.2	23.9	*24.3*
(Reduction) in SFA		**(3.5)**	**(3.5)**	***0.9***

The advantage of the 75% Pilot in 2019/20 was that all the parties to the scheme were able to retain any growth in business rates income (including s31 grants compensating for loss of income due to changes in reliefs) at the higher rate of 75%, with Government's share reducing to 25%

Unfortunately, the Government announced the cessation of all the 2019/20 Business Rates pilots for the 2020/21 financial year and as such, the figures have reverted back to the old basis.

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 £13.5m in 2020/21.

5.3.2 Local share of Business Rates

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; the latter is the case in Blackburn with Darwen and the payment received is known as the 'Top-Up'.

The system now requires resetting in order to ensure that the distribution of resource remains aligned with changes in 'Relative Need' over the past 9 years.

Within the current system the mechanism for redistribution of funding is as follows;

- 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 to the three parties in the same percentage shares.

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%.

2019/20 pilot scheme

As noted above, the Council was a member of the Lancashire 75% Business Rates Retention Pool Pilot for 2019/20.

Although the actual amount of business rates collected in 2019/20 will only be finalised on submission of each pilot member's 2019/20 National Non-Domestic Rates Form 3 Return (NNDR3) due in on 30th April 2020, based on recent forecasts submitted by all participating authorities, it was identified that approximately £7.1m of predicted additional growth will be retained within the county under the pilot, of which Blackburn with Darwen's share will be £1.26m.

Unfortunately on 17th September 2019 MHCLG confirmed that although the national 75% Business Rates Retention scheme would not be implemented for 2020/21 as had been intended, it would not be continuing with the 2019/20 pilots. Despite all members raising their disappointment and dismay at this position with MHCLG, through their Leaders, their MPs and the Local Government Association, the decision was not reversed and as such, we will now revert to the 50% BRR scheme on 1st April 2020.

Future scheme

At the Spending Review in September the Government confirmed that it would now aim to implement a 75% BRR model in 2021/22 to provide further time to work with the sector on options for delivering the review of relative needs and resources, and in reforming and improving the business rates retention system, including addressing such issues as backdated appeals on local authority income. Given the delays to date, we are unsure how their model will operate although we expect further information to be provided as the year progresses. As such, we have assumed within the MTFS for 2021/22 and 2022/23 that the mechanics of the Lancashire pilot of 2019/20 will apply.

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 referendum cap has been reduced to 2.0% for 2020/21 and an increase of 1.99% has been included in the Budget recommended for approval to Finance Council this year; this is in line with **Recommendation 2.1** above and was assumed within the MTFS presented to Finance Council last year.

The MTFS also assumes increases in Council Tax of 1.99% for 2021/22 and 2022/23.

The Government has made it clear that they wish for Councils to progress quickly towards becoming self-sufficient through the income that they generate, of which Council Tax is the most significant source of income. This is difficult to achieve in the borough given the profile of the properties that are chargeable to Council Tax; despite the impact of the increase in the number, type and size of properties built through the Housing Growth Programme, the profile of our housing stock is significantly weighted towards those which generate a lower yield in Council Tax 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 30th November 2019								
34,673	9,259	8,354	4,673	2,111	794	573	69	60,506
57.3%	15.3%	13.8%	7.7%	3.5%	1.3%	1.0%	0.1%	100.0%
As at 30th November 2018								
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.

In the Provisional Financial Settlement for 2020/21, and assumed again within their calculations of Core Spending Power, the Government has again introduced the flexibility to apply a further precept of up to 2% in 2020/21 for every authority providing social care. Given the increasing cost pressures and demand in this area, the Budget for 2020/21 assumes this increase will be applied.

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 has been delayed yet again, and is now not expected to complete until September 2024.

We continue to work in partnership with the Department of Work and Pensions (DWP) and Shelter, having contract with the latter to provide additional support in this area, 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.

5.5 Funding for Social Care

In March 2017 the Government announced that it would issue a Green Paper on Social Care for public consultation.

In July 2019 it was reported in the Financial Times that the new Prime Minister had shelved the Green Paper and instead would issue a White Paper, expected in the autumn.

In September 2019 the Prime Minister said he would bring forward proposals ‘in due course’.

In January 2020 he has said he would bring forward a plan for social care within the year for implementation within this parliament i.e. over the next 5 years.

Throughout this period 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 January 2018, when responsibility for social care moved from the Ministry of Housing, Communities and Local Government into the Department for Health, there has been little change in the approach taken and so we must await the release of the ‘plan’, 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 (iBCF) was introduced in the Financial Settlement for 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. Shortly afterwards, in March 2017 additional iBCF funding was announced to provide assistance in alleviating some of the more immediate financial pressures on this service.

For 2020/21, as part of this year’s one year settlement, these funding streams have been consolidated, along with the Social Care Winter Pressures funding, as follows;

	2019/20 £m	2020/21 £m
Improved Better Care Fund	6.26	8.1
Additional Improved Better Care Fund	1.08	-
Social Care – Winter Pressures funding	0.76	-
TOTAL iBCF	8.1	8.1

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 2020/21 there is no certainty for the future of the iBCF funding and so, for the purposes of the MTFS, it has been assumed that this will continue into 2021/22 and 2022/23 at the 2020/21 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.

The Government have announced a 5.4% increase in the NHS Mandated BCF allocations. For Blackburn with Darwen this increases the NHS Mandated BCF from £11.992m in 2019/20 to £12.635m in 2020/21. This is managed through the BCF pool as part of the BCF planning process.

5.5.2 Adults and Children’s Social Care

In light of the persistent and significant pressures that local authorities have continued to face, the government provided additional resources in the form of the Social Care Support Grant for 2018-19 and 2019-20 to support both adults and children's social care. This was distributed according to the existing Adult Social Care Relative Needs Formula.

In the one year funding settlement for 2020/21, an additional £1.0 billion has been made available nationally to support social care. Again distributed using the same formula, this has resulted in additional funding of £3.6 million for Blackburn with Darwen as follows;

	2019/20 £m	2020/21 £m
Social Care Support Grant	1.30	1.30
Additional funding for Social Care	-	3.60
TOTAL Funding for Social Care	1.3	4.90

It has been assumed that this level of funding will continue into 2021/22 and 2022/23 in some form or other, given the pressures on social care.

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 (NFF) for Schools, determined by the Government, was expected to be fully implemented for 2020/21, however this has not been the case and therefore as in 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 2020/21 there have been a number of changes to the Schools Block NFF formula factors, and per pupil allocations. These have been included within our Schools Block allocations to schools using the 'soft' local funding formula agreed by Schools Forum.

The Government has also announced a number of changes to DSG as follows:

- The High Needs Block NFF will provide an increase of at least 8% per head for every local authority, with maximum gains of 17%.

  The Government has increased High Needs funding in recognition of the increased pressures experienced by many Local Authorities across the country arising from the growth in the number of pupils with special educational needs. For BwD the High Needs Block is expected to increase by 13.17%, which equates to £2.622m in cash terms. This funding will support the ongoing pressures within our High Needs Block.
- The Central School Services NFF will continue to fund all local authorities for their ongoing responsibilities, however there will be a 20% reduction in the element of funding that some authorities receive for 'historic commitments' made prior to

2013/14. This is in line with the Government's policy to withdraw this funding over time.

Changes to the blocks of funding within DSG which impact directly on the Council have been included within the MTFS. All other funding changes are included within the DSG allocations, which are calculated within each block and agreed with Schools Forum where required. All funding decisions taken by the Schools Forum are published in accordance with legislation.

5.7 Public Health

At the time of writing this report, we are still awaiting an announcement on the Public Health Grant allocation for 2020/21. In 2019/20 as in previous years, this was a ring-fenced grant to the Authority and as such, reductions in funding were offset by a corresponding decrease in expenditure. It has been assumed that this mechanism will remain in place for 2020/21 and that the amount of grant to be given to Blackburn with Darwen will be £14.4 million, as it was in 2019/20.

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 first introduced, down to 5 years with effect from 2017/18 and down to 4 years from 2018/19.

The figures released within the Finance Settlement have been incorporated into the 2020/21 budget and prudent estimates for 2021/22 and 2022/23 have been included in the MTFS as follows;

	2020/21 £m	2021/22 £m	2022/23 £m
New Homes Bonus	0.999	0.658	0.185

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 beyond that already awarded for 2020/21 and previous 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 who 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.

As at 31st March 2019, the Council had delivered 2,696 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, 740 of these new homes have been affordable. The programme has continued to make excellent progress over the course of 2019/20 which is reflected in the increases in Council Tax and New Homes Bonus included in the budget for 2020/21.

The Council has welcomed the announcement that Darwen is one of 101 towns across the country invited to apply for £3.6 billion of Government funding. The new Towns Fund is earmarked for regeneration, skills and enterprise infrastructure and for improving connectivity and would build on our investment to date to unlock new regeneration opportunities. A new board is to be established to help shape plans for how up to £25m of funding could be spent transforming Darwen, the progress of which will be reported as this work develops.

5.9 Fees and Charges

Executive Members, in conjunction with Chief Officers, regularly review all fees and charges for their portfolios. 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 over 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 2019/20 Executive Members and Officers have continued to review their 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 2019/20 and on into 2020/21, in addition to those already implemented since 2010.

The MTFS for 2020/21, as presented to Finance Council in February 2019, identified a budget gap of £5.7 million. Following work completed over the summer months, the figures were refined to reflect updated information and projections; 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 in **Section 6.1** and **Section 6.2** below.

To assist in closing the budget gap, a savings programme of £4.7 million has been developed and implemented over the course of 2019/20. The programme has included contributions from across all portfolios, with subsequent budget reductions reflected in the respective portfolio cash limits for 2020/21. The savings can be broadly broken down as per the table below and of these, the majority have already been delivered, or will be delivered by 31st March 2020.

	Savings Programme £m
Efficiencies/Demand Management	1.4
Increased Income	1.0
Workforce Savings	1.4
Alternative Service Delivery Models	0.9
TOTAL	**4.7**

Details of the movement in the Budget Gap for 2020/21 are detailed in **Appendix B** to this report.

6.1 Portfolio Budget Pressures

In delivering the budget for 2020/21 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.

In the period since December 2019 work has been ongoing to re-align budgets, by reviewing each income and expenditure line within each cost centre of each portfolio, identifying cost pressures and shortfalls against income targets, and conversely identifying any areas where budget could be reallocated, i.e. due to reductions in expenditure or where actual income is exceeding target, to offset in part the overspends faced.

This exercise is being led by the Director of Finance and Customer Services who will provide financial challenge and recommendations to each portfolio based on her findings. This will take some time to complete and will extend into 2020/21; any further baselining of budgets required will be actioned as soon as is possible.

Whilst the Council is recommended to approve a balanced budget for 2020/21, this is predicated on the delivery of a further savings programme that has been developed, and in the most part implemented, over the course of 2019/20. It is also based on the containment of all emerging cost pressures within each portfolio.

An overview of some of the most significant cost pressures within the portfolios are outlined below.

6.1.1 Adult Services and Prevention

During 2019/20 the portfolio has continued to face challenges arising from increasing demand, the complexity of cases and other increases in cost from within the social care sector, in particular those arising from social care provider fee uplifts for the introduction of further increases in the National Living Wage (NLW); the recently announced National Living Wage increase to £8.72 in 2020/21, is an increase of 6.2% on the previous financial year.

Some provision has been made within the MTFS for the costs of the NLW, however the portfolio is required to contain ongoing financial pressures from increased demand and demographic change and has a number of challenging saving targets for delivery in 2020/21. The portfolio continues to implement a variety of demand management strategies and alternative ways of delivering services which have had a positive impact on the financial position during 2019/20.

Every effort will be made to contain demand and to progress our partnership working to maximise efficiencies.

6.1.2 Children, Young People and Education

The increased cost pressures faced by the Children, Young People and Education portfolio during 2018/19 have continued into 2019/20 and escalated during the course of the year. During 2019/20 the number of children entering the care system and the numbers of children looked after has increased significantly, giving rise to increasing social work caseloads in respect of vulnerable children. This is combined with increasing expenditure on placements, in particular those commissioned from the independent sector. Increased placement costs are predominantly due to the limited capacity of in-house services, but are also due to the changes in complexity of need for individual children and young people.

The portfolio continues to mitigate demand pressures as far as possible and has implemented a new Duty and Advice Service to manage the “front door” and assessment activity more effectively. They continue to explore options to re-focus and build capacity in our more cost-effective ‘in-house’ services, and are working towards the recruitment of additional foster carers and the development of our existing assets for targeted services for children and young people. Since implementation in November 2019, the new Duty and Advice Service has had a positive impact as the number of referrals into the service has decreased each week, however these strategies will take time to implement in order to affect real change, before we see fewer numbers of ‘looked after’ children and before there is a resultant reduction in the cost pressures. In addition, the availability of in-house carers and in social worker capacity, in our requirement to maintain placement continuity and stability, combined with a lack of joint funding, has impacted on the portfolio’s ability to reduce expensive placement costs. Whilst the portfolio continues to review services to offset financial pressures in year, options to mitigate the difficult financial position are much reduced.

In recognition of the social care pressures experienced by local authorities across the country, the Government has allocated additional social care funding in 2020/21 for which the council has received £3.6 million; this funding however is insufficient to meet all of the pressures and further savings are required.

A realignment and re-basing of the budgets within the portfolio is underway and a new Children's Corporate Support & Challenge Board has been established, chaired by the Chief Executive and attended by the Executive Member for Children, Young People and Education, the Executive Member for Finance and Resources, the Director of Children’s Services, the Director of Finance and Customer Services, the Director of HR, Legal and Governance and the Director of Digital and Business Change; this Board will provide oversight, support and challenge to the Executive Member and Director of the portfolio in their work to manage demand and to deliver a balanced budget in 2020/21 as this is the biggest area of financial risk to the Council.

6.1.3 Environmental Services

The portfolio manages a number of volatile and high value budgets that require close monitoring throughout each financial year including the costs associated with; Waste to Energy landfill tonnage, kerbside recycling tonnage, household waste recycling centres and transport and fleet related costs, along with income from car parks. The budgets have been realigned for 2020/21 to reflect the fact that the kerbside recycling contract has been brought back in-house, and to address income shortfalls and to increase waste budgets for known price increases and estimated tonnages.

In meeting the direction of travel for the Governments waste and resource strategy ‘Consistency in household and business recycling’, the government aims to make it easier for people to recycle by implementing a consistent and simplified approach across local authorities. The government will legislate to introduce a core set of consistent recyclable materials (including food waste) to be collected from all households and businesses, supporting frequent and comprehensive rubbish and recycling collections.

The recyclate processing companies are demanding cleaner paper and cardboard; our current mixed collections do not lend themselves to achieving this as our paper and cardboard are contaminated with food and drink carton residue, as well as glass shards from bottles; currently there is a cost to having our paper and cardboard processed, due to its quality.

The recent tender exercise for processing the recyclates we collect within the Borough, has seen the winning bidder offer a significant cost reduction for the separation of paper and cardboard from our mixed collections. A capital investment of up to £1.5million will enable the council to deliver annual revenue savings of £0.8 million.

In support of the Governments waste and resource strategy, and given the savings to be made from separating paper and cardboard from our current mixed recycling, Members are recommended (as per the Recommendation at Section 2.13 of the paper) to approve the introduction of a separate bin for paper and card.

6.1.4 Growth and Development

The portfolio faces significant pressures, particularly on the budgets for the markets and for highways. These pressures are being managed in 2020/21 through a realignment of budgets across the portfolio.

6.1.5 Finance and Governance

Whilst the portfolio is reporting a break even position against its budget in 2019/20, it is facing increasing pressures due to the current retail trading climate resulting in a reduction in the income received from the Council’s share of the Mall, and also as a result of rent shortfalls at Cathedral Quarter. As with the other portfolios, the budgets are currently under review and will be realigned in 2020/21.

6.2 Other Pressures

6.2.1 Pay Awards and Pay Policy

Pay Award
In July 2019 the unions lodged their pay claim for;

- A 10% increase on all pay points and a minimum 'real living wage' of £10 per hour
- A two-hour reduction in the standard working week

At the time of writing the report, the NJC pay agreement for 2020/21 has not been agreed. In the absence of such agreement, like most other local authorities, the budget for 2020/21 and the period covered by the MTFS assumes a 2% pay award for each year. The outcome of these negotiations is critical given the clear cost pressures that any increase above 2% and a reduction in the working week would bring. Further information will be reported as this becomes available.

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.

Pay Policy

The Pay Policy Statement has been prepared in accordance with the requirements of Section 38 of the Localism Act 2011, to have effect for the year 2020/21 unless replaced or varied by the Council. The Pay Policy Statement is attached at **Appendix E**.

6.2.2 National Living Wage

Increases have been confirmed in the National Living Wage level of £0.51 to £8.72 with effect from 1st April 2020 (for workers aged 25 and above). Increases have also been confirmed in the National Minimum Wage levels as follows;

- Increase from £7.70 to £8.20 per hour for 21-24 year olds
- Increase from £6.15 to £6.45 per hour for 18-20 year olds
- Increase from £4.35 to £4.55 per hour for 16-17 year olds
- Increase from £3.90 to £4.15 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 2020/21 budget include some provision for increases in provider hourly rates and contract changes from the increase in the NLW with effect from 1st April 2020, 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 this at this stage. In addition the portfolio will look to contain some of the increased cost of provider fees through the delivery of efficiencies and alternative delivery models as far as possible.

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 Adult Services and Prevention, in consultation with the Executive Member for Finance and Governance, to agree the hourly rates and contract changes with social care providers in 2020/21, applicable from April 2020.

6.2.3 Pensions

The triennial actuarial valuation of the Local Government Pension Scheme in 2019, has identified an increase from 14.8% to 17.4% in Employer Pension contributions for the Blackburn with Darwen Borough Council section of the fund for the next 3 years; this 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.

Following discussions with the Scheme Actuary and the Head the Lancashire County Pension Fund, and following agreement by the Lancashire Local Pension Board, it has been agreed that the Council will take a stepped approach to implementing the increase over the next 3 years.

The Council will continue to repay the scheme deficit over an agreed 16 year repayment period but also, as noted in **Section 6.2.6** below and as per **Recommendation 2.14** at the beginning of this report, Members are recommended to reduce costs further by taking advantage of the discount offered for early payment, i.e. by paying all of the above pension contributions at the start of the 3 year period. This will result in a net saving, after accounting for interest on borrowing, of approximately £1.5 million across the 3 year period; the Budget for 2020/21 and the MTFS has been prepared on the assumption that the upfront payment will be made.

6.2.4 Apprenticeship Levy

The 2020/21 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 178 apprentices recruited into the workforce since 2017/18, and we intend to recruit more apprentices during 2020/21 as part of our workforce development strategy. Support of approximately £0.5m is included within the 2020/21 Budget to corporately fund the salary costs of a rolling programme of approximately 20 trainees each year. Any apprentices employed 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 2020, the Consumer Price Index (CPI) for December stood at 1.4%, whilst the comparable figure for the Retail Price Index (RPI) was 2.2%.

Within the 2020/21 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.

6.2.6 Interest and Minimum Revenue Provision

The Bank of England's Bank Rate has held steady over the course of 2019/20, and is expected to remain at current levels in the near future.

Interest estimates are based on the Council continuing to use short-term borrowing, given the cost of long-term borrowing through the PWLB (Public Works Loan Board) is now a relatively expensive option, following their 1% increase in interest rates in October 2019. The Council's forecast average short-term borrowing rates are 0.89%.

	2020/21 £m	2021/22 £m	2022/23 £m
Interest and Investment Income	(0.215)	(0.179)	(0.179)
Debt Interest Payable	12.990	12.922	12.476
Minimum Revenue Provision	6.835	7.264	7.710
TOTAL Net Interest Cost	19.610	20.007	20.007
Forecast Capital Spend Financed by Borrowing	15.784	3.150	3.150

Debt interest payable and Minimum Revenue Provision increase as a result of capital spending funded by borrowing. As mentioned in **Section 6.2.3** above, and as per **Recommendation 2.14** at the beginning of this report, the Council is recommended to take advantage of the discount offered for early payment of pension contributions, which will be funded by borrowing; the costs of this have been reflected in the above table.

7. SUMMARY

In light of the Local Government Finance Settlement for 2020/21 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 2020/21, 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 2021/22 of £2.7million, and £7.6million for 2022/23, 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 2020-2023

In order to deliver the Capital Strategy, we recommend Finance Council approve the proposed Capital Programme for 2020 through to 2023 of £64.0 million, 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 held within the Better Care Fund pool
- 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.

Allocations are included for:

- creation of additional school places required within the Borough
- expected investment in existing assets

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.

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's 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 2020/21 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 2020/21 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 2020/21 by 3.99% reflecting;

- 1.99% - general increase in Council Tax to cover increases in the cost of Council services
- 2.00% - to assist it in meeting expenditure on adult social care functions

11. MEDIUM TERM FINANCIAL STRATEGY

The MTFS 2020 to 2023 at **Appendix D** has been reviewed and updated, incorporating;

- the one year funding settlement for 2020/21,
- estimates for income and resources for 2021/22 and 2022/23, acknowledging that these are made in the absence of any information or detail regarding the allocation of local government funding for 2021/22 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 2020/21 and Portfolio Controllable Budgets

- Appendix B - Balancing the 2020/21 Budget Gap
- Appendix C - Capital Programme 2020-23
- Appendix D - Medium Term Financial Strategy 2020-23
- Appendix E - Pay Policy Statement 2020/21

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 2020/21, the Capital Programme and the level of Council Tax, together with indicative figures for the following 2 years through to 2022/23.

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. CONSULTATIONS

The Council regularly undertakes consultation with residents, businesses, partners and stakeholders. Over the course of 2019/20, consultation exercises have been conducted with our staff and 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. These have included a National Highways and Transport Survey 2019, a Waste and Recycling Survey 2019, 'Our Community, Our Future' engagement activities, various service user consultations, including the development of a Customer Panel and Digital Customer Portal drop in sessions and the Council's Employee Survey 2019.

This feedback has helped to shape the 2020/21 Budget, the MTFS and the Capital Programmes proposals.

CONTACT MEMBER: Councillor Vicky McGurk
Executive Member for Finance and Governance

DATE: 24th February 2020

Budget Summary 2020/21

	2020/21 budget as agreed at Finance Council 2019	Updated 2020/21 Budget Finance Council Feb 2020	Variation
	£000	£000	£000
Net expenditure			
Portfolio controllable budgets	117,013	114,789	(2,224)
Net income from support service recharges	(941)	(941)	0
Interest, MRP and revenue contributions	19,386	19,390	4
Contingencies	5,995	9,818	3,823
Parish precepts and grants	183	189	6
Net expenditure	**141,636**	**143,245**	**1,609**
Resources			
Government grants	51,265	66,064	14,799
Business Rates retained locally	30,547	20,587	(9,960)
Council Tax	53,058	53,879	821
Council Tax increase - general increase 1.99%	1,047	1,069	22
Adult Social Care Precept - 2% increase	0	1,074	1,074
Collection fund surplus / (deficit)	0	702	702
Contribution from / (to) ear-marked reserves	0	370	370
Contribution from / (to) unallocated reserves	0	(500)	(500)
Net resources	**135,917**	**143,245**	**7,328**
Required Reductions in Expenditure/Increases in Revenue	**5,719**	**0**	**(5,719)**

The table above identifies the changes between the summary 2020/21 Budget headings as presented in the MTFS to Finance Council back

PORTFOLIO CONTROLLABLE BUDGETS	2020/21 Budget	2019/20 Budget
Adults & Prevention Services	50,854	50,035
Public Health & Wellbeing	2,154	2,323
Children, Young People and Education	29,802	30,782
Environmental Services	8,948	8,926
Growth & Development	7,850	7,705
Digital & Customer Services	5,365	5,643
Finance & Governance	9,816	10,688
Schools and Education (non-DSG)	0	0
TOTAL PORTFOLIO CONTROLLABLE BUDGETS	**114,789**	**116,102**

Appendix B

Balancing 2020/21 Budget

		£000 (Reduction)/ Increase in Budget Gap
2020/21 Budget Gap (as presented to Finance Council in February 2019)		**5,719**
INCOME		
Incease in New Homes Bonus	1	(341)
Net increase in Council Tax income due to growth	2	(836)
BwD share of £1billion funding for social care	3	(3,600)
2% Adult Social Care Precept	4	(1,074)
Net reduction in funding via Settlement Funding Assessment and local share of Business Rates due to end of Lancashire 75% BRR Pilot	5	4,155
Increase in S31 grants - Small Business Rate Relief, 2% multiplier cap and other Localism Reliefs	7	(4,977)
Surplus on Business Rates and Council Tax Collection Fund in 2019/20	8	(702)
Revised Budget Gap for 2020/21		**(1,656)**
EXPENDITURE		
Cost pressures identified during 2019/20	9	6,123
Portfolio Savings Programme identified during 2019/20	10	(4,727)
Impact of updated assumptions in respect of inflation and National Living Wage	12	2,305
Increase in revenue funding of capital programme		300
Reduction in Pension deficit repayment	20	(2,071)
Saving from advance payment of pension contributions, net of related borrowing costs	21	(404)
Increase in contribution from Earmarked reserves	23	(370)
Replenishment of Unallocated Reserves	8	500
2020/21 Budget Gap/(Surplus)		**0**

The table above summarises the way in which the Budget Gap for 2020/21 (as presented in the MTFS to Finance Council back in February 2019) has changed over the past 12 months to produce a balanced budget as required by statute

Capital Programme 2020/2023

APPENDIX C

	2020/21 £'000	2021/22 £'000	2022/23 £'000	Future Years £'000
1. Estimated Available Resources				
Unsupported Borrowing	15,784	3,150	3,150	-
- Department for Education	5,461	5,000	5,000	-
- Department for Transport Grants	3,299	-	-	-
- Disabled Facilities Grant	3,322	3,000	3,000	-
Other Specific Grants	2,093	-	-	-
Government Grants	**14,175**	**8,000**	**8,000**	**-**
External Contributions	9,651	1,250	500	-
Revenue Contributions	300	-	-	-
Capital Receipts	-	-	-	-
TOTAL ESTIMATED AVAILABLE RESOURCES	**39,910**	**12,400**	**11,650**	**-**
2. Approved schemes				
Health & Adult Social Care				
Disabled Facilities Grant	2,476	2,500	2,500	-
Telecare Project	320	-	-	-
	2,796	**2,500**	**2,500**	**-**
Children, Young People & Education				
Disabled Facilities Grant	526	500	500	-
Two Year Old Grant	214	-	-	-
Capital Grant Allocations *(schemes to be determined)*	5,000	5,000	5,000	
Schools Programme- Audley Infant and Junior - New Heating System	247	-	-	-
Schools Programme- Additional School Places	1,250	1,250	500	-
	7,237	**6,750**	**6,000**	**-**
Environment				
Land Remediation Scheme	101	-	-	-
Old Bank Lane Car Park	78	-	-	-
Waste Collection Bins	1,520	-	-	-
Blakewater Car Park	230	-	-	-
	1,929	**-**	**-**	**-**
Growth and Development				
Assistance to Industry	300	150	150	-
Blakey Moor	2,519	-	-	-
Local Transport Plan	10,782	-	-	-
Clearance - Bank Top & Griffin	186	-	-	-
Group Repair (Inner NW/Inner SE/Darwen)	3	-	-	-
Neighbourhood Intervention Fund	507	-	-	-
Equity Loans/PALS Griffin	150	-	-	-
Empty property cluster scheme	360	-	-	-
Other Acquisitions	10	-	-	
Reel Cinema	2,171	-	-	-
Cathedral Quarter Development Office Block	38	-	-	-
Refurbishment Loans	80	-	-	-
Land Release Fund	655	-	-	-
Surface Water Modelling	20	-	-	-
	17,781	**150**	**150**	**-**
Digital and Customer Services				
Corporate ICT Desktop Refresh	136	-	-	-
Corporate ICT Core Infrastructure Programme	170	-	-	-
Corporate ICT Ticketing System KGH/DLT	55	-	-	-
Corporate ICT Legal Services Case Management System	50	-	-	-
Corporate ICT Corporate Website	60	-	-	-
Corporate ICT Replacement Unix Servers	4	-	-	-
Corporate ICT Protocol Mobile App Project	2	-	-	-
Corporate ICT Town Hall IT Infrastructure Update	220	-	-	-
	697	**-**	**-**	**-**
Finance and Governance				
Corporate Accommodation Strategy Phase 2	3,120	-	-	-
Carbon Management Plan	70	-	-	-
Griffin Lodge	300	-	-	-
	3,490	**-**	**-**	**-**
TOTAL Approved Schemes	**33,930**	**9,400**	**8,650**	**-**
3. Earmarked schemes				
Corporate ICT	3,116	-	-	-
Corporate Property Investment	2,864	1,500	1,500	-
TOTAL Earmarked capital reserves	**5,980**	**1,500**	**1,500**	**-**
4.Contingent schemes				
Asset Management Strategy	-	1,500	1,500	-
TOTAL Contingent capital reserves	**-**	**1,500**	**1,500**	**-**
TOTAL CAPITAL PROGRAMME	**39,910**	**12,400**	**11,650**	**-**

APPENDIX D

MEDIUM TERM FINANCIAL STRATEGY 2020 to 2023

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 2023/24, as for the MTFS presented to Finance Council in 2019, this MTFS has been limited to 2 rather than 3 additional years, i.e. to 2022/23, 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 in March 2019. The Plan sets out for residents, staff and partners, the Council's top priorities for the period through to 2023 and how the Council will continue to improve services and manage the ongoing and difficult financial challenges ahead, reflecting 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.

The Council has agreed 8 key priorities which sit under 4 strategic themes, as follows;

People: A good quality of life for all of our residents

- Supporting young people and raising aspirations
- Safeguarding and supporting the most vulnerable people
- Reducing health inequalities and improving health outcomes

Place: Community pride in a vibrant place to live and visit

- Connected communities
- Safe and clean environment

Economy: A strong and inclusive economy with continued growth

- Strong, growing economy to enable social mobility
- Supporting our town centres and businesses

Council: Delivered by a strong and resilient council

- Transparent and effective organisation

The Corporate Priorities and Plan are underpinned by an action plan with key corporate and portfolio performance measures so we can progress and monitor achievement against each of these priorities.

Whilst we remain ambitious in our plans to deliver for the residents of the borough, the sustained reductions in government funding that have significantly affected the Council and the services that it provides to the public since 2010, has impinged on what we are able to do and to achieve.

As we have only been given a one-year settlement for 2020/21, and uncertainty and risk prevails in the unknown future changes in funding from 2021/22, the challenge persists to continuously review and realign resources, and to deliver efficiencies within the financial constraints imposed by the Government; in doing so, the Council is committed to mitigating, wherever possible, the impact on front line services.

3.0 Financial Context

The one-year settlement for 2020/21 is a short term measure until the 2020 Budget, a Spending Review and changes in funding policy are made nationally to assist in planning for 2021/22 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 the Improved Better Care Fund,
- the funding of Adult Social Care and any future plans for the 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 the changes in the underlying level of 'need' within individual councils, has not been updated since the 2013-14 settlement. In addition, a desire to fully capture every aspect of a local authority's needs has led to increasingly large numbers of variables being included in the formulas, many of which have had a relatively minimal impact on the overall distribution of funding.

A consultation was issued at the end of 2018, which closed on 21 February 2019, on proposals for a new and simplified needs assessment formula, based on a smaller number of indicators; one year later and we are still awaiting the response. The proposals put forward are summarised below.

Future baseline funding levels will equal;

The Relative Needs share of the LA

LESS

A Relative Resources adjustment.

Where Relative Needs comprises;

A Foundation Formula – which it was proposed should be 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 determined and,

Where Relative Resources comprise;

- 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.

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 intention is that the new business rates retention system will be designed to transfer a level of risk and reward to local authorities, allowing growth or decline within a local economy to be reflected in their business rates income. However in the design of the new system, careful consideration must be given to the Business Rates Baseline; i.e. the amount of business rates income that an authority is predicted to raise, over which growth in the locally raised business rates can be retained and the authorities resource needs; the system requires resetting in order to ensure that the distribution of resource remains aligned with need.

As for the Fair Funding Review, although a consultation outlining suggestions and inviting comments for a future approach to Business Rates was undertaken in late 2018, closing on 21st February 2019, given the political turmoil of 2019 and Brexit, there has been no communication from the Government on the responses received or on their progress in the development of a new scheme.

3.3 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”, delays have persisted with the news that a White Paper would be issued instead, only to be superseded by the Prime Minister’s announcement in January 2020 that he would bring forward ‘plans’ for social care during the year; as such we must await the publication of these plans, on a date as yet to be confirmed.

3.4 Pensions

The triennial actuarial valuation of the Local Government Pension Scheme in 2019, has identified an increase from 14.8% to 17.4% in Employer Pension contributions for the Blackburn with Darwen Borough Council section of the fund; this 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.

Following discussions with the Scheme Actuary and the Head the Lancashire County Pension Fund, and following agreement by the Lancashire Local Pension Board, it has been agreed that the Council will take a stepped approach to implementing the increase over the next 3 years.

The Council will continue to repay the scheme deficit over an agreed 16 year repayment period and it has been assumed within the MTFS that costs will be reduced further by taking advantage of the discount offered for early payment i.e. by paying all of the above pension contributions at the start of the 3 year plan; this will result in a net saving, after accounting for interest on borrowing, of approximately £1.5 million across the 3 year period.

4.0 MTFS – Key issues and assumptions

The MTFS has 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.

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 emerged over the course of that year
- a savings programme of £4.7m developed during 2019/20 to close the budget gap of £5.7m for 2020/21, as identified at the Finance Council in 2019, and as for the previous year, to address both the cost pressures and further reductions in income that have emerged over the course of the year to date

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	2020/21 £M	2021/22 £M	2022/223 £M	ASSUMPTIONS FOR 2021/22 and 2022/23
Revenue Support Grant	13.5	0.0	0.0	It has been assumed that the mechanics of the Lancashire 75% BRR pilot model are a proxy for the government's final 75% BRR scheme i.e; • that RSG will end • that all of the Business Rates related grants will form part of the new Business Rates Baseline following reset Top-up plus Locally retained Business Rates equals the Business Rates Baseline, therefore it is assumed that as locally retained Business Rates increase by an inflationary uplift each year, that the Top-Up (the balancing figure) will reduce so that the overall Business Rates Baseline remains the same.
Top Up	24.3	32.3	31.8	
Locally retained Business Rates	20.7	31.0	31.5	
Business Rates related grants	5.0	0.0	0.0	
Council Tax	56.0	57.4	58.9	The MTFS assumes; • the MTFS has included a prudent estimate for growth in the tax base of £300k for both 21/22 or 22/23 – this model is under continuous review, in conjunction with the Growth and the Revenues Team • a council tax increase of 1.99% in each year has been assumed
(Deficit)/Surplus on Collection Fund	0.7	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	0.6	0.5	0.4	It is assumed that Housing Benefit Admin Grant will reduce as more claimants move over to Universal Credit.
New Homes Bonus	1.0	0.7	0.2	Given the uncertainties around this funding, the MTFS assumes we will have no new NHB in 2021/22 and 2022/23
Building Schools for the Future (BSF) Private Finance Initiative (PFI) funding	8.5	8.5	8.5	The funding level was agreed with Government at the outset of the PFI projects
Improved Better Care Fund	8.1	8.1	8.1	In the absence of any further information regarding the future of Adult Social Care funding, the MTFS assumes that the iBCF will continue into 2021/22 and 2022/23 at the 2020/21 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
Social Care Support Grant	4.9	4.9	4.9	It is assumed that both the £1.3m included within the latest 4 year settlement and the additional funding of £3.6m received in 2020/21 will continue in some form to support social care
TOTAL RESOURCES	**143.3**	**143.4**	**144.3**	

EXPENDITURE	2020/21 £M	2021/22 £M	2022/23 £M	ASSUMPTIONS FOR 2021/22 and 2022/23
Portfolio Controllable Budgets	114.8	114.6	114.6	The MTFS reflects the removal of non-recurring income, expenditure and one-off savings from the 2020/21 budgets
Contingencies	9.8	12.6	18.4	The assumptions made in respect of contingencies held in future years include; • Provision for a Pay award - 2% assumed in both 2021/22 and 2022/23 • Provision for Inflationary uplift on specific expenditure lines – assumed approximately 2% in respect of social care commissioning and energy in both 2021/22 and 2022/23 • Provision for increases in National Living Wage • Apprentice Levy and support for Corporate Apprentices • Increases in current service Employer Pension contributions from 14.8% to 17.4% over the 3 year period • Payment of Pension Fund Deficit
Interest paid/received and MRP	13.3	13.8	13.8	The figures for 21/22 and 22/23 include planned net borrowing and increases in MRP to reflect the capital programme and upfront payment of pension contributions
Interest paid/received and MRP in respect of PFI projects	6.3	6.2	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	(1.5)	(1.4)	(1.4)	DSG Central Services funding for the historic commitment for prudential borrowing has reduced by 20% in 20/21 and a further reduction is estimated for 21/22 however this is not yet confirmed.
Parish precepts/grants	0.2	0.2	0.2	Assumed at their 20/21 levels
Transfer to (+) / from (-) Earmarked Reserves	(0.4)	0.1	0.1	
Replenishment of Unallocated Reserves	0.5	0.0	0.0	
TOTAL EXPENDITURE	**143.3**	**146.1**	**151.9**	
BUDGET GAP	**0.0**	**2.7**	**7.6**	

The above figures assume that the Settlement Assessment will remain at the same level as 2020/21 in both 2021/22 and 2022/23, however we have also undertaken modelling to assess the impact of alternative scenarios as follows;

	2020/21	2021/22	2022/23
Scenario 1 - no reduction in Settlement Funding Assessment (SFA) (as above)			
Total Resources	143,375	143,355	144,229
Total Net Council Expenditure	142,875	146,139	151,851
Use of balances to support budget (-ve) or contribution to balances (+ve)	500	(2,784)	(7,622)
Scenario 2 - 3% reduction in Settlement Funding Assessment (SFA)			
Total Resources	143,375	141,057	141,931
Total Net Council Expenditure	142,875	146,139	151,851
Use of balances to support budget (-ve) or contribution to balances (+ve)	500	(5,082)	(9,920)
Scenario 3 - 5% reduction in Settlement Funding Assessment (SFA)			
Total Resources	143,375	139,542	140,416
Total Net Council Expenditure	142,875	146,139	151,851
Use of balances to support budget (-ve) or contribution to balances (+ve)	500	(6,597)	(11,435)

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 21/22 and 22/23 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 over £11.4 million 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

The Council has worked hard through the implementation of a range of measures to close the budget gaps that have arisen each year through the Government's programme of austerity; subject to the assumptions made in these papers, yet again, and not without impact on the residents of the borough and the services they receive, it has again, but only just, managed to do so for 2020/21.

From an income perspective, the 4 year settlement provided some stability for financial planning through to 2019/20 but as outlined above, the one-year settlement for 2020/21 is a short-term measure to get us through the year and does not facilitate meaningful or effective financial planning to support service delivery.

The future funding level for 2021/22 and beyond 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 of adult social care and the potential integration of social care with health to name just a few of the headline changes ahead which post significant risk to us.

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 £2.7m in 2021/22 and £7.6m in 2022/23 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.

Appendix E

Blackburn with Darwen Borough Council Pay Policy Statement for the Year 2020/21

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 2020/2021 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 31st 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 1st April 2020.

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 2020/2021
(Last national pay award increase applied from 01/04/2019). All the posts listed below are permanent unless otherwise stated in the notes

Executive
£145,123 - £158,572

Chief Executive of Council
Denise Park
denise.park@blackburn.gov.uk – 01254 585655

Council Management Board Directors
£91,447 - £97,888

Director of Adults & Prevention (DASS) (Plus SRA £15,282 Note 5.1i)
Sayyed Osman
sayyed.osman@blackburn.gov.uk – 01254 585340

Director of Finance & Customer Services
Louise Mattinson
louise.mattinson@blackburn.gov.uk – 01254 585600

Director of HR, Legal & Governance
David Fairclough
david.fairclough@blackburn.gov.uk – 01254 585642

Director of Environment & Operations
Martin Eden
martin.eden@blackburn.gov.uk – 01254 585102

Director of Digital & Business Change
Paul Fleming
paul.fleming@blackburn.gov.uk – 01254 222535

Director of Children's Services & Education (DCS) (plus SRA £7,641 Note 5.1i & retention allowance £12,000 Note 5.1ii)
Jayne Ivory
jayne.ivory@blackburn.gov.uk – 01254 588888

Director of Growth & Development
Martin Kelly
martin.kelly@blackburn.gov.uk – 01254 588686

Director of Public Health & Wellbeing (note 5.1iii)
Dominic Harrison
dominic.harrison@blackburn.gov.uk – 01254 (58)8920

Other Roles included as paid on Chief Officer scales*
£77,761 - £85,593

Public Health Consultant (Medicine) (0.81FTE)
Gifford Kerr

gifford.kerr@blackburn.gov.uk - 01254 (58)8820

Consultant in Public Health
Laura Wharton
Laura.wharton@blackburn.gov.uk - 01254 (58)8911

Consultant in Public Health (0.18 FTE)
Shirley Goodhew
Shirley.Goodhew@blackburn.gov.uk- 01254 (58)8924

Growth Programme Director (note 5.1iv)
Simon Jones
simon.jones@blackburn.gov.uk

5.1 **Notes**
Information is based on the Chief Officer structure with effect from 1st April 2020
* Included for transparency due to salary level post job evaluation

i) 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 third SRA for Deputising for the Chief Executive is currently being paid to the same officer undertaking the DASS.

ii) A temporary retention allowance is paid to the Director of Children's Services which is subject to review.

iii) Following pay and grading review this post is confirmed as Director 1 – employee in receipt of temporary pay protection for 2020/21 on salary of £106,406 per annum

iv) Following transfer to the Council in 2018 post is confirmed as Director 2 – employee in receipt of temporary pay protection for 2020/21 on salary of £114,445 per annum

v) The Chief Executive & 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

v) The Chief Executive appointment is subject to full Council approval and the Chief Executive & Chief Officer Employment Committee recommends pay and conditions of employment - full terms of reference are contained in the Council Constitution.

vi) 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 the Council's preferred supplier [subject to tender]), 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 31st December 2019, this was £17,364 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 above the Apprenticeship National Minimum Wage guidelines for apprentices. The rates are reviewed every April.

Year 1 - £6.15 per hour
Year 2 - £6.45 per hour or age related National Minimum Wage if 21 or older.

Apprentice Information

Reporting Period – 1st April 2018 to 31st March 2019

Figure		
A	The number of employees whose employment in England by the body began during the reporting period	**169**
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)	**33**
C	the number of employees employed in England that the body has at the end of the reporting period (31st March)	**2125**
D	the number of apprentices who work for the body at the end of the reporting period (31st March)	**92**
E	Figure B expressed as a percentage of figure A	**19.5%**
F	Figure D expressed as a percentage of figure C	**4.33%**
G	The number of apprentices who worked for the body immediately before the reporting period started (1st April)	**33**
H	Headcount on the day before the first day of each reporting period in the target period	**2160**
I	Figure B expressed as a percentage of figure H	**1.5%**

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 8.4:1, and is therefore well within this recommended range.

12.4 The summary workforce data is shown below.

Highest Pay Grade	£145,123 - £158,572
Highest Pay	£145,123
Lowest pay	£17,364
Average Pay (per annum) – mean	£27,883
Average Pay (per annum) – median	£24,799
Pay Difference (between average & highest pay) – mean	£117,240
Pay Difference (between average & highest pay) – median	£120,324
Pay Multiple (ratio between average & highest pay) - mean	5.2:1
Pay Multiple (ratio between average & highest pay) – median	5.9:1
Pay Multiple (ratio between the lowest and the highest pay)	8.4:1
Data based on pay as at	31/12/2019

Notes

- The data is based on pay as at 31st December 2019.

13. Trade Union Facility Time *(The following section will be completed at the end of the 2019/2020 financial year and published accordingly).*

Trade Union Facility Time information for the period 1st April 2019 – 31st March 2020.

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

Number of employees who were relevant union officials during the relevant period	*Full-time equivalent employee number*
TBC	TBC

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?

Percentage of time	*Number of employees*
0%	TBC
1-50%	TBC
51%-99%	TBC
100%	TBC

13.4 Percentage of total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

First Column	*Figures*
Provide the total cost of facility time	TBC
Provide the total pay bill	TBC
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	TBC

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.

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: *(total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100*	TBC

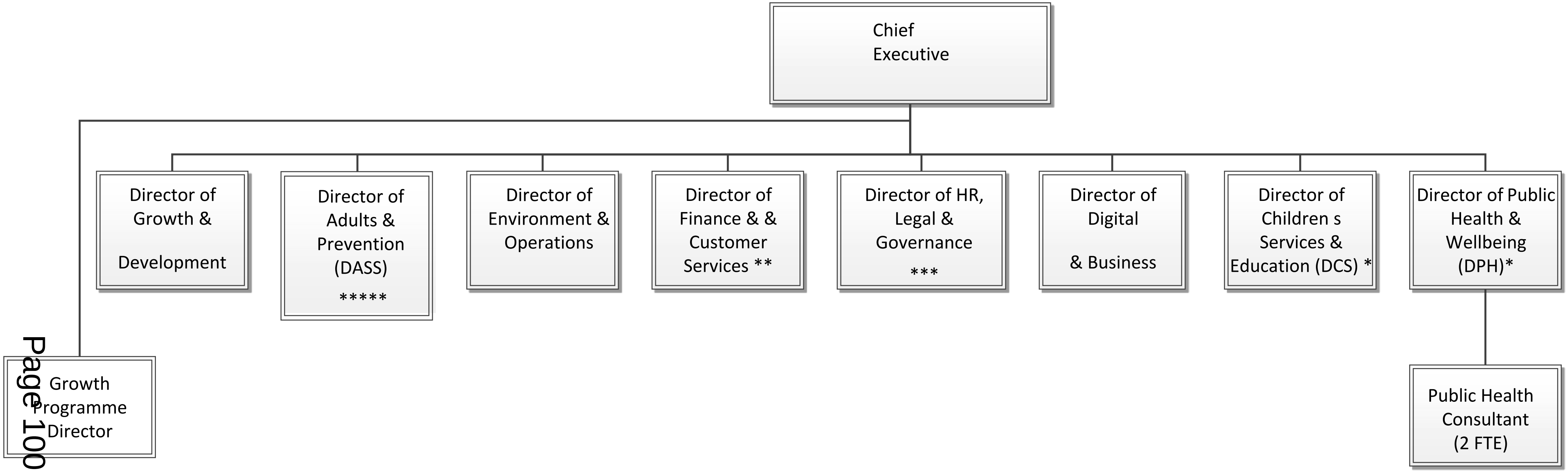
14. Publication

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.

Chief Officer Structure as at 1st April 2020

APPENDIX 1



*	**Statutory Directors with accountabilities to CEO**
**	**Section 151 officer with accountabilities to CEO**
***	**Monitoring officer with accountabilities to CEO**
****	**Deputising to the CEO**

REPORT OF:	**DIRECTOR OF FINANCE AND CUSTOMER SERVICES**
TO:	**FINANCE COUNCIL**
DATE:	**24th FEBRUARY 2020**

SUBJECT : COUNCIL TAX FOR 2020/21

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 2020/21, 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 2020/21. 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
(ii) 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 2020/21, 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:

	£M
Council's proposed net expenditure	143.213
Less: Council's share of estimated surplus on the Council Tax Collection Fund	- 0.671
	142.542
Less: General government grant funding	- 66.064
Retained business rates income	- 20.619
Borough Council's Council Tax Requirement	55.859
Council Tax Base:	**35,577.54**
Council Tax at Band D	**£1,570.07**

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	£189,932.22
Less: Grants paid by Borough Council	£27,336.50
Total Parish Precepts	£162,595.72
Council Tax Base:	**35,577.54**
Average Parish Council Tax at Band D	**£4.57**

In accordance with Section 31B of the Act, the basic amount of Council Tax for the year, including Parish precepts, is £1,574.64 (i.e. £1,570.07 + £4.57).

5.3 Collection Fund

Members will note from the calculation shown in paragraph 5.1 above, that Blackburn's share of the surplus on the Council Tax Collection Fund is £670,926. Legislation requires that any such surplus or deficit must be reflected in the Council Tax calculation and, therefore, represents an increase in funds for the year 2020/21.

5.4 Major Precepting Authorities

On 4th February 2020, the Police and Crime Commissioner for Lancashire agreed a council tax increase for the year 2020/21. The amount of precept due from Blackburn with Darwen Council has been set at £7,522,871, after an adjustment of £89,254 in respect of the precepting authority's share of the estimated Collection Fund surplus. This results in a Band D Council Tax of £211.45, an increase of £10 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 (scheduled for Monday 24th February). The paper produced for the Fire Authority meeting has incorporated a recommended precept of £2,521,027, after an adjustment of £30,784 in respect of the precepting authority's share of the estimated Collection Fund surplus, which results in a Band D Council Tax of £70.86, an increase of 1.99%.

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	55.859
Lancashire Police Authority Precept	7.523
Lancashire Combined Fire Authority Precept	2.521
Total Council Tax requirement	**65.903**
Council Tax Base:	**35,577.54**
Aggregate Council Tax at Band D	**£1,852.38**

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 2020/21 is

£1,574.64.

- the average of the Parishes element (£4.57) is then deducted to give the Council Tax at Band D for those parts of the Borough not having a Parish Council (£1,570.07).
- 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.

Chief Officer/Member	Louise Mattinson, Director of Finance & Customer Services (Ext. 5600)
Contact Officer:	Karen Moore, Senior Finance Officer (Ext. 5929)
Date:	12th February 2020
Background Papers:	Budget documentation and reports previously issued

Appendix 1

Blackburn with Darwen Borough Council

Draft Council Tax Resolution 2020/21 – Finance Council 24th February 2020

The Council is recommended to resolve as follows:

1. That it be noted that on 19th December 2020, the Council calculated the Council Tax Base for the year 2020/21 in accordance with regulations made under Section 31B(3) of the Local Government Finance Act 1992, as amended (the Act):

   a) 35,577.54 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 2020/21 in accordance with Sections 31 to 36 of the Act:

a)	£376,266,657	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)	£320,244,788	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)	£56,021,869	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)	£1,574.64	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)	£162,595.72	being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (see Appendix 2).
f)	£1,570.07	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 2020/21 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 2020/21 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 24th).

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 2020/21 for each part of its area and for each of the categories of dwellings.

a) Blackburn with Darwen Borough Council

Part of the Council's Area	Valuation Bands							
	A	B	C	D	E	F	G	H
Eccleshill Parish	£1,063.65	£1,240.93	£1,418.20	£1,595.48	£1,950.03	£2,304.58	£2,659.13	£3,190.96
Livesey Parish	£1,052.22	£1,227.59	£1,402.96	£1,578.33	£1,929.07	£2,279.81	£2,630.55	£3,156.66
North Turton Parish	£1,058.83	£1,235.30	£1,411.77	£1,588.24	£1,941.18	£2,294.12	£2,647.07	£3,176.48
Pleasington Parish	£1,051.47	£1,226.71	£1,401.96	£1,577.20	£1,927.69	£2,278.18	£2,628.67	£3,154.40
Tockholes Parish	£1,071.92	£1,250.57	£1,429.23	£1,607.88	£1,965.19	£2,322.49	£2,679.80	£3,215.76
Yate and Pickup Bank Parish	£1,061.47	£1,238.38	£1,415.29	£1,592.20	£1,946.02	£2,299.84	£2,653.67	£3,184.40
Darwen Town Council	£1,055.39	£1,231.28	£1,407.18	£1,583.08	£1,934.88	£2,286.67	£2,638.47	£3,166.16
All other parts of the Council's area	£1,046.71	£1,221.17	£1,395.62	£1,570.07	£1,918.97	£2,267.88	£2,616.78	£3,140.14

b) Major Precepting Authorities

Precepting Authority	Valuation Bands							
	A	B	C	D	E	F	G	H
Lancashire Police Authority	£140.97	£164.46	£187.96	£211.45	£258.44	£305.43	£352.42	£422.90
Lancashire Combined Fire Authority	£47.24	£55.11	£62.99	£70.86	£86.61	£102.35	£118.10	£141.72

c) Aggregate Council Tax

Part of the Council's Area	Valuation Bands							
	A	B	C	D	E	F	G	H
Eccleshill Parish	£1,251.86	£1,460.50	£1,669.15	£1,877.79	£2,295.08	£2,712.36	£3,129.65	£3,755.58
Livesey Parish	£1,240.43	£1,447.16	£1,653.91	£1,860.64	£2,274.12	£2,687.59	£3,101.07	£3,721.28
North Turton Parish	£1,247.04	£1,454.87	£1,662.72	£1,870.55	£2,286.23	£2,701.90	£3,117.59	£3,741.10
Pleasington Parish	£1,239.68	£1,446.28	£1,652.91	£1,859.51	£2,272.74	£2,685.96	£3,099.19	£3,719.02
Tockholes Parish	£1,260.13	£1,470.14	£1,680.18	£1,890.19	£2,310.24	£2,730.27	£3,150.32	£3,780.38
Yate and Pickup Bank Parish	£1,249.68	£1,457.95	£1,666.24	£1,874.51	£2,291.07	£2,707.62	£3,124.19	£3,749.02
Darwen Town Council	£1,243.60	£1,450.85	£1,658.13	£1,865.39	£2,279.93	£2,694.45	£3,108.99	£3,730.78
All other parts of the Council's area	£1,234.92	£1,440.74	£1,646.57	£1,852.38	£2,264.02	£2,675.66	£3,087.30	£3,704.76

Appendix 2

Town and Parish Council Precepts

	2019/20				2020/21				Council Tax Increase / (Reduction)
Parish / Town Council	Tax Base	Precepts £	Grant £	Council Tax Band D £	Tax Base	Precepts £	Grant £	Council Tax Band D £	*Council Tax Band D 20/21 less 19/20* **£**
Eccleshill Parish	96.60	2,429.00	413.50	25.14	95.59	2,429.00	413.50	25.41	0.27
Livesey Parish	1,977.24	16,332.00	1,371.00	8.26	2,060.12	17,017.00	1371.00	8.26	0.00
North Turton Parish	1,764.22	27,069.00	1,241.00	15.34	1,770.04	32,159.00	1,241.00	18.17	2.83
Pleasington Parish	257.86	1,450.00	0.00	5.62	259.34	1,850.00	0.00	7.13	1.51
Tockholes Parish	208.50	7,682.86	146.00	36.85	209.41	7,917.72	146.00	37.81	0.96
Yate and Pickup Bank Parish	138.95	3,070.00	260.00	22.09	141.35	3,128.00	260.00	22.13	0.04
Darwen Town Council	7,461.76	98,905.00	23,905.00	13.15	7,541.34	98,095.00	23,905.00	13.01	(0.04)
TOTAL / AVERAGE	**11,905.13**	**156,127.86**	**27,336.50**	**4.48**	**12,077.19**	**162,595.72**	**27,336.50**	**4.57**	**0.09**

REPORT OF:	**EXECUTIVE MEMBER FOR FINANCE AND GOVERNANCE**
TO:	**FINANCE COUNCIL**
DATE:	**24th FEBRUARY 2020**

SUBJECT: Council Tax Support Scheme 2020/21

1. PURPOSE OF THE REPORT
To seek approval for the adoption of the Council Tax Support Scheme for 2020/21.

2. OPTIONS
None to consider.

3. RECOMMENDATIONS
That Finance Council:

i. Notes the contents of the report, and;

ii. Approves the Council Tax Support Scheme for the financial year 2020/21

4. BACKGROUND
The Welfare Reform Act contained provisions which abolished the national Council Tax Benefit scheme and recommended localised schemes to be administered by Local Authorities throughout England with effect from 1st April 2013.

This report, and Appendix A, set out how the scheme will operate for pension age and working age applicants in accordance with Section 13A of the LGFA 1992.

In accordance with the legislation, the Council is obliged to formally continue the scheme already agreed, or to make any adjustments prior to the 31st March 2020. This report seeks to fulfil the necessary legal requirements and to confirm Blackburn with Darwen's Council Tax Support scheme for 2020/21.

5. RATIONALE
Whilst the majority of the Council Tax Support scheme will remain identical to the scheme adopted in 2019/20, a national report was issued by the Local Government and Social Care Ombudsman in August (Council Tax Reduction Guidance for Practitioners) which did highlight some concerns over the rules concerning retrospective reversal of awards. As a consequence of this guidance, from the 1st April 2020, retrospective

reversals that are as a result of an error by a Council Officer will be reviewed by a Senior Manager. This review will seek to ascertain if the individual claimant could have reasonably been expected to know that the award was incorrect. If this were the case, the Council would not pursue the affected Council Tax charge.

It is expected that there will be very few cases affected by the change to the policy, however this amendment will prevent any undue criticism from the Local Government and Social Care Ombudsman.

The scheme will also continue to operate a Discretionary Hardship scheme under section 13A (1) c of the Local Government Finance Act 1992.

6. POLICY IMPLICATIONS

By maintaining the main body of the Council Tax Scheme from the previous year, and only making minor changes as detailed in Section 5, there are no significant policy changes to consider.

The scheme will continue to operate on the same basis as in previous years, with an annual uprating being made to benefit amounts, allowances and premiums within the scheme. These figures have been taken from the government circular issued in January 2020.

7. FINANCIAL IMPLICATIONS

Whilst any increase in the number of claimants, or the amount of Council Tax Support awarded, would increase the financial cost to the Council, the real terms expenditure has consistently decreased over a number of years. There is no reason to suspect that this trend will not continue into 2020/21.

8. LEGAL IMPLICATIONS

The Local Council Tax Support Scheme must be agreed before the 31st of March each year by full Council.

9. RESOURCE IMPLICATIONS

There are no other resource implications associated with this report.

10. EQUALITY IMPLICATIONS

In preparing for the transfer of Council Tax Benefit to local authorities, the DCLG completed an initial Equality Impact Assessment in January 2012, with a further updated Impact Assessment in June 2012. In addition, Blackburn with Darwen Borough Council completed a major Equality Impact Assessment prior to the introduction of its own scheme. As the scheme remains the same, the EIA is still valid and applicable for 2020/21.

11. CONSULTATIONS

The Council undertook a major public consultation exercise to develop a localised Council Tax Support scheme for implementation across Blackburn with Darwen from 1st April 2013. In addition, a further consultation was undertaken in September/October 2018 concerning a number of significant changes to the scheme.

As the scheme for 2020/21 remains broadly the same as last year's scheme, there is no further requirement to undertake a new consultation exercise.

Chief Officer/Member

Contact Officer:	Louise Mattinson – Director of Finance and Customer Services
Date:	February 2020
Background Papers:	Appendix A – Council Tax Support Scheme 2020/21

BLACKBURN with DARWEN BOROUGH COUNCIL

COUNCIL TAX REDUCTION SCHEME

2020-21

S13A and Schedule 1a of the

Local Government Finance Act 1992

Contents

Introduction

1. Since April 2013, all council tax billing authorities in England are required to set up a scheme to help people in financial need pay their council tax. This document describes the scheme in Blackburn with Darwen, for the period 1st April 2020 until 31st March 2021.

2. The scheme is called a Council Tax Reduction Scheme because any support usually takes the form of a reduction in council tax liability, and therefore a reduction in the applicant's council tax bill. But it is also known as council tax support and that is the term generally used in this document.

3. Although this document provides a comprehensive account of the scheme in Blackburn with Darwen, further information on those aspects which have to be included in all schemes can be found in the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (and subsequent amendments).

Overview of the scheme

4. There are different arrangements for pension-age and working-age applicants.

Pension-age applicants

5. The Government has decided that pensioners should have broadly the same level of support that they had in the old Council Tax Benefit scheme. This means that the Council has to follow the rules decided by central Government, and has no discretion to alter them.[1]

6. Subject to some overall conditions, there are three groups of pensioners in financial need who the scheme is designed to help:
   - those whose income is no greater than the set amount allowed for living expenses; these pensioners qualify for 100% reduction on their council tax bill;
   - those whose income is greater to a certain extent than the set amount allowed for living expenses; these pensioners will have 20% of the difference between their income and the amount for living expenses deducted from the maximum amount of council tax support that would otherwise be payable;
   - those where there is a second adult sharing the household who would normally be expected to contribute towards the council tax bill, but who cannot afford to do so; these pensioners will see a reduction in the council tax bill of either 7.5%, 15%, 25% or 100%, depending on the circumstances of the second adult living in the household. (See Appendix 2.)

[1] Set out in the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (as amended from 2013 to 2020).

7. Where a pensioner is receiving the guarantee part of State Pension Credit his income and capital are ignored for the purposes of council tax support, so the pensioner receives 100% reduction on their council tax bill. Where a pensioner is receiving only the savings credit part of State Pension Credit, the amount of income and capital used in the Department for Work and Pensions assessment is used for the calculation of council tax support.

Working-age applicants

8. The Council has devised its own scheme for working-age applicants.

9. Subject to some overall conditions, there are two groups of working-age applicants in financial need who the scheme is designed to help:
    - those whose income is no greater than the set amount allowed for living expenses; these working-age applicants qualify for a 80% reduction on their council tax bill but, if they live in a property in band C or above, they qualify for a 80% reduction of the council tax bill set by the Council for a band B property;
    - those whose income is greater to a certain extent than the set amount allowed for living expenses; these working-age applicants will have 20% of the difference between their income and the amount for living expenses deducted from the maximum amount of council tax support that would otherwise be payable.

10. The overall conditions for an applicant to receive financial assistance from the scheme are that he:
    - lives in the property as his main home; and
    - is liable to pay council tax; and
    - meets the residence rules; and
    - has capital not exceeding £16,000; and
    - has income at or below a certain amount; and
    - has made an application for assistance from the scheme.

<u>Living Allowances</u>

11. In the calculation of council tax support, the amount allowed for living expenses is made up of the following components:
    - an amount for the applicant or, if he is a member of a couple, an amount for both of them;
    - if appropriate, an amount for children or young persons who are members of his family, together with an additional amount (family premium)[2];
    - if appropriate, additional amounts, or premiums, as set out in Appendix 1, for example to cover expenses associated with disability.

[2] The family premium was withdrawn from 1st May 2016 in the Prescribed Requirements regulations, but the Council have nevertheless decided to include it both for pensioner and working age applicants.

12. There are special arrangements for polygamous marriages – see Annex 2.

Treatment of income

13. The income of an applicant's partner is treated as belonging to the applicant.

14. Income is calculated on a weekly basis. In order to arrive at the weekly amount of earnings and other income to be taken into account, a monthly payment is multiplied by 12 and divided by 52: in other cases the amount is converted to a daily amount and multiplied by 7. Where applicable, an assumed income from capital is added (see paragraph 35) and, where relevant and subject to certain conditions, childcare charges are deducted. The weekly maximum amounts to be deducted are £175 for one child and £300 for two or more children. (For applicants receiving Universal Credit, the maximum amounts to be deducted are 85% of these figures.)

15. Where incurred, childcare charges can be deducted from income where the applicant is:
    - A lone parent who is working at least 16 hours a week;
    - A member of a couple both of whom are working at least 16 hours a week;
    - A member of a couple one of whom is working and the other is incapacitated, in hospital or in prison.

16. Annex 3 explains these childcare provisions in more detail and also contains a definition of the childcare charges which can be deducted.

Earnings from employment

17. Where an applicant has earnings from employment, the weekly amount of earnings is averaged over 5 weeks prior to the first week in which support is payable if the applicant is paid weekly, and 2 months if the applicant is paid monthly. However, where an applicant's earnings fluctuate, earnings can be averaged over any reasonable period. If an applicant has been working for less than 5 weeks or 2 months, the average weekly earnings are estimated on the basis of either any earnings received, if representative of future earnings, or an estimate provided by his employer. If earnings change during the period of an applicant receiving council tax support, average earnings are estimated over any reasonable period but not more than 52 weeks.

18. Earnings are taken into account from the date of application even if they were not received during the week of application. Where an applicant begins remunerative work after an application for council tax support has been made, earnings are taken into account from the first support week after he began work, even if they were not actually received in that week. Similar arrangements are made when earnings change.

19. See Annex 4 for the definition of earnings as an employed earner.

Self-employment

20. An applicant for council tax support is treated as self-employed if:

- self-employment is his main job; and
- he gets regular work from self-employment; and
- his work is organised, for example there are invoices and receipts, or accounts; and
- he expects to make a profit.

21. Where an applicant is self-employed, weekly earnings are estimated over a reasonable period but no more than over 52 weeks. See Annex 5 for a description of how self-employed earnings are calculated.

22. Working-age self-employed applicants are assumed to have a certain level of income (the Minimum Income Floor) after 2 years of self-employment. The level of income is calculated using the National Minimum Wage for the applicant's age group, multiplied by the number of hours he is expected to look for and be available for work. For most people that is 35 hours a week, but is 24 hours a week if the applicant meets certain requirements (for example is a carer receiving Carer's Allowance, a lone foster parent with a foster child in placement under the age of 5, a lone parent with a child under the age of 5, or a lone parent who has caring responsibilities for a child who has a physical or mental impairment of any age for whom they receive Child Benefit). From the resulting figure, a notional deduction for tax and National Insurance is deducted.

23. If the applicant ceases self-employment during the 2 year period but becomes self-employed again within 6 months, the periods of self-employment are treated as continuous for the purpose of calculating the 2 year period. Where this occurs the Council will review the application to ensure that this change in employment status has not been made to take advantage of the council tax support scheme.

Other income

24. Income other than earnings is fully taken into account unless specified in Appendix 4 which lists income that is ignored. Weekly income other than earnings is also estimated over a reasonable period but no more than over 52 weeks. See Annex 6 for a description of how income other than earnings is calculated.

25. Benefit income is taken into account over the period in which it is paid. The period over which a tax credit payment is taken into account varies depending on whether the payment is a daily, weekly, two-weekly or four-weekly instalment.

26. In most cases, income that the applicant has not obtained (for example, a deferred pension) but is available on application is treated as possessed by him, but only from the date it could be obtained.[3]

27. If it appears to the Council that an applicant has come to an arrangement with a non-dependant member of the household specifically to take advantage of the council tax support scheme, where the income and capital of the non-dependant exceeds that of the applicant, the income and capital of the non-dependant is treated as if it were the applicant's, and the applicant's income is ignored. This rule does not apply in the case of an applicant in receipt of Income Support, income-based Jobseeker's Allowance or income-related Employment and Support Allowance.

<u>Treatment of capital</u>

28. If an applicant has more than £16,000 no support is payable under this scheme.

29. All capital is taken into account, including income treated as capital, unless it is listed in Annex 7 in which case it is ignored. The capital of a child or young person who is a member of the applicant's family is also ignored. The capital of an applicant's partner is treated as if it belonged to the applicant.

30. Certain types of income are treated as capital. See Annex 7 for a full list.

Notional capital

31. If an applicant deliberately disposes of capital in order to obtain council tax support, it is assumed that the applicant still possesses that capital and it is therefore taken into account. This notional capital is reduced over time by the amount that the applicant would have received in council tax support if he had not been treated as having that capital. With certain exceptions, where an applicant fails to realise capital which he owns, that capital is also taken into account. Most payments of capital made to a third party on behalf of the applicant are taken into account.

Calculation of capital

32. Capital which an applicant possesses in the United Kingdom is calculated at its current market or surrender value less:
    - 10% if there are expenses attributable to its sale, and
    - the amount of any monetary claim secured against it.

33. Capital which an applicant possesses outside the United Kingdom is treated in the same way except that it is calculated:

[3] See paragraph 22 of Schedule 1 to the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012.

- at its current market or surrender value in that country if it can be transferred to the United Kingdom; or
- if it cannot be transferred to the United Kingdom, at a price which it would realise if it were sold in the United Kingdom to a willing buyer.

34. Where an applicant owns capital jointly with one or more persons, each share is treated as equal unless there is evidence to the contrary.

35. Where an applicant has capital exceeding £6,000 (£10,000 for pensioners), income of £1 is assumed for every complete £250 (£500 for pensioners) up to a maximum of £16,000. In making this calculation, if the final part of the excess is not a complete £250 (£500 for pensioners), an income of £1 is nevertheless taken into account.

Calculation of council tax support

Maximum council tax support

36. Council tax is calculated on a daily basis. For any day for which an applicant is liable to pay council tax, the maximum amount of council tax support for pensioners is 100% of the amount of council tax set by the council for the applicant's dwelling, less any appropriate discount, divided by the number of days in that financial year. For working-age applicants, the maximum amount of council tax support is 80% of the amount of council tax set by the council for the applicant's dwelling, but if they live in a property in band C or above the maximum is 80% of the amount of council tax set by the Council for a band B property.

Where income is more than the amount for living expenses

37. Where an applicant's income is greater than the amount allowed for living expenses in his case, council tax support is withdrawn gradually (sometimes known as the taper) as income increases until entitlement is extinguished altogether. This avoids a cliff-edge effect of suddenly ending all support as soon as income becomes greater than the amount for living expenses.

38. For example, if an applicant's weekly maximum council tax support is £15, and the amount for living expenses in his case is £100 a week, he is entitled to maximum support of £15 as long as his income is not greater than £100. If his income increases to £120, a sum equal to 20% of the difference between his income (£120) and the amount for living expenses (£100) is deducted (20% of £20 = £4) from his maximum council tax support, so he receives £15 less £4 = £11 a week. If his income increases further to £180, the amount deducted from his maximum council tax support is £16 (20% of £80 is £16) and there is therefore no entitlement to council tax support because £16 is greater than the maximum of £15.

Other aspects of the calculation

39. In calculating the amount of council tax support, fractions of less than half a penny are rounded down and fractions of half a penny or more are rounded up.

40. Where an applicant is jointly liable for council tax with other residents at the same dwelling, the council tax set by the authority (less any discount) is divided by the number of people jointly liable and the applicant's council tax support is based on his share. This does not apply in the case of a student who is excluded from entitlement to council tax support, or a partner of the applicant.

<u>Non-dependant deductions</u>

41. A non-dependant is a person living as a member of the applicant's household who is not his partner or a child/young person for whom he is responsible. There are certain exceptions such as joint-occupiers, boarders and paid carers. Non-dependants aged 18 or over are usually expected to contribute to household expenses such as council tax.

    (Pension Age scheme - points 42-47)

42. For pensioners, the weekly deduction for a non-dependant aged 18 or over in work is normally £12.40 and for a non-dependant aged 18 or over not in work, £4.05. However, where the applicant can demonstrate that a non-dependant in work has relatively low gross weekly earnings, the deduction is as follows:
    - less than £217.00, the deduction is £4.05;
    - not less than £217.00, but less than £376.99, the deduction is £8.25;
    - not less than £377.00, but less than £468.99, the deduction is £10.35.
    - £469.00 or above, the deduction is £12.40

43. In the case of non-dependant couples only one deduction is made, but all their gross income is taken into account.

44. Where there is joint liability for council tax in a household, any non-dependant deduction is divided equally between the liable persons.

45. No non-dependant deductions are applied if the applicant or his partner:
    - is blind;
    - is receiving Attendance Allowance, the care component of Disability Living Allowance, the daily living component of Personal Independence Payment, or an Armed Forces Independence Payment, including where these benefits and payments are temporarily suspended, for example through hospitalisation.

46. No non-dependant deductions are applied where the non-dependant:
    - normally lives elsewhere;

- is receiving a training allowance paid as part of a youth training scheme;
- is a full-time student;
- has been a hospital in-patient for more than 52 weeks;
- is not living with the applicant because he is a member of the armed forces away on operations;
- is receiving a payment for a disability caused by the Thalidomide drug;
- is receiving Income Support, State Pension Credit, income-based Jobseeker's Allowance or income-related Employment and Support Allowance;
- is entitled to an award of Universal Credit where the award is calculated on the basis that the non-dependant does not have any earned income;
- is a person disregarded for the purposes of council tax discount.

47. In calculating a non-dependant's income the following are ignored:
    - Attendance Allowance, Disability Living Allowance, Personal Independence Payment or Armed Forces Independence Payment;
    - payments made under certain specified trust funds including analogous payments.

(Working Age Scheme – points 48-49)

48. For working-age applicants, there is one deduction for all non-dependants of £5 a week. The exemptions listed in paragraphs 45 and 46 above do not apply.

49. In the case of non-dependant couples only one deduction is made, but all their gross income is taken into account.

<u>Temporary Absences</u>

50. An applicant can be regarded as living in his home and therefore eligible for council tax support even if he is temporarily absent for certain periods. Council tax support is payable during periods of temporary absence if the applicant:
    - is liable for council tax and the address he is temporarily absent from is his sole or main residence;
    - intends to return to live in his home;
    - is not letting or sub-letting that part of the home that he normally occupies;
    - is unlikely to be away for more than the time allowed (see below).

51. In calculating the period of absence, the first day of absence is included and the day of return is excluded.

52. For absences in Great Britain, a period of absence from home must not be (or must not be expected to be) more than 13 weeks. However, this is extended to 52 weeks where the applicant is:
    - a remand prisoner awaiting trial or sentence;
    - living in a bail or probation hostel, or bailed to live away from home;

- a hospital patient or living in accommodation other than residential accommodation for the purpose of receiving medically approved treatment or care;
- providing medically approved care to someone else, or caring for a child under 16 whose parent or guardian is away from home because he is receiving medically approved care;
- absent because of fear of violence in the home or domestic abuse;
- on an approved training course;
- a student who is eligible for council tax support (for example, if they have to study abroad as part of their course);
- in a residential care home, other than on a trial basis.

53. For absences outside Great Britain, a period of absence from home must not be (or must not be expected to be) more than 4 weeks. However, if the applicant is absent from Great Britain because of the death of a close relative and it unreasonable for him to return within the first 4 weeks, the Council may decide that council tax support can be paid for up to 8 weeks.

54. And the 4 week period can be extended to 26 weeks where the applicant is:
    - a member of the armed forces on operations overseas;
    - receiving medical treatment in hospital;
    - absent because of fear of violence in the home or domestic abuse;
    - undergoing (or his partner or dependent child is undergoing) medical treatment or medically approved convalescent care in accommodation other than residential accommodation;
    - a mariner or continental-shelf worker.

Extended support - the run-on

55. Extended council tax support (sometimes known as the run-on) can be awarded to people who have been (or their partners have been) receiving Income Support, income-based Jobseeker's Allowance or income-related Employment Support Allowance for at least 26 weeks, and who come off that benefit because they or their partners start employment as an employed or self-employed earner, or increase hours or earnings where that employment is expected to last 5 weeks or more. This also applies to those who were receiving certain contributory benefits which end for the same reason. The qualifying contributory benefits are Incapacity Benefit, contributory Employment and Support Allowance, and Severe Disability Allowance. The qualifying rules are broadly the same as for those coming off income-related benefits.

56. Extended support can be made for up to 4 weeks starting from the beginning of the week after entitlement to a qualifying benefit ends. Support lasts for 4 weeks unless the applicant's liability for council tax ends first.

57. The amount of the extended payment is usually the amount that the applicant was entitled to during the last week he was receiving a qualifying benefit. However, if for any reason entitlement to council tax support after the change of circumstances is higher, the higher amount is paid.

58. Where an applicant who is entitled to extended support moves from one local authority to another, extended support may take the form of a payment from one local authority to the other, or directly to the applicant. The amount of extended payment remains the same, that is, the amount payable in respect of the last week before entitlement to a qualifying benefit ceased. Where an applicant continues to be liable for council tax, the second authority must reduce the new amount of council tax support by the amount of the extended support already awarded.

59. Entitlement to council tax support does not end until the end of the extended support period, even if entitlement would otherwise have ended based on the applicant's new circumstances. The general rules for calculating changes of circumstances do not apply.

<u>Universal Credit</u>

60. The calculation of council tax support for those households receiving Universal Credit is slightly different.[4] Income is compared to an amount for living expenses in broadly the same way as for other applicants but the definitions are different.

61. For the amount for living expenses, the scheme uses the Universal Credit maximum award, including all elements such as housing. This ensures consistency of treatment between Universal Credit and the council tax reduction scheme in deciding what a person needs to live on.

62. For income, the scheme uses the assessment of income in Universal Credit which is provided by the Department for Work and Pensions, to which is added the actual award of Universal Credit. The way that Universal Credit works means that housing and childcare costs are taken into account under both 'income' and 'living expenses', in effect cancelling each other out. The figure for capital used in the assessment of Universal Credit is used for the calculation of council tax support.

63. And it is also possible to treat the income as belonging to a non-dependant (and the non-dependant's income as the applicant's) if the Council decides that an arrangement has been made to take advantage of the scheme.

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[4] Schedule to the Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012, paragraphs 28 and 37

64. Monthly figures are converted to weekly figures by multiplying by 12 and diving by 52.

People treated as not in Great Britain

65. Council tax support is payable only to those applicants who live in in Great Britain and in some circumstances people are treated as if they are not in Great Britain and are therefore excluded from the scheme. This applies where they do not satisfy the habitual residence test and where they are subject to immigration control.

66. The habitual residence test is in two parts: first, an applicant must show that he is habitually resident (intends to settle and make his home in the UK, Channel Islands, Isle of Man, or the Republic of Ireland). Secondly, EEA nationals (people from EU countries together with Norway, Iceland, Switzerland and Liechtenstein) must have a legal right to live in the UK and claim benefits, i.e. a 'right to reside' in the UK. For example, workers, students, people who are self-sufficient or have lived in the UK for at least 5 years normally have the right to reside. From 1 April 2014, an EEA national who is a jobseeker, is not treated as having the right to reside for the purposes of applying for council tax support simply by being a jobseeker (although he may have a right to reside on some other basis, for example, as a family member of a worker).

67. An applicant will normally pass the habitual residence test if he is receiving Income Support, income-based Jobseeker's Allowance or income-related Employment and Support Allowance. But from 1 April 2015 this does not apply if a new applicant is receiving income-based Jobseeker's Allowance and his right to reside was decided only on the basis that he was a jobseeker or the family member of a jobseeker.

68. British citizens returning to the UK after a period of living or working abroad have an automatic right to reside in the UK but they do need to show that they are habitually resident in the UK.

69. Non-EEA and non-UK nationals may be subject to immigration control and an applicant who is subject to immigration control is excluded from applying for council tax support. For example, this applies where an applicant:
    - needs permission to enter or remain in the UK but does not yet have it;
    - has permission to enter or remain in the UK, but only if he does not claim benefits or use other public services;
    - has been given permission to enter or remain in the UK because someone formally agreed to support him.

Students

70. A property that is wholly occupied by full-time students, for example a hall of residence, is exempt from council tax. Most students are not eligible for council tax support but some students who are liable for council tax can get support in specified

circumstances. See Annex 8 for a full account, including treatment of student income.

Effective dates

Date entitlement begins

71. An applicant's entitlement to council tax support begins from the start of the support week (Monday to Sunday) which follows the date of application. However, if an applicant becomes liable for the first time for council tax in Blackburn with Darwen and he is entitled to council tax support, his entitlement begins from the support week in which he applies. Entitlement to council tax support for persons in receipt of universal credit will start on the universal credit effective date where an award notice from the Department for Work and Pensions is received.

Date from which changes in circumstances take effect

72. Changes in circumstances also take effect from the Monday following the date of change, apart from these exceptions:
    - changes in applicant's income arising from legislative changes affecting rates of income tax, personal tax reliefs, National Insurance contributions, and tax credit rates are ignored for a period of up to 30 weeks (pensioners only);
    - a change in the amount of council tax payable takes effect from the date of change;
    - a change in the amount a person is liable to pay by way of council tax (for example changes to a discount) also takes effect from the date of change;
    - if the change applies to an applicant who now has a partner, or a partner has died, or they have separated, it takes effect from the date of the change;
    - backdated payments of income are generally taken into account over an appropriate period as if they had been paid on time.

73. For working-age applicants, a change of circumstance which results in a change in entitlement to council tax support of £2 a week or less is not implemented in the way set out above. Instead, the change is recorded and is implemented only when:
    - a subsequent change (or changes) during the current financial year bring the total effect of all the changes to more than £2; or
    - the end of the financial year is reached, in which case the change is implemented in calculating the amount of council tax support for the new financial year.

74. The purpose of this modification is to ensure that the Council does not repeatedly send out amended council tax bills to applicants when the effect of the changes is relatively minor.

Application procedure /online applications

75. Only one partner in a couple (or a polygamous marriage) can apply for council tax support in respect of the same dwelling. If the partners cannot agree who should apply, the Council will decide for them.

76. Where a person who is liable to pay council tax is unable to act for himself and someone has been appointed to act on their behalf (for example an attorney) the person appointed can make an application on behalf of that person. Where there is no-one to act on the person's behalf, the Council may appoint someone to act. An appointee must be aged over 18 and must apply for the appointment in writing. The Council may accept as an appointee someone who has already been appointed by the Department for Work and Pensions to act in respect of a social security benefit. The Council has the power to revoke the appointment at any time and the appointee may resign on giving 4 weeks' notice. If, subsequently, another person is authorised to act on the applicant's behalf (for example, an attorney) the former appointeeship ceases. The appointee must take full responsibility for all aspects of the application and is made fully aware by the Council of the duties involved, including the consequences of failing to comply with those duties.

77. An application may be made:
- in writing; or
- online; or
- by telephone in exceptional circumstances.

78. Universal Credit award notices received from the Department for Work and Pensions are treated as an application for council tax support.

79. Assisted digital support is available at Blackburn and Darwen Town Halls.

80. An application made in writing has to be made to the Council office on a form provided by the Council free of charge. Where an application is made on the correct form but is not properly completed, the Council may ask the applicant to complete the form correctly. Where an application is made in writing but not on the correct form, the Council may either supply the applicant with the correct form or ask for further information and evidence.

81. If an application is made online or by telephone and the Council considers that all the required information has not been provided, the Council will give the applicant the opportunity to provide the required information.

Date on which an application is made

82. The date to be taken as the date on which the application is made is normally the date the application is received by the Council, or the date the applicant first notified the Council of his intention to apply, if this is followed up within one month by a properly completed application. There are some exceptions to this general rule:
    - if an applicant has been awarded State Pension Credit which includes a guarantee credit, Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, or Universal Credit and the Council tax support application is received within one month of the claim for any of the above listed benefits, the date of application for council tax support is the first day of entitlement to one of those benefits;
    - if an applicant or his partner is in receipt of one of the above listed benefits when he becomes liable for council tax for the first time, and the council tax support claim is received within one month of becoming liable, the date of application for council tax support is the date he became liable;
    - where a couple's relationship comes to an end either due to the separation or death of one of them and the former partner was entitled to council tax support and the application is made within one month of the death or separation, the date of application for council tax support is the date of death or separation;
    - where an application is not properly completed and is corrected within one month (or longer if the Council considers reasonable) the date of application is the date on which the first contact is made. If the incomplete application is not corrected within one month or other reasonable period, the date of application for council tax support is the date when sufficient information becomes available to decide the application.

Advance applications

83. An applicant may submit an application up to 8 weeks in advance if he anticipates that he will become liable for council tax during that period. The application is treated as made on the day on which liability for council tax begins.

84. Other than where an applicant is a person treated as not being in Great Britain, the Council may treat an advance application as made in the support week before the first week of entitlement to council tax support. This applies where an applicant is not entitled to council tax support in the week after the actual date of application, but the Council considers that he will become entitled within the next 13 weeks (17 weeks for a pensioner) unless there is a change in circumstances.

Date applications are treated as made and backdating

85. Where a pensioner applies and qualifies for council tax support, his application is treated as made 3 months before it was actually made (effectively all applications from pensioners are automatically backdated for a period of 3 months). Where an

applicant applies for council tax support within one month of being awarded State Pension Credit including the guarantee credit, the three month period cannot go back any earlier than the date of his State Pension Credit claim.

86. Where an applicant requests his application to be backdated to an earlier date and shows a good reason for not making the application earlier, the application can be backdated to the latest of:
    - the first day from which continuous good cause is shown;
    - 6 months before the application was made (or the request for backdating was made);
    - the start of the financial year (if over 6 months) if the Council considers exceptional circumstances are shown.

Evidence and information

87. Where appropriate, the Council can accept evidence submitted online or by telephone to support an application.

88. An applicant to council tax support must provide a National Insurance number for himself and if appropriate, others for whom he is applying, or evidence that he has applied for a National Insurance number. This requirement does not apply to a:
    - child or young person;
    - person from abroad;
    - person subject to immigration control.

89. An applicant to council tax support must provide such evidence in support of his application as the Council considers reasonable, within one month of being notified of his duty to do so. This does not apply to an applicant who is a pensioner in respect of specified income which is ignored in the calculation of council tax support or whose income has been verified by The Pensions Service, where the Council has been notified of that income. The Council informs the applicant of his duty to notify any change of circumstances, and if asked by the applicant, which change of circumstances must be notified.

90. The Council can require an applicant to whom council tax support has been awarded (or any partner) who is at least the qualifying age for Pension Credit, to supply information about pension fund holders and suppliers of pension fund schemes.

91. Before a decision has been made on an application, an applicant may amend or withdraw the application by notifying the Council either in writing, by electronic communication or by telephone.

Duty to notify changes in circumstances

92. An applicant, or a person acting on behalf of the applicant, has a duty to report changes in circumstances either before an application has been decided by the Council or after council tax support has been awarded. The changes to be reported are those which the applicant might reasonably be expected to know would affect entitlement, and the changes must be notified in writing, by telephone or online within a period of 21 calendar days from the day when the change occurs, or as soon as reasonably practicable afterwards. Some types of change of circumstance do not need to be reported:

- changes in the amount of council tax payable to the council;
- changes in the ages of the applicant and his family or any non-dependants except where someone ceases to be a child or young person;
- changes which affect the amount of Income Support, income- based Jobseeker's Allowance, income-related Employment Support Allowance or Universal Credit but not the amount of council tax support, except where the benefit ceases.

93. An applicant who receives State Pension Credit and who has been awarded council tax support does not need to report changes in circumstances except:
- any changes relating to a non-dependant's income or residency;
- any absence from the home exceeding or likely to exceed 13 weeks.

94. And where State Pension Credit comprises only of Savings Credit, the applicant does not need to report changes in circumstances except:
- changes affecting a child living with him other than age;
- a change in an applicant's capital which takes, or may take, the total to more than £16,000;
- certain changes in the income or capital of a non-dependant or partner[5]

95. All changes in circumstances must be reported in a timely manner. If the applicant is late in notifying the Local Authority of a relevant change of circumstances, the Council Tax Support award will be adjusted accordingly from the date of change and the claimant will be responsible for paying the new liability as billed.

96. If an adjustment is made to the claim which results in a reduction of Council Tax Support and is deemed to be as a result of a Local Authority error (and the applicant could not reasonably have known their award was incorrect) the Local Authority will make the adjustment unrecoverable so as not to disadvantage the applicant.

[5] See paragraph 9 (8) (c) of the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012

Decisions and awards

97. Once the Council is satisfied that an application for council tax support has been completed in the proper manner together with all the required evidence and information, it will make the decision within 14 days or as soon as practicable thereafter.

98. Having made the decision on an application, the Council will notify the applicant, or a person appointed to act on behalf of the applicant, immediately, and within 14 days in the case of any other decision. The notification of a decision on an application is normally in the form of a revised council tax bill which includes:
    - a reminder about the duty to report changes in circumstances and an explanation of the consequences of failing to do so;
    - examples of changes that might affect entitlement to council tax support or its amount;
    - information about the effect of the decision on the applicant's council tax liability;
    - information about appeal procedures.

99. The revised council tax bill issued by the Council advises the applicant that he can request a written breakdown of the calculation showing how the decision was reached. The Council will respond to such a request within 14 days or as soon as practicable afterwards.

100. Where the Council makes an award of council tax support the applicant's council tax account is credited, and any refunds that may be due are paid by bank transfer.

101. Where the Council revises a decision and the amount of council tax support increases, the Council will credit the applicant's council tax account, and if as a result the account is in credit a refund will be made as soon as reasonably practicable. For working-age applicants, revised decisions amounting to £2 or less are not processed immediately but rolled forward until either the total including subsequent changes reaches more than £2 or the end of the financial year.

100. Where an award of council tax support is due but the applicant has died, the Council will credit any outstanding entitlement to council tax support to the applicant's council tax account, and any credit refund will be made to the executor or administrator as soon as practicable.

101. Where an award of council tax support is revised and the new entitlement is greater than the original entitlement, the amount already awarded for the same period is offset against the new entitlement.

Use of information

102. Where it is lawful to do so, the Council uses information provided by the Department for Work and Pensions and Her Majesty's Revenues and Customs in order to calculate entitlement to council tax support. Similarly, the Council shares information with those departments when it is required to do so.

103. The Council may receive, obtain, verify, record and store information relating to applications for council tax support, from:

- the applicant;
- other persons in connection with applications;
- other local authorities;
- central government departments.

104. The Council may forward information to anyone in the Council or others authorised to act on behalf of the Council, in processing applications for council tax support. This is in accordance with the Council's privacy notice and the General Data Protection Regulation (GDPR).

Revisions and written statements

105. The Council may revise or further revise a decision at any time. On request, the applicant or the person appointed to act on his behalf, may request a written or online explanation of the revision, as long as the request is received within one month of the date of the revised decision.

106. The Council may terminate an award of council tax support, in whole or in part, if the Council considers that:

- the conditions of entitlement have not been met;
- an award should be revised or superseded;
- the applicant has failed to provide information requested;
- the application is fraudulent and/or there is deliberate misrepresentation of the facts in order to take advantage of the scheme.

Appeals

107. If an applicant is dissatisfied with the Council's decision on entitlement to Council Tax Support or the amount awarded, he may write to the Council setting out why he is dissatisfied within one calendar month of the date of the notification/bill. The Council will then consider the matter and notify the applicant in writing, either that he does not have a case stating the reasons why, or that action has been taken to address his concerns. If the applicant is still dissatisfied, or if the Council does not address his concerns within 2 months, he may appeal to the Valuation Tribunal www.valuationtribunal.gov.uk

An individual cannot appeal against the authority's scheme, and accordingly, it is not a decision against which there is a right of appeal to the authority or to the Valuation Tribunal Service.

An applicant can only appeal against the amount of reduction awarded for the reasons below –

- The applicant considers that, under the rules of the local Council Tax Support scheme, the council should have given a reduction on the council tax they have to pay.

- The applicant considers that the amount of reduction the council have given under the local Council Tax Support scheme is not correct.

Discretionary awards

108. If the Council considers it appropriate, it may award council tax support or additional council tax support on a discretionary basis. Applications may be made in writing or online and should be accompanied by supporting evidence. Awards will be made where a customer demonstrates financial hardship. (Also known as an exceptional hardship payment).

109. If the Council decides that a particular group of people should receive support from the discretionary scheme, it may treat an application to the main scheme as an application to the discretionary scheme as well. Any awards are credited to the applicant's council tax account. No cash awards are made.

110. Further information about the Council's discretionary scheme can be found at www.blackburn.gov.uk/benefits

Electronic communication

111. The Council may use electronic communication (for example via computer networks or mobile phones) in administering council tax support and may receive electronic communications including applications online, subject to the following conditions:

- there is an explicit authorisation given by the Council's chief executive;
- there is an approved method of authentication;
- approved forms are used;
- records are maintained in a way specified by the chief executive.

112. Any applications which are not submitted in the approved manner are treated as invalid. The Council may authorise another person or persons to act as intermediaries in connection with the delivery of information electronically and its authentication.

113. Any information delivered electronically is treated as if it were delivered in any other way required by the Council's scheme, as long as the above conditions are met.

Information is treated as not delivered until it is accepted by the Council's official computer system. If, for legal reasons, it becomes necessary to prove the identity of the sender or recipient of information sent or received electronically, it is presumed to be the person named on the official computer system. Similarly, if it is necessary to prove that information sent electronically has actually been delivered to the Council, it is treated as received if it is recorded on the official computer system. By the same token, if it is not recorded as received on the official computer system it is treated as not received. And the time, date and content of any electronic communication is presumed to be that recorded on the computer system.

Fraud and compliance

114. The Council is determined to combat fraud in order to protect both its finances and the wider interests of all taxpayers. The Council makes every effort to prevent and detect fraud by using due diligence, and will take appropriate action where an application is found to be fraudulent or misrepresented to take advantage of the scheme.

115. In order to minimise the opportunity for fraud, the Council will:

- verify applications for council tax support rigorously;
- employ sufficient staff to meet its commitment to combat fraud;
- actively tackle fraud where it occurs;
- co-operate with the Department for Work and Pensions and Her Majesty's Revenue and Customs in joint-working, including prosecutions;
- in all cases seek to recover all outstanding council tax.

116. In order to ensure that the above actions are carried out successfully, the Council will put in place all the required administrative policies, procedures and processes.

Annex 1 – Glossary of terms

Alternative maximum council tax support	A way of calculating council tax support for pensioners where there is a second adult sharing the household who would normally be expected to contribute towards the council tax bill, but who cannot afford to do so.
Amount for living expenses	An amount of money assumed to be sufficient to cover day-to-day living expenses.
Applicant	A person who has made an application to the Council for council tax support.
Application	An application for council tax support.
Armed Forces Independence Payment	A payment made in accordance with an armed and reserve forces compensation scheme.
Attendance Allowance	A benefit for people aged 65 and over that helps with the extra costs of long-term illness or disability, which can be either physical and/or mental. It is paid regardless of income and savings, and is tax-free.
Carer's Allowance	A benefit for someone caring for another person for at least 35 hours a week. It is paid regardless of income and savings but can be taxable.
Child	A person under the age of 16.
Child Benefit	A non means-tested benefit (below income of £60k) to help with the cost of children. It is usually paid monthly to a person who is responsible for a child either aged under 16 or aged 16 to 20 in full-time education or training.
Child Tax Credit	A payment to help with the cost of children aged under 16, or 16 to 20 in full-time education or training, for whom a person is responsible. It is income-related and paid in addition to Child Benefit to people in work and out of work.
Close relative	A parent, parent-in-law, son, son-in-law, daughter, daughter-in-law, step-parent, step-son, step-daughter, brother, sister. Where any of these close relatives is one member of a couple, the definition includes the other member of that couple.
Concessionary payment	A payment made in certain circumstances to compensate a person for the non-payment of a benefit or a tax credit.
Council	Blackburn with Darwen Borough Council.
Council Tax Reduction Scheme	A scheme designed to help people in financial need pay their council tax.
Council tax support	A term generally used to describe a council tax reduction

	scheme.
Couple	Two people who are married to, or civil partners of, each other, or are living together as though they were married or civil partners, in the same household.
Disability Living Allowance	A non means-tested, non-taxable benefit paid to people who need supervision or help with their daily or nightly care, or who have mobility problems. It has now been replaced for most people by Personal Independence Payment but is still paid for children.
Earnings	Any remuneration or profit derived from employment
Employed earner	A person who is gainfully employed under a contract of service.
Employment and Support Allowance	A benefit paid to working-age people who have an illness, health condition or a disability which makes it difficult or impossible to work. Contribution-based Employment and Support Allowance is not means-tested but based on National Insurance contributions. Income-related Employment and Support Allowance is means-tested.
Estrangement	A breakdown of a relationship between 2 persons.
Extended reduction	A set amount of council tax support made for a specified period, usually 4 weeks.
Family	A couple, or a couple where one or both have responsibility for a child or young person living in the same household, or a lone parent who has responsibility for a child or young person living in the same household.
Financial or tax year	The period beginning 6th April in one year to 5th April in the following year.
He, him, his	In this document these terms have the same meaning as she, her and hers.
Household	Not defined as such but given its every-day meaning, taking account of factors such as the overall relationship between the parties, living arrangements and the degree to which facilities are shared. Children and young people are treated as part of the household even when temporarily absent but are not part of the household in certain specific circumstances, such as when they are living in care or formally placed with the applicant.
Housing Benefit	An income-related (means-tested) benefit paid to tenants on low incomes (either in or out of work) to help pay their rent. The scheme is administered by local authorities in accordance with national legislation.

Income Support	An income-related (means-tested) benefit paid to working-age people on low income such as carers and lone parents. It is not usually paid to someone receiving Jobseeker's Allowance or Employment and Support Allowance.
Jobseeker's Allowance	A benefit paid to working age people who are not working (or working less than 16 hours a week) and who are available for, and actively seeking full-time work. Contribution-based Jobseeker's Allowance is not means-tested but depends on National Insurance contributions. Income-based Jobseeker's Allowance is means-tested.
Local authority	An authority responsible for issuing council tax bills and providing a scheme for council tax support.
Lone parent	A person who has no partner and who is responsible for a child or young person living in the same household.
Macfarlane Trust	A charitable trust established to help relieve poverty or distress among those suffering from haemophilia.
Maternity leave	A period during which a woman is absent from work because she is pregnant or has given birth to a child, and after which she has the right to return to work.
Medically approved	Certified by a medical practitioner.
National Minimum Wage	The minimum amount that legally must be paid to an employed earner.
National Insurance	A form of taxation on earnings and self-employed profits paid into a fund from which some social security benefits are paid. The Department for Work and Pensions issues National Insurance numbers which are unique to each person and required when applying for council tax support.
Net earnings	The amount of earnings after specified deductions such as income tax and National Insurance contributions.
Net profit	The amount treated as self-employed earnings which is the applicant's total profit less specified deductions such as allowable expenses.
Non-dependant	A person living as a member of the applicant's household who is not his partner, or a child or young person for whom he is responsible, with certain exceptions such as joint-occupiers, boarders and paid carers.
Non-dependant deduction	A set amount deducted from an applicant's council tax support as a contribution made by a non-dependant towards household expenditure.

Occupational pension	Any pension or other periodical payment made under an occupational pension scheme.
Official computer system	A computer system maintained by or on behalf of a local authority for sending, receiving, processing or storing of any information.
Partner	The person who is the other member of a couple.
Paternity leave	A period of leave during which a father or partner is absent from work in order to care for his new-born or newly- adopted child, after which he has the right to return to work.
Pensioner	A person who has reached the qualifying age for State Pension Credit and is not (or where there is a partner the partner is not) receiving a working-age income-related benefit.
Personal Independence Payment	A replacement benefit for Disability Living Allowance designed to provide help to people over 16 who need care or who have mobility needs. It is not means-tested or taxable.
Personal pension scheme	A pension that a person arranges individually which is based on how much is paid into the scheme and how successful the pension provider's investments are.
Polygamous marriage	A person who is a husband or wife as a result of a marriage entered into under a law which permits polygamy and either party to the marriage has an additional spouse.
Public authority	A body or organisation which has a public function, for example the NHS and local authorities.
Relative	A close relative (as defined above) as well as a grandparent, grandchild, uncle, aunt, nephew or niece.
Remunerative work	Where a person is working for at least 16 hours a week (which may be an average) for which payment is made or which is done in expectation of payment.
Resident	An applicant is resident in a dwelling if he occupies it as his sole or main home.
Residence rules	Qualifying conditions whereby an applicant has to establish that he has the right to live in the UK and intends to settle in the UK, Isle of Man, Channel Islands or Ireland and make it his home.
Second adult reduction (or second adult rebate)	Another term for alternative maximum council tax support (see above).

Self-employed earner	A person who is gainfully employed in Great Britain otherwise than in employed-earners employment.
Service user	A person who is consulted by, or on behalf of, certain public bodies.
State Pension Credit	An income-related (means-tested) benefit paid to pensioners on a low income. It has two components: the minimum guarantee and an additional 'savings credit' designed to reward those who have put by savings and income for retirement.
Sports award	An award made by certain specific sports councils from funds derived from the National Lottery.
Student	A person who is attending or undertaking a defined course of study at an educational establishment or on a qualifying course.
Support or reduction week	A period of 7 days commencing on a Monday and ending on a Sunday.
Temporary absence	A period not exceeding a specified number of weeks where a person is temporarily absent from their home and intending to return to that home, and has not sub-let that part of the home they normally occupy.
The Trusts	The Macfarlane Trust, the Macfarlane (Special Payments Trust) and the Macfarlane (Special Payments) (No.2) Trust.
Universal Credit	An income-related (means-tested) benefit for people of working-age who are on a low income. It replaces four existing means-tested benefits, including Housing Benefit and two tax credits.
Voluntary organisation	A body other than a public or local authority whose activities are carried out on a not-for-profit basis.
War Disablement Pension	A payment paid to people who have been injured or disabled as a result of any service in Her Majesty's Armed Forces. The amount paid depends on the severity of the disablement.
War Widow's Pension	A pension payable to the widow, widower or in some circumstances the children of someone killed in the Armed Forces or who died later as a result of injury in the Armed Forces.
Working-age applicant	A person who has not reached the qualifying age for State Pension Credit or who has reached that age but is receiving (or where there is a partner the partner is receiving) a working-age income-related benefit.

Working Tax Credit	An income-related payment made to someone in paid work but on a low income. Different qualifying conditions apply depending on age and hours worked.
Young person	A person who is a qualifying young person for Child Benefit purposes. The young person must be over 16 and under 20 and on a course of full-time, non-advanced education or in approved training, or in appropriate full-time education.

Annex 2 - Polygamous marriages

A polygamous marriage means any marriage where one party is married to more than one person, and the ceremony of marriage took place under the law of a country which permits polygamy. The amount for living expenses for polygamously married couples is calculated by awarding the highest amount applicable to the applicant and one of his partners. An additional amount is awarded for each other partner and is the difference between the allowance for a single person aged 25 or over and a couple aged 18 or over (See Appendix 1). The amounts awarded for children and other components are the same as for other applicants.

Where an applicant is polygamously married he is treated as possessing the income and capital of all partners to the marriage with whom he shares the household.

Where a person who is polygamously married lives as a non-dependant member of an applicant's household, only one non-dependant deduction is made, but the amount deducted is the highest applicable after taking account of the circumstances and income of all partners in the marriage.

Annex 3 - Childcare charges

Where incurred, childcare charges can be deducted from income where the applicant is:

- A lone parent who is working at least 16 hours a week;
- A member of a couple both of whom are working at least 16 hours a week;
- A member of a couple one of whom is working and the other is incapacitated, in hospital or in prison.

For the purposes of childcare charges an applicant can be treated as working during the first 28 weeks of a period of sickness as long as he was in work immediately before getting a specified sickness or disability benefit (or appropriate National Insurance credits). Also, an applicant can be treated as working if he is absent from work, on maternity, adoption, shared parental, parental bereavement or paternity leave, as long as he was in work immediately before the leave began and is entitled to statutory, maternity, adoption, paternity or shared parental pay or maternity allowance.

To be eligible, the childcare charges must be:

- paid by the applicant or his partner;
- in respect of a child who is a member of the applicant's family;
- for care provided by specified care providers, for example registered child minders;
- in respect of a period before the first Monday following the child's 15th birthday (16th birthday if the child is disabled).

The charges cannot be for care provided by a member of the applicant's family or for care which mainly takes place in the applicant's home. And the charges cannot be payments in respect of the child's compulsory education.

Childcare charges are estimated over an appropriate period of no more than one year in order to arrive at an accurate average weekly charge.

Annex 4 - Definition of earnings as an employed earner

The definition of earnings includes the following:

- any bonus or commission;
- payments to compensate for loss of earnings but not redundancy payments;
- payments in lieu of notice or payments intended as compensation for loss of employment;
- holiday pay but not if it is paid more than 4 weeks after employment ends;
- payments made for a period when no actual work has been carried out, for example a retainer;
- any expenses which are not ' wholly, exclusively and necessarily incurred' in connection with employment such as travelling expenses between home and work;
- compensation for unfair dismissal from work and any other payment made under employment rights legislation;
- any statutory sick pay, maternity pay, paternity pay and adoption pay;
- payments made by or on behalf of an employer to an applicant who is on maternity or paternity leave, adoption leave or is absent from work because of illness;
- non-cash vouchers which have been counted when calculating liability to pay National Insurance contributions.

The definition of earnings does not include:

- payments in kind with the exception of non-cash vouchers as above;
- expenses which are ' wholly, exclusively and necessarily incurred' in connection with employment;
- any occupational pension;
- expenses arising from participation in consultation exercises on behalf of specified public authorities.

Annex 5 - Calculation of self-employed earnings

The earnings of a self-employed earner are the gross income from the employment. Local authority payments to foster parents, and certain kinship carers are not treated as self-employed earnings but as income other than earnings.

Royalties, copyright, design, patent, trademark and Public Lending Right Scheme payments are taken into account over a set period of weeks. The number of weeks is obtained by dividing the amount of the payments by the amount of council tax support which would be payable had the applicant not received the payments, plus the amount that would normally be ignored in his case.

The earnings to be taken into account are the net profit from the business less any amount which is ignored under Appendix 3. Where a self-employed applicant is a partner (or a share fisherman) the net profit is his share of the profit.

In order to arrive at a figure for net profit, the following expenses are deducted from gross earnings:

- any expenses 'wholly and exclusively' incurred including repayments of capital on business loans for the replacement of equipment or machinery, or the repair of existing business assets (after any insurance payments);
- appropriate income tax and National Insurance contributions;
- one half of any sum paid periodically in respect of a personal pension scheme;
- net payments of VAT and interest payments on loans taken out for the purposes of the applicant's business.

The following items are not considered to be expenses:

- capital expenditure;
- depreciation of any capital asset;
- any sum earmarked for setting up or expanding the business;
- losses incurred before the period over which the earnings are calculated;
- repayment of capital on business loans;
- any debts owed to the business except certain irrecoverable debts;
- expenses that the Council consider have not been reasonably incurred;

Special arrangements apply in assessing the net profit of childminders. The net profit is one third of the earnings less income tax, National Insurance contributions and one half of the payments to a personal pension scheme.

Where an applicant has more than one employment as a self-employed earner, any losses incurred in any one of his employments cannot be offset against his earnings in any other of his employments.

Annex 6 - Calculation of income other than earnings

The following are examples of how an applicant's income other than earnings is calculated:

- where a benefit payment, for example Income Support, includes a deduction to recover an overpayment, it is the gross amount of the benefit that is taken into account;
- where an applicant is receiving a reduced rate of contributory Employment and Support Allowance because of a sanction, it is the full amount that is taken into account;
- where tax credit for the current tax year includes a deduction to recover an overpayment of tax credits for the previous year, it is the tax credit less the deduction that is taken into account;
- where a student applicant in receipt of a student loan leaves their course prematurely, he is treated as having the same weekly income from the loan as if he had completed the course, but only for the period during which he attended the course.

Annex 7 - Income which is treated as capital

- occasional bonus payments to part-time coastguards, fire-fighters, and those manning lifeboats;
- refunds of income tax deducted from profits or emoluments chargeable to income tax under Schedule D or E;
- any holiday pay which is paid more than 4 weeks after the employment ends;
- with some exceptions (see Appendix 5) any income derived from capital but only from the date it is normally due to be credited to the applicant's account;
- any advance of employed earnings or any loan made by the applicant's employer;
- with the exception of payments made by certain specified[6] trust funds, any charitable or voluntary payment which is not made or due to be made at regular intervals;

[6] Schedule to the Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012, paragraph 64 (7)

- the gross receipts of any commercial activity undertaken by a self-employed applicant receiving council tax support, but only if those receipts were payable into a special account;
- any arrears of subsistence allowance which are paid to an applicant as a lump sum;
- any arrears of working tax credit or child tax credit;
- any payment made through an approved trust for providing assistance to a disabled person whose disabilities were caused by the Thalidomide drug.

Annex 8 - Students

To be eligible for council tax support, a student must be liable for council tax and be in one of the following categories:

- receiving Income Support, income-based Jobseeker's Allowance or income-related Employment and Support Allowance;
- a lone-parent;
- student couples with responsibility for a child or young person;
- disabled and would be entitled to a disability premium;
- a single foster carer;
- treated as incapable of work (or having limited capability for work) for a continuous period of at least 156 days;
- under 21 and not in higher education;
- under 20 and someone receives Child Benefit for them;
- receiving a Disabled Student's Allowance for deafness;
- have interrupted their course due to illness or caring responsibilities (with the approval of their college or university) for the period between their illness or caring responsibilities ending and when they return to University, but only if they do not receive student finance during that time;
- pension-age, or whose partner is pension-age;
- covered by a sick note saying that they have not been able to work due to illness or disability for at least 28 weeks;
- part-time students.

Calculation of grant income

A student’s grant income is taken fully into account, except payments for the following:

- tuition or examination fees;
- in respect of disability;
- residential study away from their normal place of study;
- maintaining a home away from their normal place of study;
- £390 for the cost of books and equipment, £303 for travel expenses (but only where the student does not have or treated as having a student loan) and childcare costs;

- higher education bursary for care leavers;
- the grant for dependants known as the parents' learning allowance.

Where a student receives other income (for example a gift) to cover expenditure necessarily incurred in respect of the above items, it is ignored but only to the extent that it exceeds the amount ignored from grant income (for example, £390 for the cost of books).

Grant income is normally taken into account over the period of study for which it paid. This generally means the period beginning with the start of the course and ending with the last day of the course. In the case of a sandwich course, any periods of work experience are excluded from this calculation.

Calculation of student loans

A student loan (or a postgraduate master's degree loan) is treated as income. This also applies where a student doesn't actually have a loan but could obtain one. And if a student is treated as having a loan it is the maximum amount available (or in the case of a postgraduate master's degree loan 30% of the maximum available) which is treated as income.

£10 of the weekly amount is ignored. A fixed amount of £390 towards the cost of books and equipment, and £303 towards the cost of travel is deducted from the loan income, whether or not the costs are actually incurred.

Any loan taken out by a student to pay their fee contribution to an educational establishment is ignored.

Any discretionary access funds paid periodically by a college or university are ignored unless intended for and used for specified basic needs, in which case the funds are fully taken into account less £20 a week. Where access funds are paid by way of a lump sum, the lump sum is treated as capital. However, where the lump sum is used for items other than specified basic needs it is ignored for a period of 52 weeks from the date of payment.

Where a student's partner has been assessed for a contribution to his grant or loan, that contribution is taken into account as income, but an equal amount of the partner's income is ignored.

Appendix 1 - Living expenses

The amounts for living expenses consist of amounts for the applicant and where appropriate his partner (known as personal allowances), amounts for children and young people, and additional amounts, known as premiums, mainly for disability and caring responsibilities.

Amounts for the applicant	**£ per week**
Single person aged between 18 and 24	58.90
Single person on full Employment and Support Allowance	74.35
Single person aged between 25 and pension age	74.35
Lone parent below pension age	74.35
Couple below pension age	116.80
Single person or lone parent who has reached pension age	187.75
Couple, one or both have reached pension age	280.85
Amounts for children, young people	**£ per week**
Dependent child/young person aged under 20[7]	68.27
Premiums	**£ per week**
Family premium	17.60
Family premium (lone parent in certain circumstances)	22.20
Disabled child premium (for each child)	65.52
Carer premium	37.50
Disability premium for single claimant	34.95
Disability premium for a couple	49.80

[7] This was limited to 2 children from 6th April 2017 in the prescribed scheme but the Council has decided to include all children and young persons in its scheme.

Enhanced disability premium for single claimant	17.10
Enhanced disability premium for a couple	24.50
Enhanced disability premium for a child	26.60
Severe disability premium for single claimant	66.95
Severe disability premium for a couple (one qualifies)	66.95
Severe disability premium for a couple (both qualify)	133.90
For certain applicants in receipt of Employment and Support Allowance	**£ per week**
Work related activity component	29.55
Support component	39.20

**The rates above are set by the Department for Work and Pensions annually and the Council Tax scheme is amended/maintained to reflect any changes accordingly set by them, and used within the calculation of any Council Tax Support award.

A brief explanation of qualifying conditions for the various premiums:

Family Premium

This applies where the applicant's family includes at least one child or young person. It was abolished from 1st May 2016 in the prescribed scheme but the Council has decided to retain it.

Disabled child premium

This applies where an applicant or partner is responsible for a child or young person living in their household who meets at least one of the following conditions:

- is blind;
- receives Disability Living Allowance;
- receives Personal Independence Payment;
- would receive one of these benefits if they were not in hospital.

The disabled child premium is paid for each child who satisfies one of the above conditions.

Carer Premium

This applies where an applicant or partner is entitled to Carer's Allowance (including where Carer's Allowance is not paid because of overlapping benefit rules). The applicant must have actually made a claim for Carer's Allowance in order for the premium to apply.

If both the applicant and his partner qualify for carer premium, two premiums are paid.

Disability premium

This applies where an applicant or his partner is under the qualifying age for State Pension Credit and either registered blind or receiving:

- Disability Living Allowance;
- Personal Independence Payment;
- Armed Forces Independence Payment;
- Working Tax Credit with a disability element;
- Attendance Allowance;
- Constant Attendance Allowance;
- War Pensioners Mobility Supplement;
- Severe Disablement Allowance;
- Incapacity Benefit.

It is also paid in certain circumstances where an applicant has been unable to work for at least a year.

Enhanced disability premium

This applies where an applicant or his partner is under the qualifying age for State Pension Credit and receiving the disability premium or income-related Employment Support Allowance, and one of the following:

- Personal Independence Payment daily living component at the higher ('enhanced') rate;
- Armed Forces Independence Payment;
- Disability Living Allowance care component at the highest rate.

Or an applicant is in the support group for income-related Employment Support Allowance.

Severe disability premium

This applies where an applicant is receiving the disability premium or income-related Employment Support Allowance, and one of the following qualifying benefits:

- Personal Independence Payment daily living component;
- Armed Forces Independence Payment;
- Disability Living Allowance care component at the middle or highest rate;

- Attendance Allowance (or Constant Attendance Allowance paid with Industrial Injuries Disablement Benefit or War Pension).

A further condition is that no-one aged 18 or over is living with the applicant, unless they're in one of these situations:

- they receive a qualifying benefit;
- they are registered blind;
- they are a boarder or sub-tenant (but not a close relative);
- they make separate payments to the landlord.

The severe disability premium is not paid if someone is receiving Carer's Allowance or the carer's element of Universal Credit for looking after the applicant.

Couples receive the higher amount of severe disability premium if both of them are eligible, or the lower amount if:

- someone receives Carer's Allowance or the carer's element of Universal Credit for looking after only one member of the couple; or
- only one member of the couple meets the eligibility criteria and the other is registered blind.

Appendix 2 - Alternative Maximum Council Tax Reduction (or Second Adult Reduction) - Pensioners

Pensioners may qualify for council tax support through the alternative maximum council tax reduction, sometimes known as the second adult reduction or rebate. This is where there is a second adult sharing the household who would normally be expected to contribute towards the council tax bill, but who cannot afford to do so. The amount of the reduction depends on the income of the second adult:

Where the second adult or second adults are in receipt of Income Support, income-related Employment and Support Allowance, income-based Jobseeker's Allowance or State Pension Credit.	25%
Where the gross income of the second adult, or where there is more than one second adult, their aggregate income (ignoring income from income-related benefits) is less than £215 per week.	15%
As above, but where the income is £215 per week but less than £279 per week.	7.5%
Where a dwelling would be wholly occupied by students (who are not entitled to council tax support under the main	100%

scheme) but for the presence of one or more second adults in receipt of an income-related benefit.	

In calculating a second adult's gross income, payments of Attendance Allowance, Disability Living Allowance, Personal Independence Payment or Armed Forces Independence Payment are ignored. Payments from certain specified trusts such as the Macfarlane Trust are also ignored.

Appendix 3 - Earnings that are ignored fully or in part

Earnings paid before the first day of entitlement

Where an applicant ceases employment as an employed earner because of retirement and is entitled to retirement pension (or would be if he satisfied the contribution conditions), his earnings are ignored from the date after the employment has been terminated.

Where an applicant ceases employment as an employed earner for reasons other than retirement before the first day of entitlement to council tax support, his earnings are ignored except for certain specified payments such as retainers and compensation for unfair dismissal.

Where an applicant has not ceased employment but his working hours have decreased to fewer than 16, or he is ill or she is on maternity leave before the first day of entitlement to council tax support, the earnings are ignored other than specified payments such as statutory sick pay, statutory maternity pay, paternity, shared parental pay or parental bereavement pay.

The above paragraphs also apply when an applicant has been working part-time (fewer than 16 hours a week) and that employment either comes to an end or is interrupted.

Similar arrangements apply when employment or part-time employment as a self-employed earner comes to an end: earnings, other than royalties or analogous payments, are ignored from the date the employment ended.

Earnings paid when council tax support has been awarded

The applicant's earnings which are ignored are shown in the table below.

Amount ignored	Circumstances which must apply
All	Where the applicant is receiving Income Support, income-based Jobseekers Allowance, income-related Employment and Support Allowance or Universal Credit because earnings will already have been taken into account in assessing entitlement to these benefits.
£20	Entitled to a disability or severe disability premium, work-related activity or support component of Employment and Support Allowance or a carer premium. (NB £20 in total for couples.)
£25	Lone parent.

£10	Couples where £20 is not ignored.
£20	Where the applicant receives earnings from employment as a part-time fire fighter, auxiliary coastguard, manning or launching a lifeboat or being a member of any territorial or reserve force. (NB £20 in total for couples if they are both employed in this way.)
£5	Single person where £20 is not ignored.
All	Earnings of a child or young person.

If earnings are paid abroad and cannot be transferred to the United Kingdom they are ignored whilst the situation exists. If earnings paid in a different currency have to be converted into sterling any banking charge or commission is ignored.

In addition to the amounts listed in the table above a further £17.10 is ignored where the applicant:

- qualifies for a 30 hour element in the calculation of their working tax credit;
- is aged at least 25 and who works for at least 30 hours a week or who has a partner who does so;
- has a partner and one of them is working 16 hours or more a week and whose family includes at least one child or young person;
- is a lone parent working 16 hours a week or more;
- is working or his partner is working 16 hours or more a week and is entitled to a disability premium, a work-related activity component or a support component of Employment and Support Allowance.

Appendix 4 - Income other than earnings that is ignored fully or in part

Income wholly ignored – benefit payments:

- Attendance Allowance, Disability Living Allowance, Personal Independence Payment Armed Forces Independence Payment and any mobility supplement paid to members of the armed forces;
- all income when the applicant is receiving Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance or Universal Credit;
- any concessionary payment made to compensate for non-payment of any of the benefits mentioned immediately above;
- War Disablement Pension, a War Widow's or War Widower's Pension and certain analogous payments;
- Christmas bonus for pensioners;
- Guardian's Allowance;
- Child Benefit;
- Discretionary Housing Payments;

- payments made under a local welfare provision (formerly part of the Social Fund);
- any increase in the rate of social security benefits for a dependant who is not a member of the claimant's family.

Income wholly ignored – expenses:

- any payment made for travelling or other expenses relating to participation in a recognised work programme;
- any payment made for expenses incurred for unpaid voluntary work;
- payments arising from participation in consultation exercises undertaken by certain public bodies;
- payments for expenses to attend a court of law (for example, travel, subsistence and accommodation), for example jury service or acting as a witness;
- any payment of expenses in respect of an employed earner that is 'wholly, exclusively and necessarily incurred'.

Income wholly ignored – other:

- charitable and voluntary payments, but not where the payment is made by a former partner of the applicant, or former partner of any member of the applicant's family or the parent of a child or young person where they are a member of the applicant's family;
- certain personal injury payments including payments under an annuity or court order;
- any payment made to the applicant as a holder of the Victoria Cross, the George Cross or any analogous payment;
- payments made from the Macfarlane and similar trusts, and certain analogous payments;
- any payment made under the Assisted Prison Visit's Scheme set up to help relatives or other persons to visit persons in custody;
- payments akin to education maintenance allowance;
- certain specified training allowances;
- any payment made under the Employment Services Access to Work scheme for disabled people;
- direct payments made to disabled people to buy services and direct payments in lieu of health care;
- payments made by a local authority to enable the applicant or his partner to live independently;
- a parental contribution taken into account in calculating a student's grant or loan, and payments where there is not a grant or loan up to a limited extent;
- payments made to the applicant by a child, young person or non-dependant;
- child maintenance payments except when paid by the applicant or his partner;
- certain payments made in respect of adoption, fostering and provision of respite care;

- payments made in lieu of vouchers for Healthy Start food and vitamins or for milk tokens;
- income in kind;
- income derived from capital in most circumstances;
- income from abroad that cannot be transferred to the United Kingdom;
- any banking charges or commission to convert a payment of income into sterling;
- payments received under an insurance policy taken out against the risk of being unable to maintain certain loan repayments;
- tax on income which is otherwise taken into account;
- payments of income which are treated as capital under this scheme;
- payments in respect of certain NHS charges, for example dental treatment;
- sports awards, unless they are intended for certain basic needs.

Income partially ignored

Subject to a combined maximum of £20:

- £15 of any Widowed Mother's Allowance or Widowed Parents' Allowance;
- £15 of maintenance payments other than child maintenance;
- £20 of payments to the applicant made by sub-tenants of the applicant's home with a formal liability to pay rent;
- £20 of payments made by a boarder plus half the amount in excess of £20;
- payments of Working Tax Credit up to £17.10 where earnings are too low to use the whole amount ignored under standard arrangements.

Appendix 5 - Capital that is ignored

Property

- the dwelling normally occupied by the applicant as his home including any garden, garage and outbuildings;
- premises occupied wholly or partly by a partner, relative or any member of the applicant's family as his home where that person has attained the qualifying age for State Pension Credit or is incapacitated;
- premises occupied by a former partner as his home providing that the applicant is not estranged or divorced from his former partner, nor where the applicant had formed a civil partnership that has been dissolved;
- any premises that the applicant acquires and intends to occupy as his home within 26 weeks from the date of acquisition or within a longer period if the Council considers reasonable;
- any sum solely attributable to the sale of premises formerly occupied by the applicant as his home which is to be used for the purchase of other premises that he

intends to occupy as his home within 26 weeks of the sale, or a longer period if the Council considers reasonable and necessary to secure the purchase;

- any future interest in property (for example where a person has been left property for life that the applicant is due to inherit on their death) but not where the applicant has granted a lease or tenancy including sub-leases or sub-tenancies;
- the business assets owned wholly or partly by the applicant while working for the business, but where he ceases working, the value of the business assets are ignored only for a period in which the Council decides is reasonable to allow for the disposal of such assets;
- payments for repair to, or replacement of, personal possessions, repairs or improvements to the home are ignored for 26 weeks or a longer period if the Council considers it reasonable;
- the applicant's former home which he left following estrangement, divorce or dissolution of a civil partnership for a period of 26 weeks from the date on which the applicant left the home. Where the applicant's former home is occupied by the former partner who is a lone parent, the value of the home is ignored so long as the former partner continues to occupy the home;
- for 26 weeks or longer if reasonable, the value of any premises which the applicant is taking reasonable steps either to dispose of, or to obtain possession of, or which he intends to occupy after essential repairs or alternations;
- deposits held by a housing association, and (for 26 weeks or a longer period if the Council considers reasonable) deposits that were so held and earmarked for buying a home;
- for 26 weeks or longer if reasonable, any grant made by a local authority in order to help purchase premises that an applicant intends to occupy as his home or for essential repairs or alterations to be carried out and make fit for occupation.

Benefits

- capital already taken into account when the applicant is receiving Universal Credit, Income Support, income-based Jobseeker's Allowance, or income-related Employment and Support Allowance;
- payments of arrears or compensation in respect of any income-related benefit, discretionary housing payment and tax credit for a period of 52 weeks from the date of receipt of those arrears;
- payments made under a local welfare provision (formerly part of the Social Fund) sometimes known as occasional assistance;
- compensation for late payment of a social security benefit;
- any payment to rectify or compensate for an official error relating to specified social security benefits, but where the payment is £5,000 or more, only as long as the payment is made on or after the date on which council tax support is awarded and only for the duration of that award;
- for 52 weeks any payment of council tax support;

- where an applicant is entitled to council tax support solely through the alternative council tax support route (see Appendix 2), all his capital is ignored.

Compensation

- any payments made from the Macfarlane and similar trusts and certain other analogous trusts;
- any payment made to the applicant or his partner as a result of personal injury but only for a period of 52 weeks;
- compensation paid to children and young people for personal injury or the death of a parent while the capital is held by a court or administered by a responsible person;
- any £10,000 ex gratia payment made as a result of imprisonment or internment by the Japanese during the Second World War;
- the value of certain trust funds derived from payments made as a result of personal injury;
- certain trust payments made to the applicant or a member of his family to compensate those who suffer from or who have died from variant Creutzfeldt-Jakob disease;
- payments made to people who were slaves or forced labourers, suffered property loss or personal injury, or who were parents of a child who died during the Second World War;
- payments made to those with an annuity policy from the Equitable Life Assurance Company.

Other

- personal possessions unless they have been bought to secure or increase entitlement to council tax support;
- cash payments made by a local authority to help children in need;
- payments made by a local authority to a person aged 18 or over who was formerly in the applicant's care and continues to live with the applicant and who gives the payments to the applicant;
- any payments in kind made by a charity or made from the MacFarlane or similar specified trusts;
- the health-in-pregnancy grant paid to pregnant women to help them prepare for the birth of the baby;
- any payment other than a training allowance made to assist disabled people to obtain or retain employment;
- any payment made by a local authority under specified provisions to a blind homeworker;
- any payment made to the applicant as holder of the Victoria or George Cross;
- for 52 weeks, any arrears of a specified military pension;
- payments akin to an education maintenance allowance;
- for 52 weeks, any arrears of subsistence allowance;

- payments made by a local authority intended to enable an applicant or his partner to live independently in their accommodation;
- any direct payments for health care;
- certain payments made in respect of adoption, fostering and guardianship support;
- for 52 weeks, payments made in respect of certain NHS charges, hospital travel costs, payments in lieu of Healthy Start food vouchers, milk tokens or the supply of vitamins, and for assisted prison visits;
- the surrender value of annuities or the right to receive income under them;
- the surrender value of any life insurance policy;
- where a payment of capital is made by instalments, the value of the right to receive outstanding instalments;
- payments made to help people select, train for, obtain and retain employment under the Employment and Training Act 1973;
- for 52 weeks, any payment to a self-employed person in order to establish or develop his business;
- for 26 weeks, sports awards unless intended for basic needs;
- the value of the right to receive any income payable abroad which cannot be transferred to the United Kingdom;
- any banking charges or commission to convert a payment of capital into sterling;
- the right to receive any income under a life interest or life rent;
- the value of the right to receive an occupational or personal pension;
- the value of any funds held under a personal pension scheme;
- the value of the right to receive any rent except where the applicant has a reversionary interest in the property where rent is due.

Year Planner 2020-21

Please note that all meeting dates are subject to change

Last Updated 23rd January 2020

Changes to note:

13th May 2021 – **Annual Council** (previously 20th May 2021)
16th May 2021 – **Civic Sunday** (previously 23rd May 2021)
20th May 2021 – **Executive Board** (previously 13th May 2021)

YEAR PLANNER 2020

	May	June	July	August	September	October
Monday		1 Schools re-open				
Tuesday		2 **DTC**			1 Schools re-open **DTC**	
Wednesday		3 **HWB**	1		2 **HWB**	
Thursday		4	2		3	1 **CF**
Friday	1	5	3		4	2
Saturday	2	6	4	1	5	3
Sunday	3	7	5	2	6	4
Monday	4	8 **PEOPLE OSC**	6	3	7	5
Tuesday	5	9 **GLSC**	7 **DTC**	4	8 **GLSC**	6 **DTC GLSC**
Wednesday	6	10	8	5	9	7
Thursday	7 Elections	11 **EB**	9 **EB**	6	10 **EB**	8 **EB**
Friday	8 May Day Bank Holiday Election Counts	12	10	7	11	9
Saturday	9	13	11	8	12	10
Sunday	10	14	12	9	13	11
Monday	11	15 **PLACE OSC**	13	10	14 **PEOPLE OSC**	12
Tuesday	12 **GLSC**	16	14 **GLSC**	11 **GLSC**	15	13 **AUD**
Wednesday	13	17	15 **PH**	12	16	14
Thursday	14	18 **PH**	16 **CF**	13 **EB**	17 **PH**	15 **PH**
Friday	15	19	17	14	18	16
Saturday	16	20	18	15	19	17
Sunday	17	21	19	16	20	18
Monday	18 New Member Induction	22 **RESOURCES OSC**	20 Schools Close	17	21 **PLACE OSC**	19
Tuesday	19	23 **LASC**	21 Summer Holidays **L**	18 **LASC**	22	20 **LASC**
Wednesday	20	24 **SC CI/T**	22 **CI/T**	19	23 **CI/T**	21 **CI/T**
Thursday	21 AC	25	23	20 **PH**	24	22
Friday	22 Schools Close	26	24	21	25	23 Schools Close
Saturday	23 Eid al Fitr	27	25	22	26	24
Sunday	24 Civic Sunday	28	26	23	27	25
Monday	25 Half Term Spring Bank Holiday	29	27	24	28 **RESOURCES OSC**	26 Half Term
Tuesday	26	30 **AUD**	28	25	29	27 **L**
Wednesday	27 **CI/T**		29 **AUD**	26 **CI/T**	30	28 **SC**
Thursday	28 **PH**		30	27		29
Friday	29		31 Eid al Adha	28		30
Saturday	30			29		31
Sunday	31			30		
Monday				31 Summer Bank Holiday		
Tuesday						

YEAR PLANNER 2020/2021

	November	December	January	February	March	April
Monday				1	1	
Tuesday		1 **DTC**		2 **DTC**	2 **DTC**	
Wednesday		2 **HWB**		3	3 **SC**	
Thursday		3 **PC**		4	4	1
Friday		4	1 New Years Day	5	5	2 Good Friday
Saturday		5	2	6	6	3
Sunday	1	6	3	7	7	4
Monday	2 Schools re-open	7 **PEOPLE OSC**	4 Schools re-open	8	8 **PEOPLE OSC**	5 Easter Monday
Tuesday	3 **DTC**	8 **GLSC**	5	9 **GLSC**	9 **GLSC**	6 **DTC**
Wednesday	4	9	6	10	10 **HWB**	7
Thursday	5	10 **EB**	7	11 **EB**	11 **EB**	8 **EB**
Friday	6	11	8	12 Schools Close	12	9
Saturday	7	12	9	13	13	10
Sunday	8 Remembrance Sunday	13	10	14	14	11
Monday	9	14 **PLACE OSC**	11	15 Half Term	15 **PLACE OSC**	12 Schools re-open
Tuesday	10 **GLSC**	15 **LASC**	12 **AUD**	16 **LASC**	16	13 Ramadan Starts **GLSC**
Wednesday	11	16 **CI/T**	13	17	17	14
Thursday	12 **EB**	17 **PH**	14 **EB**	18 **PH**	18 **PH**	15 **PH**
Friday	13	18 Schools Close	15	19	19	16
Saturday	14	19	16	20	20	17
Sunday	15	20	17	21	21	18
Monday	16	21 Christmas Holidays **RESOURCES OSC**	18	22 Schools re-open **FC**	22 **RESOURCES OSC**	19
Tuesday	17	22	19 **GLSC**	23	23	20 **LASC**
Wednesday	18	23	20	24 **CI/T**	24 **CI/T**	21 **CI/T**
Thursday	19 **PH**	24	21 **PH**	25	25 **CF**	22
Friday	20	25 Christmas Day	22	26	26 Schools Close	23
Saturday	21	26	23	27	27	24
Sunday	22	27	24	28	28	25
Monday	23	28 Boxing Day	25		29 Easter Holidays	26
Tuesday	24	29	26 **L**		30 **AUD**	27 **L**
Wednesday	25 **CI/T**	30	27 **SC** **CI/T**		31	28
Thursday	26	31	28 **CF**			29
Friday	27		29			30
Saturday	28		30			
Sunday	29		31			
Monday	30					
Tuesday						
Wednesday						

YEAR PLANNER 2021

	May	June	KEY
Monday			**Council & Committee Meetings**
Tuesday		1 **DTC**	AC – Annual Council 6.00 pm
Wednesday		2 **HWB**	**FC** – Finance Council 6.00 pm
Thursday		3	**CF** – Council Forum 6.00 pm
Friday		4	**PC –** Policy Council 6.00 pm
Saturday	1	5	**EB** – Executive Board 6.00 pm
Sunday	2	6	**PH** – Planning & Highways Committee 6.30 pm
Monday	3 May Day Bank Holiday	7 Schools re-open **PEOPLE OSC**	**AUD –** Audit and Governance Committee 6.30pm
Tuesday	4 **DTC**	8 **GLSC**	**SC** – Standards Committee 6.00 pm
Wednesday	5	9	**LASC** – Licensing Act 2003 Sub-Committee & **GLSC** General Licensing Sub Committee 6.00 pm
Thursday	6	10 **EB**	**L** – Licensing Committee 6.00 pm
Friday	7	11	
Saturday	8	12	
Sunday	9	13	
Monday	10	14 **PLACE OSC**	
Tuesday	11 **GLSC**	15	**Overview and Scrutiny Committees**
Wednesday	12 Eid al Fitr	16	**PEOPLE OSC**– People Overview & Scrutiny Committee 6.00 pm
Thursday	13 AC	17 **PH**	**PLACE OSC –** Place Overview & Scrutiny Committee 6.00 pm
Friday	14	18	**RESOURCES OSC** **–** Resources Overview & Scrutiny Committee 6.00 pm
Saturday	15	19	**CI/T –** provisional dates assigned for Call Ins or Member Training
Sunday	16 Civic Sunday	20	
Monday	17	21 **RESOURCES OSC**	
Tuesday	18	22 **LASC**	
Wednesday	19	23 **CI/T**	**Partnership Meetings**:
Thursday	20 **EB**	24	**HWB** – Health & Wellbeing Board 5.30 pm
Friday	21	25	
Saturday	22	26	**Other Meetings:**
Sunday	23	27	**DTC** Darwen Town Council 7.00 pm
Monday	24	28	
Tuesday	25	29	
Wednesday	26 **CI/T**	30	
Thursday	27 **PH**		
Friday	28 Schools Close		
Saturday	29		
Sunday	30		
Monday	31 Spring Bank Holiday Half Term		