Introduction

This Efficiency Plan has been prepared in response to the Government’s offer of a four year funding settlement to Local Government covering the period from April 2016 to March 2020. It sets out how the Council aims to maintain a sustainable position over the four years and provides an overview of the existing policies, strategies and plans which, together, are designed to ensure that the Council meets its vision for Pendle.

Our vision

As a Council we have signed up to the vision in our Sustainable Community Strategy and we are committed to working with our partners to ensure that:

Pendle is a place where quality of life continues to improve and where people respect one another and their neighbourhoods. We want Pendle to be a place where everyone aspires to reach their full potential. We want to be recognised locally, regionally and nationally as a great area to live, learn, work, play and visit.

In November 2015 the Council underwent a Corporate Peer Challenge as part of the framework for sector-led improvement developed by the Local Government Association (LGA). In their Executive Summary the Peer Review Team concluded that

“...Pendle Borough Council is a fundamentally sound council that delivers services well and is held in high regard by partners. It has a high satisfaction rate with service users and works hard to ensure that it understands the needs of its communities, residents and businesses. The council has a strong record of financial management and historically has had a good track record of managing within its budget. However, the council is within the top ten authorities nationally most affected by the reductions in Government funding over recent years and is currently facing some strong financial challenges which need to be addressed...”

The full report from the Peer Review Team is available on the Council’s website here (item 10 refers) and the Team’s commentary shown above helps set the context within which this Efficiency Plan has been developed.
The Council’s Strategic Plan covers the period to 2018 and is refreshed annually. A copy of the Plan, following its refresh in 2016, can be viewed here.

The Plan outlines the Council’s four strategic objectives which are at the heart of all that we do and around which all corporate and service related activity is based.

The four objectives are:

- Working with partners and the community to sustain services of good value (Strong Services)
- Help to create and sustain jobs with strong economic and housing growth (Strong Economy)
- Help to create and sustain resilient communities (Strong Communities)
- Maintaining a sustainable, resilient and efficient organisation (Strong Organisation)

The Council acknowledges that it must develop new ways of working and optimise opportunities to deliver services differently. In part this is driven by the significant reductions in core funding from Government since 2010 with on-going reductions expected to 2020. However, this is not the only driver of change. Citizen’s requirements and expectations continue to evolve, new models of collaborative working are emerging including the development of a Combined Authority for Lancashire as well as a greater role locally for those Town and Parish Councils that opt to provide and help sustain a greater range of services at a more local level.

The Strategic Plan is supported by a range of other plans and strategies including the Council’s Medium Term Financial Plan which sets out our projected financial position to 2019/20.
The Council’s Medium-Term Financial Plan is maintained under regular review and reported to councillors at key stages in the financial year. The last update was considered by the Council’s Executive in May 2016 and the report can be viewed on-line here (item six). This highlighted a funding gap of £4.8m over the Plan period from 2017/18 to 2019/20 as summarised in the table below:

<table>
<thead>
<tr>
<th>Estimated Funding</th>
<th>2016/17 Base Budget (Comp) £</th>
<th>2017/18 Base Budget £</th>
<th>2018/19 Base Budget £</th>
<th>2019/20 Base Budget £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Rates Retained</td>
<td>(3,595,330)</td>
<td>(3,666,040)</td>
<td>(3,774,190)</td>
<td>(3,894,800)</td>
</tr>
<tr>
<td>Revenue Support Grant</td>
<td>(3,012,790)</td>
<td>(2,210,380)</td>
<td>(1,707,260)</td>
<td>(1,145,290)</td>
</tr>
<tr>
<td>Transfer from Collection Fund - Council Tax</td>
<td>(408,370)</td>
<td>200,000</td>
<td>100,000</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from Collection Fund - NNDR</td>
<td>517,190</td>
<td>612,010</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Council Tax Income</td>
<td>(5,680,680)</td>
<td>(5,840,010)</td>
<td>(6,001,410)</td>
<td>(6,164,900)</td>
</tr>
<tr>
<td><strong>Total Estimated Available Funding (A)</strong></td>
<td><strong>(12,179,980)</strong></td>
<td><strong>(11,304,420)</strong></td>
<td><strong>(11,582,860)</strong></td>
<td><strong>(11,204,990)</strong></td>
</tr>
<tr>
<td>Forecast Expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Cost of Service</strong></td>
<td><strong>16,655,530</strong></td>
<td><strong>17,033,160</strong></td>
<td><strong>18,183,250</strong></td>
<td><strong>18,542,820</strong></td>
</tr>
<tr>
<td>Corporate Income and Expenditure</td>
<td>(2,205,150)</td>
<td>(2,023,570)</td>
<td>(1,462,550)</td>
<td>(1,427,950)</td>
</tr>
<tr>
<td><strong>Net Expenditure (before use of reserves)</strong></td>
<td><strong>14,450,380</strong></td>
<td><strong>15,009,590</strong></td>
<td><strong>16,720,700</strong></td>
<td><strong>17,114,870</strong></td>
</tr>
<tr>
<td>Contributions to/(from) Specific Reserves</td>
<td>(748,910)</td>
<td>(666,000)</td>
<td>(100,000)</td>
<td>(100,000)</td>
</tr>
<tr>
<td>Contribution from Budget Support Reserve</td>
<td>(1,521,490)</td>
<td>(1,520,000)</td>
<td>(1,230,000)</td>
<td>(1,000,000)</td>
</tr>
<tr>
<td><strong>Total Estimated Expenditure (after use of reserves) (B)</strong></td>
<td><strong>12,179,980</strong></td>
<td><strong>12,823,590</strong></td>
<td><strong>15,390,700</strong></td>
<td><strong>16,014,870</strong></td>
</tr>
<tr>
<td><strong>Net Shortfall (surplus) (Sum of B-A)</strong></td>
<td></td>
<td>1,519,170</td>
<td>3,807,840</td>
<td>4,809,880</td>
</tr>
<tr>
<td>Savings brought forward from prior years</td>
<td>-</td>
<td></td>
<td>(1,519,170)</td>
<td>(3,807,840)</td>
</tr>
<tr>
<td><strong>In Year Shortfall</strong></td>
<td><strong>1,519,170</strong></td>
<td><strong>2,288,670</strong></td>
<td><strong>1,002,040</strong></td>
<td></td>
</tr>
<tr>
<td>Council Tax Assumption</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assumed Increase in Council Tax</td>
<td>2.04%</td>
<td>2.00%</td>
<td>1.96%</td>
<td></td>
</tr>
<tr>
<td>Council Tax Base</td>
<td>23,171.30</td>
<td>23,345.08</td>
<td>23,520.17</td>
<td>23,696.57</td>
</tr>
<tr>
<td><strong>Implied Band D Council Tax</strong></td>
<td>245.16</td>
<td>250.16</td>
<td>255.16</td>
<td>260.16</td>
</tr>
</tbody>
</table>

After removing the costs of paying housing benefits and the associated subsidy received from government towards these payments (circa £25m in both cases), the Council’s gross expenditure on services is £22m. Set against this, the requirement to identify savings of £4.8m over the next three years represents an immense challenge to the Council and one which is likely to impact on the majority of services we provide.

Since 2010 the Council has made savings of over £7m and wherever possible, has made these savings whilst trying to minimise the impact on ‘street level’ services that local residents and businesses rely on and value. The extent to which this can continue will come under significant pressure over the next three years. This is the context for the Council’s Financial Strategy.
Financial Strategy

The financial strategy approved by the Council adopts a hierarchy based on the following three themes:

Growing

Developing income streams from council tax, business rates and new homes bonus. This entails a strategic approach to the development of new housing and employment sites within the Borough and supporting existing businesses to help them grow within Pendle.

Charging

Examining ways in which we can sustain and grow our income streams from fees and charges for services and facilities we provide. Learning from innovative approaches adopted by other bodies within the public sector where this could support additional income generation within Pendle.

Saving

The two themes above will not generate the level of income required to bridge the funding gap of £4.8m over the next three years. It will take time to grow income from housing and employment developments and income from fees and charges in isolation will not deliver the scale of savings required. Therefore the Council will continue to explore ways in which it can reduce its net spending on services. It should be acknowledged that the ‘easier’ savings have already been implemented since 2010 and to deliver the savings required over the next three years will require strategic choices to be made by the Council. On-going incremental reductions in expenditure is neither sustainable nor will this deliver savings on the scale required. Whilst the Council will continue to review all areas of spending including staffing it has identified four main areas of spending which it plans to review in more depth over the plan period. These are:

- the public/private partnership arrangement with Liberata under which a number of council services are delivered via an outsourcing contract
- the provision of indoor and outdoor leisure and recreation facilities delivered on behalf of the Council by Pendle Leisure Trust
- Waste Services, Recycling and Street Cleansing
- Grounds Maintenance.

The above areas account for £12m of our annual spending on services.

On staffing, the Council has reduced its headcount from 400 to 254 since 2010 and will maintain this under review each year.

The Council currently operates under a Leader/Executive model of governance with a shared Executive comprised of 10 councillors (6 Labour and 4 Liberal Democrat).

However, to progress the work required to identify options for savings over the three year plan period the Council has established a separate cross-party Budget Working Group with equal membership from all three main parties including Conservative councillors.

The offer of a four-year funding settlement provides the Council with greater certainty within which to plan over the medium-term period. To deliver savings of £4.8m over the next three years will require the Council to continue with a programme of transformation. More details of this follow on the following pages.
Transformation Plan

The Council recognises that the Government is moving to a self-funding model of local government. Central to this is the proposed move to 100% local retention of business rates by 2020 and the phasing out of revenue grant support. These measures, combined with proposed reforms to the New Homes Bonus regime, mean that by 2020 the Council will be reliant primarily on income from business rates and council tax to fund its net service expenditure.

To ensure the Council can remain a sustainable organisation and continue providing priority services to the local community it will be necessary to transform the way the Council delivers services, engages with customers and collaborates with partners.

The activities which will support this transformation are grouped under the three themes agreed as part of the Council’s Financial Strategy.
The Council is a constituent member of the emerging Combined Authority for Lancashire – influencing the ‘devolution deal’ with Government for the benefit of Pendle and countywide; this will lead to strategic investment in Skills, Housing, Connectivity and Business Support.

Continued infrastructure investment by the Lancashire Economic Partnership in the Burnley & Pendle Growth Corridor supporting housing and employment growth along the M65 motorway.

Allocation of land/sites for housing and employment development within Part 2 of the Council’s Local Plan.

£1.5m investment in a Brownfield Development Fund to help make the redevelopment of brownfield sites financially viable for local developers consisting of:

- A grant scheme with funding of £0.5m allocated
- Strategic investment in specific sites with £1m allocated

On-going implementation of the Council’s Jobs and Growth Strategy covering the 10 year period 2013 to 2023 (click here) which includes:

- The development of a strategic employment site at Lomeshaye Industrial Estate, Nelson
- Investing c£1m via the Council’s Gearing up for Growth Business Support Programme supporting business start-ups and business growth stimulating private sector investment

Continually review our assets and landholdings to optimise disposals to support the creation of new housing sites and develop employment opportunities.

Investing in the development of new homes and other regeneration projects via the Council’s joint venture partnerships (PEARL) with a private sector developer.

The redevelopment of the Grade II listed Brierfield Mill (now known as Northlight) by PEARL with investment of £32m planned over the next three years to bring it back to life. The aim is to create an exciting new mixed use destination including leisure, housing, employment combined with an adult learning centre and canal side marina.

Continued focus on reducing the number of empty homes in the Borough – numbers have fallen from 2,131 in 2008/9 to 1,075 by July 2016; this increases the stock of available housing within the Borough and generates additional new homes bonus for the council.
• Wherever feasible, moving to a model of full-cost recovery for existing chargeable services

• Critically reviewing the range of chargeable services to determine the scope to generate additional income from fees and charges (recent example being charges for garden waste collection); learning from best practice and innovation elsewhere within the public sector

• Explore the use of charging as a means of managing demand for services; consider differential charging for services as a means of providing targeted improvement in services i.e. higher charges for enhanced levels of service

• Evaluating the potential benefits of forming a Local Authority Trading Company to provide specified functions on a commercial basis with any surplus retained by the Council

• Review of current asset management arrangements – is there scope to generate additional income from council assets; disposal of surplus assets

• Using in-house expertise and capacity to provide chargeable services to other local authorities (e.g. the Engineering and Special Projects team and the Countryside Access service)
• Developing a strategy for the flexible use of capital receipts using the provisions announced by Government in December 2015 to enable councils to fund transformational activity from capital receipts (i.e. receipts arising from the disposal of fixed assets) where it generates revenue savings.

• Explore opportunities for sharing services with other local authorities and other key partners; Improving collaboration to help reduce the cost of services e.g. working with the County Council and the Health Service on demand management

• Use of prudential borrowing by the Council where it yields on-going revenue savings (e.g. the capital buy out of the Council’s leasehold interest in the ACE Centre, Nelson saving c£100k per annum)

• Critical review of current arrangements for delivering key services, namely Waste Collection, Grounds Maintenance, Leisure and Recreation and the partnership arrangement with Liberata – determine the scope to drive further savings and efficiencies; consider whether alternative service delivery models may be more effective

• Improved procurement arrangements – use of public sector procurement frameworks; review of current contract arrangements including the partnership arrangement with Liberata and the provision of the vehicle fleet under a contract hire arrangement with Go Plant Limited

• Developing best practice arrangements in areas such as debtor management, collection of local taxation and recovery of housing benefit overpayments; wherever possible learning and applying good practice from elsewhere within the public sector

• Review the size of the Council (i.e. the number of Councillors) and the frequency of Council Elections (currently held in 3 out of every 4 years)

• Continual review of the Council’s staffing structure to align staff resources within the funding available and service requirements; seeking to manage staff reductions by voluntary redundancy, requests for flexible working and effective management of vacancies with posts only filled where the business case identifies this is essential

• On-going investment in Digital/Technology platforms including
  • Implementing the Uniform IDOX solution – providing a single source of property related data and information across multiple council applications enabling a number of legacy systems to be replaced
  • Investment in mobile working solutions for front line staff (e.g. Housing, Environmental Health, Planning and Building Control)
  • On-going development of the Council’s website and improved integration with back office systems to provide a more seamless service for service users wishing to book and pay for services on-line
  • Moving towards ‘digital by default’ with more services delivered and accessed on-line; removal of inefficient cash collection facilities, replacing cash and cheque payment methods with viable alternatives

• Further development of partnership working with local town and parish councils to help sustain the provision of locality based services and/or facilities – where agreed, to continue with the programme of service and asset transfers to local councils
Implementing the Transformation Plan - Working in Partnership

The Council can deliver elements of the transformation plan on its own, but greater benefits are likely to be delivered working with partners and other key stakeholders and building on existing partnerships and joint working arrangements. Whilst not an exhaustive list, some of the key partnerships include the following:

- Local Town and Parish Councils
- Pendle Leisure Trust
- Liberata
- Combined Authority for Lancashire
- Lancashire County Council
- Lancashire Economic Partnership
- Pendle Vision Board
- Pennine Lancashire Authorities
- Housing Pendle, (member of the Together Housing Group) and other Registered Social Landlords
- Homes and Communities Agency
- PEARL - Joint Venture arrangements with Barnfield Investment Properties;
- East Lancashire Clinical Commissioning Group and other health sector partners;
- Nelson and Colne College;
- Department for Work and Pensions.
Funding the Transformation

The Council’s medium-term financial plan highlights a requirement to make savings of £4.8m over the next three years. To achieve savings on this scale represents a significant challenge for the Council. The Government’s funding ‘offer’ provides greater certainty regarding elements of the Council’s core funding over the plan period.

This combined with other recent developments such as the flexible use of capital receipts, discretions on council tax discounts, and the move towards 100% local retention of business rates by 2020 may provide opportunities to bolster the funding available to the council. However, it is too early to say, particularly in relation to 100% local retention of business rates as the Government and local authority sector are still working up the details on this.

Against this backdrop the Council acknowledges it will have to support its service spending by the phased use of reserves as it moves to a lower cost base over the next three years. At 31st March 2016 the Council held reserves of £9.803m consisting of:

<table>
<thead>
<tr>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Support Reserve 3,585</td>
</tr>
<tr>
<td>Other earmarked reserves 6,218</td>
</tr>
</tbody>
</table>

The current medium-term financial plan assumes the use of £5.3m from the Budget Support Reserve over the period 2016 to 2020. Hence, in July 2016, the Council agreed to transfer £1.7m from other earmarked reserves to the budget support reserve to ensure this sum is available over the plan period. Clearly, reserves are a finite resource and there is a risk that if savings are not identified on the scale required the Council will run out of reserves during the next three years. This balancing of the use of reserves with the generation of savings remains one of the key challenges facing the Council. Whilst reserves have a part to play in helping the Council to transition to a lower cost base they cannot be relied on indefinitely to bridge the current funding gap.
On-going review and monitoring

The Council has well established mechanisms for monitoring both service and financial performance. It is intended that progress against this Efficiency Plan will be embedded within this existing framework and subject to regular review and reporting to the Council’s Management Team, Executive and Council.

Conclusion

This is the Council’s first Efficiency Plan and has been prepared in response to the Government’s offer of a four-year settlement to local government.

It highlights the scale of the financial challenge faced by the Council over the period covered by the Government’s offer, and it outlines a number of activities by which the Council aims to ensure it remains a viable and sustainable organisation for the benefit of the Pendle community which it serves. It will require difficult decisions to be taken by Councillors and require the on-going commitment and support of the Council’s workforce. Engagement with the public and key partners will also be important in helping to ensure the best possible outcomes are delivered within the resources available to the Council.

Councillor Mohammed Iqbal
Leader of the Council

Dean Langton
Strategic Director