

REPORT OF: CHIEF EXECUTIVE

TO: POLICY AND RESOURCES COMMITTEE

DATE: 16th JANUARY 2020

Contact Details: Craig Finn
Tel. No: 01282 661014
E-mail: craig.finn@pendle.gov.uk

GENERAL FUND REVENUE BUDGET 2020/21

PURPOSE OF REPORT

1. The purpose of this report is to:-
 - a) obtain approval for the Revised Budget for 2019/20 and to present the **draft** Base Budget for 2020/21 for initial consideration;
 - b) provide an update on the key issues relating to the development of the Budget for 2020/21 (and the medium term financial plan); and
 - c) request the Policy and Resources Committee give consideration to the development of a budget for 2020/21 and for the Medium-term Financial Plan period (to 2022/23).

RECOMMENDATIONS

2. The Policy and Resources Committee is recommended to:-
 - a) agree, in view of the seriousness of the Council's forecast financial position over the medium term, that this report be shared with all Councillors so that they are fully aware of the position;
 - b) approve the Revised Budget for 2019/20;
 - c) note the issues arising from the provisional Local Government Finance Settlement for 2020/21 and give approval to the draft response to the related consultation as provided at [Appendix A](#);
 - d) note the draft Base Budget for 2020/21, the forecast Medium Term Financial Plan and the current assumptions underpinning both;
 - e) note the budget position of the Pendle Leisure Trust and the proposals they have proposed as shown at [Appendix F](#);

- f) note the financial planning assumption of a Band D Council Tax increase of 1.99% in accordance with the Council Tax Referendum Principles included in the Provisional Local Government Finance Settlement for 2020/21;
- g) as part of the development of the Policy and Resources Committee's Budget Strategy for 2020/21:
 - i) note the outline savings proposals shown at [Appendix I](#) along with the emerging budget strategy for 2020/21 and that the Management Team's budget proposal for the year will be presented at the meeting of this Committee in February;
 - ii) in the context of the Council's forecast budget deficit over the medium term, undertake a review of the draft Base Budget for 2020/21 to identify any areas where further savings proposals might be brought forward for consideration as part of the budget process;
- h) note the timetable for the remainder of the budget process as set out in the report.

REASONS FOR RECOMMENDATIONS

- 3. To continue with the implementation of the Council's Financial Strategy and to inform the development of the Council's budget for 2020/21.

ISSUE

Background

- 4. This report focuses primarily on the Council's revised budget for 2019/20 and the draft base budget for 2020/21. Information is also provided on the Medium Term Financial Plan for 2020/23 to allow the Policy and Resources Committee to consider budgetary decisions for next year in the context of the Council's projected medium term financial position. This is crucial given the funding reductions faced by the Council and the need for the Policy and Resources Committee to take early action to significantly reduce the Council's net expenditure.
- 5. The report sets out the issues associated with the budget for 2020/21 and the medium term for the Policy and Resources Committee to consider subject to the Government's final confirmation of the Local Governance Finance Settlement and completion of detailed work on the Council's budgets.
- 6. In recent years the Provisional Local Government Finance Settlement has been published in the run up to Christmas and more recently the 2018 Hudson Review recommended a date of 5th December each year for publication. But due to the General Election, the announcement on the Provisional Settlement was delayed until 20th December 2019 hence the later than usual publication of this report.
- 7. As Councillors will be aware, the current financial year represents the final year of the agreed 4 year funding offer, accepted by this Council. The one-year Spending Review 2019 (as opposed to a multi-year Spending Review planned by Central Government for 2020) proposed a 'roll forward' settlement for 2020/21 and this position has been factored into wider medium term financial planning assumptions included in this report.

Spending Review 2019

8. In September 2019, the Policy and Resources Committee were appraised of the Spending Review 2019 announcement and the implications for this Council. A copy of the report can be accessed [here](#) but a summary of the key issues is re-presented below:
- a one year only spending review arising as a result of delays to the UK's withdrawal from the EU (Brexit) and changes to the Conservative Party leadership. The Comprehensive Spending Review is expected to take place in 2020;
 - an overall increase in Local Government funding of 4.3% but with the allocation distribution to be confirmed;
 - a delay to the implementation of the Fair Funding Review and move to 75% Business Rates Retention, out from April 2020 to April 2021, again with the detailed impact on this Council being unknown;
 - a reduction to the referendum limit applicable to this Council in terms of Council Tax raising powers, reducing from 3% to 2%;
 - New Homes Bonus legacy payments to be made in 2020/21. At that time, the medium term financial plan assumed no new New Homes Bonus over the plan period.

Autumn Budget 2019

9. The Autumn Budget was originally scheduled for 6th November 2019 but due to the General Election, it was postponed. In early January 2020, the Government confirmed that the next Budget Statement will be made on 11th March 2020.
10. Of course, it is not possible to know what the Budget Statement will contain and what, if any, impact that might have on the Council's financial position. Given the date of the announcement, it will be after the setting of the Council's Budget for 2020/21.

Provisional Local Government Finance Settlement 2020/21

11. The Provisional Local Government Finance Settlement for 2020/21 was published on 20th December 2019. As is normally the case, following publication of the Settlement there is a period allowed for written representations. The deadline for submitting these representations is 17th January 2020. Attached at [Appendix A](#) is a draft response to the consultation which Councillors are asked to approve for submission.
12. The Provisional Settlement represents the Government's view of the Council's funding position for 2020/21 only with no information provided for subsequent years. In particular, the Provisional Settlement provides the Government's assessment of the Council's Core Spending Power comprising funding such as Business Rates retained, Revenue Support Grant, New Homes Bonus and Council Tax.
13. For both Revenue Support Grant and New Homes Bonus, the amounts given in the Settlement reflect the actual grants which will be paid to the Council. The amount of Business Rates Retained and Council Tax reflect the Government's assessment of what the Council might raise; in both cases, the actual amounts will be subject to determination by the Council according to local assessment and/or decision making (as well being influenced by local factors).

Business Rates Retention (and Pooling)

14. The Provisional Settlement indicates that the estimated amount of Business Rates Retained (otherwise referred to as the Baseline Funding Assessment) is £4.071m. This is the Government's estimate of share of business rates collected less the tariff payable to Government and contrasts with the assumption of Business Rates Retained in the Medium Term Financial Plan for 2020/21 of £3.602m.
15. However, following the release of guidance in late December, which the Council needs to undertake an accurate assessment of its share of business rates income for 2020/21, work is now underway on this detailed assessment. This will form the basis of the amounts used in the Budget for 2020/21 as it will more accurately reflect local circumstances (in relation to matters such as the provision for doubtful debts, provision for appeals and the rate of collection).
16. **So, whilst the Government's assessment would suggest net additional resources of £469k 2020/21**, it is necessary to complete the detailed assessment referred to above to confirm the estimated funding position based on local circumstances. This work will be concluded by the end of January 2020 as it forms the basis of a statistical return required by the Government.
17. Part of this detailed assessment of the Council's share of business rates will be the determination of the amounts receivable as s31 Grant. This grant is a reimbursement of business rates income foregone as a result of Government policy decisions to provide various business rates discounts for, for example, small businesses, retail properties etc. The Council's Medium Term Financial Plan assumes that the Council will receive £1.307m, being a £ for £ reimbursement.
18. As previously highlighted, in considering Business Rates Retention, a key issue for the Council is the continuation of the Lancashire Business Rates Pool in 2020/21. The Provisional Settlement confirms that, subject to there being no further changes in the composition of the Pool Members, the Lancashire Business Rates Pool will operate in 2020/21 albeit on the normal 50% Business Rate Retention Scheme (and not the Pilot 75% Business Rates Retention Scheme as in the current year).
19. The benefits of pooling are two-fold:-
 - 40% of any growth above a set baseline is retained by the Council;
 - there is no payment of a levy on any business rates growth above a set baseline, with all funds retained by the Council (albeit with the downside that any shortfall in business rates is wholly funded by the Council). Historically, the Council has experienced growth in business rates above its baseline and therefore has not had to pay a levy.
20. There are two other variations arising from the Provisional Settlement. These are:-
 - a small increase in the Cost of Collection Allowance for Business Rates paid by the Government to the Council, **which is £11k more than budgeted**;
 - due to the reversion back to the 50% Business Rate Rates, a reduction in the budget required to meet the administrative costs of the Lancashire Business Rates Pool. The current budget is £80k but the likely cost is £40k, **a reduction in the budget needed of £40k.**

Revenue Support Grant

21. Revenue Support Grant (RSG) for 2020/21 will be £1.164m, being the proxy RSG for 2019/20 uprated by the Consumer Price Index (CPI). **This is broadly in line with what is assumed in the MTFP.**

New Homes Bonus

22. This has been a significant source of revenue income for the Council in recent years; at its height, the Council received £1.0m in 2017/18. However, since the Bonus regime was revised with the introduction of a minimum baseline, the value of the Bonus to Pendle is projected to decline markedly over the Plan period with £391k budgeted in the current year.
23. The Council's Medium Term Financial Plan included an estimate of £354k for New Homes Bonus for 2020/21 comprising legacy payments from previous years of £254k and £100k of new funding in 2020/21.
24. According to the Provisional Settlement, the Council will receive additional New Homes Bonus payment of £438k in 2020/21 comprising the legacy payments of £254k and £184k new funding. **This is an additional £84k when compared to the assumption in the Medium Term Financial Plan.** It should be noted that, unlike previous years, the new funding (£184k) in 2020/21 will be made available for a single year only with no payments proposed for the following three years as with the present scheme. It would appear that existing legacy payments will be paid for the full four years.
25. In announcing the New Homes Bonus as part of the Provisional Settlement, the Secretary of State for MHCLG also stated that the Government will consult on a new method of incentivising housing growth in Spring 2020. What this is, how it will work and what the impact on the Council will be is not possible to say at this stage pending the proposed consultation.

Revised Budget 2019/20

26. Policy and Resources Committee receives periodic reports during the year providing details of the budget monitoring that has been undertaken. Table 1 below provides a summary of the revised budget for 2019/20 with a detailed analysis provided at [Appendix B](#). This indicates that, in comparison to the approved budget for the year, it is estimated that there will be an underspend of £175k for the year.

Table 1: Revised Budget 2019/20

	Approved Budget 2019/20 £000	Revised Budget 2019/20 £000	Variance £000	Variance %
Net Cost of Services	15,929	15,971	42	0.26
Corporate Income/Expenditure	(2,404)	(2,621)	(217)	(9.03)
Net Expenditure	13,525	13,350	(175)	(1.29)
Use of Specific Reserves	(779)	(779)	-	-
Net Expenditure	12,746	12,571	(175)	(1.37)
Budget Requirement	11,664	11,664	-	-
Use of Budget Support Reserve	1,082	907	175	16.17

Source: Appendices B and C

27. The key variances between the approved and revised budget which give rise to the projected underspend of £175k are as follows:-
- reduction in respect of staffing related expenditure, principally from vacancy management (-£211k);
 - lower than budgeted external interest payments due to delayed borrowing (-£95k);
 - forecast additional interest income receivable on short-term surplus cash balances (-£85k)
 - reduced Minimum Revenue Provision (provision for debt repayment) – due to lower capital expenditure in 2019/20 (-£61k);
 - reduced forecast income from ‘sales’ and recharges following policy changes eg reversal of Cemetery Fees increases and transfer of assets to Town and Parish Councils reducing contribution levels for grounds maintenance services (+£133k).
28. An analysis of the major variances (+/- £10,000) is provided at [Appendix B](#). Assuming the underspend of £175k is maintained up to the year end, this will mean that the amount contributed from the Budget Support Reserve to balance the Council’s budget for 2019/20 will reduce to £907k compared with the approved budget contribution of £1.082m.
29. The Revised Budget 2019/20 reflects the current best estimate of the likely outturn position for the year. Work will continue on the monitoring of the budget for the remainder of this financial year and any further variations will be reported as part of the periodic monitoring reports.

Base Budget 2020/21

30. Work has been underway in the last few months on the development of the Council’s Base Budget for next year. Table 2 below provides a summary of the draft base budget for 2020/21 compared with the approved budget in the current year but also taking into account the changes arising from the Provisional Settlement as highlighted earlier in this report:-

Table 2: Base Budget 2020/21

	Approved Budget 2019/20 £000	Base Budget 2020/21 £000	Change £000	Change %
Net Revenue Expenditure	13,525	13,475	(50)	(0.37)
Use of Specific Reserves	(779)	(156)	623	79.97
Sub Total	12,746	13,319	573	4.50
Additional New Homes Bonus income	-	(84)	(84)	n/a
Additional Cost of Collection Income	-	(11)	(11)	n/a
Reduction in Costs for Business Rates Pool	-	(40)	(40)	n/a
Net Expenditure (after Specific Reserves)	12,746	13,184	438	3.44

Source: Appendices A and C

31. The main changes in the budget are set out in [Appendix D](#) and the key assumptions on which the budget has been prepared are provided at [Appendix E](#).

Pendle Leisure Trust

32. The table above assumes no change in the grant provided to the Pendle Leisure Trust which is currently £1.266m. Discussions have been held with the Trust about their proposed budget requirement for 2020/21 and this indicates a funding requirement from the Council of £1.590m, an additional £324k compared to the current grant. The Trust has proposed savings of up to c£341k which are currently being reviewed and may form part of Management Team's budget proposal in due course. An analysis of these savings is provided at [Appendix F](#).
33. On a related issue, as Councillors will be aware that the Council commissioned a strategic review of the delivery of sports/leisure provision. The Review has been overseen by the Leisure Services Working Group which received the final report at its meeting on 28th October 2019. The conclusions and recommendations arising from the report are set out at [Appendix G](#) and these will be considered in more detail in due course.

The Strategy for Reserves and Balances

34. At the meeting of the Policy and Resources Committee in August 2019, the following strategy for using Balances and Reserves was agreed:-
- the Minimum Working Balance to remain at £1.0m with the balance on the Bond Reserve (£250k) being transferred to the newly created New Homes Bonus (NHB) Volatility Reserve for the reasons outlined above;
 - in addition to the £250k above, a further £252k (comprising £227k from the Revenue Expenditure Reserve and £25k from the Insurance/Risk Management Reserve respectively) was released to create an NHB Volatility Reserve totaling £502k to mitigate against the potential loss of NHB funding.

However, following the Provisional Settlement, and what appears to be greater clarity on the legacy payments of NHB, it is now considered that this reserve can be released to support the budget. A sum of £250k has been applied in 2021/22 and 2022/23 respectively.

- Committed (Specific) Reserves will be used only for the purposes for which they have been set aside and will be subject to an annual review. The current Medium Term Financial Plan shown below assumes the use of £751k of specific reserves in the period to 2022/23;
 - In the absence of sufficient savings to achieve a balanced budget, the Budget Support Reserve will be used to support expenditure although it should be acknowledged that this is a finite resource. On the basis of the estimates provided in this report, the Budget Support Reserve will be exhausted by 2022/23.
35. An analysis of Balances and Reserves is provided at [Appendix H](#).

Medium Term Financial Plan 2020/23

36. In developing the base budget for 2020/21, work has also been undertaken to update the Medium Term Financial Plan to 2022/23. The assumptions underpinning the development of the Medium Term Financial Plan are set out at [Appendix E](#). Table 3 below provides a summary of the latest financial forecast:-

Table 3: Medium Term Financial Plan 2020/23

	Budget 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000
Net Revenue Expenditure (after Specific Reserves)	13,184	15,173	16,145
Revenue Support Grant	(1,164)	(1,187)	(1,211)
Retained Business Rates*1	(3,602)	(4,495)	(4,631)
Council Tax	(6,560)	(6,741)	(6,927)
Collection Fund Surplus	(800)	(450)	(450)
Total Funding	(12,126)	(12,873)	(13,219)
Local Funding Gap	1,057	2,300	2,926
Use of Budget Support Reserve	(1,057)	(650)	-
Cumulative Savings Required	-	1,650	2,926
Previous Year's Savings (assumes all achieved)	-	-	(1,650)
In-Year Savings Requirement	-	1,650	1,276

*1 – Forecasts for 2021/22 and 2022/23 assume no payment of s31 Grant and NNDR income restored to actual levels.

37. As the table indicates, on the basis of current assumptions, the budget for 2020/21 is balanced (with a budget deficit in the medium term of £2.9m). Councillors will note that this is a significant change from the position when it was last reported to the Policy and Resources Committee on 26th September 2019. At that time, the budget deficit for 2020/21 was £894k (with a budget deficit of c£4m over the medium term).
38. The key changes to the Medium Term Financial Plan 2020/23 are summarised at [Appendix I](#) with the most significant change being a reduction in the cost of Pension contributions following the outcome the triennial review of the Lancashire Pension Fund.
39. That said, despite this markedly improved position, it should be noted that the budget for 2020/21 above:-
- reflects Retained Business Rates and s31 Grant (for Business Rates foregone) as per the Medium Term Financial Plan pending the outcome of the detailed assessment of the Council's Business Rates income for 2020/21; and
 - is based on the assumption that the grant to the Pendle Leisure Trust remains unchanged. In the context of the Trust's forecast budget for 2020/21, this potentially requires savings of £324k to be identified. Further work is being undertaken with the Trust on this so that, if necessary, recommendations can be made to Councillors.
40. And looking ahead, it should be noted that the estimates of Government Funding for 2021/22 onwards are based on the best information available to date pending the outcome of some potentially significant changes in the system of Local Government funding.
41. Councillors will be aware that the Government is committed to undertaking a Comprehensive Spending Review (CSR) in 2020 which, amongst other matters, will determine the quantum of funding for Local Government over the medium term. This is expected to be followed by the conclusion of the Fair Funding Review and the implementation of changes to the Business Rates Retention Scheme each of which is expected to be implemented from April 2021. Taken together, these could result in significant changes in the Council's future funding.

42. With these matters in mind, there is still a need for the Council to consider what savings can be implemented to deliver a balanced budget over the medium term.

The Financial Strategy for 2020/21 to 2022/23

43. As Table 3 above shows, whilst acknowledging the potentially significant changes to the Local Government funding system from April 2021, there remains a significant deficit on the Council's budget over the medium.
44. The Council has a well-established financial strategy structured around four key themes, namely Growing, Charging, Saving and Stop with each summarised below:
- **Growing** the Council's income using the funding mechanisms now in place for local government, particularly the Business Rate Retention Scheme and the New Homes Bonus. This means that the Council must actively consider ways in which it can increase income from business and housing growth to ensure that funding for services can be maintained;
 - **Charging** for services, raising income which will mean that it is possible to continue providing services that resident's value. This will mean reviewing the level of fees and charges, reducing the subsidy on some services and considering the introduction of new fees and charges. It may also include reviewing the level of discretionary reliefs / discounts and the local scheme of Council Tax Support;
 - **Saving** costs by, for example, reviewing how the Council delivers services, doing things differently and more efficiently, scaling services to appropriate levels within the resources available to the Council and continually working with partners, including local town and parish councils to sustain local facilities;
 - **Stop** – identifying what are no longer priorities for the Council or areas that are deemed lower priority and ceasing to spend resources on them. This theme resulted from the review by the LGA Peer Challenge Team who felt this was essential for the Council to address given the level of savings required.

Growing

Business Rates Income

45. The Business Rates Retention Scheme offers the opportunity to increase the Council's income by increasing the amount of retained business rates. This does, however, require growth in the business rates tax base, i.e. more business ratable properties to be provided in the Borough. There is, therefore, a clear link here with a strategic approach to economic growth and regeneration within the Borough.
46. To put this in context, the Council's business rates tax base is currently c£53m. In broad terms, for every £1.5m growth in the Taxbase (equivalent to, say, an additional Superstore), the Council's share of business rate income would increase by c£300k per annum (assuming no other changes) based on 50% local retention.
47. The Council's present strategy for economic development and regeneration focuses on growth in existing businesses within Pendle and reflects the delivery of the Jobs and Growth Strategy to ensure that those businesses that want to grow are supported in doing so. Examples of activity to support this Strategy include, for example:-

- participating in the wider economic development planning for Lancashire and Pennine Lancashire including contributing to the development of the Greater Lancashire Plan, the Lancashire Local Industrial Strategy and the Pennine Lancashire Economic Development Plan;
 - working with the Pendle Vision Board to promote and raise the profile of Pendle (and its constituent Towns) as a place to do business and as a means of encouraging networking between business, skills providers and the public sector;
 - continuing to lobby for investment in the Pendle Borough (including, for example, investment in Town Centres
 - bringing forward additional employment land such as the extension of the existing Lomeshaye Industrial Estates as a strategic employment site, as identified within the Council's Core Strategy.
 - promoting the availability of business support including offers grant funding and other support to new start-up and established businesses through the Boost . This facilitates the growth in those businesses ultimately leading to both more jobs and additional business rates for the Council;
 - supporting businesses in their search for additional business premises and employment land.
48. Recognising the importance of the economic regeneration and development of the Borough as a contribution to the growth in business rates income, a refresh of the Council's Economic Development Strategy is currently underway and will be presented to the Policy and Resources in Spring 2020.

New Homes Bonus

49. As referred to earlier in this report, in announcing the New Homes Bonus as part of the Provisional Settlement, the Secretary of State for MHCLG also stated that the Government will consult on a new method of incentivising housing growth in Spring 2020. What this is, how it will work and what the impact on the Council will be is not possible to say at this stage pending the proposed consultation.

Charging

50. The Council reviews its fees and charges annually. The review for 2020/21 was reported to Policy and Resources Committee in September 2019 with a number of proposals agreed. The outcomes from the most recent review have been factored in to the draft budget for next year.
51. A number of other proposals that have been considered and rejected previously by Councillors. These are again included in the budget options shown at [Appendix J](#) as they may need to be reconsidered.

Saving

52. Whilst the strategies of Growing and Charging offer opportunities to increase the Council's income, any growth in the near term is unlikely to make up for the significant reduction in core funding or resolve the Council's budget deficit as set out above.

53. Equally, the Council's ability to charge for services or reduce the extent of discounts will not, in isolation, generate sufficient income to make up for the funding shortfall. As a result the Council must continue with its efforts to reduce expenditure in other ways to ensure that it has a balanced budget over the medium term.
54. In the year to date, the Council has already approved savings of £314k and these are reflected in the Council's budget for 2020/21. Work has been ongoing to identify potential savings options that could be implemented over the period to 2022/23 and a summary of options is provided at [Appendix J](#). Given the magnitude of savings required, and bearing in mind the savings already achieved since 2010, an impact on frontline services is considered unavoidable.

Council Tax

55. For the purposes of financial planning only, the medium-term financial plan assumes that Council Tax will increase by 1.99% in 2020/21 and each year of the plan period. A permitted increase of 1.99% or £5 (whichever is greater) was included in the Provisional Local Government Finance Settlement 20/21 but will not be confirmed until the final Local Government Finance Settlement is announced. As with recent years it is not expected that any funding will be made available to Councils in return for a freeze in Council Tax.
56. For Councillors information, the reality is that the Government's own assessment of our core spending power assumes we will increase council tax by the maximum permitted each year.

Localisation of Council Tax Support Scheme

57. The Council's local scheme of council tax support has operated without any fundamental change, save for the annual uprating of parameters, since 2013/14 when the scheme was first introduced. Whilst Pensioner claimants remain protected under the scheme those of working-age continue to receive support at a maximum of 80% of calculated entitlement.
58. The estimated cost of the scheme for 2019/20 was £7.16m. The latest scheme monitoring indicates that it is likely to cost £6.92m, an underspend of £236k. Pendle's share of this is estimated at £32k. This is primarily a result of a lower than estimated caseload.
59. As part of the development of budget options for 2020/21 onwards, the Council commissioned a review of the Council Tax Support Scheme. The outcome of this review was reported to the Budget Working Group in October 2019. Whilst a number of options to reduce the cost of the present scheme were put forward, at this stage no changes are proposed to the current scheme other than the normal uprating for inflation.

Medium Term Capital Programme 2020/23

60. A report elsewhere on the agenda for this meeting considers the Medium-Term Capital Programme and the capital project proposals for next year specifically.

Budget Consultation

61. Consultation on the budget is planned or has been carried out as follows:-
- in relation to the organisational review, both staff and Unison were involved in the development of proposals which were subsequently agreed by Council in September 2019.
 - in accordance with the statutory requirement to consult with the business community, consultation is planned with local industry and employers and will be conducted through the East Lancashire Chamber of Trade.

Management Team's Emerging Budget Proposal for 2020/21 (and to 2022/23)

62. Subject to confirmation of the financial settlement for 2020/21 and given that work on the detailed assessment of the Council's Business Rates income has yet to be completed, further work is required on Management Team's budget proposal for 2020/21. The emerging budget strategy, which will be presented to this Committee at its meeting on 13th February 2020, is likely to comprise the following key components:-
- an increase in Council Tax of 1.99% at Band D;
 - no reduction in the grant to Pendle Leisure Trust;
 - additional savings considered necessary in the context of the Council's medium term financial position;
 - use of reserves at a level sufficient to achieve a balanced budget albeit within the parameters of the Reserves Strategy set out above.
63. The Policy and Resources Committee should note that the emerging budget strategy reflects the one-year funding settlement made to the Council. It is not without its risks, including the following:-
- the level of savings required over the medium term continues to pose a significant challenge for the Council. To achieve savings on the scale necessary is likely to require the Council to withdraw from some services and consider alternative service delivery models for others including further collaboration with the private as well as public and/or third sectors;
 - using the Council's reserves to balance the budget simply postpones rather than prevents the need for savings. The longer the savings are put off, the greater the challenge will become with less time to react in a planned way;
 - using reserves at a rate greater than that presently assumed exposes the Council to the risk of costs for which there are no identified resources; in this scenario the Council would be forced to make reactive savings to balance the budget.

Next Steps

64. For Policy and Resources Committee's information, Table 4 below provides a forward outline timetable for the remainder of the current service and financial planning process:-

Table 4: Forward Timetable for the Development of the Budget 2020/21

Date	Action	Status
May 2019	Update of Medium Term Financial Plan to Policy and Resources Committee	Completed
Sep 2019	Refine Medium Term Financial Plan to 2022/23 with Budget Savings Options (20/21)	Completed
Dec 2019	Provisional Local Government Finance Settlement 2020/21	Completed
Jan 2020	Policy and Resources Committee considers initial budget submission	This report
Dec-Jan 2020	Development of draft Budget 2020/21 completed	In Progress
Jan / Feb 2020	Final Local Government Finance Settlement 2020/21	
13 th Feb 2020	Policy and Resources Committee recommends Budget and Council Tax to Council	
27 th Feb 2020	Council sets Budget and Council Tax for 2020/21	
Mar / Apr 2020	Service Plans completed and aligned with the approved budget	

IMPLICATIONS

Policy

65. The Council's General Fund Revenue Budget supports the delivery of services in pursuance of the strategic objectives set out in the Strategic Plan. The position reported for 2020/21 and the forward projections in the report represent a significant challenge to service provision in the longer term. There is a need, therefore, to put in place a strategic approach to future financial planning with a particular focus on a move to a more sustainable budget base over the medium term planning period. The Council will also need to review policies on the delivery of existing services to determine whether the existing policy direction is affordable within the resources available.

Financial

66. The financial implications are as given in the report.

Legal

67. In accordance with s32 and s43 of the Local Government Finance Act 1992 (LGFA 1992), annually the Council must calculate and approve its budget requirement for the forthcoming financial year.

68. Section 25 of the Local Government Act 2003 also requires the Chief Executive, as the officer having responsibility for the administration of the Council's financial affairs, to report to the Council on the robustness of the budget estimates and adequacy of financial reserves when determining its budget requirement under the LGFA 1992. This report will be submitted for consideration by the Council when it deliberates the budget submission from the Policy and Resources Committee in February 2020.

Risk Management

69. In relation to the financial risks faced by the Council, there needs to be a balance between maintaining and improving key frontline service delivery and the sustainability of the financial standing of the Council.
70. The Medium Term Financial Plan currently indicates a significant deficit that is unsustainable. Even using reserves to smooth the effect of expected reductions in funding, still requires substantial budget savings to be made to maintain a balanced budget. Using reserves in excess of the amounts set out in the budget strategy proposed would, in the absence of an increase in Government funding, present a real risk to maintaining basic levels of service and require significant savings to be identified in later years of the plan period.
71. The position on the Council's MTFP is recognised on the Council's Strategic Risk Register as the highest risk for the Council as such there is a continual review of the measures required to achieve a balanced budget. As the 4 year period of the Comprehensive Spending Review (CSR) 2015 comes to a close, the uncertainty surrounding the detail of the proposed Fair Funding Review and CSR detail beyond the one year only spending review for 2020/21 present a heightened risk to the Council's financial standing.

Health and Safety

72. There are no health and safety implications arising directly from the contents of this report. The budget does, however, include provision for ensuring the Council can meet its health and safety obligations as required.

Sustainability

73. As with health and safety implications, there are no sustainability implications arising directly from this report but the proposed budget includes provision, where necessary, to progress issues of sustainability for the Council.

Community Safety

74. There are no community safety issues arising directly from the contents of this report.

Equality and Diversity

75. For all proposed savings proposals, an initial screening has been undertaken to assess at a high level the equalities impact against the recognised protected characteristics.

APPENDICES

- Appendix A – Draft Response to the Provisional Local Government Finance Settlement 2020/21
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