

REPORT OF: MANAGEMENT TEAM
TO: POLICY AND RESOURCES COMMITTEE
DATE: 13th FEBRUARY 2020

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GENERAL FUND REVENUE BUDGET 2020/21

PURPOSE OF REPORT

1. The purpose of this report is to:-
 - a) inform the Policy and Resources Committee of the Local Government Finance Settlement (LGFS) for 2020/21 and the implications for the Council;
 - b) consider the proposed General Fund Revenue budget and other related matters for 2020/21;
 - c) enable the Policy and Resources Committee to make a recommendation to Council at its meeting on 27th February 2020 on the level of Council Tax to be set for the financial year 2020/21; and
 - d) provide details of the Council's Medium Term Financial Plan for the period 2020/21 to 2022/23 to highlight the significant budget deficit and the need to take further action to reduce expenditure to a sustainable level.

RECOMMENDATIONS

2. The Policy and Resources Committee is recommended to:-
 - a) have regard to **Appendix A** to this report in respect of the robustness of Council's budget estimates and adequacy of reserves when considering recommendations (d) to (i) below;
 - b) note the proposal to maintain the General Fund Minimum Working Balance at £1.0m;
 - c) note the projected outturn position in the current financial year;
 - d) in relation to Pendle Leisure Trust, subject to consideration of the residual saving proposals for 2020/21, agree to provide a grant to the Trust of £1,442,360 in 2020/21;
 - e) make recommendations to the full Council on 27th February 2020 on the General Fund Budget Requirement for 2020/21 having regard to the recommended budget as set out in this report (and detailed at **Appendix H**);

- f) subject to the Policy and Resources Committee's consideration of the budget proposals in this report, to recommend to Council on 27th February, a Band D Council Tax for 2020/21 of £270.62, being an increase of £5.28 (1.99%) on the current level of Council Tax;
- g) require each Service to operate within its budget for 2020/21 once approved, and that these budgets be cash limited and subject to regular monitoring and control;
- h) acknowledge the uncertainty attached to the current assumptions and financial modelling to 2022/23 in view of the forthcoming Comprehensive Spending Review, the Fair Funding Review and changes to the Business Rates Retention system;
- i) request that a further report be brought back to a future meeting of the Policy and Resources Committee updating the Financial Strategy and Medium Term Financial Plan for 2020/21 to 2022/23;

REASONS FOR RECOMMENDATIONS

- 3. To comply with statutory requirements to determine a balanced budget and council tax for the forthcoming financial year.

ISSUE

Background

- 4. The budget process is a key element of the Council's strategic planning process and, as part of the service and financial planning approach adopted by the Council, is a means of ensuring that resources are best placed to enable the Council to meet its objectives as set out in the Strategic Plan.
- 5. This report follows on from the first budget report which provided details of the Provisional Local Government Finance Settlement for 2020/21 and the Council's budget position which was considered by the Policy and Resources Committee on 16th January 2020.
- 6. In particular, this report provides details of the provisional Local Government Finance Settlement for 2020/21 (the final Settlement had not been released by the time this report was issued) and includes the impact of the settlement and information on the further development of the budget to propose a budget strategy for 2020/21. This should enable the Policy and Resources Committee to make a recommendation to Council on both the budget and Council Tax for the forthcoming financial year.
- 7. In view of the significant reduction in funding, the report also highlights the on-going requirement to maintain the Council's Medium Term Financial Strategy under review, with a focus on the identification and implementation of budget reduction options, so that the Council's net revenue expenditure can be reduced to a level that is sustainable and within the projected resources available to the Council.
- 8. Previous budget reports have set out the level of uncertainty associated with any forward projections with Government funding. This uncertainty remains given the one-year funding settlement from the Government for 2020/21. During 2020, the Government is expected to conduct a Comprehensive Spending Review which will determine the overall funding envelope for Local Government. At the same time, both the Fair Funding Review and the review of the Business Rates Retention Scheme should be concluded. Taken together, these have the potential to significantly impact on the Council's future funding.

Statement on the robustness of the Council's budget calculations and the adequacy of financial reserves

9. As indicated in the legal implications section below, Section 25 of the Local Government Act 2003 requires the Council's 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 the adequacy of proposed financial reserves when determining its budget requirement under the Local Government Finance Act 1992.
10. A draft copy of the statement that will be reported to Council on 27th February is provided at **Appendix A** and the Policy and Resources Committee should have regard to this when making proposals in relation to the budget. The statement has been produced on the basis of the proposals set out in this report. It should be noted that, subject to Councillors' deliberations on the budget at Council later this month, it may be necessary for the statement to be revised to take account of the decisions taken at the Council meeting.
11. Given the significant reductions in core government funding in recent years, the absence of any funding certainty over the medium term and the high dependency on the use of council reserves to balance the Council's budget, Councillors are asked to consider these statements fully in the context of the proposed budget and Medium Term Financial Plan.
12. As part of the preparatory work in relation to the statement on the adequacy of the Council's financial reserves, work has been undertaken to review the level of the Council's General Fund Working Balance. This review is undertaken annually and the outcome of this work is a proposal to maintain a Minimum Working Balance of £1.0m. The rationale for this is provided at **Appendix B**.

Local Government Finance Settlement 2020/21

13. Details of the provisional Local Government Finance Settlement (LGFS) were provided in the report to this Committee in January 2020. Following consideration of that report, the Policy and Resources Committee approved the Council's response to the consultation on the provisional Settlement and it was submitted to the Government accordingly.
14. The final Local Government Finance Settlement had not been published at the time of writing this report but, as in previous years, it is not expected there will be any changes from the information released in the Provisional Settlement received in December. By way of a reminder, the key points to note are:-
 - overall core spending power for Local Government has increased on average by 6.3% (Pendle's core spending power will increase by 3.3%);
 - whilst New Homes Bonus payments will be made in 2020/21, the allocations arising from the delivery of new homes and re-occupation of empty properties in the previous year will be made for 1-year only (and not 4 years as has been the case);
 - Council Tax Referendum Principles remain. For District Councils, the core principle is that Council Tax should not increase by £5 or 2% or more, whichever is greater;
 - the Lancashire Business Rates Pool for 2020/21 is likely to be confirmed.
15. The impact of these matters on the Council is considered in more detail below.

Funding Allocations 2020/21

16. On the basis of the provisional Settlement and the Council's own assessment of Retained Business Rates, **Table 1** below summarises the funding for Pendle in 2020/21:

Table 1: Estimate of Funding for 2020/21

	Actual Funding 2019/20 £000	Estimated Funding 2020/21 £000	Forecast Funding 2021/22 £000	Forecast Funding 2022/23 £000
Retained Business Rates	4,505	4,131	4,204	4,275
Add Revenue Support Grant *1	-	1,164	1,187	1,211
Total	4,505	5,295	5,391	5,486
Add New Homes Bonus	391	438	155	142
Estimate of Funding	4,896	5,734	5,546	5,627

*1 – As part of the Pilot 75% Business Rates Retention Scheme in 2019/20, the Council did not receive Revenue Support Grant

Addendum to Table 1: Calculation of Estimate of Retained Business Rates

	Actual Funding 2019/20 £000	Estimated Funding 2020/21 £000	Forecast Funding 2021/22 £000	Forecast Funding 2022/23 £000
Individual Authority Business Rates	9,630	7,520	7,660	7,800
Less Tariff Adjustment	(5,125)	(3,389)	(3,456)	(3,526)
Estimate of Retained Business Rates	4,505	4,131	4,204	4,275

Retained Business Rates

17. As outlined in the First Budget Report, the amount of Retained Business Rates included in the Council's budget is based on the Council's own assessment of the net collectable amount of business rates for 2020/21. This assessment, which takes into consideration local knowledge of factors such as reliefs, exemptions and the adequacy of provisions for both appeals and doubtful debts, has now been completed.
18. It is estimated that the Council's share of the Business Rates will be £7.520m in 2020/21. After adjusting for the Tariff payment to Government, the amount of Retained Business Rates is estimated at £4.131m. This is broadly in line with the Government's assessment of the Council's Retained Business Rates.
19. Councillors may recall that the completion of the Council's own assessment of Retained Business Rates also includes a calculation of the amount of s31 Grant the Government will pay to the Council as a reimbursement of business rates foregone as a result of Government policy decisions to provide various business discounts for, for example, small businesses, retail properties etc. The estimate of s31 Grant to be received in 2020/21 is £1.346m which is £37k more than assumed in the Medium Term Financial Plan. This additional income has been included in the 'Firming Up' Adjustments referred to below.

20. And, as previously set out, the Council is expected to participate in the Lancashire Business Rates Pool in 2020/21. The Pool will operate on the normal 50% Business Rate Retention Scheme (50% of net collectable rates is paid to the Government, 40% is retained by the Council, 9% retained by Lancashire County Council and 1% retained by the Lancashire Fire and Rescue Service). The Council's involvement in the Pool means that there is no requirement to pay a levy on the Council's share of any business rates growth in the year.
21. Councillors should note that at this stage it is only possible to estimate the amount of Retained Business Rates for 2020/21 (and, indeed, future years). Whilst the amounts for both Revenue Support Grant and New Homes Bonus referred to below are guaranteed, the estimate of Retained Business Rates is not. This is affected both by changes in the amount of business rates payable, itself subject to outstanding appeals and changes to the rating list (as new properties are built, existing properties demolished) along with the Council's collection rates.
22. There is, therefore, a degree of volatility in the estimate of retained business rates. For that reason, and given the forecast outturn on the Collection Fund for Business Rates in 2019/20, an amount of £610k is to be credited to the Business Rates Volatility Reserve. More details of this are provided below.

Revenue Support Grant

23. As indicated in Table 1 above, Revenue Support Grant for 2020/21 will be £1.164m. This reflects a marginal increase compared to the amount

New Homes Bonus

24. The final Local Government Finance Settlement (LGFS) confirmed the calculation of New Homes Bonus (NHB) payable in 2020/21. Table 2 below provides an analysis of the NHB allocations for 2020/21 along with projections until 2022/23:-

Table 2: New Homes Bonus to 2023/24

	Funding 2020/21 £000	Forecast Funding 2021/22 £000	Forecast Funding 2022/23 £000
2017/18 Legacy Payments	100	-	-
2018/19 Legacy Payments	13	13	-
2019/20 Legacy Payments	142	142	142
2020/21 New Allocation	184	-	-
Total	439	155	142

25. As the table shows, the Council will receive £439k in 2020/21. As indicated in the First Budget Report, the payment for 2020/21 will be for 1-year only (and not 4 years as is normally the case with the NHB). The forecast of payments in 2021/22 and 2022/23 reflect the legacy payments from previous year's allocations.
26. The Government's rationale for a single year payment in 2020/21 is that it is their intention in Spring 2020 to consult on a new method of incentivising housing growth. 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.

Comparison to Medium Term Financial Plan 2020/21

27. Table 3 below provides a comparison of the updated funding for 2020/21 outlined above with the estimated amounts that were assumed in the Medium Term Financial Plan 2020/21 to 2022/23 (and as reported to the Policy and Resources Committee in January 2020):

Table 3: Comparison of Funding Estimates to Medium Term Financial Plan

	Funding 2020/21 £000	Forecast Funding 2021/22 £000	Forecast Funding 2022/23 £000
Total Funding (See Table 1 above)	5,295	5,391	5,486
Medium Term Financial Plan (January 2020)	4,766	5,681	5842
Variation	529	(290)	(356)

28. The variation in funding for 2020/21 reflects the additional income assumed from Retained Business Rates.

Forecast General Fund Outturn 2019/20

29. At the meeting of the Policy and Resources Committee on 16th January 2020, Councillors approved the Revised Budget for 2019/20. At that time, it was estimated that the outturn position on the General Fund Revenue Budget would be £175k less than the approved budget for the year reducing the call on the Budget Support Reserves from £1.082m to £907k
30. Monitoring of the Council's Revised Budget will continue with any variations to the estimated year-end position being reported to the Policy and Resources Committee in March as part of the Strategic Monitoring reports.

Development of the Base Budget for 2020/21

31. As outlined in the report to the Policy and Resources Committee on 16th January 2020, the Base Budget for 2020/21 has been prepared on the basis of the Council's existing policies, strategic objectives and related priorities. The main assumptions used in the development of the Budget Estimates were set out in the above report and these remain largely unchanged.
32. Since the last report, work has continued to 'firm up' the Base Budget for 2020/21 (and future years) as set out in **Appendix C**. The latest position is now shown in **Table 4** below.

Table 4: Revised Net Expenditure 2020/21 (and Forecast to 2022/23)

	Base Budget 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000
Net Expenditure	13,340	15,518	16,395
Less Specific Reserves	(156)	(345)	(250)
Net Expenditure as reported 16th January 2020	13,184	15,173	16,145
'Firming Up' Adjustments (Appendix C)	(106)	(1,408)	(1,395)
Revised Net Expenditure	13,078	13,765	14,749

Pendle Leisure Trust – Grant 2020/21

33. In the current year the Pendle Leisure Trust will receive a grant from the Council of £1.266m. The Net Expenditure shown in the table above assumes no change in the grant.
34. As previously identified, discussions have been held with the Trust about their proposed budget requirement for 2020/21 and these indicate a funding requirement from the Council of £1.590m, an additional £324k compared to the current grant. The Trust has proposed savings of £341k and these were shared with the Policy and Resources Committee at meeting in January 2020.
35. Having now reviewed the proposed savings in the context of the Council's overall budget strategy for 2020/21, Management Team propose that the savings identified at **Appendix D**, which total £98k should be accepted. Assuming that the Trust also uses £50k from its reserves and if these proposals as now submitted by the Trust and which form part of the Management Team's budget submission are agreed, the grant payable by the Council to the Trust in 2020/21 will increase by £176k from £1.266m to £1.442m.

Reserves and Balances

36. Details of the Council's Reserves and Balances were provided in the January budget report. An updated analysis of Balances and Reserves is now provided at **Appendix E**. A strategy for the use of Balances and Reserves was also set out in the January report and this remains largely unchanged apart from the following adjustments:-
 - in view of the estimated surplus of £1.010m on the Collection Fund for Business Rates in 2019/20, an amount of the £610k is to be credited to the Business Rates Volatility Reserve for the reasons set out below;
 - a total of £1.244m will be used from the Budget Support Reserve over the 3 year Plan period to 2022/23. This has reduced by £463k from the amount reported in January, reflecting mainly the additional Retained Business Rates in 2020/21 as set out in Table 3 above.
37. Other points to note about the Council's Reserves and Balances in the context of the Medium Term Financial Plan are:-
 - 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 MTFP currently assumes the use of £751k of such reserves in the period 2020/21 to 2022/23, and
 - the Minimum Working Balance will remain at £1.0m for 2020/21 and be subject to review on at least an annual basis to assess the adequacy of this (as with all other reserves).
38. It is also worth reiterating that, in compliance with statutory obligations, a review of the adequacy of financial reserves has been undertaken, as set out earlier in this report, and the outcome of that review is provided at **Appendix A**.

The Updated Medium Term Financial Plan 2020/23

39. Taking into consideration the matters referred to above, the Council's Medium Term Financial Plan to 2022/23 has been updated and is set out in Table 5 below:-

Table 5: Medium Term Financial Plan 2020/21 to 2022/23

	Base Budget 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000
Net Expenditure - <i>see Table 4 above</i>	13,078	13,765	14,749
Additional Grant to Pendle Leisure Trust	176	176	176
Contribution to Business Rates Volatility Reserve	610	-	-
Net Expenditure	13,864	13,941	14,925
Use of Budget Support Reserve	(594)	(650)	-
Budget Requirements	13,269	13,291	14,925
Funding			
Retained Business Rates – <i>see Table 1 above</i>	(4,131)	(4,204)	(4,275)
Revenue Support Grant – <i>see Table 1 above</i>	(1,164)	(1,187)	(1,211)
Collection Fund Surplus – Business Rates	(1,010)	(250)	(250)
Collection Fund Surplus – Council Tax	(400)	(200)	(200)
Council Tax Income – <i>see Table 6 below</i>	(6,565)	(6,746)	(6,931)
Total Funding	(13,269)	(12,587)	(12,867)
Budget Deficit	-	705	2,058

40. As the table shows, on the basis of the information set out above, the Council's budget in 2020/21 is balanced with no further requirement for savings. There remains a budget deficit over the medium term of c£2m which the Council will need to address.

Council Tax 2020/21

41. From a financial planning perspective the assumption on Council Tax for 2020/21 has remained unchanged from that reported to the Policy and Resources Committee in January 2020 and is set out in Table 6 below:-

Table 6: Council Tax Assumptions 2020/21 to 2020/23

	Base Budget 2020/21	Forecast 2021/22	Forecast 2022/23
Estimated Council Tax Base (Band D Properties)	24,257.6	24,439.5	24,622.8
Estimated Council Tax (Band D)	270.62	276.01	281.50
Council Tax Income (£000)	6,565	6,746	6,931
% Council Tax Increase Assumption	1.99%	1.99%	1.99%

42. The final Settlement confirmed that the Council Tax Referendum Principles would remain as previously announced – for District Councils an increase in Council tax would be deemed excessive if it is 2% or more hence the proposal to increase the Council Tax by 1.99%.

43. As Table 5 shows, increasing Council Tax by 1.99% will give rise to a Band D charge of £270.62, an increase of £5.28 compared to the charge in the current year of £265.34. Over 60% of our dwellings are in Band A for which the equivalent increase would be £3.52 giving rise to a Band A charge of £180.41, up from £176.89 in this year.
44. If this increase is not agreed then the Council will have to identify and implement additional savings for equivalent amounts. If Councillors were minded to approve no increase in council tax for 2020/21, then the loss of income from Council Tax would be £128k for next year in isolation and £395k cumulatively over the plan period increasing the level of savings required by the equivalent amount.
45. At this time an increase in Council Tax of 1.99% is purely a financial planning assumption. It is acknowledged that no decision has yet been taken by Councillors in connection with this and Full Council will ultimately determine the level of Council Tax for 2020/21 when it meets on 27th February.
46. Given the financial position facing the Council, Management Team's recommendation is that the Council should increase Council Tax for 2020/21 by the maximum permitted i.e. 1.99% (an increase of £5.28). If agreed, this would result in a Band D charge for Pendle Council services only of £270.62. An increase of £5.28 equates to c10p per week for Band D Properties (for Band A properties, it would be £3.52 or c7p per week).
47. The Policy and Resources Committee may wish to consider and recommend to Council an alternative level of Council Tax. To assist Councillors in their deliberations on this matter, **Appendix F** shows a range of Council Tax requirements and associated Council Tax levels, combined with the impact on the budget, at different tax levels.
48. The above analysis only considers the Council Tax charge made by the Borough Council. Council Tax charges for the other authorities (Lancashire County Council, Police and Crime Commissioner and Fire Authority) that precept upon the Council will be provided as part of the Council Tax Resolution to Council on 27th February.

Draft Budget for 2020/21 - Management Team Recommendation

49. As Councillors will note, Table 5 above indicates that, on the basis of the assumptions set out earlier in this report, the Council's budget for 2020/21 is balanced and there is no further requirement for savings for the year.
50. As part of the measures to address the ongoing budget deficit, Councillors can still take action in 2020/21 to reduce the Council's underlying net expenditure and, therefore, the use of reserves by agreeing additional savings. To that end, Management Team has set out at **Appendix G** a further set of savings and income generation proposals for Councillors to consider. A narrative supporting each of the savings proposals is provided at **Appendix G(i)**
51. The proposed Base Budget for 2020/21 contains no provision for budget growth.
52. These proposed savings for 2020/21 total £193k and, if implemented in full, would reduce the call on the Budget Strategy Reserve by an equivalent amount.

53. Table 7 below summarises this additional option for Councillors to consider. Combined with the proposed increase in Council Tax of 1.99%, **Option 2** forms the basis of the Management Team budget proposal which is summarised below and shown in detail at **Appendix H**:

Table 7: Management Team - Budget 2020/21 - Options

	Base Budget 2020/21 £000	Base Budget 2020/21 £000
	OPTION 1	OPTION 2
Revised Net Expenditure 2020/21 - see table 4 above	13,864	13,864
Recommended Savings (see Appendix G)	-	(193)
Net Revenue Expenditure	13,864	13,671
Use of Reserves (see Appendix E)	(594)	(401)
Collection Funds - share of Council Tax & BRR surplus	(1,410)	(1,410)
Revenue Support Grant	(1,164)	(1,164)
Estimate of Retained Business Rates - see table 5	(4,131)	(4,131)
Recommended Council Tax Requirement	6,565	6,565

The Financial Strategy 2021/22 to 2022/23

54. As Table 5 above summarises, there remains an estimated budget deficit of c£2m over the life of the Medium Term Financial Plan that still needs to be addressed and this is considered below. Depending on the outcome of the changes to local government funding from April 2021, there is the potential for this deficit to change.
55. Equally, the extent to which the Council can place reliance on balances and reserves to balance the budget (all the while sustaining expenditure above ongoing income levels) is becoming more difficult. There is a need, therefore, for the Council to continue to implement its Financial Strategy as means to achieving a sustainable budget.
56. As Councillors are aware, the Financial Strategy is 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 (or its replacement). 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

57. 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.
58. 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.
59. 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.
60. 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

61. 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.
62. Once the consultation is issued and the implications for the Council can be assessed, Councillors will be provided with an update accordingly.

Charging

63. 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.
64. A number of other proposals that have been considered and rejected previously by Councillors. The proposal relating to Cemetery Fees and Charges is again included in the budget options shown at **Appendix G** for reconsideration.
65. For the medium term, there is a need to undertake a fundamental review of the Council's Policy on Fees and Charges to establish what more scope there is to increase the Council's income. This review will include the extent to which the Council is trading services and how best to exploit those Traded Services for the benefit of the Council's General Fund Revenue Budget.

Saving

66. 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.
67. 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.
74. The Council has made significant savings since 2010. On staffing, the Council has reduced its headcount from 400 in 2010 to c210 in 2020. Taking account of decisions made when setting the budget for the current year, combined savings in excess of £9m have been made since 2010/11. Whilst this represents a significant achievement it is clear from our financial projections that more has to be done. Given the savings made to-date, however, there is decreasing scope to generate more from the ongoing, attritional reduction in services.
68. 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 G**. The focus remain on the following key areas of spending - Liberata, Waste Management, Grounds Maintenance and the Pendle Leisure Trust. These combined with staffing generally remain the main areas of expense. Given the magnitude of savings required, and bearing in mind the savings already achieved since 2010, an impact on frontline services is likely to be unavoidable.
69. More work is required to develop these options and, as in the current year, this will be undertaken in conjunction with Budget Working Group.

Stop

70. In the period of austerity, the Council has worked to ensure that frontline 'street-level' services have continued to be delivered. In some cases, this has not always been possible directly but working in partnership with Town and Parish Councils and the Voluntary Sector have seen services sustained and facilities continuing to operate. The extent to which this approach can continue is subject to the sustainability of these partnerships and the capacity of other organisations to provide services/manage facilities.
71. At the meeting of the Policy and Resources Committee on 20th January, a report on progress with the transfer of services/facilities to Town and Parish Councils was considered. This report also identified a range of other areas, for example, Town Centre Sweeping, Local Car Parks and Cemeteries etc which were proposed for transfer.
72. It is not clear at this stage what appetite there is with Town and Parish Councils to take on these activities. Further meetings are planned to consider these in more detail and the outcome of these meetings will be the subject of further reports to this Committee.

Capital Programme 2020/21

75. A report elsewhere on the Agenda for this meeting provides more details of the proposed Capital Programme for 2020/21. The financial implications of the proposed programme that are funded from the revenue budget, have been included in the budget estimates within this report.

Estimated Collection Fund Surplus 2019/20

76. The Collection Fund Accounts are required to account for precepts and the income collected from Council Tax and Business Ratepayers by the Council acting as the Billing Authority. As budgets and associated precepts represent estimates at a point in time variations can occur which result in either actual surpluses or deficits. These must be shared between the major precepting bodies (County, District, Police and Crime Commissioner and Fire and Rescue Service).
77. The projected year end position on the Collection Fund in respect of Council Tax is an estimated surplus of £2.1m, of which the Council's share is £400k. This has been factored in to the budget submission for 2020/21.
78. The projected year end position in respect of Business Rates is an estimated surplus of £1.8m and this will be distributed during 2020/21 with Pendle's share at 56% being £1.010k. Acknowledging the volatility inherent in the Business Rates systems, it is proposed that £610k of the surplus is credited to the Business Rates Volatility Reserve pending review in 2020/21 as part of the monitoring of the Collection Fund.

Council Tax Base 2020/21

79. The Council Tax Base has been calculated in accordance with the relevant regulations at 24,257.6 Band D equivalent dwellings and was approved by the Council at its meeting on 17th December 2019.

Group Proposals

80. At this meeting, the Policy and Resources Committee is requested to make recommendations to the Council on the Council Tax to be levied, the General Fund Revenue Budget Requirement and the Capital Programme.

81. Each Group also has the opportunity to present alternative budget proposals for consideration by Council.
82. Groups are requested, however, to note the statutory obligation of the Chief Financial Officer to make a statement on the robustness of the Council's budget calculations in support of the proposed budget. In view of this, Groups have been encouraged to discuss, in confidence, their budget proposals with the report author prior to the meeting of Council on 27th February 2020.

Budget Consultation

83. The following activities have been undertaken to raise awareness and seek feedback on the Council's budget. These include:-
 - Periodic information to staff; participation in relation to Organisational Review;
 - Information has been sent to the East Lancashire Chamber of Commerce based on the reports presented to the Policy and Resources Committee in January.

Precepts, Printing Council Tax Bills etc.

84. The Major Preceptors will each set their budgets and Council Tax during February. Details of their respective precepts and council tax charges will be reported to the meeting of Council on 27th February when Council will be asked to approve the budget and council tax for Pendle.
85. Details of Town and Parish Council Precepts for 2020/21 have been requested by 7th February and a summary listing of those submitted at the time of writing this report is provided in **Appendix I**.
86. The scheduled date for council tax bills and accompanying leaflets to be printed is late February 2020 to enable the bills to be issued by mid-March at the latest. Should it not be possible for the main billing process to start by early March, it would not be possible to issue bills in sufficient time to ensure the first Direct Debit installments are collected on 1st April. Hence, it is important that Council Tax is set at the meeting of Council on 27th February.

IMPLICATIONS

Policy

87. The Council's General Fund Revenue Budget supports the delivery of services in pursuance of the strategic objectives set out in the Strategic Plan.
88. The position reported for 2020/21 and the forward projections in the report continue to pose a significant challenge to sustaining current service delivery over the medium-term. There remains 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 cost 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

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

Legal

98. The Council must calculate and approve its Council Tax Requirement for the forthcoming financial year in accordance with s32 and s43 of the Local Government Finance Act 1992 (LGFA 1992), annually.
99. Section 25 of the Local Government Act 2003 also requires the officer having responsibility for the administration of the Council's financial affairs (Chief Executive), 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 is considered in **Appendix A** and will be reported to Council on 27th February when the budget is presented for approval.

Risk Management

100. When considering the risks and risk management measures associated with the budget for next year, Councillors should note the draft statement on the robustness of the budget estimates and the adequacy of financial reserves shown at **Appendix A**.
101. The development of the Council's budget is a complex task and is based on estimates of future income and expenditure. These estimates are made on the basis of the best information available at the time and can include a range of assumptions on factors like pay inflation, interest rates and demand for services.
102. Whilst efforts are made to ensure these estimates are robust, Councillors should be aware there is a risk that both internal and external factors may have an impact on budgetary performance. To help mitigate this the Council has in place various mechanisms including for example, financial and contract procedure rules, budgetary control and monitoring arrangements to ensure that it can take pro-active action should it be necessary.
103. Councillors should be aware that greater risk taking is one potential consequence of the ongoing search and pressure to find savings via 'technical' options whilst trying to preserve front line service delivery.
104. Whilst the budget recommended for 2020/21 is balanced, albeit with the use of a contribution from the Budget Strategy Reserve of £594k, the medium term financial plan indicates a deficit of £2m that is unsustainable in the medium term. Even using reserves to smooth the effect of expected reductions in funding, substantial budget reductions need to be made to maintain a balanced budget. Using reserves in excess of the amounts referred in the budget strategy proposed would, in the absence of any 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.
105. The recommended budget for next year includes a number of budget reduction proposals. These proposals have been identified through the service and financial planning process. Any savings agreed must also be implemented effectively and on time and progress on this will be monitored throughout the year. The adopted Financial Strategy retains the four key themes of 'growing', 'charging' 'saving' and 'stop'. The report outlines the requirement for further substantial savings to be made and the importance of starting work on these now to ensure solutions can be implemented to achieve a balanced budget over the medium term.
106. 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.

Health and Safety

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

Climate Change

108. There are no climate change or sustainability implications arising directly from the recommendations within this report.

Community Safety

109. There are no community safety issues arising directly from the recommendations within this report.

Equality and Diversity

110. An initial equalities screening assessment was included in the previous budget report to the Policy and Resources Committee in December. No new equality considerations have arisen since that report.

APPENDICES

Appendix A	Draft Statement on the Robustness of Estimates and Adequacy of the Council's Reserves and Balances from the Chief Financial Officer
Appendix B	Review of the Council's Minimum Working Balance
Appendix C	'Firming Up' Adjustments
Appendix D	General Fund Revenue Budget 2020/21 – Pendle Leisure Trust – Outline Options
Appendix E	Reserves and Balances
Appendix F	Council Tax Exemptions
Appendix G	Revenue Budget Savings Proposals – Summary 2020/21 to 2022/23
Appendix G (i)	Narrative Supporting Revenue Budget Savings Proposals 2020/21
Appendix H	General Fund Revenue Budget 2020/21 – Management Team Recommendations
Appendix I	Town and Parish Council Precepts 2020/21

LIST OF BACKGROUND PAPERS

First Budget Report – Presented to the Policy and Resources Committee on 20th January 2020
Final Local Government Finance Settlement 2020/21