

REPORT OF: MANAGEMENT TEAM
TO: POLICY AND RESOURCES COMMITTEE
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GENERAL FUND REVENUE BUDGET 2021/22

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 2021/22 and the implications for the Council;
 - b) consider the proposed General Fund Revenue budget and other related matters for 2021/22;
 - c) enable the Policy and Resources Committee to make a recommendation to Council at its meeting on 25th February 2021 on the level of Council Tax to be set for the financial year 2021/22; and
 - d) provide details of the Council's Medium Term Financial Plan for the period 2021/22 to 2023/24 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 2021/22, agree to provide a grant to the Trust of £1,445,140 in 2021/22 (noting the proposal to hold an additional contingent sum of £400k in the event it is necessary to further support the Trust due to the impact of Covid-19);

- e) make recommendations to the full Council on 25th February 2021 on the General Fund Budget Requirement for 2021/22 having regard to the recommended budget as set out in this report (and detailed at **Appendix G**);
- f) subject to the Policy and Resources Committee's consideration of the budget proposals in this report, to recommend to Council on 25th February, a Band D Council Tax for 2021/22 of £276.01, being an increase of £5.39 (1.99%) on the current level of Council Tax;
- g) require each Service to operate within its budget for 2021/22 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 2023/24 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 2022/23 to 2024/25.

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 2021/22 and the Council's budget position which was considered by the Policy and Resources Committee on 21st January 2021.
- 6. In particular, this report provides details of the provisional Local Government Finance Settlement for 2021/22 (***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 2021/22. 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 over recent years, the report also highlights the on-going requirement to maintain the Council's Financial Strategy and Medium Term Financial Plan 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 further one-year funding settlement from the Government for 2021/22. During 2021, the Government is expected to conduct a Comprehensive Spending Review which will determine the overall funding envelope for Local Government over the medium term. At the same time, the Fair Funding Review, the review of the Business Rates Retention Scheme and the review of the New Homes Bonus Scheme should be concluded. Taken together, these have the potential to significantly impact on the Council's future funding.
9. And, as indicated in the first budget report, the Covid-19 Pandemic has had a significant impact on the Council's financial position. At the time of writing, the rates of Covid-19 infection are reducing but remain stubbornly high. And whilst good progress is being made with the roll-out of the vaccination programme, it is likely that the impact of Covid-19 will continue to be felt during the next financial year. It is, therefore, likely to impact adversely on the Council's budget in a way that is difficult to predict with any certainty suffice to say that the Council will continue to lobby Government to ensure that any financial impact of Covid-19 – whether on the Council's operations or in combating the spread of the disease – is fully reimbursed.

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

10. 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.
11. A draft copy of the statement that will be reported to Council on 25th 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.***
12. Given the significant reduction 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.
13. 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 2021/22

14. Details of the provisional Local Government Finance Settlement (LGFS) were provided in the report to this Committee in January 2021. 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.

15. 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 4.5% (Pendle's core spending power will increase by 1.3%);
 - the Government has provided a new Lower Tier Services Grant to ensure no Council suffers a reduction in its Core Spending Power;
 - whilst New Homes Bonus payments will be made in 2021/22, 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 2021/22 is likely to be confirmed.
16. The impact of these matters on the Council is considered in more detail below.

Funding Allocations 2021/22

17. 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 2021/22:

Table 1: Estimate of Funding for 2021/22

	Actual Funding 2020/21 £000	Estimated Funding 2021/22 £000	Forecast Funding 2022/23 £000	Forecast Funding 2023/24 £000
Retained Business Ratesv (see below)	4,131	4,093	4,093	4,093
Add Revenue Support Grant *1	1,164	1,170	1,194	1,218
Estimate of Funding	5,295	5,263	5,287	5,311

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

	Actual Funding 2020/21 £000	Estimated Funding 2021/22 £000	Forecast Funding 2022/23 £000	Forecast Funding 2023/24 £000
Individual Authority Business Rates	7,520	7,482	7,482	7,482
Less Tariff Adjustment	(3,389)	(3,389)	(3,389)	(3,389)
Estimate of Retained Business Rates	4,131	4,093	4,093	4,093

Retained Business Rates

18. 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 2021/22. 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.

19. It is estimated that the Council's share of the Business Rates will be £7.482m in 2021/22. After adjusting for the Tariff payment to Government, the amount of Retained Business Rates is estimated at £4.093m. This is broadly in line with the Government's assessment of the Council's Retained Business Rates.
20. 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 2021/22 is £1.326m which is broadly in line with the assumption in the Medium Term Financial Plan.
21. And, as previously set out, the Council is expected to participate in the Lancashire Business Rates Pool in 2021/22. 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.
22. Councillors should note that at this stage it is only possible to estimate the amount of Retained Business Rates for 2021/22 (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.

Revenue Support Grant

23. As indicated in Table 1 above, Revenue Support Grant for 2021/22 will be £1.170m (subject to confirmation in the final Local Government Finance Settlement). This is as reported to Committee in January 2021.

New Homes Bonus

24. The provisional Local Government Finance Settlement (LGFS) provided the calculation of New Homes Bonus (NHB) payable in 2021/22. Table 2 below provides an analysis of the NHB allocations for 2021/22 along with projections until 2023/24:-

Table 2: New Homes Bonus to 2023/24

	Funding 2021/22 £000	Forecast Funding 2022/23 £000	Forecast Funding 2023/24 £000
2017/18 Legacy Payments	13	-	-
2018/19 Legacy Payments	142	142	-
2019/20 Legacy Payments	-	-	-
2020/21 New Allocation	13	-	-
Total	168	142	-

25. As the table shows, the Council will receive £168k in 2021/22. As indicated in the First Budget Report, the payment for 2021/22 will be for 1-year only (and not 4 years as is normally the case with the NHB). The forecast payment in 2022/23 reflects the legacy payments from previous year's allocations and no New Homes Bonus will be received in 2023/24.
26. The Government's rationale for a single year payment in 2021/22 is that it is their intention in during 2021 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 2021/22

27. Table 3 below provides a comparison of the updated funding for 2021/22 outlined above with the estimated amounts that were assumed in the Medium Term Financial Plan 2021/22 to 2023/24 (and as reported to the Policy and Resources Committee in January 2021):

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

	Funding 2021/22 £000	Forecast Funding 2022/23 £000	Forecast Funding 2023/24 £000
Total Funding (See Table 1 above)	5,264	5,288	5,311
Medium Term Financial Plan (January 2021)	5,242	5,266	5,289
Variation	+22	+22	+22

28. The variation in funding for 2021/22 reflects the additional income assumed from Retained Business Rates.

Forecast General Fund Outturn 2020/21

29. At the meeting of the Policy and Resources Committee on 21st January 2021, Councillors approved the Revised Budget for 2020/21. At that time, it was estimated that the outturn position on the General Fund Revenue Budget would be £194k less than the approved budget for the year reducing the call on the Budget Support Reserves from £1.899m to £1.705m.
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 2021/22

31. As outlined in the report to the Policy and Resources Committee on 21st January 2021, the Base Budget for 2021/22 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 2021/22 (and future years) as set out in **Appendix C**. The latest position is now shown in **Table 4** below.

Table 4: Revised Net Expenditure 2021/22 (and Forecast to 2023/24)

	Base Budget 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000
Net Expenditure	13,358	14,527	15,547
Less Specific Reserves	(3,769)	(560)	(300)
Net Expenditure as reported 21st January 2021	9,588	13,967	15,247
'Firming Up' Adjustments (Appendix C)	11	(70)	(130)
Revised Net Expenditure	9,599	13,898	15,116

Covid-19 Financial Support

33. It appears inevitable that the Covid-19 Pandemic will remain a significant issue for the Council in the next financial year. Whilst the roll-out of the vaccination programme continues, measures to contain the spread of virus like the Test, Trace and Isolate Programme, restrictions on business openings and social distancing are likely to remain and impact on the Council's activities.
34. Recognising the need to provide Council's with financial support for the continuing impact of Covid-19 in 2021/22, details of the funding support to be made available to the Council by the Government in 2021/22 were set out in the first budget report in January. This package is subject to confirmation as part of the final Local Government Finance Settlement but is set out below for Councillors to note:-

a) Expenditure Pressures Grant – the Council's share of an additional £1.55bn to be made available to Councils has been provisionally set at £633k. Whilst the grant is unringfenced, priority areas for this funding include household waste collections, shielding the clinically extremely vulnerable, homelessness and rough sleeping, domestic abuse, managing excess deaths, support for re-opening the country and the additional cost associated with the local elections in May 2021. ***The guidance from Government makes it clear that Councils should plan on the basis of not receiving any additional funding for these pressures.***

For the purposes of budgeting in 2021/22, this additional funding has provisionally been earmarked for shortfalls in income (£153k), additional costs of Elections (£80k) and additional funding for the Pendle Leisure Trust (£400k).

- b) Local Council Tax Support Grant** – the Council's share of the £670m for the anticipated additional cost of Council Tax Support is £236k. This is reflected in the Council's Budget for 2021/22 and counters the reduction in the Council's Taxbase which has arisen due to the anticipated additional cost of the Council Tax Support in 2021/22;
- c) Local Tax Income Guarantee for 2020/21** – technically, this relates to the irrecoverable Council Tax and Business Rates income from the current financial year. However, the grant for this will not be paid until the next financial year and will cover 75% of losses. It is expected this payment will be made to the appropriate Collection Fund Account and will be distributed to Preceptors. At this stage, it has not been possible to estimate the likely grant receivable and, for the purposes of the Council's Budget 2021/22, it is proposed to treat any grant as windfall income in the year;

- d) **Sales, Fees and Charges Scheme** – the Government has confirmed that the Sales, Fees and Charges Scheme, which reimburses Councils for 75% of irrecoverable income from sales, fees and charges, will operate for the first 3 months of the 2021/22 financial year. Again, it is not possible to calculate the impact of this and therefore any grant reimbursement will be treated as windfall income in 2021/22.
35. At this stage, no announcements have been made about funding support for either businesses (either in terms of business grants or business rates relief) or individuals (for example, to support them with their Council Tax payments). These are matters that may form part of the Chancellors' Spring Budget announcement which is due on 3rd March 2021.

Pendle Leisure Trust – Grant 2021/22

36. In the current year the Pendle Leisure Trust will receive a core grant from the Council of £1.445m. As outlined in the first budget report considered by this Committee in January 2021, an additional grant payment to the Trust of £1m has been assumed in the current financial year, reflecting the impact of the Covid-19 on the Trust's financial position. The extent to which this is necessary will remain under review.
37. The Net Expenditure shown in the table above assumes no change in the core grant for 2021/22. It is not clear at this stage what the continuing impact of Covid-19 will be on the Trust's operations. At the time of writing, the Trust's facilities are closed due to the national lockdown and it is not clear when the lockdown will be lifted or, if it is, whether leisure facilities will be permitted to open. It is likely, therefore, that the Trust's operations will continue to be impacted by Covid-19 and income from both Leisure Memberships and pay-as-you-play activities adversely affected.
38. Acknowledging the potential impact on the Trust, as set out above, a contingent sum of up to £400k has been provisionally earmarked as an additional grant to the Trust to support its activities should it be necessary. Any such payment would be subject to the Trust's overall financial position for the year and would only be made following consideration of a report to this Committee.

Reserves and Balances

39. 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 D**. A strategy for the use of Balances and Reserves was also set out in the January report and is repeated below:-
- as part of the Revised Budget for 2020/21, and as referred to above, the Minimum Working Balance will be reinstated to £1.0m (and not, as previously set out, reduced to £750k with a view to restating the balance over the next two years);
 - The New Homes Bonus Reserve will continue to be used to support the Council's budget in 2021/22 and 2022/23. An amount of £250k will be used in each year;
 - 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 £4.315m of specific reserves in the period to 2023/24 including:-

- £3.446m from the Business Rates – s31 Grant Reserve used in full in 2021/22 to match the deficit on the Collection Fund – Business Rates brought forward from 2020/21. The deficit in the current year is largely a result of a technical accounting adjustment necessary for funding received by the Government in-year as a contribution towards Covid-19 business support;
 - £609k from the Business Rates Volatility Reserve which will be used in 2022/23 and 2023/24 towards the cost of the Collection Fund – NNDR deficit for 2020/21 which, in accordance with the Government guidance, can be recovered in those years.
- 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, £650k will be used to support the budget leaving a balance of £209k in the reserve. However, this is subject to the level of savings agreed following consideration of this report.
40. 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 2021/24

41. Taking into consideration the matters referred to above, the Council's Medium Term Financial Plan to 2023/24 has been updated and is set out in Table 5 below:-

Table 5: Medium Term Financial Plan 2021/22 to 2023/24

	Base Budget 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000
Net Expenditure - see Table 4 above	9,599	13,898	15,116
Use of Budget Support Reserve	(650)	-	-
Budget Requirement	8,949	13,898	15,116
Funding			
Retained Business Rates – see Table 1 above	(4,093)	(4,093)	(4,093)
Revenue Support Grant – see Table 1 above	(1,170)	(1,194)	(1,218)
Collection Fund Surplus – Business Rates	3,454	390	390
Collection Fund Surplus – Council Tax	(25)	(200)	(200)
Council Tax Income – see Table 6 below	(6,596)	(6,778)	(6,964)
Total Funding	(8,431)	(11,876)	(12,086)
Budget Deficit	517	2,022	3,030

42. The proposed Base Budget for 2021/22 contains no provision for budget growth.
43. As the table shows, on the basis of the information set out above, the Council's budget in 2021/22 shows a budget deficit of £517k with a cumulative deficit over the medium term, assuming no action is taken, of c£3m which the Council will need to address.

Council Tax 2021/22

44. From a financial planning perspective the assumption on Council Tax for 2021/22 has remained unchanged from that reported to the Policy and Resources Committee in January 2021 and is set out in Table 6 below:-

Table 6: Council Tax Assumptions 2021/22 to 2023/24

	Base Budget 2021/22	Forecast 2022/23	Forecast 2023/24
Estimated Council Tax Base (Band D Properties)	23,898.00	24,077.24	24,257.81
Estimated Council Tax (Band D)	276.01	281.50	287.10
Council Tax Income (£000)	6,596	6,778	6,964
% Council Tax Increase Assumption	1.99%	1.99%	1.99%

45. The final Settlement is likely to confirm 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%.
46. As Table 5 shows, increasing Council Tax by 1.99% will give rise to a Band D charge of £276.01, an increase of £5.39 compared to the charge in the current year of £270.62. 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 £184.01, up from £180.41 in this year.
47. 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 2021/22, then the loss of income from Council Tax would be £129k for next year in isolation and £397k cumulatively over the plan period increasing the level of savings required by the equivalent amount.
48. 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 2021/22 when it meets on 25th February.
49. Given the financial position facing the Council, **Management Team's recommendation is that the Council should increase Council Tax for 2021/22 by the maximum permitted i.e. 1.99% (an increase of £5.39)**. If agreed, this would result in a Band D charge for Pendle Council services only of £276.01. An increase of £5.39 equates to c10p per week for Band D Properties (for Band A properties, it would be £3.60 or c7p per week).
50. 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 E** shows a range of Council Tax requirements and associated Council Tax levels, combined with the impact on the budget, at different tax levels.
51. 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 25th February.

Draft Budget for 2021/22 - Management Team Recommendation

52. Table 5 above indicates that, on the basis of the assumptions set out earlier in this report, there remains a budget deficit in 2021/22 of £517k. Over the medium term, the forecast deficit rises to c£3m. This is significant in the context of the Council's overall budget, the extent to which savings have made over the last 10 years and the diminishing balance of reserves.
53. Acknowledging this budget deficit, there is a need for the Council to take action to comply with the statutory obligation of setting a balanced budget for 2021/22. To that end, Management Team has set out at **Appendix F** 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 F(i)**.
54. For 2021/22, a range of options is set out, recognising that the proposals represent some difficult choices for Councillors. Table 7 below summarises these options for Councillors to consider. As outlined, these options consider different levels of savings and, subject to decision on those, variations in the use of the Budget Support Reserve.

Table 7: Management Team - Budget 2021/22 - Options

	Base Budget 2021/22 £000	Base Budget 2021/22 £000	Base Budget 2021/22 £000
	OPTION 1	OPTION 2	OPTION 3
Revised Net Expenditure 2021/22 - see table 4	9,599	9,599	9,599
Recommended Savings (see Appendix F)	(323)	(415)	(579)
Net Revenue Expenditure	9,276	9,184	9,020
Use of Budget Strategy Reserve	(845)	(753)	(589)
Collection Funds (Net)	3,428	3,428	3,428
Revenue Support Grant	(1,170)	(1,170)	(1,170)
Estimate of Retained Business Rates - see table 5	(4,093)	(4,093)	(4,093)
Recommended Council Tax Requirement	6,596	6,596	6,596

Source: Appendix G

55. Combined with the proposed increase in Council Tax of 1.99%, **Option 3** forms the basis of the Management Team recommended budget proposal which is set out in more detail at **Appendix G**.

The Financial Strategy 2022/23 to 2024/25

56. As Table 5 above summarises, there remains an estimated budget deficit of c£3m 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 2022, there is the potential for this deficit to change.
57. 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, with the Budget Strategy Reserve almost exhausted. There is a need, therefore, for the Council to continue to implement its Financial Strategy as means to achieving a sustainable budget.

58. 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

59. 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.
60. 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.
61. 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;

- creating the planning framework that facilitates the development of employment land in the Borough so that businesses have the scope to expand and grow;
 - continuing to lobby for investment in the Pendle Borough (including, for example, investment in Town Centres. An example of this is the Nelson Town Investment Plan);
 - 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.
62. Recognising the importance of the economic regeneration and development of the Borough as a contribution to the growth in business rates income, and acknowledging the damage to Pendle's local economy caused by the impact of Covid-19, a refresh of the Council's Economic Development Strategy, including specific measures to rapidly recover from the impacts of the Pandemic, is currently underway and will be presented to the Policy and Resources Committee in Spring 2021.

New Homes Bonus

63. 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 2021. 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.
64. Once the consultation is issued and the implications for the Council can be assessed, Councillors will be provided with an update accordingly.

Charging

65. The Council reviews its fees and charges annually. The review for 2021/22 was reported to Policy and Resources Committee in October 2020 with a number of proposals agreed. The outcomes from the most recent review have been factored in to the draft budget for next year.
66. A number of other proposals have been considered and deferred previously by Councillors. For example, the proposals relating to Cemetery Fees and Charges, an Administrative Charge for the provision of Wheeled Bins and introducing charges for the collection of Bulky Household Waste are again included in the budget options shown at **Appendix F** for reconsideration.
67. 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

68. 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.
69. 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.
70. The Council has made significant savings since 2010. On staffing, the Council has reduced its headcount from 400 in 2010 to c200 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.
71. In the year to date, the Council has already approved savings of £118k and these are reflected in the Council's budget for 2021/22. Work has been ongoing to identify potential savings options that could be implemented over the period to 2023/24 and a summary of options is provided at **Appendix F**. The focus in future years remains 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.
72. Of course, more work is required to develop these options and, as in the current year, this will be undertaken in conjunction with Budget Working Group. As well as the areas referred to above, the focus will include:-
 - maintaining the staffing structure under review to ensure it remains lean but sufficiently resilient to cope with the changes in the delivery of services as the resource base reduces;
 - reducing funding for discretionary services to ensure that sufficient resources are available to fund the Council's statutory obligations and street level services where possible;
 - establishing whether any of the changes made in response to the Covid-19 Pandemic can be maintained thereby reducing the cost of running the Council. For example, the use of virtual and paperless meetings and homeworking to reduce accommodation costs;
 - continuing the programme of activity working with Town and Parish Councils to retain the delivery of services and community facilities locally;
 - reviewing the delivery and scope of leisure and cultural services to ensure they continue to offer value for money. This will mean considering in detail the recommendations arising from the Strategic Review of Leisure Services undertaken in 2019;
 - changing the way residents access Council Services with a continued emphasis on self-serve / automated processes for transactional type activity (i.e. as part of our move to become 'digital by default'). Again, the Covid-19 Pandemic has 'forced' the delivery of services virtually and the opportunity needs to be taken to retain this where possible;

- reviewing the efficiency, scope and delivery of key frontline services such as Refuse Collection, Street Cleansing and Grounds Maintenance and associated vehicle requirements;
- exploring the scope for driving out further efficiencies from the Council's partnership arrangement with Liberata. In particular, noting the increase in the number of Universal Credit claimants, and the corresponding reduction in Housing Benefit claimants, further work needs to be undertaken to establish the impact on the unitary charge payment to Liberata;
- undertaking a review of service standards to ensure that the Council continues deliver good services but at the least cost;
- undertaking technical reviews (in areas such as provisions, Minimum Revenue Provision, Housing Benefit Subsidy, the use of Flexible Capital Receipts) to determine what scope there is to reduce costs to the Council;
- reviewing Council Tax collection rates, discounts and exemptions to determine what scope there is to increase the Council Tax yield;
- working in partnership with other organisations to share the costs of service delivery and in particular with Burnley BC who have also appointed Liberata as their Strategic Partner.

73. This is not an exhaustive list but will provide the basis of subsequent budget reduction proposals.

Stop

74. 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.

75. With that in mind, it is becoming inevitable that the Council will have to withdraw the provision of some services as part of any plan to have a sustainable budget.

Capital Programme 2021/22

76. A report elsewhere on the Agenda for this meeting provides more details of the proposed Capital Programme for 2021/22. 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 Balances 2020/21

77. 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).

78. The projected year end position on the Collection Fund in respect of Council Tax is an estimated surplus of £142k, of which the Council's share is £25k. This has been factored in to the budget submission for 2021/22.
79. The projected year end position in respect of Business Rates is an estimated deficit of £8.9m and this will be recovered during 2021/22 with Pendle's share at 40% being £3.5m.

Council Tax Base 2021/22

80. The Council Tax Base has been calculated in accordance with the relevant regulations at 23,898.0 (24,257.6 for 2020/21) Band D equivalent dwellings and was approved by the Policy and Resources Committee at its meeting on 17th December 2020.

Group Proposals

81. 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.
82. Each Group also has the opportunity to present alternative budget proposals for consideration by Council. By way of a reminder, at the meeting of Council on 10th December 2020, the Rules of Procedure in relation to the Council's Budget were amended as follows:-

Advance Notice of New Budget Proposals at the Budget Council Meeting

(1) At a Special Budget Council meeting no budget proposal which is not apparent from the agenda and reports for the meeting may be moved by way of motion or amendment unless written notice of it, signed by the Member(s) giving it, has been delivered to the Corporate Director not later than 5pm three clear working days before the date of the meeting.

(2) The Corporate Director shall list such motions or amendments in the order in which they were received and shall circulate them to all Members as soon as practicable.

(3) Where the Mayor considers there are exceptional circumstances he may put to the meeting that this Rule of Procedure be suspended and the matter shall be decided by a simple majority of those Members voting and present in the room at the time the question is put.

83. ***In relation to (1) above, Groups should note that the deadline for submissions on the budget is 5pm on Friday 19th February 2021.***
84. Groups are requested, however, to note the statutory obligation of the Chief Executive, as the Council's 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 submitting motions and/or amendments referred to above.

Budget Consultation

85. 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.

86. 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 25th February when Council will be asked to approve the budget and council tax for Pendle.
87. Details of Town and Parish Council Precepts for 2021/22 have been requested by 7th February and a summary listing of those submitted at the time of writing this report is provided in **Appendix H**.
88. The scheduled date for council tax bills and accompanying leaflets to be printed is late February 2021 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 25th February as planned.

IMPLICATIONS

Policy

89. The Council's General Fund Revenue Budget supports the delivery of services in pursuance of the strategic objectives set out in the Strategic Plan.
90. The position reported for 2021/22 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

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

Legal

92. 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.

93. 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

94. 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**.
95. 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.
96. 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.
97. 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.
98. Whilst Management Team's recommended budget for 2021/22 is balanced, albeit with the use of a contribution from the Budget Strategy Reserve of £589k and the proposed delivery of savings which ultimately Councillors may not resolve to implement, the Medium Term Financial Plan indicates a deficit of c£3m that is unsustainable. 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.
99. 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.
100. 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

101. 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

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

Community Safety

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

Equality and Diversity

104. There are no equality and diversity implications arising directly from the contents of this report.

APPENDICES

Appendix A	Draft Statement on the Robustness of Estimates and Adequacy of the Council's Reserves and Balances from the Chief Finance Officer
Appendix B	Review of the Council's Minimum Working Balance
Appendix C	'Firming Up' Adjustments
Appendix D	Reserves and Balances
Appendix E	Council Tax Exemplifications
Appendix F	Revenue Budget Savings Proposals – Summary 2021/22 to 2023/24
Appendix F (i)	Narrative Supporting Revenue Budget Savings Proposals 2021/22
Appendix G	General Fund Revenue Budget 2021/22 – Management Team Recommendations
Appendix H	Town and Parish Council Precepts 2021/22

LIST OF BACKGROUND PAPERS

First Budget Report – Presented to the Policy and Resources Committee on 21st January 2021
Final Local Government Finance Settlement 2021/22