

**REPORT OF:** CHIEF FINANCE OFFICER

**TO:** COUNCIL

**DATES:** 9<sup>th</sup> DECEMBER 2021

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## TRANSFORMATION FUNDING

### PURPOSE OF REPORT

This report seeks the full Council's approval for investment in the transformation of critical services in order to support the Council's medium term financial strategy requirements. Without this critical investment there is significant risk that the Council will be unable to set a legal budget within the next 2-3 years.

### RECOMMENDATION

To approve £250,000 of spend on transformation support and resourcing in order to identify and deliver efficiency and service improvement opportunities that align to the Council's medium term financial strategy. These costs will be financed from Reserves.

### REASON FOR RECOMMENDATION

To enable the Authority to meet significant medium term financial challenge and to deliver the savings required by the medium term financial plan.

### ISSUE

1. Councillors are aware of the significant reductions in local government funding since 2010, with Pendle suffering the second highest real terms funding reduction of any Council in the Country. This has resulted in significant revenue savings annually in order to provide a balanced budget. Services is now at a critical point where further reductions are likely to lead to service failure and the Council does not have the capacity or in some areas the specialist service understanding to deliver major transformation change.
2. Whilst the finer detail of the funding arrangements for 2022/23 are yet to be announced (expected prior to Christmas 2021) and the headline figures were more positive than in previous years, there are further pressures in relation to inflation, fuel prices and potential demand on services following the pandemic that mean it is inevitable that very significant reductions in revenue spend are required over the next 3 years and potentially beyond.

3. The table below provides a summary of the Medium Term Financial Plan (MTFP) 2022/25, showing that even with the utilisation of reserves, further savings are required for 2022/23 of £1.42m and by 2024/25 a total saving of £3.039m pa is required. By not meeting these requirements either in total spend or in delayed timings, the council is at serious risk of not being able to set a legal budget;

Table; MTFP 2022/25 Summary

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
<b>Net Expenditure</b>	<b>9,111</b>	<b>13,704</b>	<b>14,775</b>	<b>15,565</b>
Less Retained Business Rates	(4,093)	(4,019)	(3,944)	(3,871)
Less Revenue Support Grant	(1,170)	(1,194)	(1,218)	(1,242)
<b>Fiscal "Gap"</b>	<b>3,847</b>	<b>8,491</b>	<b>9,613</b>	<b>10,452</b>
Collection Fund	3,428	190	190	190
Council Tax	(6,596)	(6,761)	(6,930)	(7,103)
<b>Structural "Gap"</b>	<b>679</b>	<b>1920</b>	<b>2,872</b>	<b>3,539</b>

Critical use of reserves to flatten savings profile	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Budget Support Reserve	(679)	(500)	(500)	(500)

4. Members previously agreed a Financial Strategy (2022/25) in order to set its budget and meet financial pressures as below;
- **Growing** the Council's income by increasing taxable capacity, both in Business Rates and Council Tax. This will focus on using the funding mechanisms now in place for local government being:-
    - i. the Business Rate Retention Scheme which will mean that the Council must continue to actively consider ways in which it can increase income from business growth to ensure that funding for services can be maintained; and
    - ii. the Council Tax System which will mean implementing Council Tax increases at the maximum possible and actively facilitating and encouraging the delivery of new housing.
  - **Charging** for services, raising income which will mean that it is possible to continue providing services that resident's value. This involves reviewing the level of fees and charges, reducing the subsidy on services and considering the introduction of new fees and charges;
  - **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, for example Digital by Default and working with partners, including local town and parish councils to sustain local facilities. Reducing net costs also includes increasing revenue and implementing the Council's Commercial Strategy;

- **Stop** spending on lower or non-priority areas.
5. Officers continue to work with members, including through the cross-party budget working group, to identify further service areas to consider a reduction spend, but to date only some of the proposals were agreed and work is on-going with the Board.
  6. A number of factors are severely impacting the ability for the Council to deliver its financial strategy;
    - The recent pandemic and current economic climate has resulted in difficulties and delays in growing the business rates and council tax bases. Further difficulties in planning applications and discussions over the Local Plan also impact the financial position.
    - A number of opportunities to charge residents for specific services – i.e. replacement bins and bulky household waste have not been supported politically in the current environment.
    - Options to stop or reduce some of the councils most expensive services do not align with Political priorities such as in respect of Leisure facilities
  7. Work is continuing with members, as well as in developing the detailed budgets for each services. However initial feedback suggests pressures such as changes to employers National Insurance contributions, fuel price increase, demand from the Leisure Trust and contractual inflation increases will offset any savings found elsewhere in the detailed review.

### **Transformation Programme**

8. With the “simpler” options to deliver critical savings seemingly exhausted, the Council must now urgently progress more complicated and transformational changes. It must use its reserve to Invest to Save to deliver repeatable savings over many years and not solely on protecting services for a single year. This approach is unsustainable.
9. A number of key opportunities have already been identified and if delivered will ensure the financial sustainability of the Council. In view of their size and complexity they require additional capacity and in some cases capability to deliver, to maximize the opportunity and to ensure those changes meet financial timelines. This is not an exhaustive list and further opportunities will be identified through the budget process and other cost analysis. They have been split between those strategic opportunities (larger scale, complex transformation) and specific service reviews (where specialist support is required but returns will be more immediate and specific to the service);

### **Key Strategic Transformation Opportunities**

<b>Service</b>	<b>Opportunity</b>
<b>Leisure Trust</b>	Current revenue costs are a significant percentage of total net budget and current forecast shows those increasing. Buildings will also require considerable capital to maintain. There is an opportunity to review the current provision to ensure services align to resident need and are delivered most efficiently
<b>Liberata service/contract review</b>	The contract makes up a significant element of the councils revenue budget and delivers a number of key services to residents (including customer services, council tax collection and welfare benefits). There is a priority need to review the current contract, associated costs and the alignment with the councils own services and that of its partners to ensure the best outcomes for residents
<b>Environmental Services Review</b>	The environmental services department deliver a number or critical and highly visible services across the Borough. They

<b>Service</b>	<b>Opportunity</b>
	face continuing pressures across recruitment/retention, fuel prices, vehicle maintenance and going forward to meet eco targets. There is an opportunity to review the current service design and delivery model.
<b>Corporate Estate</b>	The Council currently owns and maintains a number of building including in Nelson Town Centre (and through Liberata contract). There is a significant opportunity to provide facilities that better meet resident needs, allow a more joined up approach with private and public sector and significantly reduce costs.
<b>Democracy &amp; Governance;</b>	The current Political governance arrangements are very expensive and place an administrative pressure on officers and members. A review of arrangements whilst providing efficiency opportunities would also allow consideration of how they might better support strategic objectives and longer-term planning
<b>Town Centre parking policy</b>	With the current economic pressures on local business there is an opportunity to review the current arrangements in town centres to encourage business footfall and maximize income to the council

### **Service Transformation Opportunities**

<b>Service</b>	<b>Opportunity</b>
<b>Building Control</b>	Alongside a fundamental review of fees to include a review of resources, service design, marketing, process/systems and automation
<b>Disability Facilities Grants</b>	COVID has resulted in back log in works (ability to access and complete works) but has also identified opportunity to review current approach, funding and service model. There are critical legal requirements on the council, therefore vital the approach is reviewed
<b>In-house Printing Service</b>	The service requires significant capital investment to maintain the service. There is therefore a need to look at current business model and consider options alongside policies to ensure the approach is financially sustainable
<b>Pest Control</b>	There is the opportunity to consider the current fees and service business model in view of the competitive private sector market. This will ensure the most efficient effective model.

### **Funding and resources**

10. To enable this significant and critical works it is requested for an initial fund of £250,000 to be funded from reserves.
11. Whilst it is key that the funding is kept flexible as the initial work in those areas understand the requirements and where additional resources best add value an initial breakdown of the requirement is set out below;

<b>Role</b>	<b>Detail</b>	<b>Budget £</b>
Programme Director	To lead, co-ordinate, understand interdependencies, arrange resources and manage the delivery of the programme	£90k
Business Analysts	Mixture of senior and junior to gather market and commercial information, map process, develop future state approaches and engage/support services with new ideas	£90k
Legal advice	It is likely in view of the significant contractual arrangements that we will require external support both with potential changes to current contracts and future partnerships	£30k
Tech/systems development	There are very significant opportunities to make services and process more efficient and effective for residents through digital services. Small budget allows the development and changes to systems to deliver opportunities	£20k
Service matter experts	With a number of services delivered externally there is a lack of service and market expertise – in order to understand	£20k
<b>TOTAL</b>		<b>£250k</b>

## Reporting

12. It is proposed that officers bring update reports to the Policy and Resources meeting on a periodic basis to advise on progress. The reports will include;
- a) Progress across programme and on individual projects – including where appropriate options for change
  - b) Spend to date and projected
  - c) Level of savings identified to date
  - d) Updated timeline for programme and next steps

## Summary

13. The current Medium Term Financial Strategy shows that despite the use of reserves, a further £3m per annum saving is required by 2024/25 – nearly 20% of the net cost of services. Reserves are being used to better dampen savings and allow some time to deliver the changes, but to date works have not identified opportunities to even meet the 2022/23 budget requirements.
14. The reduction in budgets to date mean that the council has a very lean senior management team and services are run on very tight resources (in many cases struggling to maintain current service levels) and that most of the more straightforward efficiencies and savings have been exhausted.
15. In view of the level of savings required, the complexity and specialisms of the changes needed and the pace at which those efficiencies need to be delivered it is vital that additional specialist resources are brought in to provide expertise in new approaches to service design.

## **IMPLICATIONS**

### **Policy**

There are no policy implications arising from the contents of this report. As the programme develops any Policy implications will be reported at that time

### **Financial**

The financial implications are generally as provided in the report. This transformation programme and associated resource is critical to the council meeting its Medium Term Financial Strategy and to delivering effective services to local residents.

If this funding is not agreed there is a very significant risk that the council will be unable to set a legal revenue budget in future years

### **Legal**

There are no legal implications arising directly from the contents of this report. Funding includes for legal support as appropriate

### **Risk Management**

There are no risk implications arising directly from the contents of this report

### **Health and Safety:**

There are no health and safety implications arising from the contents of this report.

### **Climate Change:**

There are no climate change implications arising directly from the contents of this report.

### **Community Safety:**

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

### **Equality and Diversity:**

There are no equality and diversity issues arising from the contents of this report.