

## Appendix A

### The Financial Strategy 2022/23 to 2024/25

1. 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.
2. 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.
3. 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*

4. 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.

5. 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.
6. 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.
7. 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*

8. 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.
9. Once the consultation is issued and the implications for the Council can be assessed, Councillors will be provided with an update accordingly.

### ***Charging***

10. The Council reviews its fees and charges annually. The review for 2022/23 was reported to Policy and Resources Committee in November 2021 with a number of proposals agreed. The outcomes from the most recent review have been factored in to the draft budget for next year.
11. 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.
12. 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***

13. 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.
14. 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.
15. 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.

16. 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. 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.
17. 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.

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

### **Stop**

19. 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.

20. 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.