

REPORT FROM: DIRECTOR OF RESOURCES

TO: SPECIAL BUDGET COUNCIL

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Report Author: Richard Gibson
Tel. No: 01282 661867
E-mail: richard.gibson@pendle.gov.uk

MEDIUM TERM FINANCIAL FORECAST (2023/24 to 2025/26) WITH REVENUE AND CAPITAL BUDGETS FOR 2023/24

PURPOSE OF REPORT

The Purpose of the report is to consider the Medium Term Financial Forecast for 2023/24 to 2025/26 and to propose General Fund Revenue and Capital budgets and other related matters for 2023/24.

RECOMMENDATIONS

(1) The Council is recommended to:-

- a) Approve the Medium Term Forecast position for 2023/24 to 2025/26 and the savings required over the period of the forecast;
- b) Approve the General Fund Budget Requirement for 2023/24;
- c) Approve the proposed Fees & Charges for 2023/24 (Appendix C) ;
- d) Take account of the statement from the Director of Resources on the robustness of estimates and adequacy of the Council's reserves and balances (set out at paragraph 58 of the report), when determining the budget and level of Council Tax for 2023/24.
- e) Approve a Band D Council Tax for 2023/24 of £289.92, being an increase of £8.42 (2.99%) on the current level of Council Tax;
- f) Require each Service to operate within its budget for 2023/24 once approved, and that these budgets be cash limited and subject to regular monitoring and control.
- g) Approve the proposed capital programme for 2023/24 as shown in Appendix F;
- h) Grant delegated authority to the Director of Resources, to determine the most appropriate method of financing the capital programme for 2023/24 to ensure the use of resources is optimised by the Council;

REASONS FOR RECOMMENDATIONS

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

ISSUE

1. This report sets out Medium Term Financial Forecast (MTFF) for Pendle Borough Council for the period 2023/24 to 2025/26. The report sets out a number of scenarios which the Council may wish to consider ranging from the 'Status Quo' position to a 'Do Minimum' position and finally actions required to achieve a balance budget over the medium term and beyond. A Summary of the Options is shown in Appendix A.
2. The report goes on to consider the revenue and capital budget position 2023/24 and highlights the existing revenue gap between expenditure and income and the need to draw down from general reserves. The report focuses the Council's financial strategy towards the agreed transformation programme whilst also covering the themes of Growing, Charging, Saving and Stopping.

Medium Term Financial Forecast

Resources

3. Council funding comes for 4 main sources of income;
 - Government Grant (general and ring fenced),
 - Retained Business Rates,
 - Council Tax,
 - Fees & Charges
4. Government grant is set via Comprehensive Spending Review which was announced on 27th October 2021. The 3 Year Settlement figures set out the Departmental Expenditure Limits for the Department for Levelling Up, Housing and Communities (DLUHC) for next three years. Page 108 of the Autumn Budget and Spending Review 2021 set out the following figures for Local Government.

Table 1 – Department Expenditure Limits for Local Government

Local Government

Table 4.9: Local Government

£ billion	Outturn 2019-20	Outturn 2020-21	Baseline 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Average annual real terms growth	
							2021-22 to 2024-25	2019-20 to 2024-25
Resource DEL ^{1 2}	7.5	8.6	9.1	10.8	12.1	12.7	9.4%	8.4%
of which: Adult Social Care reform	-	-	-	0.2	1.4	2.0	-	-

5. Adjusting for Adult Social Care reform which is an Upper Tier service, these figures show a real terms increase in funding for Local Authorities in the first year of the settlement 2023/24 followed by a flat position in the following two years from £9.1bn in 2021/22 to £10.6bn in 2023/24 then £10.7bn in 2023/24 and 2024/25.

6. This indicated that the 2023/24 position is likely to be as good as it will get until 2025/26. This, at least, provided some certainty over the next 3 years for the Council but also meant that 2022/23 would be the 'best' year of the three in the next forecast. This has been borne out by the 2023/24 Settlement which is covered in more detail below.

2023/24 Provisional Finance Settlement

7. The Government announced the Provisional Settlement on 16th December 2022. The impact for Pendle split out across the four main funding areas is set out below;

Table 2 – Government Grant

£'m	2022/23	2023/24	Change (£)	Change (%)
Revenue Support Grant (RSG)	1.206	1.327	0.120	10%
New Burdens RSG (CTax Support)	0	0.132	-	-
New Homes Bonus	0.462	0.162	-0.299	-65%
Lower Tier Services Grant	0.183	0	-	-
2022/23 Services Grant	0.281	0.158	-0.122	-44%
Funding Guarantee	0	0.412	-	-
Total Government Grant	2.132	2.191	0.059	3%

8. A number of changes have been made across the grants provided to support local government. The headline increase of 10% in RSG has been offset by changes in other grant schemes such as New Homes Bonus. The reduction in NHB for 2023/24 is a direct result of the slow growth in new housing compared to other Authorities as Pendle's net additions in housing stock was the 18th lowest out of 20th statistical neighbours.
9. These reductions have been supplemented by the introduction of a **one-off** grant to ensure all Authorities (mainly Districts) received a minimum 3% uplift in Core Spending Power. Pendle's allocation is £0.412m. The MTFF assumed that this will NOT be carried forward in to future years.
10. Overall PBC core government grant has increased by £0.059m from 2023/24 to 2023/24. However, when compared on a like for like for like basis and excluding the new burdens RSG, grant has fallen by £0.073m.

Business Rates

11. Business Rates income projections are very complex with the a number of factors affecting Business Rates Yield;
- **Gross Business Rates Values**
There is limited growth in the number of businesses and the collection of business rates remains difficult with the current collection being below budget expectations.
 - **Business Rates Pool**
PBC will remain in the Lancashire Pool which allows Lancashire to retain 50% of all

Business Rates with PBC retaining 40% of all Business Rates collected (9% goes to LCC and 1% to the Fire Authority).

- **Business Rates Multiplier**

The business rates multiplier will be frozen for 2023/24 and will remain at 49.9p (small business multiplier) and 51.2p (national business multiplier). The Government will compensate local authorities for the loss of income for this decision up to the level of the September 2022 Consumer Prices Index (CPI), meaning that, taken together, the increase in the Baseline Funding Level (BFL) and the multiplier under indexation grant for 2023/24 provide an increase of 10.1%, equivalent to £0.303m.

- **Business Rates Revaluation**

The Government has confirmed that a revaluation will take place in 2023 but Top-ups and tariffs will change, to ensure that no authority suffers, as far as possible, from gains or losses due to the 2023 revaluation or from transfers from local lists to the central list. Pendle's average increase in revaluation is 14% which is higher than both national and local averages but this itself presents challenges as each business receives protection from above average increases and these protections are smoothed out across the whole of England.

There is a high level of uncertainty around business rates income due the complexity of the system and uncertainty in collection rates. The forecast assumes minimal change in business rates income.

Council Tax

12. Council Tax income can be assessed across this different areas;

- **Tax base**

The Council Tax base takes account of the number of properties across the Borough and the level of Council Tax Support residents receive. The total number of properties in Pendle remains flat but the actual net tax base has increased by 2.5% due to a technical change in the calculation of the base.

- **Collection Rate**

The assumed rate of Collection for Council Tax has been increased from 95% to 96% to reflect current in year collection rates. The rate was reduced as part of the presumed impact of lockdown which has not been forthcoming as collection rates remained stable.

Combining these two gives a tax base for the year 2023/24 of 24,776.4, an overall increase of 3.5%.

- **Annual Increase**

The Settlement assumes and allows for an increase of 2.99% in Council Tax with any increase equal to or above 3.00% being subject to a local referendum. This is an increase in previous years where the referendum limit was set at 2.00%.

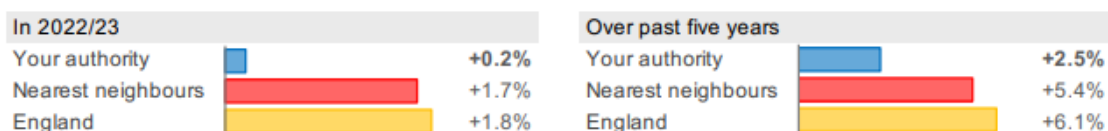
These three elements combined could provide a boost of £0.444m to the Council's resources in the next financial year. Further details on proposed increased in Council Tax are set out later in the report.

Growing

13. Both Council tax and Business Rates include an element of 'Growing' which is key element of previous forecast. Pendle's tax base growth over the last 5 years is the lowest of all it comparator authorities and over 2.5% lower than the average – equivalent to a loss of Council Tax revenue of £162.5k per annum.

Table 3 – Tax Base and Business Rates Growth

- Changes in your authority's Council Tax base (Band D equivalent properties):



Business Rates growth follows a similar pattern with Pendle's gross rateable value lagging behind other Authorities.

Non-domestic rates

- Change in the rateable value of non-domestic properties, for your authority or billing authorities:



- The Lomeshaye Phase 1 scheme will start development in 2023 and this should help to boost business rates yield from 2024/25 onwards.
- The overall Settlement position for the Authority as set out by Central Government is shown below;

Table 3 – Movement in Core Spending Power

£'m	2022/23	2023/24	Movement
Council Tax Requirement	6.767	6.961	0.194
Settlement Funding Assessment	5.278	5.682	0.405
Base Funding	12.045	12.644	0.599
Business Rates Multiplier	0.416	0.719	0.303
New Homes Bonus	0.462	0.162	-0.300
Lower Tier Services Grant	0.186	0.000	-0.183
Core Services Grant	0.281	0.158	-0.122
Funding Guarantee	0.000	0.412	0.412
Core Spending Power	13.390	14.096	0.705

- This illustrates that the Council's assumed total Core Spending Power has increased between 2022/23 and 2023/24. This is driven by increases in Council Tax and the business rates multiplier and not core by Core Government grant. It is also the Government's assumed position and not the actual change locally.
- The key issue for PBC is the difference between the Core Spending Power of circa £14m and the actual budget position of over £16m. This shortfall of £2m is the primary financial concern for the Authority,

Fair Funding Review and Business Rates Reset

18. The Government has confirmed that, the Review of Relative Needs and Resources (also known as the Fair Funding Review) and the business rates reset will not be implemented in this Spending Review period, although it states that the Government remains committed to improving the local government finance landscape in the next Parliament. In the policy statement published on 12 December 2022, the Government confirmed that core referendum principles in 2024/25 will be a 3 per cent per year general referendum limit, with authorities with social care responsibilities able to increase the adult social care precept by up to 2 per cent a year.
19. The core settlement will continue in a similar manner for 2024/25. The major grants will continue as set out in 2023/24. Revenue Support Grant will be uplifted in line with BFLs so that councils receive an increase equivalent to the September 2023 level of the Consumer Prices Index (CPI). Business rate pooling will continue. The Social Care Grant and other social care grants will increase as set out at the Autumn Statement.
20. Local authorities can also expect to receive new income, subject to the Extended Producer Responsibility for Packaging (pEPR) coming into force during 2024/25. The Government will assess the impact of additional pEPR income on the relative needs and resources of councils, particularly shire district councils. This has not be included in the Forecast as this income is not yet known.
21. The Government will set out the future position of the New Homes Bonus ahead of the 2024/25 settlement. The current forecast assumes that NHB will not carry forward in to future years.

Other Government Grants

22. Government also grant funds activities and scheme. The forecast assumes that this funding will stay the same, or if they change, this will result in reductions in outcomes as per the grant. Examples of this include;
 - Household Support Fund
 - Holiday Activity Fund
 - Homelessness
 - Discretionary Housing Payments
 - Disabled Facilities Grant (Capital)

Expenditure

23. A summary of the existing 2022/23 budget across each Service area is shown in Appendix B.

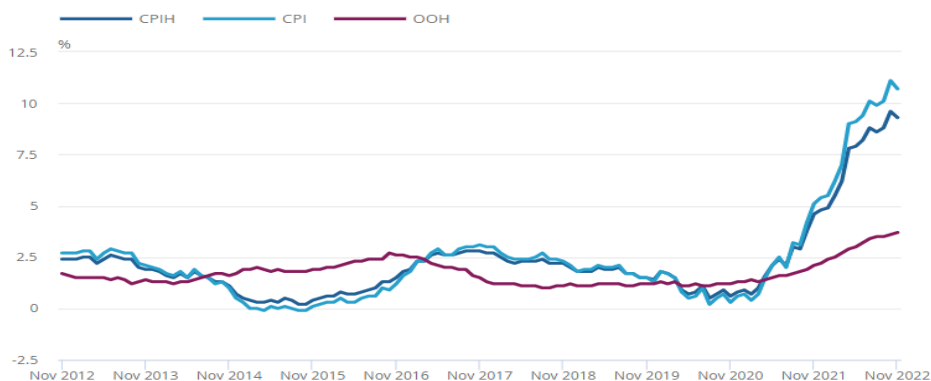
Cost Pressures

24. The Medium Term Forecast also includes the impact of cost pressures and these are set out below;
 - **General Inflation**
Inflation has reached over 10% for the first time since the 1990s and is well over the Bank of England (BoE) target rate of 2.0% for the first time since the financial crash in

2008. BoE expect inflation rates to come back down from the middle of 2023, the graph illustrates the impact of inflation;

November 2022

CPIH, OOH component and CPI annual inflation rates for the last 10 years, UK, November 2012 to November 2022

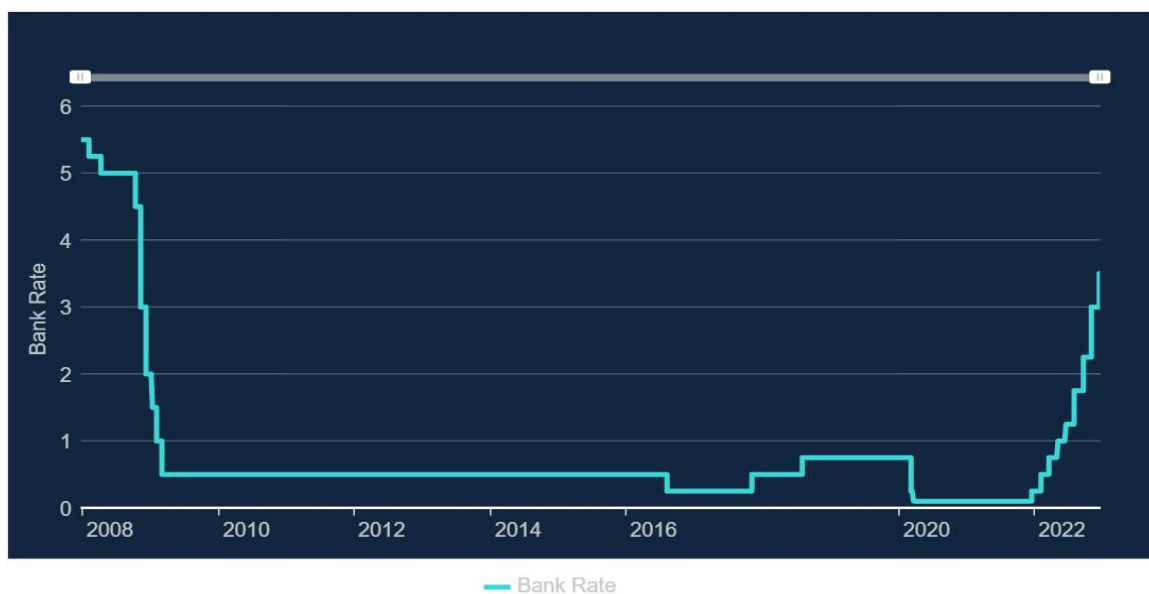


Source: Office for National Statistics – Consumer price inflation

There is a similar picture in the construction industry affecting the capital programme and other building costs (notably insurance premiums) which have seen inflationary increases ranging from 10% to 25%. In previous year Local Authorities were able to hold non pay budgets at cash limited levels, but this is proving to be harder with a number of material increases in costs now coming through.

- **Cost of Borrowing**

In order to counter these inflationary increases the Bank of England have raised the Base Rate figure from the historically low 0.5% up to 3.5% in December 2022 with further increases expected up to December 2023. The cost of borrowing for Pendle Borough Council via PWLB (Public Works Loan Board) spiked from 2.5% to 6.5% before falling back to just below 5.0%. The upside being the Council’s ability to generate interest on its short term cash investments.



- Pay Award**

The 2022/23 pay award was a flat increase in pay of £1,925 per employee. The equated to a 6.9% increase across the Council but the largest increase was felt within Environmental Services. The award also increased allowances by 4.04% and granted a further day of annual leave to all staff which will add a further 0.5% to pay pressure for those services which feel this increase most. The 2023/24 Pay Award is not set but it is assumed that employee pay bodies will push for increases in line with inflation i.e. +4%. Inflation is not expected to return to target (2%) by March 2025 at the earliest.
- Employers' Pension and National Insurance Contributions**

Employers pension contributions to Lancashire Pension Fund will increase from 18.1% to 20.0% from April 2022. This follows a three year actuarial review and whilst this is an increase in rate, the overall cost will reduce because PBC is no longer in fund deficit and will cease paying a deficit contribution of 11% from April 2022. This net reduction forms part of the Base Budget Review savings identified through the Transformation Programme.

Employers' National Insurance Contributions were increased as part of the 2022/23 budget and then reversed from 1st November 2022. This equates to a 1.00% saving in the overall pay budget before the cost of the pay award.
- External Audit fees**

External Audit fees have been retendered across local Government via the PSAA (Public Sector Audit Appointments) and have increased by x2.5. This could increase the cost of external audit services to the Council by as much as £0.100m per annum.
- Insurance Premiums**

Insurance Premiums are likely to increase in the order of 10%.
- Utilities & Fuel**

Petrol and Diesel prices increased dramatically and remain high as have electricity and gas prices. The biggest consumer of gas and electricity and therefore the biggest impact is felt in leisure where the electricity contract was renewed in September 2022 and saw a x4 increase. The gas contract will be renewed in September 2023 and current forecasts show the increase could be as much as x7. The Government price cap is reducing the existing cost but this expires in April 2023 and is therefore not relevant to the forecast from April 2023. The cost of utilities remains a significant risk to the Council over the medium term, both directly for its facilities and indirectly for the Leisure Trust.
- Pendle Leisure Trust (PLT)**

The proposal for Leisure is to fund the cost of the National Living wage increase of £0.100m but to otherwise cash limit the PLT contract. Whilst this insulates PBC from some costs it passes some financial risk to PLT to manage other pay and supplies and services costs which are also significant. PLT are also experiencing additional repairs and maintenance costs associated with running the ageing building. PLT are looking to manage this risk via an increase in fees and charges whilst managing costs (this excludes energy costs which are being supported by PBC). Leisure Centres remain the Council's biggest carbon generator.
- Transfer of Capital Budgets to Revenue**

Area Committee budgets, the purchase of domestic and trade waste bins are to be purchased from revenue budgets.
- Liberata Contract**

The Liberata UK contract was signed in 2005 and renewed in 2017 and runs until 2030. This contract is by far the biggest cost to the Council and accounts for 29% of the Council's budget (In 2005 the contract would have been worth around 22% of the

Council budget). This gearing effect reduces the ability of Pendle Council to control its own cost base and forces it to find high levels of savings within its retained services. A contract review has taken place during the year as part of the transformation agenda, whilst a number of options have been discussed they need to be agreed by both parties before implementation. The expected inflationary increase for 2023/24 is over 9.0%, though that remains subject to final agreement. The Council did commission Liberata to undertake a review of its empty homes in order to boost New Homes Bonus and this did result in Pendle receiving some grant – without this review Pendle’s NHB allocation would have been £nil.

- **Migration of Housing Benefits to Universal Credit**

Members will be aware of the migration of Housing Benefits claimants Universal Credit which will shift workload from Pendle to the Department of Works and Pensions (DWP). This remains a budgetary risk for the Authority as PBC will need to find offsetting savings to cover this budget. As this remains uncertain this is not yet included in the forecast.

- **Revenue impact of Major Capital Schemes**

Via Nelson Town Deal, the Council has already purchased new properties such as the Yes Hub and Trafalgar House and there is the potential to acquire further properties under the Revitalised Nelson project. There is no provision in the revenue budget to fund and operate these schemes so it is assumed that any additional costs will be absorbed by these capital schemes.

25. The overall impact of these cost pressures is to increase the budget by **£2.558m**. This exceeds the increase in resources from Council Tax, Business Rates and Government grant by **£1.9m**.

Saving & Stopping - Transformation Programme

26. In order to bridge this gap the Council has reviewed existing services and functions across the Council as part of a Transformation review.

27. Analysis of savings over the previous 10 years shows that broadly speaking Pendle has found savings as follows;

- 34% of all savings comes from reduction in staff numbers. (Prior to the creation of Pendle Leisure Trust and the establishment of outsourcing contract PBC had over 600 members of staff. In 2010 this number had reduced to 311 and then reduced further to 235 in 2015. Since then a further 16% reduction in staff number has been made reducing the number of staff to circa 200).
- 27% of all savings come from reduction in the Liberata/PLT contract.
- 10% of all savings come from efficiencies in the way staff work.
- 10% of savings come from charging for services.
- 2% of savings have come from growth in housing and businesses.

28. The Council’s Transformation programme has carried out a number of key reviews during the year, these are set out below;

- **Building Control**

Highlighted the need to rebuild staff morale and staffing numbers through increase in salaries and to offset this through an increase in productivity and fees & charges.

- **Development Control**

Highlighted the need to rebuild staff morale through increased staffing numbers to allow pre-application charges to be reintroduced. The interventions in both Building

Control and Development Control have successfully stabilised both services and resulted in improved and sustainable performance.

- **Environmental Services**

Highlighted the need to invest in further staffing to help improve efficiencies in the back office and to support invest in in cab technology to reduce the number of missed bins. It also highlighted the need to better manage customer demand through the use of target fees and charges and increased income generation.

- **Business Support Services**

This review has been completed and is currently being considered.

- **Leisure Review**

A feasibility review was carried out in summer 2022 with a further feasibility report to be completed mid-February 2023.

- **Admin Building Review**

The Council is working with Liberata UK to commission a review of the admin building requirements across Nelson Town Hall and No 1 Market Place. This could also take account of the proposals for Trafalgar House. The market for office space in Nelson is limited and hindered by the current parking policy. However, it is sensible to review the option for the office space in Nelson.

- **Liberata Contract**

The contract cover a range of services (HR & Payroll, Property, Revenues & Benefits, Customer Services and ICT) and runs until March 2030. It is roughly halfway through the last contract extension.

- **Base Budget Review**

A review of budgets was carried out with Service Managers to look at where budgets could be released but within corporate finance and across services.

- **Corporate Peer Challenge (CPC)**

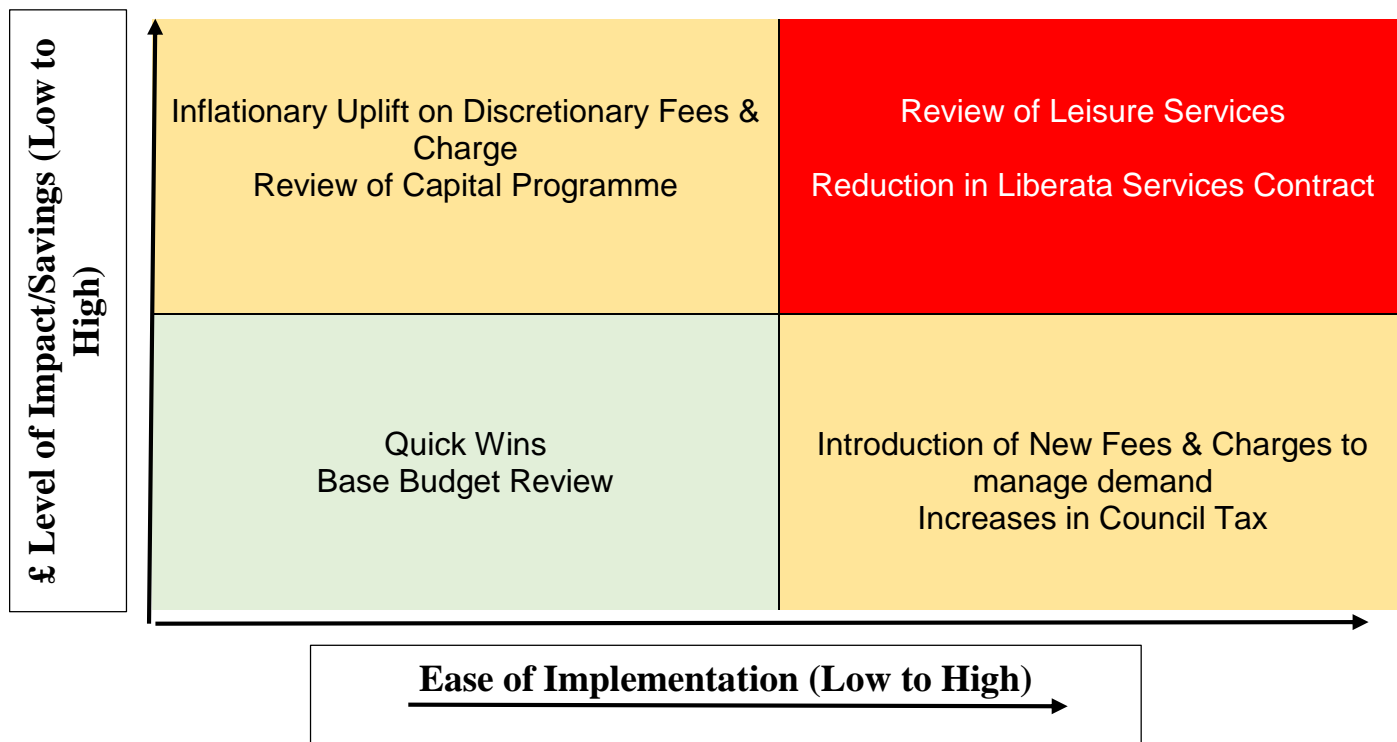
The CPC made a number of recommendations which have mostly been implemented. The main exceptions were around the streamlining of the Planning process and live streaming of Committee meetings. The proposed savings from streamlining planning process has been removed from the list of potential savings after Councils recent decisions.

- **Capital Programme Review**

The existing capital programme is too large with major capital scheme such as Nelson Town Deal and Levelling Up Fund placing a large burden on the Authority at a Strategic and operational level which add financial risk to the Council in the form of match funding and, purchase of new assets with associated running costs. The Council needs to scale back the programme and focus on the delivery of key schemes in order to remove the risk of loss of funding and also to maximise this opportunity. High value capital receipts are no longer available to the Authority and Pendle has maximised its borrowing and therefore needs to cut its capital cloth accordingly or make service cuts to offset the revenue implications of further borrowing.

29. Not all savings are equal. Some can be achieved with little impact on residents or services whilst delivering minimal savings but some high tariff savings will have high impact or can be difficult to implement. The diagram overleaf illustrates range of savings options available to the Council.

30. The forecast aims to tackle the harder to reach savings in years 2 -3 of the forecast but this still requires action to be taken in year 1 (2023/24) to allow the full year effect of any changes to be felt.



31. Based on this, the MTFF have been split in to 3 options;

- Status Quo – Based on the minimum required savings to reach a balanced budget this year and based on a 1.99% increase in Council tax.
- Do Minimum – Based on a 2.99% increase in Council Tax and a reduced capital programme to release savings in the cost of borrowing budgets. It also includes inflationary increases in fees and charges as well as new fees and charges for some waste services to help manage demand.
- Working Towards a Balanced Budget - Includes provision in the 2024/25 budget to find savings within external contracts through service reductions. These are high value but also have a high impact and are difficult to implement.

Charging - Fees & Charges

32. The other area where Resources are available to the Council is via Fees & Charges. Council approved a Fees & Charges Policy in November 2022. All services have been asked to review their Fees & Charges and to make proposals to P&R Committee, then Council on increase in charges for 2023/24.

33. Fees & Charges are a key area for income generation for the Council but they also control demand and ensure discretionary services are not subsidised by statutory services. Fees and charges are also targeted at the service user as opposed to the general Council Tax payer. The recent Life in Pendle survey indicated a high percentage of residents would accept such direct charges.

34. Appendix C includes a detailed list of the proposed Fees & Charges for 2023/24. Services have been asked to consider inflationary increases of 10% in fees & charges in order to keep the cost of these discretionary services at a breakeven position or at least no worse off than the existing budget. A list of services where increases are proposed is shown below.

- Pest Control
- Taxi Licences

- Burial Fees
- Building Control
- Commercial and Domestic Rental
- Park and Playground Maintenance
- Outdoor Recreation
- Garden Waste Collection
- Land Charges
- Trade Waste

In total, the proposed increase in fees and could generate an additional £0.215m in income to the Council.

New Charges

35. In order to control demand and to fund the switch from capital to revenue budgets the Council is proposing to introduce a charge for replacement wheeled bins from 1st April 2023.
36. In order to control demand and to offset future increase in costs from the change to Persistent Organic Pollutants (POPS) the Council is proposing to introduce a charge for Bulky Waste Collections from 1st April 2023. Both of these charges brings Pendle in to line with other Lancashire District Councils and should enable Pendle to manage the demand for this service more effectively whilst at the same time offsetting the increase in revenue costs.
37. The new charges set outlined Appendix C would generate additional income of £0.115m and would be used to offset growth in the revenue budget and contribute towards the gap in resources.

MTFF Options

38. Appendix A shows a summary of each Option and the reserves position over the period of the Forecast. Table 4 below sets out the Status Quo position;

Table 4 – Option 1 (Status Quo)

£'m	2023/24	2024/25	2025/26
Net Expenditure	16,713	17,451	17,735
Less Retained Business Rates	(5,528)	(5,491)	(5,454)
Less Revenue Support Grant and Core Government Grant	(2,191)	(1,697)	(1,697)
Council Tax (at 1.99%)	(7,113)	(7,273)	(7,436)
Funding Gap	1,880	2,989	3,147
Level of Reserves	6,904	3,915	768

39. Table 4 shows that the Status Quo position is untenable. In fact, such a stark position for the Council would likely lead to a Section 114 Notice being made at some point in the next three years.
40. In order to make additional savings the Council is therefore proposing to increase Council Tax by the Government assumed increase of 2.99%, to make release savings in the cost of borrowing through reductions in the capital programme and by increase Fees & Charges. Table 4 below sets out the Do Minimum position;

Table 5 – Option 2 (Do Minimum)

£'m	2023/24	2024/25	2025/26
Net Expenditure	16,051	16,760	17,017
Less Retained Business Rates	(5,528)	(5,491)	(5,454)
Less Revenue Support Grant and Core Government Grant	(2,191)	(1,697)	(1,697)
Council Tax (at 2.99%)	(7,183)	(7,416)	(7,657)
Funding Gap	1,149	2,154	2,204
Reserves	7,635	5,481	3,276

41. Whilst this does provide further relief from the immediate financial danger to the Council, further savings are required to balance the forecast in the medium term. A Section 114 Notice would still be likely within five years.
42. Table 6 below sets out the Working Towards position which assumed that savings of £1.0m and £1.25m can be found in 2024/25 and 2025/26 and building up to £2.0m in 2027/28. The main focus of these has to be on the Council's external contracts and Leisure function whilst also continuing to look for efficiencies across Council Departments;

Table 6 – Option 3 (Working Towards a Balanced Budget)

£'m	2023/24	2024/25	2025/26
Net Expenditure	15,051	15,760	15,767
Less Retained Business Rates	5,528	5,491	5,454
Less Revenue Support Grant and Core Government Grant	2,191	1,697	1,697
Council Tax (at 2.99%)	7,183	7,416	7,657
Funding Gap	1,149	1,154	959
Reserves	7,635	6,481	5,522

43. Based on the three options the Council needs to be looking at Option 3 in order to work towards a balance budget position over the medium term. It is important that Members takes steps as early as possible in order to bridge the gap between the available resources and expenditure as financial decisions will only become harder in later years.
44. Appendix 4 also shows a Stress Test of the MTFE across all three options to show the likely movement in Reserves over the next 3 – 5 years.

Draft Revenue Budget for 2023/24

45. Taking account of all changes in inflation, grant, growth, savings and charges set out in this report and using the known and suggested savings for 2023/24 based on the 'Do Minimum' position the Council budget for 2023/24 can be summarised as follows;

Table 7 – 2023/24 Budget Summary

2023/24 Revenue Budget	(£'m)
Net Cost of Services	16,051
<i>funded by</i>	
Retained Business Rates	(5,528)
Government Grant	(2,191)
Council Tax Income	(7,183)
Budget Gap to be Met by General Reserves	1,149

46. Note that this is a reduction in the gap compared to 2022/23 which is expected to be £1.421m. Appendix D breaks down the Budget by Service.

Proposed Capital Programme for 2023/24 to 2024/26

47. Members will be aware that Pendle has enjoyed healthy capital receipts in recent years and has used this to help fund its capital programme. Pendle has also borrowed up to and beyond its capital financing reserve to enable regeneration schemes to go ahead and these schemes have been vital in helping to regenerate the Borough.

48. However, in order to produce a balanced revenue budget for the medium term it is necessary to focus the staffing resources and the capital programme on major grant funded schemes and essential property works. By focusing on major schemes the Council can ensure its limited resources can deliver these major outcomes for the Borough and ensure that this grant funding is not lost.

49. It is important to note that that none of the lines removed from the programme have definitive schemes associated with them and new schemes can be introduced in future years once the major schemes are being delivered and as future resources permit.

50. Appendix E & F shows two potential Capital Programmes, a Status Quo Option (Appendix E) and a Do Minimum option (Appendix F).

51. As with the Revenue Budget, the Do Minimum capital programme is being proposed in order to release savings in the revenue budget. Table 8 below summarises the proposed capital programme for 2023/24 to 2025/26.

Table 8 –Proposed Capital Programme2023/24 – 2025/26

£'m	2023/24	2024/25	2025/26	Total
Housing	1.207	1.105	1.105	3.417
Regeneration	4.246	14.510	7.921	26.677
Council Assets	0.439	0.300	0.100	0.839
Resources	0.251	0	0	0.251
Environmental Services	0.445	0.075	0.75	0.595
Planning S106	0.177	0	0	0.177
Total	6.767	15.990	9.201	31.958

52. Even after removing items funded from prudential borrowing the overall programme remains significant at nearly £32m. The key difference being the reduction in borrowing need of £3.2m.

53. The following narrative provides a summary of the main items of expenditure forming the proposed capital programme for 2023/24.
- **Disabled Facilities Grant**
100% grant funded scheme to provide essential works in disabled resident's homes.
 - **Nelson Town Deal**
100% grant funded scheme providing £25m of funding to regenerate Nelson Town Centre.
 - **Levelling Up Fund**
100% grant funded scheme providing £6m of funding to regenerate Colne Town Centre.
 - **Halifax Road Cemetery Site**
Completion of the build out phase following on from the expected purchase of the site in early 2023.
 - **UK Shared Prosperity Fund (UKSPF)**
100% grant funded scheme providing £0.5m of capital funding to schemes across the borough.
 - **Corporate Property Maintenance**
On going maintenance and investment in the Council's Leisure Facilities, admin buildings, commercial units and wider asset base.
 - **Vehicle Replacement**
Replacement and investment of existing vehicles.

54. The following items have been removed from the Capital Programme.

- **Waste Collection**
Provision for the replacement of wheeled bins for Residential and Trade Waste has been transferred to revenue and can be offset by fees to control demand and to more accurately reflect asset life.
- **Capitalised Salaries**
Capital salaries are to be charged directly to the grant funded scheme to which they relate and no longer listed as a separate item.
- **Parks / Recreation Services**
The majority of works fall below the Council's £10k de minimis level or don't enhance asset life or value and should therefore be funded via revenue.
- **Area Committees**
This budget has been transferred to revenue.
- **Other Regeneration Schemes**
Where there is no specific scheme in place the projects have been removed from the capital programme pending review and appraisal.

55. Table 9 below summaries the expected available capital resources for the capital programme.

Table 9 – Proposed Capital Programme Funding

£'m	Total
Capital Receipts	0.301
Government Grant	29.997
Section 106	0.177
CPO Receipts	0.400
Prudential Borrowing	1.412
Total	31.957

56. The proposed programme will require Prudential Borrowing of £1.4m. The cost of borrowing is an important consequence of Prudential Borrowing, this comprises two elements:

- an interest cost arising from either new cash borrowing or where we choose to redeem investments (and thereby forego interest receipts) in order to have sufficient cash to meet capital payments when they fall due. The estimated cost of interest payments in 2023/24 is £0.660m.
- a principal repayment (known as the Minimum Revenue Provision or MRP) which is required to reduce the net indebtedness of the Council. Various options exist under which the MRP liability can be calculated and the Council agrees an annual policy in this respect each year in March as part of the Treasury Management Strategy Statement. In general terms the MRP charge is aligned with the useful life of the asset for any new borrowing. The estimated cost of MRP in 2023/24 is £0.500m.

57. An assessment of the revenue implications of the proposed capital programme for 2023/24 has been undertaken and the impact set out above has been reflected as appropriate in the General Fund Revenue Budget presented elsewhere in this report. However, should the proposed programme change it may be necessary to undertake a further assessment to establish the impact on the revenue budget. Any reductions in the programme may be able to contribute to the budget gap identified in the General Revenue Budget Report.

58. The Prudential Code for Capital Investment in Local Authorities requires various indicators to be approved by the Council; those applicable to this Council will be set out in the Treasury Management Strategy Statement which will be approved by Council in March 2023.

Statement on the Robustness of Estimates and Adequacy of the Council's Reserves and Balances

59. In accordance with Section 25 of the Local Government Act 2003, the Director of Resources (as the officer designated under Section 151 of the Local Government Act 1972) has produced the following statements in respect of the proposed budget for 2023/24.

- Acknowledging the contents of this report and setting this within the wider control framework and financial management arrangements within the council, I consider the Council's budget for 2023/24 in isolation to be robust.
- It is important to note the rate at which reserves are being used to support the General Fund Revenue Budget is not sustainable over the medium term without the need to align expenditure more closely with ongoing resources. If action is not taken to balance the revenue position it is inevitable that general reserves will run out and once that is the case, the Council will have to take the necessary action to balance expenditure with ongoing resources by means other than the use of reserves.

Council Tax 2023/24

60. Increasing Council Tax by 2.99% will give rise to a Band D charge from £281.50 to £289.92, an increase of £8.42. Over 60% of Council dwellings are in Band A, a 2.99% increase would give rise to a charge from £184.01 to £189.51, an increase of £5.50.

61. 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 2023/24, then the loss of income from Council Tax would be £201k for next year in isolation and £603k cumulatively over a three year period increasing the level of savings required by the equivalent amount.
62. At this time an increase in Council Tax of 2.99% 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 2023/24 when it meets on 23rd February 2022.
63. Given the financial position facing the Council, it is recommended that the Council should increase Council Tax for 2023/24 by the maximum permitted i.e. 2.99% (an increase of £8.42 a Band D property which equates to c16.2p per week (c10.5p per week for Band A properties).
64. 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.

Table 10 – Potential Increases in Council Tax

% Increase	Tax base	Band D Council Tax	Total Income	Shortfall Against 2.99% Increase
2.99%	24,776	289.92	7,183,110	0
2.50%	24,776	288.54	7,148,934	34,175
2.00%	24,776	287.13	7,114,062	69,048
1.00%	24,776	284.32	7,044,316	138,794
0.00%	24,776	281.50	6,974,570	208,540

65. The above analysis only considers the Council Tax charge made by Pendle Borough Council which represents around 13% of the total Council Tax charge levied to householders. Council Tax charges for the other authorities (Lancashire County Council, Police and Crime Commissioner and Fire Authority and Town/Parish Councils) are not considered in this report.

Group Proposals

66. 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.
67. Each Group also has the opportunity to present alternative budget proposals for consideration by Council. The Rules of Procedure in relation to the Council's Budget are 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 Head of Legal Services not later than 5pm three clear working days before the date of the meeting.
- (2) The Head of Legal Services 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.

68. In relation to (1) above, Groups should note that the deadline for submissions on the budget is 5pm on Friday 17th February 2023.

69. Groups are requested, however, to note the statutory obligation of the Director of Resources, as the Council's Section 151 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.

Precepts, Printing Council Tax Bills etc.

70. 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 23rd February 2023 when Council will be asked to approve the budget and council tax for Pendle.

71. The scheduled date for council tax bills and accompanying leaflets to be printed in late February 2023 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 instalments are collected on 1st April. Hence, it is important that Council Tax is set at the meeting of Council on 23rd February 2023 as planned.

Summary

72. The report sets out the MTFE for Pendle Borough Council for the three year period 2023/24 to 2025/26. It sets out a number of options for consideration and demonstrates the need to take action in order to reduce the revenues expenditure.

73. This report sets out the current budget position for Pendle Borough Council for 2023/24 and highlights the existing gap in funding which will require the use of £1.044m if general fund balances. This is after a proposed increase in 2.99% in Council Tax for 2023/24.

74. The report highlights that further savings through the review of external services will be needed to allow the Council to close this gap over the next three year forecast cycle.

75. The Recommendations are as set out at the beginning of the report.

IMPLICATIONS

Policy: As Set out in the report.

Financial: As Set out in the report.

Legal: There are no legal implications arising from the contents of this report.

Risk Management: There are no risk management implications arising directly from the contents of this report.

Health and Safety: There are no health and safety issues arising directly from the contents of this report.

Sustainability: There are no sustainability issues arising directly from the contents of this report.

Community Safety: There are no community safety issues arising from this report.

Equality and Diversity:

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

APPENDICES

Appendix A – MTFE Options Summary

Appendix B – Summary of the 2022/23 budgets by Service area

Appendix C – 2023/24 Fees & Charges Report

Appendix D – 2023/24 Budget by Service

Appendix E – Capital Programme Option 1 (Status Quo)

Appendix F – Capital Programme Option 2 (Do Minimum)

LIST OF BACKGROUND PAPERS