

REPORT FROM: DIRECTOR OF RESOURCES (INTERIM)

TO: SPECIAL BUDGET COUNCIL

DATE: 26th FEBRUARY 2024

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**MEDIUM TERM FINANCIAL FORECAST (2024/25 to 2026/27)
WITH REVENUE AND CAPITAL BUDGETS FOR 2024/25 ONWARDS**

PURPOSE OF REPORT

The Purpose of the report is to consider the Medium -Term Financial Forecast for 2024/25 to 2026/27 and to propose General Fund Revenue and Capital budgets and other related matters for 2024/25.

RECOMMENDATIONS

(1) The Council is recommended to:

- a) Approve the Medium-term Forecast position for 2024/25 to 2026/27 and the savings required over the period of the forecast;
- b) Approve the General Fund Budget Requirement for 2024/25;
- c) Approve the proposed Fees & Charges for 2024/25;
- d) Approve a Band D Council Tax for 2024/25 of £289.92, being an increase of £8.67 (2.99%) on the current level of Council Tax;
- e) Require each Service to operate within its budget for 2024/25 once approved, and that these budgets be cash limited and subject to regular monitoring and control;
- f) Approve the proposed capital programme for 2024/25 as shown in Appendix F;
- g) Grant delegated authority to the Chief Finance Officer, to determine the most appropriate method of financing the capital programme for 2024/25 to ensure the use of resources is optimised by the Council.

REASON FOR RECOMMENDATION

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 2024/25 to 2026/27.
2. The report goes on to consider the revenue and capital budget position 2024/25 and highlights the existing revenue position. The report focuses the Council's financial strategy towards a programme of change that attempts to close the funding gap in the medium term and therefore minimising the reliance on the use of reserves.

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, and
 - 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. Since this review the financial settlements issued have been for one year only.

Table 1 – Department Expenditure Limits for Local Government

Local Government

Table 4.9: Local Government

| £ billion | | | | | | | Average annual real terms growth | |
|---------------------------------------|--------------------|--------------------|---------------------|------------------|------------------|------------------|----------------------------------|--------------------------|
| | Outturn 2019-20 | Outturn 2020-21 | Baseline 2021-22 | Plans 2022-23 | Plans 2023-24 | Plans 2024-25 | 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. When receiving a 1 year settlement only the forecast is more uncertain, which is disappointing, but understandable. New minimum Funding Guarantee monies have bolstered the funding position for 2024/25, giving us a better position than has been anticipated.

2024/25 Provisional Finance Settlement

7. The Government announced the Provisional Settlement on 18th December 2023. The impact for Pendle split out across the four main funding areas is set out below;

8. **Table 2 – Government Grant**

| £'m | 2023/24 | 2024/25 | Change (£) | Change (%) |
|-------------------------------|--------------|--------------|--------------|------------|
| Revenue Support Grant (RSG) | 1.459 | 1.556 | 0.097 | 7% |
| New Homes Bonus | 0.162 | 0.087 | -0.075 | -46% |
| Services Grant | 0.165 | 0.026 | -0.139 | -84% |
| CSP Minimum Funding Guarantee | 0.406 | 0.579 | 0.174 | 43% |
| Additional 1% MFG | 0.000 | 0.143 | 0.143 | |
| Total Government Grant | 2.192 | 2.391 | 0.200 | 9% |

9. A number of changes have been made across the grants provided to support local government. The headline increase of 7% in RSG has been offset by changes in other grant schemes such as New Homes Bonus. 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 initial allocation was £0.579m. The MTFF assumed that this will NOT be carried forward into future years. Announced in late January 2024 was Minimum Funding Guarantee additional monies totalling £500m nationally, resulting in a 1% addition £143k for Pendle.
10. Overall PBC core government grant has increased by £0.200m from 2023/24 to 2024/25. However, when compared on a like for like for like basis, New Homes Bonus and Services grant have both fallen.

Business Rates

11. Business Rates income projections are very complex with 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 2024/25 and will remain at 49.9p (small business multiplier) and 54.6p (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 2024/25 provide an increase of £0.886m.

- **Business Rates Revaluation**

A revaluation took place in 2023. Pendle's average increase in revaluation was 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. Small Businesses with increases over 5%, Medium sized business with increases over 15% and Large business with increases over 30% will receive transition reliefs on their business rates between 2023/24 and 2025/26.

There remains a high level of uncertainty around business rates income due the complexity of the system and uncertainty in collection rates. The forecast assumes some increase business rates income.

Council Tax

12. Council Tax income can be assessed across these 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 final Tax base has increased by 0.7%. Property numbers within pendle have not significantly increased.

- **Collection Rate**

The assumed rate of Collection for Council Tax has been increased from 96% to 97% to reflect current in year collection rates.

- **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.

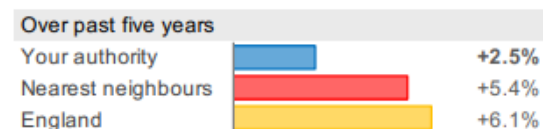
These three elements combined could provide a boost of £0.268m to the Council's resources in the next financial year. Further details on proposed increased in Council Tax are set out later in the report.

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 £186k per annum.

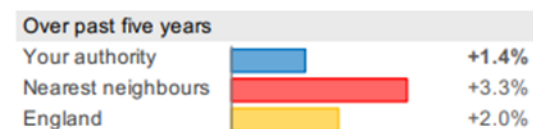
Table 3 – Tax Base and Business Rates Growth

Changes in Council Tax base



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

Changes in Non-domestic rates



14. The Lomeshaye Phase 1 scheme started development in 2023 and this should help to boost business rates yield from 2024/25 onwards, however delays in valuation may see this impact moving to 2024/25 and beyond.
15. The overall Settlement position for the Authority as set out by Central Government is shown below;

Table 4 – Movement in Core Spending Power

| £'m | 2023/24 | 2024/25 | Movement |
|-------------------------------|---------------|---------------|--------------|
| Council Tax Requirement | 7.183 | 7.453 | 0.270 |
| Settlement Funding Assessment | 5.683 | 5.976 | 0.293 |
| Base Funding | 12.866 | 13.429 | 0.563 |
| Business Rates Multiplier | 0.719 | 1.261 | 0.542 |
| New Homes Bonus | 0.162 | 0.087 | -0.075 |
| Core Services Grant | 0.165 | 0.026 | -0.139 |
| Funding Guarantee | 0.406 | 0.722 | 0.316 |
| Core Spending Power | 14.318 | 15.525 | 1.207 |

16. This illustrates that the Council's assumed total Core Spending Power has increased between 2023/24 and 2024/25. This is driven by increases in Council Tax and the business rates multiplier and Core Government grant. It is also the Government's assumed position and not the actual change locally.

Fair Funding Review and Business Rates Reset

17. 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.

18. 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 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.
19. New Homes Bonus allocation has reduced over recent years. The current forecast assumed that NHB will not carry forward into future years.

Other Government Grants

20. The forecast assumes that recurring Government grants, funding activities and schemes, will stay the same. If they change this will result in reductions in outcomes as per the grant. Examples include;

- Household Support Fund
- Holiday Activity Fund
- Homelessness
- Discretionary Housing Payments
- Disabled Facilities Grant (Capital)

We also are in receipt of capital funding under Major Capital Schemes including.

- Nelson Town Deal
- Colne Levelling Up
- Long term Towns Funding (Nelson)

Expenditure

21. A summary of the existing 2023/24 budget across each Service area is shown in Appendix A.

Cost Pressures

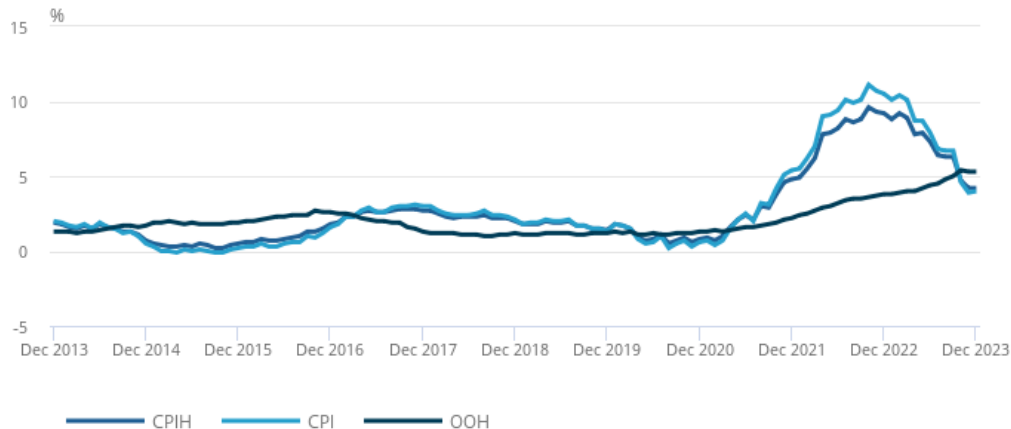
22. The Medium Term Forecast also includes the impact of cost pressures and these are set out below;

- **General Inflation**

In 2023 Inflation reached over 10% for the first time since the 1990s, 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 continue to come back down through the first half of 2024/25, the graph below illustrates the impact of inflation.

Figure 1: Annual CPI inflation rate increases for the first time since February 2023

CPIH, OOH component and CPI annual inflation rates for the last 10 years, UK, December 2013 to December 2023

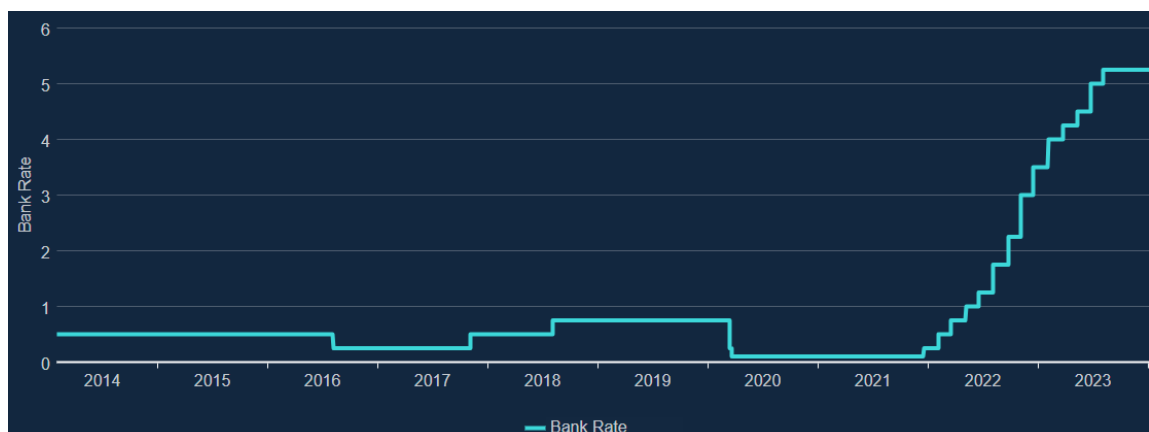


Source: Consumer price inflation from the Office for National Statistics

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 that have been felt over the last 3 financial years.

- 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 5.25%. 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 2023/24 pay award was an increase in pay of £1,925 per employee, for the majority of staff (with those over SCP46 receiving a percentage increase at 3.88%). The equated to a 6.9% increase across the Council but the largest increase was felt within Environmental Services. The 2024/25 Pay Award is not set but it is assumed

that employee pay bodies will push for increases in line with 2023/24 agreement. More will be known late February when employee unions make their claims.

- **Employers' Pension and National Insurance Contributions** Employers pension contributions to Lancashire Pension Fund will be increased from 18.1% to 20.0% in April 2023, and remain at this level. This followed a three-year repaying of a deficit in contributions. Employers' National Insurance Contributions are 13.8%.
- **Internal Audit fees**
Internal Audit is outsourced. The increase in the contract for 2024/25 is £20k
- **Insurance Premiums**
Insurance Premiums are likely to increase in the order of 5%.
- **Utilities & Fuel**
Petrol and Diesel prices appear to have dropped and stabilised following a sustained period of high pricing. The biggest consumer of gas and electricity and therefore the biggest impact is felt in leisure with Pendle BC making a significant contribution during 23/24 to meet their cost increases. 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. The Government has recognised pressure on the sector with Pendle BC receiving a £353k Energy Support Fund Grant that will be available to be drawn down during 24/25. Novation of utilities contracts from PLT to the Council could produce savings in the region of £70k.
- **Vehicle Hire**
The councils vehicles are on contract hire in the majority. Annual hire increase is set at 8.3% for 2024/25, circa £70k
- **Pendle Leisure Trust (PLT)**
During 2023/24 Pendle BC funded Leisure for the cost of the National Living wage by £100k. The additional impact on pay differentials that the National living Wage brings about is £250k during 2025/26 results. The Management Fee will increase accordingly. 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 will continue to manage this risk via an increase in fees and charges whilst managing costs. (this excludes energy costs which continue to be supported by PBC). It should be noted that PLT's financial position is likely to result in the use of their reserves to balance their 2024/25 budget.
- **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 during 2023/24 has been finalised and implemented which included the transfer in house of the Property Function with effect from 1.4.24. The expected inflationary increase for 2024/25 is 5%. Under a continuous improvement strategy, KPIs, resourcing will constantly be under review.

- **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. The deadline for all eligible claimants to move to UC is currently set in 2028/29.

- **Revenue impact of Major Capital Schemes**

As previously reported, 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 provisions in the revenue budget to fund and operate this schemes so it assumed that any additional costs will be absorbed by these capital schemes.

- **Agency Spend**

Expenditure incurred in covering frontline services has grown significantly in recent years. In 2023-24 the overspend against the agency budget for frontline services is set to be circa £540k. Some additional costs are negated by reduced spend on in-house salaried staff (in the case of vacant posts). Sickness cover, using agency, is more difficult to negate and continues to be a significant pressure on frontline budgets. We are seeking to reduce it's impact by around 50% (i.e. £270k)

23. The overall impact of these cost pressures is to increase the budget by **£0.812m**

Saving & Stopping

24. In order to bridge this gap, the Council will continue to review existing services and functions across the Council as part of its continuous improvement strategy.

25. 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.

All these savings take their toll on staffing resilience, whilst Pendle is required to continue all statutory services and fulfil reporting requirements, along with any other size of Local Authority.

26. During 2023/24 the Council has carried out a number of key reviews;

- **Business Support Services**

This review was completed and is still being considered.

- **Leisure Review**

The latest review took place in November 2023. With outcomes and recommendations still to be considered.

- **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 halfway through the last contract extension.

- **Base Budget Review**

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

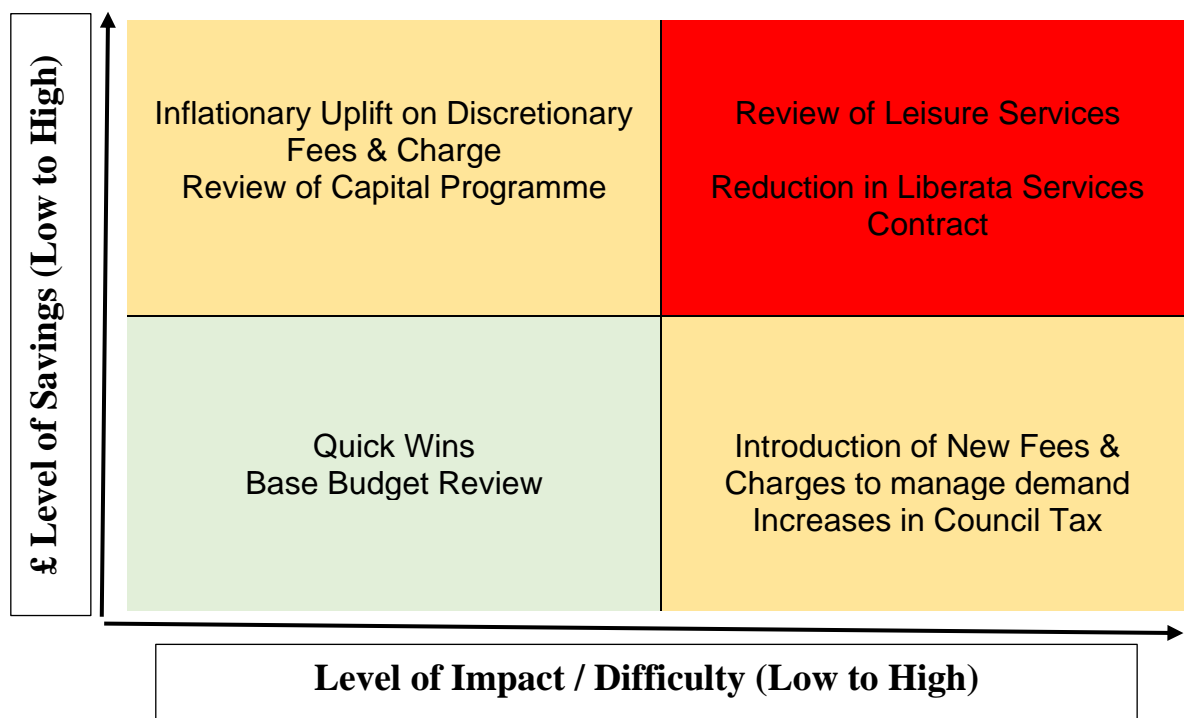
- **Capital Programme Review**

As previously reported 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 is continually reviewing its programme and needs to scale back focus on the delivery of key schemes to remove the risk of loss of funding and also to maximise this opportunity. 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.

We will introduce a Capital Asset and Investment group to continue to review the Council's fixed assets.

27. 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.



Charging - Fees & Charges

28. The other area where Resources are available to the Council is via Fees & Charges. Council approved a Fees & Charges Policy in February 2023. All services have been asked to review their Fees & Charges and to make proposals to the Executive Committee, then Council on increase in charges for 2024/25.
29. 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 2022 Life in Pendle survey indicated a high percentage of residents would accept such direct charges.
30. A recent benchmarking report undertaken by LG futures based on the 2022-23 Revenue Outturn returns that Pendle's income to expenditure ratio is ranked 15th out of 16 nearest neighbours, and 145th highest out of 148 comparable authorities in England. The full Benchmarking report and rankings can be seen in Appendix B
31. Appendix C includes a detailed list of the proposed Fees & Charges for 2024/25. Services have been asked to consider inflationary increases of 6.7% 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.
32. All services have applied proposed increases except for:
- Taxi Licensing
 - Garden Waste

- Cemeteries
- services where fees are set under statute law (e.g. Pavement Licences, Public Health Charges, environmental Protection Charges.)

In total, the proposed increase in fees and could generate an additional £0.052m in income to the Council.

New Charges

33. Wheeled Bins: 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 2024.
34. Persistent Organic Pollutants (POPS): In order to control demand and to offset future increase in costs from the change to POPS the Council is proposing to introduce a charge for Bulky Waste Collections from 1st April 2024.
35. Both of these charges bring Pendle into 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.
36. The new charges set outlined Appendix C would generate additional income of £0.143m and would be used to offset growth in the revenue budget and contribute towards the gap in resources.

MTFP

37. Table 4 below sets out Council's expenditure, funding and reserves position over the period of the Forecast;

Table 5 – MTFP 2024/25 to 2026/27

| £'m | 2024/25 | 2025/26 | 2026/27 |
|--|----------------|----------------|----------------|
| Net Expenditure | 16,232 | 17,107 | 16,848 |
| Less Retained Business Rates | -6,435 | -5,988 | -6,084 |
| Less Revenue Support Grant and Core Government Grant | -2,391 | -1,948 | -1,828 |
| Council Tax (at 2.99%) | -7,451 | -7,721 | -7,986 |
| Funding Gap | -45 | 1,450 | 950 |
| | | | |
| Level of Reserves | 9,530 | 8,080 | 7,130 |

38. Table 4 shows that the financial position during the medium term is untenable. As previously reported and is a position that mirrors the sector. The funding gap is significant for 2025/26 onwards and without effective plans to reduce the reliance on reserves during this period It could lead to increased financial intervention in the form of a Section 114 Notice being

served.

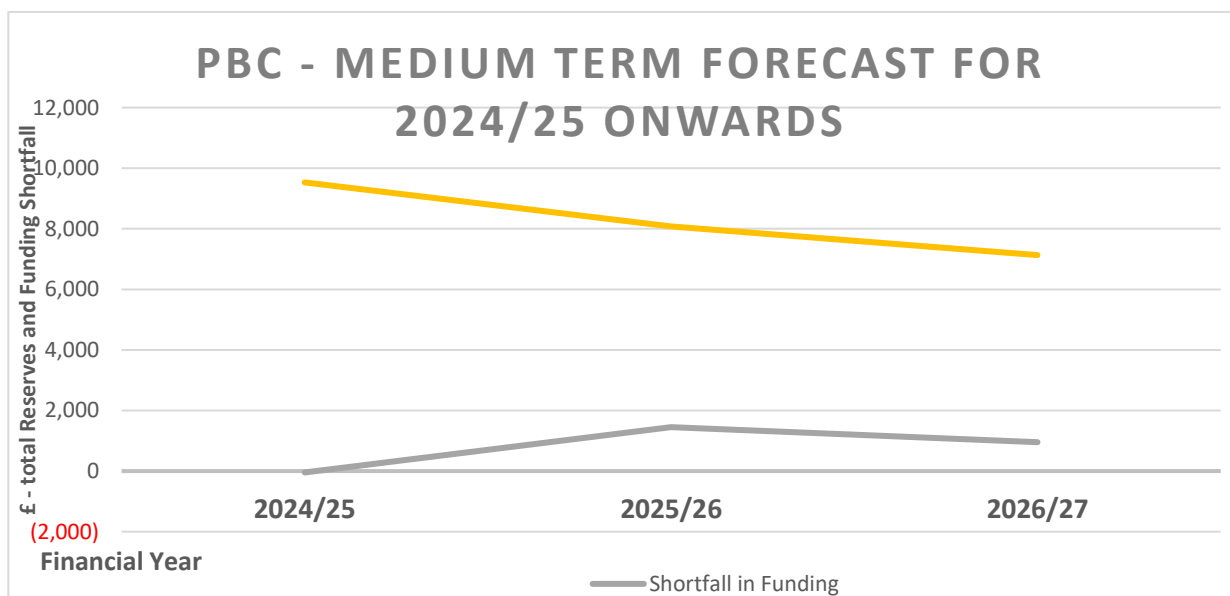
39. It is therefore imperative that the Council proposes to increase Council Tax by the Government assumed increase of 2.99%, makes savings in the cost of borrowing through reductions in the capital programme and to increase Fees & Charges in line with industry benchmarking.
40. In addition, the Council needs to be working towards a balance budget position over the medium term with Members taking steps to bridge the gap between the available resources and expenditure.

Reserves

41. A review of earmarked reserves held has taken place, and is shown in Appendix D. At the end of 2022/23 the total held was £8.743m. The focus on the use and relevance of each has been challenged resulting in a movement out of earmarked reserves to general reserves of £3.380m. This leaves earmarked reserves at £5.363m and General Reserves at £4.123m.

Reserves will be under continual review to ensure risks and priorities are being financially managed.

42. It should be noted that a general reserve level should be maintained with industry best practice determining this to be 5% of next revenue budget this will be at a minimum of £1m.
43. The graph below shows the impact of the MTFP on reserves levels, as set out in Table 5;



Draft Revenue Budget for 2024/25

44. 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 2024/25 position the Council budget for 2024/25 can be summarised as follows.

Table 6 – 2024/25 Budget Summary

| 2024/25 Revenue Budget | (£'m) |
|---|--------------|
| Net Cost of Services | 16,232 |
| <i>funded by</i> | |
| Retained Business Rates | (6,435) |
| Government Grant | (2,391) |
| Council Tax Income | (7,451) |
| | |
| Contribution to General Reserves | (45) |

45. Note that this is a reduction in the gap compared to 2023/24 reported position due to the increase in funding guarantee and investment interest. At this stage we are undertaking a line by line review to validate this position. Appendix E breaks down the Budget by Service.

Proposed Capital Programme for 2024/25 to 2027/28

46. 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 its capital financing limit to enable regeneration schemes to go ahead and these schemes have been vital in helping to regenerate the Borough.
47. However, 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.
48. 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.
49. Appendix F shows the current carry forward Capital Programme plus the pipeline prioritisation works for 2024/25 through to 2027/28.
50. As with the Revenue Budget, the current approved capital programme is being proposed to release savings in the revenue budget. Table 8 below summarises the proposed capital programme for 2024/25 to 2027/28.

Table 7 –Proposed Capital Programme 2024/25 – 2027/28

| £'m | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Total |
|----------------|----------------|----------------|----------------|----------------|--------------|
| Housing | 2.426 | 1.105 | 1.105 | 1.105 | 5.741 |
| Regeneration | 32.771 | 1.403 | 0.000 | 0.000 | 34.174 |
| Council Assets | 1.086 | 0.297 | 0.166 | 0.171 | 1.719 |

| | | | | | |
|------------------------|---------------|--------------|--------------|--------------|---------------|
| Resources | 0.237 | 0.000 | 0.000 | 0.000 | 0.237 |
| Environmental Services | 5.507 | 3.579 | 0.079 | 0.000 | 9.165 |
| Planning S106 | 0.198 | 0.000 | 0.000 | 0.000 | 0.198 |
| Total | 42.226 | 6.384 | 1.349 | 1.276 | 51.234 |

51. The proposed capital programme for the next four years up until 2027/28 is £51.234m.

52. The following narrative provides a summary of the main items of expenditure forming the proposed capital programme for 2024/25.

- **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**
77% grant funded scheme providing £8.5m of funding to regenerate Colne Town Centre.
- **Earby Flood Defences**
100% grant funded scheme providing £2.5m of funding to develop flood defences at Earby.
- **Halifax Road Cemetery Site**
The new site will be developed over two phases. Phase 1 will include the creation of an access road off Halifax Road, SUDS drainage system, carparking and storage areas, burial plots, ashes interment walls and woodland. Phase 2 will be developed as and when phase 1 looks to be reaching capacity levels. Phase 2 will see highway infrastructure being created through the remainder of the site and further burial plots, woodland and ashes interment areas.
- **Food Waste Collection & Waste Transfer Station**
On the 1st April 2026 weekly food waste collections will come into effect nationally. In order to implement this we anticipate costs of £6.1m of which we will have to find funding for 87% of the cost. We will be submitting an appeal to DEFRA in the hopes to secure more funding and have been in talks with LCC for support in the costs associated with the waste transfer station.
- **UK Shared Prosperity Fund (UKSPF)**
100% grant funded scheme providing £0.974m 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.
- **Long-Term Plan For Towns Fund**
Details of this announcement are still being worked through with a programme requiring submission during the Summer 24.

53. Table 8 below summaries the expected available capital resources for the capital programme.

Table 8 – Proposed Capital Programme Funding

| £'m | Total |
|----------------------|---------------|
| Government Grants | 38.303 |
| Section 106 Receipts | 0.198 |
| Capital Receipts | 3.726 |
| Reserves | 0.227 |
| Prudential Borrowing | 8.780 |
| Total | 51.234 |

54. The following items are under review and at this stage will require a considerable financial undertaking without an agreed route to be funded.

- Waste transfer station, following the termination of existing arrangements with Lancashire County Council a solution will be required by the end of March 2026. Works would need to begin in 2024/25 to purchase and develop the transfer station in order to meet this requirement. Currently with no agreed capital support for this it is expected that it would cost the council £5.0m.
- Waste food Collection whilst there is some grant funding there is going to be a significant unaffordable funding shortfall of £0.282m with a solution required by the end of March 2025.
- The new cemetery site at Halifax Road development anticipates a further £2.419m to complete the two phases required.

55. The proposed programme will require prudential borrowing of £8.78m. 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 2024/25 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 2024/25 is £0.542m.

56. The 2022/23 balance sheet review carried out by Link our Treasury Management advisors showed the council to be under borrowed by £0.783m. The above prudential borrowing need of £8.78m would increase the council's capital financing requirement. Factoring in due loan repayments of £1.0m in 2023/24 and 2024/25 this would then leave the council under borrowed by £11.563m.

| 2022/23 | Capital Financing Requirement (CFR) | 2023/24 | 2024/25 |
|---------------|---|---------------|---------------|
| 51.373 | Property, Plant & Equipment | 51.373 | 60.153 |
| 0.768 | Heritage Assets | 0.768 | 0.768 |
| 0.756 | Intangible Assets | 0.756 | 0.756 |
| 1.045 | Assets Held for Sale | 1.045 | 1.045 |
| 3.048 | Capital Long-Term Debtors | 3.048 | 3.048 |
| - 23.570 | Revaluation Reserve | - 23.570 | - 23.570 |
| - 12.182 | Capital Adjustment Account | - 12.182 | - 12.182 |
| 21.238 | CFR (as per Prudential Code) | 21.238 | 30.018 |
| 21.238 | Underlying Borrowing Requirement | 21.238 | 30.018 |
| | External Borrowing | | |
| - 1.096 | Short Term | - 1.096 | - 1.096 |
| - 19.359 | Long Term | - 18.359 | - 17.359 |
| - 20.455 | TOTAL External Borrowing | - 19.455 | - 18.455 |
| 0.783 | Internal Borrowing (under +/ over -) | 1.783 | 11.563 |

57. An assessment of the revenue implications of the proposed capital programme for 2024/25 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 2024.

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 Chief Finance Officer (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 2024/25.
- 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 2024/25 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 2024/25

60. Increasing Council Tax by 2.99% will give rise to a Band D charge from £289.92 to £298.59, an increase of £8.67. Over 60% of Council dwellings are in Band A, a 2.99% increase would give rise to a charge from £189.51 to £195.18, an increase of £5.67.
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 approving no increase in council tax for 2024/25, then the loss of income from Council Tax would be £216k for next year.
62. Currently 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 determine the level of Council Tax for 2024/25 when it meets on 26th February 2024.
63. Given the financial position facing the Council, it is recommended that the Council should increase Council Tax for 2024/25 by the maximum permitted i.e. 2.99% (an increase of £8.67 a Band D property which equates to c16.7p per week (c10.9p per week for Band A properties).
64. 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

65. At this meeting, the Executive 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.
66. Each Opposition 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 & Democratic Services not later than 5pm three clear working days before the date of the meeting.
- (2) The Head of Legal & Democratic 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.

67. In relation to (1) above, Groups should note that the deadline for submissions on the budget is 5pm on Friday 16th February 2024.
68. Opposition 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.

69. 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 26th February 2024 when Council will be asked to approve the budget and council tax for Pendle.
70. The scheduled date for council tax bills and accompanying leaflets to be printed is late February 2024 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 26th February 2024 as planned.

Summary

71. The report sets out the MTFF for Pendle Borough Council for the three-year period 2024/25 to 2026/27. It sets out several options for consideration and demonstrates the need to take action in order to reduce the revenues expenditure.
72. This report sets out the current budget position for Pendle Borough Council for 2024/25 and highlights the current position which will require no use of general fund balances. This is after a proposed increase in 2.99% in Council Tax for 2024/25, and agreement of all increased and introduced charges.
73. 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.
74. 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 – Summary of the 2023/24 budgets by Service area

Appendix B – LG Futures Outturn Benchmarking Report

Appendix C – 2024/25 Fees & Charges Report

Appendix D – Reserves Review 2023-24

Appendix E – 2024/25 Budget by Service following this budget

Appendix F – Capital Programme

LIST OF BACKGROUND PAPERS