

REPORT FROM: DIRECTOR OF RESOURCES (INTERIM)

TO: SPECIAL BUDGET COUNCIL

DATE: 26th FEBRUARY 2024

Report Author: Damon Lawrenson

Tel. No: 01282 661867

E-mail: Damon.Lawrenson@pendle.gov.uk

ROBUSTNESS OF BUDGET ESTIMATES 2024/25

PURPOSE OF REPORT

The purpose of this report is to report on the robustness of the Council's budget estimates for 2024/25 and the adequacy of financial reserves in accordance with Section 25 of the Local Government Act 2003. Section 25 (2) of the Act states that "an Authority to which a report under this section is made shall have regard to the report when making decisions about the calculations in connection with which it is made".

RECOMMENDATION

The Council is recommended to consider and have regard to the statements from the Director of Resources (as the Council's Section 151 Officer) when determining the Budget (Revenue Budget and Capital Programme) and level of Council Tax for 2024/25.

REASON FOR RECOMMENDATION

To inform Council of the Section 151 Officer's assessment of the robustness of estimates for 2024/15 and to ensure that Councillors fully appreciate the implications of the proposed budget on the Council's financial position.

ISSUE

1. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the budget estimates and the adequacy of the financial reserves. The Act also requires the Authority to which the report is made to have regard to the report when making decisions about the budget. The Chief Finance Officer is as defined in Section 151 of the Local Government Act 1972 and is fulfilled by the Director of Resources.
2. This report is made in respect of the 2024/25 Budget as set out in the Revenue Budget, Council Tax, Medium Term Financial Plan, and Capital Strategy 2024/25 report to this Council.

Overall Opinion

3. The proposals to establish a net budget requirement of £16,232m and council tax requirement of £7.451m, are robust and provide sufficient resource to enable the council to set a balanced budget for 2024/25.
4. Furthermore, The S151 Officer does not consider Pendle Borough Council to be at risk of a s114 Notice (Local Government Act 1988) in setting the budget for 2024/25. This view is based on the latest available information and in the event of a change in the risk profile or financial circumstances.

Level of Assurance for the 2024/25 Budget and Risk Assessment

5. However, the position cannot be assured over the medium term and will be kept under review in the coming months. The advice of the Section 151 Officer is therefore to adopt a medium-term strategy that seeks to maximise resources, reduce expenditure and, if possible, to reverse the current trend of reducing reserves.
6. There are a few key strategic financial issues and risks which the Council is facing;
 - High levels of deprivation which equates to lower levels of government funding when compared to other districts.
 - The Minimum Funding Guarantee remains in place for 2024/25 equating to £722k which has helped bridge the funding gap for this year and is likely not to be in place in the future.
 - Uncertainty around future revenues from government and the business rates system. The current settlement is for one year only and uncertainty remains about fair funding reviews.
 - Low taxbase with a high proportion of Band A tax properties which produces a low gearing effect.
 - Low housing growth means low-income growth through Council Tax base rises.
 - Low business rates growth generally when compared to neighbouring authorities.
 - Low-income generation from commercial rents and fees & charges.
 - Desire to subsidise discretionary services and to limit the scope for fees & charges.
 - The Liberata contract has been renegotiated to reduce the overall unitary charge but remains indexed linked and locked in until 2030.
 - Commitment to retain three swimming pools with high staff and energy running costs, high carbon output and a need to invest significant capital sums to keep them running efficiently.
 - Average Pay Award set to be >14% for last 2 financial years with further increases as the impact of the national minimum wage pushes up wage inflation.
 - Low land values make inward investment difficult without public sector gap funding.
 - Lack of PBC surplus land to generate capital receipts.
 - Pendle has historically been over borrowed so cannot easily borrow any more to invest in future capital projects, nor can it afford to do so.
 - There is a small amount of repayment of borrowing due over the next three years, but most of the borrowing is not due for repayment well into the future.
 - Lack of demand for surplus business premises, particularly in Nelson and the absence of a clear business car parking strategy to attract inward investment to the vacant spaces within the ACE Centre and No1 Market Street.
 - External funding is welcomed but places additional burden on existing staffing resources which are already stretched e.g., NTD, Colne LUF, UKSPF.

- Future viability of Pendle Leisure Trust as the Council seeks to minimise any Management Fee paid and the onward pressure this places on the Pendle Leisure Trust.
 - Desire to develop all Cemetery sites across the borough in addition to the Halifax Road Site in Nelson and the absence of a clear funding package for the development of Halifax Road. This is linked to the need to increase cemetery fees and charges.
7. In addition there are a number of potential future risks which must be considered:
- Need to establish a Waste Transfer Station in the East of Lancashire.
 - Potential impact of Environment Bill and changes to Food Waste.
 - Council's Vehicle Contract is due for renewal in 2026.
 - Impact on the move to Universal credit and the need to balance the Housing Benefit subsidy budget in respect of overpayments and Supported Accommodation.
 - Diminishing returns from investment income in future years due to falling cash balances and falling interest rates.
 - Uncertainty around future utilities costs and wider inflation.
 - Impact of reducing interest rates and reducing cash balances as major capital schemes are implemented resulting in a reduction in investment income.
8. The time frame up to 2030 is of particular importance as the existing Liberata contract expires in March 2030 and this represents the next opportunity for Pendle to redefine the scope of the contract and to release savings by looking at other options such as shared services and bringing services in house. The recent agreed negotiation of the contract will help to ease the pressure on Pendle and should allow for a better partnership with Liberata in the future.
9. Previous decision to invest heavily in regeneration schemes through the capital programme via the Joint Venture companies whilst helping to develop the local areas have not been commercially successful. This has led to Pendle maximising its borrowing position without introducing offsetting revenue savings and in some cases increases the burden on the taxpayer. For example, the No 1 Market Street office is underutilised and is funded by base budget. Attracting new businesses into the centre of Nelson would alleviate some of this pressure and provide synergy with the Nelson Town Deal.
10. In Pendle's case the lack of a return was well understood ahead of the regeneration investments made. Nevertheless, poor commercial decisions are a decisive factor in many of the recent Section 114 Notices issued by Local Authorities and this cannot be dismissed entirely from Pendle's current financial position.
11. Exit arrangements of the Joint Venture companies should be considered to ascertain the options for asset / liability distribution and any potential income flow.
12. There is a requirement for a future programme of work to embed an organisational culture of good governance and financial management and within this a particular focus on strengthening financial practice across the Authority.
13. In this respect the gaps in membership in Accounts and Audit Committee should be noted and are of concern.
14. The Council is expecting to shortly receive a value for Money report for the years 21/22 and 22/23 with recommendations that will require urgent attention. The report will be considered at the Accounts & Audit Committee in March 24.

15. Elected members are central to the Leadership of the Council and a determination to reach a balanced budget position by all Elected members sets an important tone for the Authority as a whole. Cross party consensus on key budget areas will be essential in balancing the budget in the medium term.
16. The Council is advised to pursue a policy of strengthening its financial resilience by maximising its local revenues through Council tax increase and increases in fees & charges. The Council is advised to reduce its capital programme and to minimise its use of external borrowing and to make tough decisions where it can do so.
17. Furthermore, it should investigate potential avenues for savings through an ongoing continuous improvement programme. The Council needs to be bold and look to turn potential threats into opportunities by using future contract end dates to reimagining services. In this way the Council will be better able to withstand any future financial shocks and be in a stronger position to develop and implement its strategic plans.
18. A focus on delivery of savings and demand mitigation will be required to maintain a balanced budget; further work may be needed to identify and delivery future budget proposals. This work needs to commence at the earliest opportunity to agree proposals that bridge the forecast funding gap in 2025/26.
19. Council is therefore, asked to note the report and have regard to the statements as provided when determining the Budget and level of Council Tax for 2024/25.

IMPLICATIONS

Policy: There are no policy implications arising directly from the contents of this report. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report to Councillors on the robustness of the Council's estimates and adequacy of the financial reserves.

Financial: There are no financial implications arising directly from the contents of this report. Councillors should have regard to the statements as provided when determining the Budget and level of Council Tax for 2024/25.

Legal: In accordance with s32 and s43 of the Local Government Finance Act 1992 (LGFA 1992), annually the Council must calculate and approve its budget requirement for the forthcoming financial year. Section 25 of the Local Government Act 2003 also requires the Chief Finance Officer, as the officer having responsibility for the administration of the Council's financial affairs, to report to the Council on the robustness of the budget estimates and adequacy of financial reserves when determining its budget requirement under the LGFA 1992. This report has been produced to discharge this responsibility.

Risk Management: The development of the Council's budget is a complex task and is based on estimates of future income and expenditure. Councillors will appreciate that these estimates are made based on the best information known when undertaking the work.

Whilst every effort is made to ensure these estimates are robust, Councillors should be aware there is a risk that both internal and external factors may have an impact on budgetary performance. To minimise and control the impact of this, the Council has in place various mechanisms including, for example, financial and contract procedure rules, budgetary control and monitoring arrangements.

The budget for 2024/25 includes a range of proposals for service savings. These proposals have been identified through the Council's Service and Financial Planning process and

represent areas where it is considered possible to reduce the Council's budget whilst maintaining service delivery at a level capable of achieving the Council's corporate priorities.

Councillors should be aware that the Medium-Term position continues to show a substantial deficit which is of considerable concern as the availability of reserves reduces. The extent to which Councillors act now to permanently reduce the Council's net cost base will reduce the extent to which savings are required in the future.

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

None

LIST OF BACKGROUND PAPERS