

**REPORT FROM: DIRECTOR OF RESOURCES**

**TO: SPECIAL BUDGET COUNCIL**

**DATE: 27<sup>th</sup> FEBRUARY 2025**

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## **GENERAL FUND REVENUE AND CAPITAL BUDGETS 2025/26 AND MEDIUM-TERM FINANCIAL FORECAST (2025/26 to 2027/28)**

### **PURPOSE OF REPORT**

- The Purpose of the report is to propose General Fund Revenue and Capital budgets and other related matters for 2025/26 and to consider the Medium -Term Financial Forecast for 2025/26 to 2027/28.

### **RECOMMENDATIONS**

(1) The Council is recommended to:

- a) Approve the Medium-term Forecast position for 2025/26 to 2027/28 and the savings required over the period of the forecast;
- b) Approve the General Fund Budget Requirement for 2025/26;
- c) Approve a Band D Council Tax for 2025/26 of £307.52, being an increase of £8.93 (2.99%) on the current level of Council Tax;
- d) require each Service to operate within its budget for 2025/26 once approved, and be subject to regular monitoring and control;
- e) approve the use of £449k from reserves to support the 2025/26 revenue budget
- f) approve the proposed capital programme for 2025/26 as shown in Appendix C;
- g) grant delegated authority to the Director of Resources, to determine the most appropriate method of financing the capital programme for 2025/26 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 (PBC) for the period 2025/26 to 2027/28.
2. The report goes on to consider the revenue and capital budget position 2025/26 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.

### **Background**

3. The budget process is a key element of the council's strategic planning process. It is part of the service and financial planning approach adopted by the council, is a means of ensuring that resources are best placed to enable the council to deliver its corporate priorities as expressed in the Corporate Plan.
4. Following the general election in July 2024 the new Government set out its plans for reforming local government structures and addressing financial challenges faced by local authorities.
5. The government set out its aims in its 2025/26 Finance Policy Statement to empower local authorities to drive economic growth and improve public services through devolution and targeted funding. This effort relies on economic growth, which is seen as crucial for improving public services.

Key points include:

Devolution: Giving local leaders the tools to drive growth through combined authorities, tailored to local needs

Simpler structures: An aim to move towards simpler, more accountable local government structures, such as suitable sized unitary councils, to improve efficiency and service delivery.

Local Authority funding reform: as set out below.

6. The Finance Policy Statement announced a single year financial settlement for 2025/26 with a commitment to a multi-year settlement from 2026/27. From 2026/27 the approach to funding allocations will be reformed based on an up-to-date assessment of need and the ability to raise tax income locally. The reforms will build on the proposals set out in the previous government's review of Relative Needs and Resources (also referred to as the 'Fair Funding Review'). The aim will be to radically simplify the local government funding landscape through consolidating grants from across central government.
7. In addition to the funding reforms the Government intends to 'reset' the business rates system from 2026/27. This could have an impact for the Lancashire Business Rates Pool, of which the Council is a member. In recent years PBC has benefitted from additional pooling income of c£600k per annum.
8. The Government's intention is to move gradually towards an updated funding system and the Government has stated they will consult on possible transitional arrangements to determine how local authorities reach their new funding allocations.

## **2025/26 Final Finance Settlement**

9. The Government announced the Provisional Finance Settlement on 3<sup>rd</sup> February 2025, which stated that no local authority will experience a reduction in their Core Spending Power for 2025/26. This is after accounting for potential council tax increases and applying a funding floor. This measure aims to ensure that all councils can maintain service levels while encouraging efficiency improvements and economic growth. Overall, councils' core spending power is set to increase by £3.8 billion, or 6.3%, in cash terms for 2025/26, assuming all councils implement the maximum allowable council tax increases. This equates to a 3.8% real-term increase after adjusting for inflation. However, the distribution of this increase will vary across different councils. PBC has seen an increase in core spending power for 2025/26 of 1%.

10. The headlines are

- **Council Tax** – Shire Districts are permitted to raise council tax by up to 3% or £5, whichever is higher, without requiring a local referendum. Plus a further 2% for authorities with social care responsibilities. The Police & Crime Commissioners are permitted to raise their element by up to £14.
- **Settlement Funding Assessment** – The September CPI figure of 1.7% was applied to increase the local government funding amount within the business rates retention scheme and Revenue Support Grant.
- **Recovery Grant** – worth £600 million overall, which has been targeted towards areas with greater need and demand for services (using deprivation as a proxy for this), and less ability to raise income locally. In reality the majority of this funding has gone to authorities with social care responsibilities. PBC has been allocated £453k.
- **Extended Producer Responsibility (EPR) Scheme** - A significant development in the 2025/26 settlement is the introduction of the EPR scheme for packaging. The EPR scheme mandates that producers bear the costs of managing packaging waste, thereby providing councils with funds to enhance waste collection and recycling services. Notably, this revenue is excluded from councils' Core Spending Power calculations for 2025/26. Whilst the Government has guaranteed to underwrite the estimated amounts payable to Councils in 2025/26, the long term level of this funding is unclear. PBC has been allocated £897k in 2025/26.
- **National Insurance** – The Government are providing £515m to English councils to offset the increase to employer NICS. PBC will receive £112k against a cost for directly employed staff of £227k, leaving a shortfall of £115k to be found from existing resources.
- **Other Grants** – Funding Guarantee grant funding was significantly reduced with the Council having no allocation. The Services grant was ceased.

11. The impact for Pendle split out across the main funding areas is set out below;

12. **Table 1 – Government Grant**

| £'m                           | 2024/25      | 2025/26      | Change (£)    | Change (%) |
|-------------------------------|--------------|--------------|---------------|------------|
| Revenue Support Grant (RSG)   | 1.556        | 1.601        | 0.045         | 3%         |
| Funding Guarantee             | 0.722        | 0.000        | -0.722        | -100%      |
| Services Grant                | 0.028        | 0.000        | -0.028        | -100%      |
| Recovery Fund                 | 0.000        | 0.453        | 0.453         | 100%       |
| New Homes Bonus               | 0.087        | 0.135        | 0.048         | 55%        |
| <b>Total Government Grant</b> | <b>2.393</b> | <b>2.189</b> | <b>-0.204</b> | <b>-9%</b> |

13. Overall PBC core government grant has reduced by £0.204m from 2024/25 to 2025/26.

### Business Rates

14. 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 small business rates multiplier for 2025/26 will remain frozen at 49.9p and there will be an increase to the standard rate multiplier of 1.7% (from 54.6p to 55.5p). The Government will compensate local authorities for the loss of income for this decision up to the level of the September 2024 Consumer Prices Index (CPI).

- **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% have received transitional relief 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

15. 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 reduced from 96.5% to 96% 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.

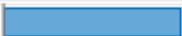


***These three elements combined could provide a boost of £0.273m to the Council's resources in the next financial year. Further details on proposed increased in Council Tax are set out later in the report.***

## Growing

16. 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 its comparator authorities and 2% lower than the average – equivalent to a loss of Council Tax revenue of £103k per annum.




### **Table 2 – Tax Base and Business Rates Growth**

Changes in Council Tax base

| Over past five years |   |       |
|----------------------|---|-------|
| Your authority       |    | +3.7% |
| Nearest neighbours   |   | +5.1% |
| England              |  | +5.7% |

Business Rates – rateable values show a decline of -0.1% over the last 5 years with Pendle's gross rateable value lagging behind other Authorities. However looking at 2024/25 alone, Pendle saw growth of 0.5%, higher than its nearest neighbour average of 0.0% and the England average of 0.4%.

Changes in Non-domestic rates

| Over past five years |   |       |
|----------------------|---|-------|
| Your authority       |  | -0.1% |
| Nearest neighbours   |  | +2.9% |
| England              |  | +0.9% |

17. The overall Settlement position for the Authority as set out by Central Government is shown below;

### **Table 3 – Movement in Core Spending Power**

| £'m                                     | 2024/25       | 2025/26       | Movement     |
|---|---------------|---------------|--------------|
| Council Tax Requirement                 | 7.453         | 7.730         | 0.277        |
| Settlement Funding Assessment           | 5.933         | 6.019         | 0.086        |
| <b>Base Funding</b>                     | <b>13.386</b> | <b>13.749</b> | <b>0.363</b> |
|   |               |               |              |
| Business Rates Multiplier               | 0.886         | 0.934         | 0.048        |
| New Homes Bonus                         | 0.087         | 0.135         | 0.048        |
| Services Grant                          | 0.028         | 0             | -0.028       |
| Funding Guarantee                       | 0.722         | 0             | -0.722       |
| Recovery Grant                          | 0             | 0.453         | 0.453        |
| Employers NI Compensation Grant         | 0             | 0.112         | 0.112        |
| Domestic Abuse Safe Accommodation Grant | 0.034         | 0.034         | 0.000        |
| Other Rolled in grants                  | 0.020         | 0             | -0.020       |
| <b>Core Spending Power</b>              | <b>15.163</b> | <b>15.417</b> | <b>0.254</b> |

18. This illustrates that the Council's assumed total Core Spending Power has increased between 2024/25 and 2025/26. 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**

19. As stated earlier the Government has confirmed that, 2025/26 will be a single year settlement with the Review of Relative Needs and Resources (also known as the Fair Funding Review) and the business rates reset looking to be implemented in 2026/27. The final settlement confirmed that core referendum principles in 2025/26 will be a 3 per cent shire district referendum limit, with authorities with social care responsibilities able to increase the adult social care precept by up to 2 per cent a year.
20. The New Homes Bonus allocation has reduced over recent years. The current forecast assumes that NHB will not carry forward into future years.

### **Other Government Grants**

21. The forecast assumes that recurring Government grants, except for homelessness support grant, 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
- Discretionary Housing Payments
- Disabled Facilities Grant (Capital)

The Council has received an increase in the homelessness support funding of £126k in 2025/26.

The Council is also in receipt of capital funding under Major Capital Schemes including.

- Nelson Town Deal
- Colne Levelling Up

The revised Long Term Plan for Towns Funding prospectus (Nelson) is to be re-issued early in 2025, with capacity funding to be issued during 2025/26 and the main schemes starting from 2026/27.

## 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 remain above the 2% target for the next year and then reduce after that. The graph below illustrates the inflation rates since 2014.

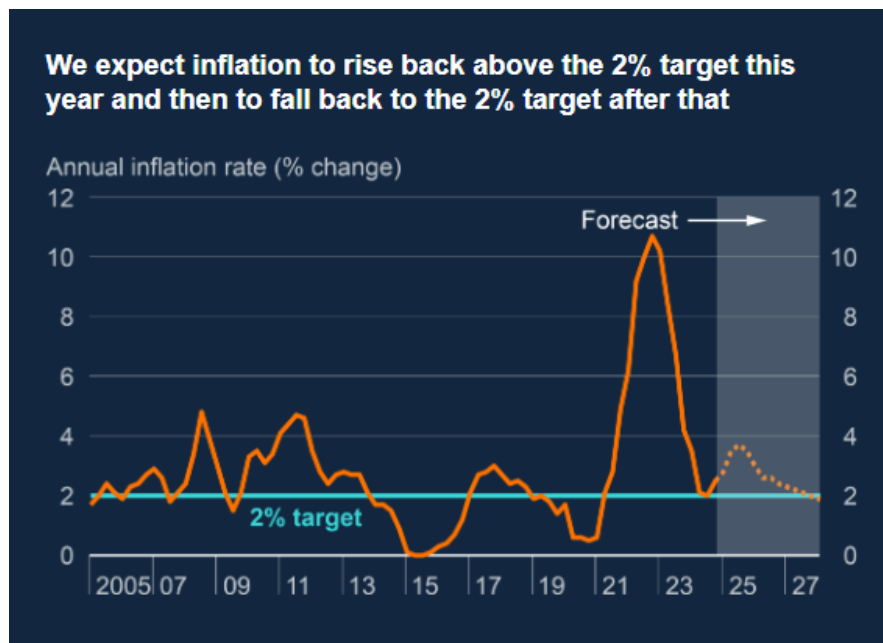
Figure 1: Annual CPI inflation rate falls while CPIH annual inflation rate is unchanged

CPIH, owner occupiers' housing (OOH) costs component and CPI annual inflation rates, UK, December 2014 to December 2024



Source: Consumer price inflation from the Office of National Statistics

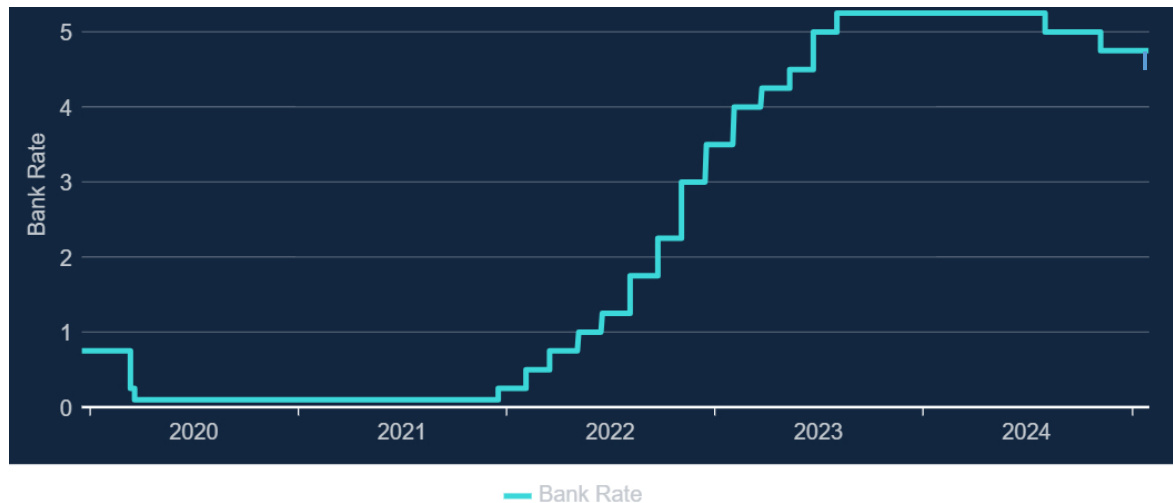
The graph below illustrates the Bank of England inflation forecast



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 raised the Base Rate figure from the historically low 0.5% up to 5.25% at its highest. The current base rate was reduced from 4.75% to 4.5% on the 6<sup>th</sup> February 2025. 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 6.0%. The upside being the Council's continued ability to generate interest on its short-term cash investments.



- **Pay Award**

The 2024/25 pay award was an increase in pay of £1,290 per employee, for the majority of staff (with those over SCP46 receiving a percentage increase of 2.5%). This equated to a 3.8% increase across the Council with the largest increase being felt within Environmental Services. The 2025/26 Pay Award is not yet set but employee unions are pushing for increases in excess of the 2024/25 agreement.

- **Employers' Pension Contributions**

Employers pension contributions to Lancashire Pension Fund increased from 18.1% to 20.0% in April 2023 and remain at this level until the next triennial review, which is due in 2026.

- **Employers' National Insurance Contributions** NI contributions will increase from 13.8% to 15%, from April 2025. The level at which employers start paying NICs (the secondary threshold) will also reduce from £9,100 to £5,000 per year. It is estimated this will cost the Council c£227k for directly employed staff and c£51k for Liberata staff. The Government will provide some funding to mitigate the additional cost. The level of funding was announced as part of the final financial settlement. PBC will receive £112k.

- **New Posts/Salary Costs**

1 new Empty Homes Officer (Housing & Environmental Health), 2 Technical Officers linked to EPR (Operational Services), and costs of interim cover an recruitment for Chief Executive post have been included.

- **Internal Audit fees**  
Internal Audit is outsourced. The contract has been re procured for 2025/26 which has enabled the Council to maintain the current budget.
- **External Audit fees**  
The Public Sector Audit Appointments (PSAA) Committee have instructed that External Audit fees will be increased by 9.7% from 2025/26 to cover additional audit work under revised standards and a contractual inflationary increase payable to audit firms.
- **Insurance Premiums**  
Insurance Premiums are likely to increase in the order of 10%.
- **Utilities & Fuel**  
Petrol and Diesel prices have been increasing since October 2024, this appears to be connected to recent geopolitical events and the imposition of tariffs by the USA on Canadian and Mexican oil imports disrupting the global supply chain.  
Gas and electricity prices having reduced during 2024/25 are also increasing again. PLT are the biggest consumer of gas and electricity and therefore the biggest impact will be felt in leisure. 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. Novation of utilities contracts from PLT to the Council produced savings in the region of £70k during 2024/25.
- **Vehicle Costs**  
The councils vehicles are on contract hire in the majority with hire costs set to increase by 3.5% for 2025/26. Cost increases are also included for HVO and maintenance.
- **Pendle Leisure Trust (PLT)**  
The additional impact on pay differentials that the National living Wage and the Employers NI increase brings is c£270k during 2025/26 results. PLT have requested an increase to the Management Fee of £150k towards this increase, the new CEO is seeking efficiencies to bridge the remaining gap. 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 2025/26 budget. The current management contract for Marsden Golf Club/Course ends 31-Mar-2025, with management set to return to PLT. Costs included in the budget at £100k, as per separate options report.
- **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 25% 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. The contract was reviewed during 2023/24 which included the transfer in house of the Property Function with effect from 1.4.2024. The expected inflationary increase for 2025/26 is 6.4%, this includes the adjustment for the increase in employers NI. The cost of this is an additional £182k, with the final loss of profit

payment of £97k bring the total impact to £279k. 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 purchased new properties such as the Yes Hub, Trafalgar House, Pendle Rise and various relocation properties. There were no provisions in the revenue budget to fund and operate this scheme as it was assumed that any additional costs would be absorbed by the capital schemes. However this has not been the case as the revenue expenditure is not covered by the programme. The 2025/26 revenue budget contains £380k to support these activities.

- **Housing Stock Modelling Survey**

Local Authorities are required to understand the condition of their housing stock and to develop strategies/approaches to address issues of concern. The last Housing Stock Condition Survey was completed in 2009 and an update to this is now required. The advantages of a Housing Stock Modelling Survey is that it is considerably cheaper than a traditional Housing Condition Survey whilst still providing a level of information which meets the needs of the Council.

- **Other increases**

some lower level increases have been worked into the MTFP, a dangerous trees budget, increased costs on telephones, increased charges, and loss of income from Town & Parish Councils.

23. The overall impact of these cost pressures is to increase the budget by **£2.0m**

## **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 2024/25 the Council has carried out a number of key reviews;

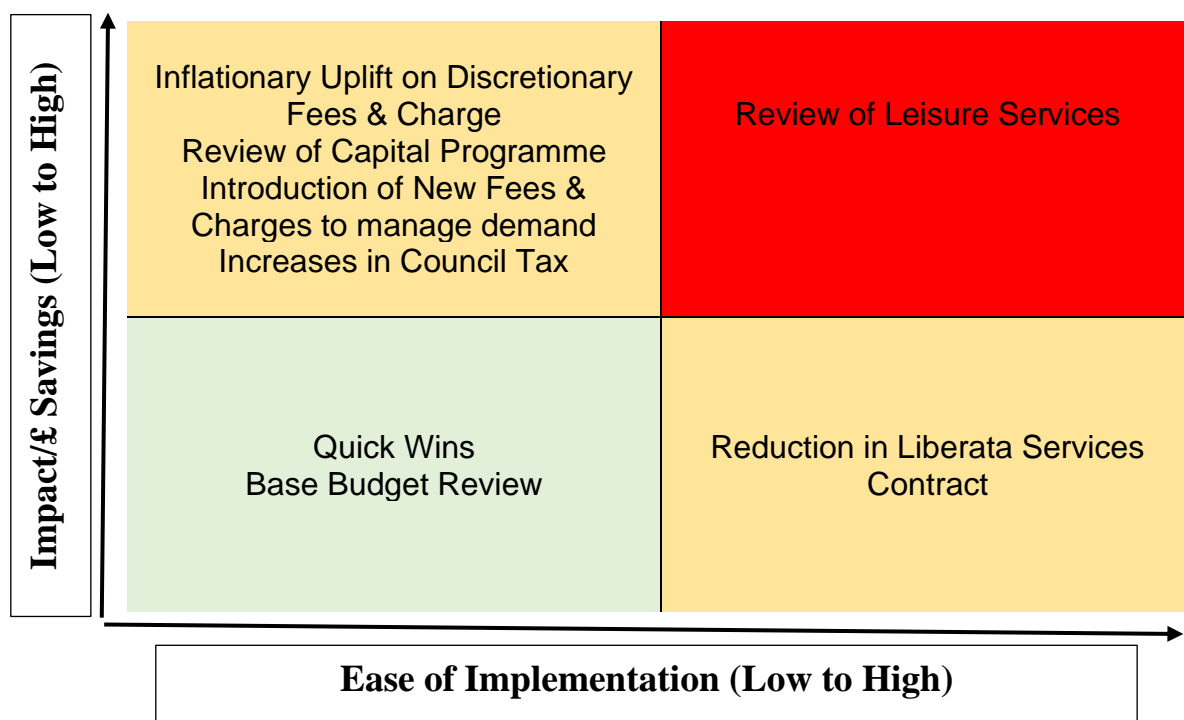
- **Leisure Review**  
The latest review took place in July 2024. The outcome being that running 3 wet & dry leisure centres is not sustainable in the long term.
- **Admin Building Review**  
The Council is in the process of developing a review of the admin building requirements across Nelson Town Hall and No 1 Market Place. 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 covers a range of services (HR & Payroll, 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 conducted with Service Managers to look at where budgets could be released 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.

The Council has updated its asset management strategy which is intended to drive change and transformation in the way that land and property is managed and in the way that assets are able to support service delivery.

- **Street Cleansing**  
O&S conducted a review into mechanical street cleansing and made proposals to the Executive to reduce the number of mechanical street cleansing vehicles and replace them with increased manual litter picking. The budget implications of an increased cost of 6k in year one and savings of £49k p.a each year thereafter have now been included in the proposed budget.

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 below illustrates range of savings/income generating 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. Services were asked to review their Fees & Charges for 2025/26 with the proposals being presented to Budget Working Group and then Council.
29. Fees & Charges are a potential 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 most recent benchmarking report undertaken by LG futures based on the 2022-23 Revenue Outturn returns that Pendle's income to expenditure ratio was ranked 15<sup>th</sup> out of 16 nearest neighbours, and 145<sup>th</sup> highest out of 148 comparable authorities in England.
31. For 2025/26 services applied 2.2% increases except for:
- Taxi Licensing
  - Pest Control – service review as agreed by Council in December 2024
  - Garden Waste
  - services where fees are set under statue law (e.g. Pavement Licences, Public Health Charges, environmental Protection Charges.)

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

## New Charges proposed and rejected

32. Wheeled Bins: To control demand and to fund the switch from capital to revenue budgets O&S proposed the introduction of an administration charge for replacement wheeled bins from 1<sup>st</sup> April 2025. It was estimated the charge would generate an additional £53k p.a.

income, however the proposal was rejected by Council in December 2024.

33. Persistent Organic Pollutants (POPS): In order to control demand and to offset future increases in costs from the change to POPS, O&S proposed the introduction of a charge for Bulky Waste Collections from 1<sup>st</sup> April 2025. It was estimated the charge would generate an additional £30k p.a. income, however the proposal was rejected by Council in December 2024. If the current level of demand is maintained or increases it is likely to lead to a reduction of future years EPR funding.
34. Both of these charges would bring Pendle into line with other Lancashire District Councils and would have enabled Pendle to manage the demand for this service more effectively whilst at the same time offsetting the increase in revenue costs.

### **Additional Income**

35. Operational Services are set to received EPR grant, of which £538k has been recognised in the MTFP, to help fund current recycling initiatives and the two new posts mentioned above.
36. Investment Income remains healthy, and the target for income in 2025/26 is now set at £1.000m
37. Total financial impact of increased income/savings is **-£0.840m**

### **MTFP**

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

**Table 4 – MTFP 2025/26 to 2027/28**

| <b>£'m</b>   | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> |
|--|----------------|----------------|----------------|
| Net Expenditure                                      | 17.320         | 18.302         | 19.752         |
| Less Retained Business Rates                         | -6.958         | -6.905         | -6.562         |
| Less Revenue Support Grant and Core Government Grant | -2.189         | -2.096         | -2.132         |
| Council Tax (at 2.99%)                               | -7.724         | -7.995         | -8.275         |
| <b>Funding Gap</b>                                   | <b>0.449</b>   | <b>1.306</b>   | <b>2.783</b>   |
|  |                |                |                |
| Level of Reserves                                    | 6.410          | 5.104          | 2.321          |

39. 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 2026/27 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.
40. It must be noted that the Councils financial situation has benefitted from high returns on investment income, through investing the grants received in advance for the major capital schemes. As these funds are spent and if and when interest rates reduce the Council will no longer be able to rely on this income to support the MTFP.

41. It is therefore imperative that the Council agrees to increase Council Tax by the Government assumed increase of 2.99%, and makes savings in the cost of borrowing through reductions in the capital programme.
42. 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.

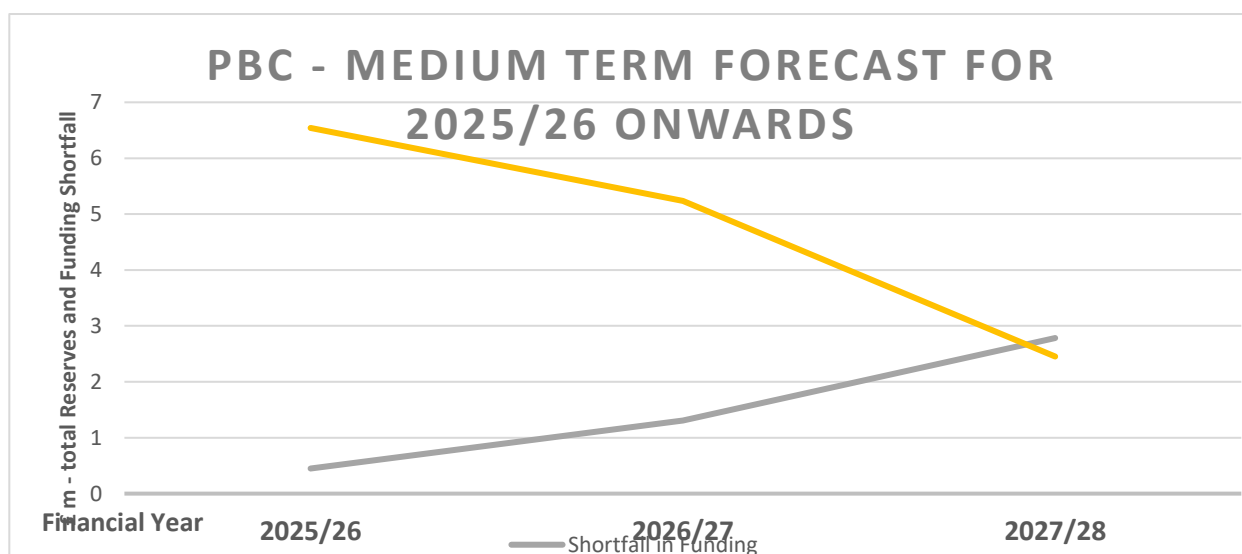
## Reserves

43. A review of earmarked reserves held has taken place, and is shown in Appendix A. At the end of 2023/24 the total level of reserves held was £10.819m. Made up of Earmarked reserves at £6.774m, General Reserves at £4.044m which includes the £1m minimum working balance.

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

44. It should be noted that the general reserve/minimum working balance 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.

45. The graph below shows the impact of the MTFP on reserves levels, as set out in Table 4:



## Draft Revenue Budget for 2025/26

46. 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 2025/26 position the Council budget for 2025/26 can be summarised as follows.

**Table 5 – 2025/26 Budget Summary**

| 2024/25 Revenue Budget | (£'m)  |
|------------------------|--------|
| Net Cost of Services   | 17.320 |
| funded by              |        |

|   |            |
|---|------------|
| Retained Business Rates                   | (6.958)    |
| Government Grant                          | (2.189)    |
| Council Tax Income                        | (7.724)    |
|   |            |
| <b>Contribution from General Reserves</b> | <b>449</b> |

47. Note that this is a reduction in the gap compared to the forecast position in the 2024/25 MTFP, this is due to the increase in investment interest and the new EPR grant. At this stage we are undertaking a line by line review to validate this position. Appendix B breaks down the Budget by Service.
48. The council continues to face a funding gap for the future. Therefore the council should continue to give consideration to:
- The future levels of Council Tax
  - Maximising the returns from business rates revenue
  - The council's ability to support non-statutory activities and partner/community organisations
  - The future quality and standard of statutory service provision
  - Any future efficiencies within services and ensuring support services are appropriate
  - The council's ability to exploit new revenue generating opportunities
  - Treasury management initiatives and continuing to maximise the strength of the council's balance sheet resources
  - Ensuring any contract renewals are to the best advantage of the council.

### **Proposed Capital Programme for 2025/26 to 2027/28**

49. 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.
50. 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.
51. 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.
52. Appendix C shows the current carry forward Capital Programme plus the pipeline prioritisation works for 2025/26 through to 2027/28.
53. As with the Revenue Budget, the current approved capital programme is being proposed to release savings in the revenue budget. Table 6 below summarises the proposed capital programme for 2025/26 to 2027/28.

### **Table 6 –Proposed Capital Programme 2025/26 – 2027/28**

| £'m                  | 2025/26      | 2026/27      | 2027/28      | Total        |
|----------------------|--------------|--------------|--------------|--------------|
| Housing              | 1.105        | 1.105        | 1.105        | 3.315        |
| Regeneration         | 0.132        | 0.000        | 1.494        | 1.626        |
| Council Assets       | 1.522        | 0.166        | 0.171        | 1.859        |
| Resources            | 0.100        | 0.000        | 0.000        | 0.100        |
| Operational Services | 1.307        | 0.198        | 0.125        | 1.630        |
| <b>Total</b>         | <b>4.165</b> | <b>1.469</b> | <b>2.896</b> | <b>8.530</b> |

54. The proposed capital programme for the next three years up until 2027/28 is £8.530m

55. The following narrative provides a summary of the main items of expenditure forming the proposed capital programme for 2025/26 (including slippage as set out in Appendix C).

- **Disabled Facilities Grant**  
100% grant funded scheme to provide essential works in disabled resident's homes.
- **Nelson Town Deal (*slipped from 2024/25*)**  
Grant funded scheme providing funding to regenerate Nelson Town Centre.
- **Levelling Up Fund (*slipped from 2024/25*)**  
Grant funded scheme providing funding to regenerate Colne Town Centre.
- **Earby Flood Defences (*slipped from 2024/25*)**  
100% grant funded scheme to develop flood defences at Earby.
- **Halifax Road Cemetery Site (*partly slipped from 2024/25*)**  
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 internment 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.
- **Waste Transfer Station (*slipped from 2024/25*)**  
Following the notification of the termination of existing arrangements with Lancashire County Council a solution will be required by the end of March 2026. Works began in 2024/25 to purchase land and develop the transfer station in order to meet this requirement. This scheme is now being undertaken in partnership with Burnley Borough Council and is anticipated to cost the Council £2.2m.
- **Food Waste Collection (*slipped from 2024/25*)**  
On the 1<sup>st</sup> April 2026 weekly food waste collections will come into effect nationally. PBC anticipate costs of £1.1m in order to purchase the capital equipment required to deliver the service. The Council has received DEFRA funding of £818k, which means the Council is required to cover the remaining balance of £282k. Along with other authorities PBC appealed to DEFRA in the hope of securing additional funding, however this was unsuccessful.
- **UK Shared Prosperity Fund (UKSPF) (*slipped from 24/25*)**  
100% grant funded 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 25. The Capital Programme for 2026/27 will include this fully funded scheme once the timetable is set.

56. Table 7 below summaries the expected available capital resources for the capital programme.

**Table 7 – Proposed Capital Programme Funding**

| <b>£'m</b>           | <b>Total</b> |
|----------------------|--------------|
| Government Grants    | 3.314        |
| Capital Receipts     | 0.793        |
| Prudential Borrowing | 4.423        |
| <b>Total</b>         | <b>8.530</b> |

57. The proposed new 2025/26 programme will require prudential borrowing of £4.423m. 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 2025/26 is £0.700m.
- 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 2025/26 is £0.542m.

58. The 2023/24 balance sheet review carried out by Link our Treasury Management advisors showed the council to be under borrowed by £1.600m. The projected prudential borrowing need of £9.45m would increase the council's capital financing requirement. Factoring in due loan repayments of £1.500m in 2024/25 and 2025/26 this would then leave the council under borrowed by £12.796m.

| 2023/24         | Capital Financing Requirement (CFR)          | 2024/25         | 2025/26         |
|-----------------|--|-----------------|-----------------|
| 49.500          | Property, Plant & Equipment                  | 49.416          | 58.196          |
| 0.768           | Heritage Assets                              | 0.768           | 0.768           |
| 0.811           | Intangible Assets                            | 0.811           | 0.811           |
| 0.146           | Assets Held for Sale                         | 0.146           | 0.146           |
| 3.048           | Capital Long-Term Debtors                    | 3.048           | 3.048           |
| - 27.528        | Revaluation Reserve                          | - 27.528        | - 27.528        |
| - 5.690         | Capital Adjustment Account                   | - 5.690         | - 5.690         |
| <b>21.055</b>   | <b>CFR (as per Prudential Code)</b>          | <b>20.971</b>   | <b>29.751</b>   |
| <b>21.055</b>   | <b>Underlying Borrowing Requirement</b>      | <b>20.971</b>   | <b>29.751</b>   |
|                 |  |                 |                 |
|                 | External Borrowing                           |                 |                 |
| - 1.096         | Short Term                                   | - 1.596         | - 1.596         |
| - 18.359        | Long Term                                    | - 16.859        | - 15.359        |
| - <b>19.455</b> | <b>TOTAL External Borrowing</b>              | - <b>18.455</b> | - <b>16.955</b> |
|                 |  |                 |                 |
| <b>1.600</b>    | <b>Internal Borrowing (under +/- over -)</b> | <b>2.516</b>    | <b>12.796</b>   |

59. An assessment of the revenue implications of the proposed capital programme for 2025/26 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.
60. 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 2025.

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

61. 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 2025/26.
- 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 2025/26 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 2025/26**

62. Increasing Council Tax by 2.99% will give rise to a Band D charge from £298.59 to £307.52, an increase of £8.93. Over 60% of Council dwellings are in Band A, a 2.99% increase would give rise to a charge from £199.06 to £205.01, an increase of £5.95.
63. The decision to increase Council Tax is a Member decision. In making their decision Members should give consideration to the deficit facing the council over the medium term. Given the Council's future deficit an increase of 2.99% in Council Tax is strongly recommended by the s.151 officer. Any change to Council Tax below the maximum allowed, has an ongoing and cumulative negative impact on future year resources. If Councillors were minded approving no increase in council tax for 2025/26, then the loss of income from Council Tax would be £224k for next year.
64. 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 2025/26 when it meets on 27th February 2025. However it must be noted that the Government expects Council's to increase Council Tax by the maximum allowed and factors this in to its calculations when allocating Government grants.
65. Given the financial position facing the Council, it is recommended that the Council should increase Council Tax for 2025/26 by the maximum permitted i.e. 2.99% (an increase of £8.93 a Band D property which equates to 17p per week (11p per week for Band A properties).
66. 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**

67. At this meeting, the Executive 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.
68. 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.

69. **In relation to (1) above, Groups should note that the deadline for submissions on the budget is 5pm on Wednesday 19<sup>th</sup> February 2025.**
70. 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.**

71. 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 27<sup>th</sup> February 2025 when Council will be asked to approve the budget and council tax for Pendle.
72. The scheduled date for council tax bills and accompanying leaflets to be printed is Early March 2025 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 27<sup>th</sup> February 2025 as planned.

### **Summary**

73. The report sets out the MTFP for Pendle Borough Council for the three-year period 2025/26 to 2027/28. It sets out several options for consideration and demonstrates the need to take action in order to reduce the revenues expenditure.
74. This report sets out the proposed budget position for Pendle Borough Council for 2025/26 and highlights the current position which will require the use of general fund reserves to balance the budget. This is after a proposed increase in Council Tax of 2.99% for 2025/26, and agreement of all increased charges.
75. 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.
76. 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 – Reserves

Appendix B – Service Level Budgets

Appendix C – Capital Programme

## **LIST OF BACKGROUND PAPERS**