

Appendix A

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

1. In accordance with Section 25 of the Local Government Act 2003, the Director of Resources (as the officer designated under Section 151 of the Local Government Act 1972) has produced the following statements in respect of the proposed budget for 2026/27.
2. Council is asked to consider these statements when considering the budget for 2026/27.

Statement on the Robustness of the Council's Budget Calculations

3. In respect of the proposed General Fund Revenue Budget and Capital Programme for 2026/27, Council is asked to consider the following statement from the Director of Resources acting in her capacity as the Council's Statutory Financial Officer when considering the budgets for 2026/27:-

"This statement is provided only in relation to the budget setting process for Pendle Borough Council for the next financial year, 2026/27. I acknowledge my responsibility for ensuring the robustness of the budget calculations and the adequacy of reserves as part of this process.

*As in previous years, a range of factors have been considered in this assessment of the robustness of the budget calculations for both the General Fund Revenue Budget and the Capital Programme for 2026/27. Whilst the narrative below explains some of these in more detail, **Appendix A** summarises other factors that have been considered.*

Business Rates Retention

Since the inception of the business rates retention scheme in 2013/14, the Council's annual share of income from the business rate retention system is not guaranteed; it is dependent on the Council's ability to retain and grow its business rates base and other factors outside of its control (e.g. appeals, collection etc). This is within an environment where economic growth in the Pendle area continues to be challenging given a range of structural issues, eg connectivity, adequacy of land supply for economic development and lack of available funding for business expansion and support.

Estimating the Council's share of income from business rates for 2026/27 remains a challenge. There has been a range of significant changes to the business rates system (in part linked to the Fair Funding Review 2.0) that have made the estimates of business rates retained by the Council difficult to determine.

A full revaluation of the property rateable values has been undertaken by the District Valuation Service (the first since 2023) and will be implemented from April 2026. Across Pendle, the rateable value of properties at the time of the revaluation increased from £59.6m to £68.1m, an average increase of 14%. There are some significant changes in category of asset within this including, for example, Warehouses and Storage increasing by 20% and Factories and Workshops by 23%. Although there has been an increase in the rateable values in Pendle, and indeed across England, the national rating system is such that the yield from Business Rates should not change. As a result, the multipliers that are used to calculate actual rates liability for businesses have been adjusted downward to compensate.

At the same time, the Government has introduced specific multipliers for Retail, Hospitality and Leisure Properties (RHL) to replace the current systems of RHL Relief. These multipliers are lower than the Standard Multipliers, thereby providing those eligible businesses with a lower rateable liability.

There have also been changes to the Business Rates Retention System, linked in part to the Fair Funding Review 2.0. Baseline Funding Levels have been reset and all growth in the Business Rates Systems nationally has been redistributed as part of the Fair Funding Allocations. In technical terms, the Business Rates Retention system will operate broadly in a similar way as at present although given the extent of the volatility that all the changes above may cause, the Government has put in place a 100% safety net for Councils in 2026/27 (reducing to 97% in 2027/28) so that funding levels in each Council do not fall below Baseline Funding Levels.

Local factors such as the payment of business rates, uptake of exemptions and reliefs, growth and decline in business rates payable as new businesses are established and existing businesses close are all matters that need to be considered in determining the amount of Business Rates Retained by the Council. Also, forecasting business rates is dependent on changes to rateable values, and these can be influenced by a range of issues such as new builds, demolition and appeals. It's reasonable to say that the 'Check, Challenge, Appeal' process introduced by the Valuation Office Agency in 2017 has, in the Council's case, curtailed the number of appeals against valuations but, as the 2023 rating comes to a close, there is likely to be a surge in businesses challenging their rateable values.

To inform the estimate of funding available to support Council spending in 2026/27, estimates have been made regarding the value of business rates that will be collected in both 2025/26 (for the estimate of the Collection Fund Outturn) and 2026/27 (for the estimated amount of retained Business Rates). It is estimated that the Collection Fund for Business Rates will be in surplus by the end of the current financial year and the Council's share of that surplus (£659k) is factored into the budget for 2026/27. The amount of Business Rates Retained is estimated to be c£4.175m which, reflecting experience in 2025/26, assumes a -0.6% change in the Gross Collectable Debit in 2026/27.

These estimates are based on a range of assumptions around changes in business rates - new property assessments, changes to existing properties, appeals against rateable values, the application of a new multiplier for Retail, Hospitality and Leisure businesses and also levels of collection.

Having reviewed these estimates, including the amounts held in the relevant provisions, I am content that they are reasonable and prudent based on information available at the time. **However, I must advise Council that there will continue to be volatility in business rates, particularly due to the matters mentioned above.** For this reason, in the determination of the Business Rates to be collected in 2026/27, in addition to the ongoing reduction in Gross Collectable Debit referred to above, an additional amount of c£1,154k will be added to the Provision for Doubtful Debts to deal with the loss of business rates from write-offs. Equally, the Provision for Appeals will be increased by £200k, I am satisfied that the current provision is adequate based on an assessment of the 'threats' to the Council's Business Rates taxbase. I have also earmarked an element of the minimum working balance for this purpose.

For the current year, actual income from business rates will not be finalised until after the end of the financial year. We have well-established arrangements to monitor business rates income closely during the year so that action can be taken as necessary to deal with any potential variation against the estimates used in setting the budget and these will continue to operate in 2026/27. As indicated above, it is estimated that the Collection Fund for Business Rates will record a surplus of £1.6m by the year end, with the Council's share of that surplus (£659k) factored into the budget for 2026/27.

At the same time, the level and extent of reliefs being made available by the Government to cushion the impact of business rates on businesses may have a bearing on the amount of business rates to collect. In the current year, substantial reliefs were given to retail properties and, to reduce the burden of business rates in 2026/27, the Government has introduced a new multiplier for these businesses which is 0.05p less than the standard multiplier. As in the previous year, the Council will be compensated for the reduced rate income through s31 Grant.

Council Tax

The estimates for Council Tax receipts included in the budget for 2026/27 are based on increasing the Council Tax by the maximum allowable within the Government's Referendum Principles for the 2026/27 financial year. Should the Council resolve not to increase Council Tax by the maximum permissible, for every 1% variation from the maximum allowable rate, the loss of income would be c£231k in 2026/27 (and £720k over the life of the MTFP); this income would be lost in perpetuity.

As with Business Rates, the actual amount of income received by the Council will be dependent on a range of factors including, for example, the award of reliefs/exemptions, take-up of the Local Council Tax Support Scheme and the rate of collection. Elsewhere on the Agenda for this meeting, the Council

will approve the Local Council Tax Scheme for 2026/27 which is largely unchanged from that in operation during 2025/26. Paying Council Tax is largely dependent on the affordability of Council Tax for residents; in recent years, the Council has had a good track record of collecting Council Tax and the forecast for 2026/27 is that collection will be at 96%.

During the year, there will be a continued focus on the collection of debt to ensure that collection targets are achieved. The Council has in place good arrangements to monitor income from Council Tax and these will be used by Management to consider taking action on recovery of Council Tax debts (in accordance with the Council's relevant Collection Policies) where it is necessary to do so.

Development of Budgets

The estimates of income and expenditure forming the Council's general fund revenue budget and capital programme for 2026/27 have been prepared based on existing plans, known current and future commitments and the financial implications of the proposals for service efficiencies/reductions. Where it has been necessary to do so, they have been prepared in conjunction with the Corporate Leadership Team and relevant Budget Holders. The base budget for 2026/27 is, in the main, consistent with the delivery of current and expected levels of service required to achieve the missions set out in the Council Plan which is elsewhere on the Agenda for approval.

Where it has been necessary, in the case of certain budgets (e.g. pay, utility costs, investment income and income from fees and charges, waste disposal), assumptions have been used for inflation, interest rates and service take-up that, on the basis of current and predicted levels of activity, are reasonable and prudent. Likewise, in relation to capital receipts and grant funding which are expected to be received by the Council, assumptions have been made about the timing and amount of those receipts which I consider to be reasonable.

Locally, some budgets are more sensitive and responsive to changes in demand for services. This includes, for example:-

- staffing budgets which are dependent on various factors including agreement of pay awards, turnover recruitment and retention. The pay award has been estimated at 3% based on the best information possible but is subject to national negotiations that are out with the control of the Council;
- the vitality of the local housing market, which impacts services such as Housing, Planning, Building Control and Local Land Charges. Income budgets for these areas have been set with regard to known and predicted market conditions, but the nature of these service activities means that it is difficult to be precise about service levels and therefore the income that will be generated as a result. In particular, the budget for Planning Income has been reduced to reflect current and forecast levels of activity. And it is worth noting under the Building Safety Act 2022, Local Authorities are inspected by the Building Safety Regulator for their alignment to building control legislation, and application of the overall strategic context of the regulatory framework.
- Income budgets such as for commercial rents have all been assessed as reasonable. Where it has been considered necessary to do so, budgets have been realigned to realistic levels reflecting the best information known at the time of setting the budget. The extent to which these budgets are deliverable will depend largely on the confidence of service users returning to use the services; this is difficult to predict in the current economic climate and will, therefore, need to be monitored carefully;
- Housing Benefits where, in recent years, the growth of supported (or exempt) accommodation where Housing Benefit subsidy is paid at 60%, has led to increasing costs for the Council. This will require close monitoring and robust assessment of applications for benefit in such circumstances to ensure that the Council is only paying benefit for legitimate and reasonable provision;
- the return on the Council's treasury investments is exceeding expectations in 2025/26. This is partly due to higher than expected interest rates and partly due to higher than expected cash balances. The

budget for 2026/27 is £850k which is based on an average cash balance £25.0m and an average interest return of 3.4%, both of which are considered prudent;

- Budget provision of c£1.2m has been made for the operational cost of the weekly food waste collection scheme, which will start in April 2026. This estimate is based on a high take-up of the scheme but this cannot be determined with any certainty at this stage. Implementation and ongoing operation of the Scheme will remain a focus in the early part of the financial year and any material adjustment to the budget will be subject of further consideration by the Executive.*

These examples illustrate the potential volatility in budgets, made even more volatile due to the uncertainty of the general economic challenges faced both nationally and internationally, hence it may be necessary to take corrective action during the year to ensure that the Council's budget and capital programme remain in balance. The effectiveness of this action relies on good systems of budgetary control, monitoring and risk management. These systems are well established.

Equally, there are certain areas of expenditure/income where limited information is available on which to base budget estimates. These include, for example:-

- the impact of inflation on both revenue and capital budgets. At the time of writing, the Consumer Price Index for the year to December 2025 had increased to 3.4% (following a steady reduction in the rate up to November 2024). It is not clear whether this is a 'blip' or the return of sustained increases in costs although the Bank of England continues to forecast a return to 2% in 2026/27;*
- the effect of changes to legislation and government policy which may create additional cost burdens. Examples include the continuing impact of the Environment Act 2021 (where the implementation of Weekly Food Waste Collections from April 2026 is now agreed). There remains the possibility also of significant planning and housing reforms, not least to underpin the Government's ambition of delivering 1.5m new homes by the end of this Parliament, which may have significant implications for the Council;*
- the impact of cost shunting from other government departments as they, too, seek to reduce their costs, i.e. business rate reductions as schools convert to Academies or applications for rating reliefs from parts of the NHS. A key concern for the Council is the dire financial position of the Lancashire and South Cumbria ICB, which is now in the highest form of intervention, and the impact that that will have on local authorities;*
- more specifically, the Council has embarked on the delivery of several substantial economic development and regeneration projects. These include, for example, the Nelson Town Deal arrangements supported by Government, the redevelopment of Colne Market which is funded primarily from Levelling Up Funds, Pride In Place (both the 10 year plan for Nelson and the Impact Fund) and Schemes being progressed through PEARL Together such as Further Clough Head. Aside from ensuring that the schemes are delivered in line with agreed funding and budgets – which will require good project management governance - the continued affordability of these schemes in the context of the Council's Medium Term Financial Plan will need to be reviewed on a regular basis to ensure that the relevant business cases remain sound;*
- funding and capacity for Local Government Reorganisation (LGR). The Executive has previously agreed to provide additional funding to help create the programme management capacity for LGR and in the Budget Report, elsewhere on the Agenda for this meeting, details are provided of the Council's proposed contribution to the Transition Fund. These are estimates based on the likely work required but given that the work required is not fully defined, there is a possibility that the funding requirement may well change.*

Alongside these issues will be the success, or otherwise, of implementing the savings proposals which Councillors agree to accept as part of the current budget process. The proposals set out in the General Fund Revenue Budget report total almost £0.5m; it is important that the necessary measures to achieve

these savings are implemented sufficiently early in the financial year to ensure that the full amount of savings is realised. Where savings are not implemented in full or at all, this could increase the requirement to draw from the Council's reserves in the year as well as creating unaffordable cost burdens in subsequent years. Some provision is held in the Council's reserves for this purpose.

It is important, therefore, to review actual performance against budget on a regular basis to ensure budgets remain on track, including the implementation of savings/efficiency proposals as well as being proactive in identifying emerging risks and responding accordingly, taking remedial action where this is appropriate.

Acknowledging the above and setting this within the wider control framework and financial management arrangements applied within the council I consider the Council's budget for 2026/27 in isolation to be robust. I am also of the view that the Capital Programme as presented is prudent, affordable and sustainable.

Although I am not required at this stage to comment on the robustness of estimates for future years' budgets, it is my view that when considering the budget calculations for 2026/27, **Councillors must have regard to the medium term financial position of the Council when deciding the budget and council tax for next year.**

The Council's Medium Term Financial Plan in 2028/29 shows a deficit of c£1.794m. This is based on assumptions of Government funding following the Fair Funding Review 2.0 and the Local Government Finance Settlement.

The Council's Financial Strategy is based around four key strands – Grow, Charge, Save and Stop. Progress is being made on the implementation of measures in most of these strands. The budget reductions necessary to achieve a balanced budget remain a challenge. With the prospect of Local Government Reorganisation (LGR), the opportunities (and indeed, need) to do this in the context of the prospective abolition of the Council and creation of new Unitary Local Authorities in April 2028 may well be limited given the likely change in focus.

Nevertheless, the statutory requirement to have a balanced budget remains and so work will need to be undertaken in the next year to consider ways in which the Council can achieve a balanced budget in 2027/28. As ever, any such efficiencies and reductions will be considered strategically in the context of LGR and, whilst acknowledging the Council's corporate objectives, set in the context of the main areas of service spending. And it is worth saying that the Council has a good foundation on which to build the necessary delivery models to achieve these savings.

At the same time, the Council needs to manage the use of reserves and balances as part of the strategy to achieve the necessary change in the budget. As balances and reserves have reduced, this will become more difficult and so decisions on budget reductions will become unavoidable.

It remains to say that I cannot, at this stage, comment on the robustness of budget estimates with effect from 2027/28. Suffice to say, the financial challenge facing the Council remains substantial and there may well be some difficult decisions ahead as the Council seeks to align service spending within projected available resources.

Statement on the Adequacy of Financial Reserves

Having conducted a review of the Council's requirement for the minimum working balance, taking into consideration various matters including:-

- the Council's spending plans for 2025/26, budget for 2026/27 and the medium term financial position;
- adequacy of estimates of inflation, interest rates;
- treatment of demand led pressures;
- impact of external partnerships;

- *the need to respond to emergencies.*
- *performance of business rates (and the position on the Collection Fund for business rates);*
- *Capital programme variations.*

I can confirm that an amount of £1.0m is considered adequate for these purposes.

In relation to other financial reserves, a review has also been conducted to determine their adequacy. In addition to the matters referred to above, and considering the Medium Term Financial Plan, the review concluded that the level of such reserves is adequate based on current information in relation to anticipated risk, existing commitments and known future plans. That said, should there be a significant call on those reserves another review will need to be conducted.

This statement is made on the understanding that any use of reserves and balances is undertaken in accordance with the Council's existing Financial Procedure Rules and that a further review of reserves and balances will be undertaken in the Summer of 2026 following the preparation of the Council's accounts for 2025/26.

Appendix A

Factors Considered in the Determining the Robustness of Estimates and Adequacy of Reserves

Factors	Commentary
<p>The Council's Aims and Priorities</p>	<p>Where it is considered affordable to do so, the budget estimates reflect the amounts required to achieve service objectives agreed by Council as part of the Council Plan.</p> <p>The Council Plan for the period 2026/27 to 2027/28 is provided elsewhere on the Agenda for this meeting for consideration and approval.</p> <p>As is ordinarily the case, updates on progress with objectives set out in the Corporate Plan will be provided to the Executive on a regular basis. This will be alongside performance, financial and risk management information.</p> <p>As the Council Plan extends over several years, but the Council is bound by a statutory requirement to set its budget annually, there will be a need to constantly review the alignment of the Corporate Plan with the Council's Medium Term Financial Plan.</p>
<p>Financial Strategy (and Medium Term Financial Planning)</p>	<p>In preparing the Council's budget estimate for 2026/27, due regard has been given to the impact of decisions made by the Council on matters which might impact on the Medium Term Financial Plan (MTFP).</p> <p>Details of the updated Medium Term Financial Plan are reported to Council elsewhere on the Agenda for this meeting so that decisions on the budget for 2026/27 can be taken in the context of the longer term impact for the Council. Equally, this is reflected in the development of a Financial Strategy which, amongst other matters, seeks to combine a prudent use of reserves with efforts to align the Council's ongoing expenditure with ongoing resource levels.</p> <p>Whilst acknowledging that the Financial Strategy is predicated on a range of assumptions which have contributed to the development of the Medium Term Financial Plan (MTFP), the extent to which the Council takes decisions that impacts those assumptions, will result in changes to the MTFP.</p> <p>Whilst the budget estimates shown in the Medium Term Financial Plan for 2026/27 to 2028/29 are, on the basis of current information, considered robust, they are unaffordable given the projected levels of income and action will need to be taken to bring the budget into balance. That action underpins the Financial Strategy.</p> <p>The Financial Strategy is based on the following themes:-</p> <ul style="list-style-type: none"> • Growing the Council's taxbases, both for business rates and for Council Tax by supporting and facilitating, where it is possible to do economic and housing growth in the Borough; • Charging for services where is it considered appropriate to do so in line with an agreed Fees and Charges Framework. This will also involve the introduction of new charges where this is considered feasible;

Factors	Commentary
	<ul style="list-style-type: none"> • Saving costs by being more efficient, transforming how the Council provides services, working in partnership with others or by prioritising some services over others when allocating resources; • Stop – determining what are not priorities and, where possible, seeking other organisations who could provide them or stop them given the financial challenge faced by the Council. <p>Underpinning the current strategy are the following strands:-</p> <ul style="list-style-type: none"> • pursuing an Economic Development Strategy aimed at increasing, amongst other matters, the number of business rateable properties in Pendle thereby increasing the Council's share of retained business rates; • encouraging and facilitating housing development within the Borough thereby boosting our access to additional funding which the Government may distribute to reward the supply of housing growth and increasing the Council's Taxbase which, in turn, increases the yield from Council Tax; • increasing the Council Tax in 2026/27 and subsequent years, to the extent this is possible without triggering a referendum. The proposal for 2026/27 is that the Council Tax charge be increased by 2.99%. In future years, the assumption is that Council Tax will increase by the maximum amount within any revised thresholds set by Government. No consideration has been given to exceeding the referendum threshold although this policy remains open to consideration in future years; • making savings over the medium term based on the MTFP savings requirement rather than relying solely on reserves to balance the Council's budget (a strategy that relies heavily on finite reserves will simply defer, not reduce, the need to make savings and the longer savings are put off the greater the amount required). • no avoidable budget growth without compensating savings; • the planned use of the Budget Support Reserve, where necessary, to 'smooth' the amount of savings required accepting that even then, the magnitude of savings will present some extremely difficult decisions for the Council and impact on frontline service provision. <p>Acknowledging the deficit on the Medium Term Financial Plan, it is important that work begins early in the new financial year to start developing options for the delivery of future savings.</p>

Factors	Commentary
<p>The level of funding likely from Central Government towards the cost of local services</p>	<p>For 2026/27, the Government has provided Local Government with a firm funding settlement for 2026/27 and indicative funding allocations for 2027/28 and 2028/29. The funding settlement is underpinned by Fair Funding 2.0 which has involved a fundamental review of the relative funding needs of local authorities.</p> <p>For 2026/27, given there have been significant changes to Business Rates. There has been a full revaluation of the property rateable values, with a new rating list coming into place from April 2026. Similarly, as part of the Fair Funding Review 2.0, the Business Rates Retention Scheme has been reset for the first time since it was introduced in 2013/14. Within that, the way in which the Council is compensated for business rate reliefs has changed – all s31 Grant funding will now be paid into the Collection Fund not the General Fund and the Government will manage Appeals and Bad Debt provisions centrally. At the same time, a specific set of multipliers has been introduced for Retail, Hospitality and Leisure (RHL) Business to replace the RHL Relief Scheme. In relation to the proportions of Business Rates attributable to relevant bodies, the Business Rates Retention Scheme will operate as in the current year with the Council retaining 40% of any business rates payable. Given the potential volatility that all of these changes may bring, the Government has put in place a 100% safety net for 2026/27 (so that no Council will receive any less funding than their Baseline Funding Level). Estimates of Business Rates to be retained, based on the NNDR1 return, have been produced and feature in the Council's budget for 2026/7.</p> <p>For 2026/27, the Council's core Revenue Support Grant (RSG) will be £4.972m, which is an increase of £3.371m when compared to the current financial year. This significant increase reflects the rolling in of a number of grants as part of the Government's reset of the Business Rates Retention System but also the simplification of the grants landscape.</p> <p>Whilst Core Funding beyond 2025/26 is now known, given the multi-year funding settlement, the Government has stressed these are indicative estimates and subject to change.</p> <p>For the purposes of the Medium Term Financial Plan, the Council will continue to use information provided by LG Futures who advise on the impact of the Local Government Funding Settlement along with local judgement of the likely estimates of income from Government funding regimes.</p>
<p>Council Tax Base</p>	<p>The Council Tax Base for 2026/27 is 25,164.4 (25,117.7 in 2025/26), an increase of 0.2% when compared to the previous year.</p> <p>The Tax Base reflects a rate of collection of Council Tax for 2026/27 of 96%, no change when compared to the current financial year.</p> <p>The Council has robust procedures to monitor the rate of Council Tax collection during the financial year.</p>

Factors	Commentary
Referendum Threshold set by the Secretary of State in respect of Council Tax Increases	<p>For 2026/27, the Government has indicated that for Councils like Pendle, the maximum allowable increase in Council Tax is 2.99% Anything above these limits will trigger a referendum of local taxpayers.</p> <p>The recommendation to the Finance Council is within these limits and should not, therefore, trigger a Referendum.</p>
The Prudential Code and its impact on capital planning (including the Corporate Capital Strategy)	<p>The Council has a Capital Strategy (supported by a detailed Asset Management Plan) which informs future projected capital expenditure and income. Arising out of consideration of the Capital Strategy, there is recommended to Council a Capital Programme for 2026/27 which is affordable, prudent and sustainable.</p> <p>Subject to Council's decision on the overall Capital Programme and how it will be financed, it may be necessary to revisit the prudential indicators to ensure that the proposed Capital Programme remains affordable, prudent and sustainable.</p>
Policy on the Minimum Revenue Provision	<p>The Council's Policy on the Minimum Revenue Provision was approved by Council in February 2025. It has been subject to review and will be brought forward for consideration by the Executive as part of the approval of the Treasury Management Strategy for 2026/27.</p> <p>The Policy on MRP is compliant with current statutory and other guidance (although it should be noted that, at the time of writing, the Government is currently consulting on matters related to MRP).</p>
Financial Standing (including adequacy of reserves)	<p>Based on the third quarter budget monitoring exercise, the General Fund Revenue Budget for 2025/26 is estimated to be exceeded by £0.78m. Any variations that have an ongoing impact on the Council's budget in the current year have been factored into the budget for 2026/27 where it is applicable to do so.</p> <p>The Medium Term Financial Plan for the period 2026/27 to 2028/29 shows a shortfall in projected resources giving rise to a significant savings requirement.</p> <p>The Council has in place a strategy which combines the planned use of reserves to smooth the level of savings required in each year but nevertheless this still requires Councillors to agree to the necessary reductions in expenditure or increases in income to balance spending within available resources.</p> <p>A review of the Council's Minimum Working Balance justifies retaining a balance of £1m. The adequacy of this will remain subject to review on at least an annual basis. Equally, a review of specific reserves has been undertaken, and these are assessed as being adequate for the purpose for which they were created. As required by Statute, these too will be subject to at least an annual review.</p> <p>The Council's last published Statement of Accounts for 2024/25 were approved by the Accounts and Audit Committee in February 2026. As has been reported to the Audit and Accounts Committee, and reflecting what is a national issue, the External Auditors</p>

Factors	Commentary
	<p>disclaimed an opinion on the Council's Statement of Accounts for 2024/25 (this is because they have been unable to form an opinion on the opening balances) but given the statutory backstop arrangements, the Council has had no choice but to publish its Accounts (the deadline to do this is 27th February 2026).</p> <p>It must be stressed that the Council is not in a unique position on this matter and it is an issue that is affecting the majority of Councils in England. The Government, those bodies involved in the Audit Framework and Audit Firms are all working on a process of building back assurance with local authority Statement of Accounts but it is inevitable without further Government intervention that this may take a number of years to implement fully.</p> <p>In the context of our Financial Standing, our arrangements for ensuring value for money for 2024/25 were reviewed by the External Auditor. A report on this matter was considered by the Audit and Governance Committee in February 2026. The Auditors made four key recommendations and a number of improvement recommendations across the three areas of the assessment. Significant work to deal with these matters has been undertaken.</p>
<p>Financial Management</p>	<p>The Council's financial information and reporting arrangements are sound and the end-of-year procedures in relation to budget management and the closure of accounts are currently considered fit for purpose.</p> <p>As indicated above, the Council's External Auditors have disclaimed an opinion on the Statement of Accounts for 2024/25. In the context of the backlog of audit opinions nationally, this is not unusual but is, nevertheless, a matter that will be dealt with in coming months.</p> <p>The management of the Council's asset base continues to be reasonably good with resources linked to capital planning in both the annual budget and the Medium Term Financial Plan. An updated Asset Management Plan was approved by the Executive in 2025 and is now overseen by the Asset Management Group.</p> <p>Collection performance of both NNDR and Council Tax is broadly as expected in 2025/26. Collection performance continues to be managed closely by the Director of Resources in conjunction with Liberata with oversight provided by the Joint Partnership Board.</p>
<p>Corporate Governance and Risk Management</p>	<p>The Council has adopted a Local Code of Corporate Governance based upon the most recent requirements of the CIPFA/SOLACE Corporate Governance Framework. The Local Code was assessed against the revised 2016 CIPFA/SOLACE framework and overall, our arrangements were found to be robust with only a small number of areas requiring further work or improvement.</p> <p>These arrangements are subject to regular self-assessment by the Council's Statutory Officers Group including Chief Executive, Director of Resources and Head of Legal and Democratic Services who hold the statutory roles at the Council. The Group meets</p>

Factors	Commentary
	<p>periodically to consider matters including corporate governance and risk management issues.</p> <p>The Council also has a risk management policy and framework which underpins the Strategic Risk Register and various Departmental Risk Registers. There are regular reports on risk management to the Accounts and Audit Committee.</p>
<p>The adequacy of the Council's Insurance Arrangements</p>	<p>The Council's insurance cover is provided by Zurich Municipal (Liability, Fidelity Guarantee, Engineering), Protector (Property and Motor Fleet) and Mavern Public Sector (Personal Accident/Business Travel). The Council's insurance arrangements are reviewed annually, which includes a review of premiums paid and levels of cover obtained.</p> <p>The Council obtains independent insurance advice from Aon, an Insurance Broker.</p> <p>There continue to be close links between the work to ensure adequate insurance arrangements, risk management and business continuity. This work is overseen by the Director of Resources and the Accounts and Audit Committee.</p>
<p>Business Continuity Arrangements</p>	<p>The Council has a Resilience and Emergency Planning Team responsible for responding to emergencies and business continuity situations.</p> <p>The Council has a Corporate Business Continuity Plan (BCP) which is supported by a suite of Service-specific Business Continuity Plans. These are reviewed and updated regularly. Likewise, the Council's Emergency Plan is regularly reviewed and updated.</p> <p>In both cases, regular training and updates are provided for Officers on both business continuity and emergency planning to ensure Officers are clear about their roles and responsibilities in the event of emergency situations.</p>
<p>Arrangements to secure Value for Money</p>	<p>The Council's arrangements in relation to value for money for 2024/25 were the subject of a report to the Accounts and Audit Committee in January 2026 (and details are provided above).</p>
<p>Interest Rates</p>	<p>At the time of writing, the bank base rate is currently 3.75%. Whilst there remains an expectation that the Bank Rate will start to fall during 2026, this will depend on the rate by which inflation falls. At the time of writing, inflation (CPI) was at 3.54% at the end of December, a slight increase from 3.2% in November. Changes in the Bank Rate tend to have a direct impact on the levels of investment returns the Council expects to receive.</p> <p>Looking ahead, average interest returns have been set at 3.4% for 2026/27, 3.0% for 2027/28 and 3.0% for 2028/29 although these will be reviewed as part of the on-going development of the Medium Term Financial Plan. This reflects the expectation that interest rates</p>

Factors	Commentary
	<p>will start to reduce over the medium term as inflation begins to reduce.</p> <p>Interest rates on long term debt are fixed at the rate at which the debt was taken. The Council's present debt consists of loans from the Public Works Loan Board. The average cost of this debt is c2.8%. It is unlikely that the Council will need to borrow for the next 18 months.</p> <p>Annually, the Council agrees to a Treasury Management Strategy which sets out how both borrowing and investments will be managed throughout the year. For 2026/27, this will be reported to the Executive in March 2026.</p> <p>To mitigate against fluctuations in interest rates, and therefore changes in investment returns, the General Fund Minimum Working Balance includes provision for loss of income in the short term.</p>
Pay and Price Inflation	<p>An allowance of 3% has been assumed in the budget for the Local Government pay award in 2026/27. The pay claim from the Unions was received in November 2025 and is currently being considered by the Employers.</p> <p>Generally, other budgets are cash limited (i.e. not increased by general inflation) apart from certain costs, e.g. utilities, waste inflation, where budgets have been increased to reflect anticipated inflationary increases.</p> <p>Consumer Price Index in December 2025 was 3.4% (2.5% for December 2024) and the Retail Price Index was 3.8% (3.5% for December 2024).</p>
Fees and Charges	<p>Annually, the Council reviews its fees and charges.</p> <p>Where necessary, income budgets have been adjusted both to reflect price and volume changes. In relation to the latter, it is notable that some budgets for fees and charges have been slow to recover from the impact of the Pandemic and the cost of living crisis and therefore, adjustments have been made to those budgets to more reflect realistic expectations of performance.</p> <p>As in the current financial year, the Council needs to closely monitor budgets for fees and charges to ensure they remain in line with expectations and, where necessary, be able to respond if budgets are not being achieved.</p>
Demand Led Pressures	<p>Where possible, the forecasts of income and expenditure forming the Council's budget estimates for 2026/27 consider anticipated changes in demand led pressures to the extent that they can be predicted. However, by the very nature, these can vary from year to year as service take-up in these areas is difficult to predict.</p> <p>There remains the potential for demand increases in the number of service users in areas such as Benefits and Homelessness and the extent to which the Council maintains service provision will need to be monitored carefully.</p>

Factors	Commentary
	<p>In considering the budget for 2026/27, it should be noted that budgets will be cash limited and therefore Budget Holders will be required to manage demand led pressures within their existing budget allocations.</p> <p>Notwithstanding this, the Council's General Fund Minimum Working Balance includes provision to deal with some level of unexpected and unforeseen costs arising from increases in demand for services.</p>
<p>Emerging Pressures</p>	<p>The projections within the budget and the Medium Term Financial Plan include all known and quantified priorities and growth pressures that Managers are aware of at the time the budget is proposed.</p> <p>Looking ahead, as well as the continued reduction in our core funding, there are a range of other issues which may require investment:-</p> <ul style="list-style-type: none"> • implementation of a proposal for Local Government Reorganisation and the impact that may have on the Council; • a focus on economic growth and job creation to support business and increase employment which should yield additional business rates income; • dealing with measures in the Environment Act including managing the implementation of the weekly food collection services, the Deposit Return Schemes etc. Details of these are included in various reports on the General Fund Budget to the Executive; • The Council has declared a Climate Emergency and so the need to take action to deal with this will, inevitably, create funding pressures if there is no funding made available by the Government. These actions are captured in the Climate Change Emergency Plan; • Delivering the various significant regeneration projects for Pendle including the Nelson Town Deal, Pride in Place and Levelling Up Projects; • the ongoing changes to the Benefits regime including the impact of Full-Service Universal Credit and ongoing welfare reforms. This is difficult to predict especially as changes to the programme of claimants transferring to UC recently being announced by government; • as partners and other local organisations experience changes in their funding this may affect access to services they provide within Pendle and in some cases lead to pressure for the Borough Council to help address the position or to help other groups to take on the responsibility (e.g. services provided by the County Council and the role of the Voluntary and Community Sector in Pendle); • legislative changes leading to potential increased costs for the Council. <p>This above is not an exhaustive list and there will be other issues that arise either due to local priorities or statutory obligations.</p>