

REPORT TO:	Council	
DATE:	25 th February 2016	
PORTFOLIO:	Cllr Miles Parkinson, Leader	
REPORT AUTHOR:	Joe McIntyre Deputy Chief Executive	
TITLE OF REPORT:	<u>GENERAL FUND REVENUE & CAPITAL BUDGET 2016/17</u>	
EXEMPT REPORT (Local Government Act 1972, Schedule 12A)	No	
KEY DECISION:	No	:

PURPOSE OF THE REPORT

The report sets out the Council's budget requirement for 2016/17 as presented to Cabinet on 3rd February 2016, its Precept on the Collection Fund and the formal details surrounding the Precept of other bodies on the Collection Fund and seeks permission to continue to allow former Area Council budgets for Capital and Revenue to be retained by these groups or their successors and for additional payment or payments to be made to Lancashire Pension Authority if surplus funds exist.

Recommendations

I recommend

1. the acceptance and adoption of the Cabinet's recommendations on the Revenue and Capital Budgets for 2016/17 made at the Cabinet meeting on 3rd February 2016 (a copy of the report and recommendations have been supplied with the Agenda for today's meeting), with one amendment that

reduces the savings required on the Culture and Leisure Services Budget by £50,000 and inserts a Corporate Savings Target of £50,000 instead.¹

2. that Council Tax for Hyndburn Borough Council remains at £230.52 for the year for a Band D property.
3. that the Council commits to continuing to strengthen its Reserves during the year and requires the Chief Executive and the Deputy Chief Executive to take appropriate action to protect the Council's overall financial position and further strengthen its Reserves during the forthcoming year.
4. that the Council delegates authority to the Chief Executive to take such action as he considers necessary to implement the measures contained in this budget.
5. that it be noted that on 6th January 2016 the Council at its Cabinet calculated:

the Council Tax Base 2016/17 for the whole Council area as 19,089 (Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the "Act")) and,

for dwellings in those parts of its area to which a Parish precept relates as 301.

6. that Council agrees that the Council Tax requirement for the Council's own purpose for 2016/17 (excluding Parish precepts) is £4,400,396.
7. that Council agrees that the following amounts be calculated for the year 2016/17 in accordance with Sections 31 to 36 of the Act:
 - a) £52,325,000 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils
 - b) £47,913,085 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
 - c) £4,411,915 being the amount by which the aggregate at 7(a) above exceeds the aggregate at 7(b) above, calculated by the Council in accordance

¹ Appendix 3 General Fund Revenue Budget 2016/17 Cabinet 3rd February 2016 Page49

with Section 31A(4) of the Act as its Council Tax requirement for the year (Item R in the formula in Section 31A(4) of the Act).

- d) £231.12 being the amount at 7(c) above (Item R), all divided by Item T (5 above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
 - e) £11,519 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Appendix B).
 - f) £230.52 being the amount at 7(d) above less the result given by dividing the amount at 7(e) above by Item T (5 above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.
8. that Council note that the County Council, the Lancashire Police & Crime Commissioner and the Fire Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below.
 9. that the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the table below as the amounts of Council Tax for 2016/17 for each part of its area and for each of the categories of dwellings.

	2015/16	2016/17	Increase
	£	£	
Hyndburn Borough Council	230.52	230.52	0.00%
Lancashire County Council	1,129.78	1,174.86	3.99%
Lancashire Police & Crime Commissioner	159.06	162.22	1.99%
Lancashire Fire & Rescue Authority	64.86	65.50	0.99%
Sub Total	1,584.22	1,633.10	3.09%
Altham Parish Council	38.27	38.27	0.00%
Total	1,622.49	1,671.37	3.01%

- 10.that the Council note the basic amount of Council Tax for 2016/17 is not considered excessive in accordance with principles approved under Section 52 ZB Local Government Finance Act 1992.
- 11.that the Deputy Chief Executive, is given delegated authority to amend the budget (following consultation with the Leader of the Council) for technical reasons or to comply with legal requirements, such as the restructuring of cost centres, the re-apportionment and re-allocation of overheads etc., so long as these changes have an overall neutral impact on the budget.
- 12.that any continuing balances on Revenue or Capital previously earmarked for Area Councils continues to be set aside for use by these or their successor bodies.
- 13.that the Chief Executive is given delegated authority to use the unallocated surplus generated in 2015/16 to fund any future shortfall in income or additional expenditure, to support “Invest to Save” projects that will help reduce the Council’s long term costs(including additional payments to the Pension Fund as outlined below), or support specific capital projects, or finance other commitments that he deems to be in the best long term interest of the Council or to transfer funds to Reserves as required.
- 14.that the Chief Executive is given delegated authority following consultation with the Leader to make a payment to the Lancashire Pension Authority to help reduce the extent of the Council’s pension liabilities that have amassed from previous years (£45.8m as at the 31st March 2015)
- 15.that the Council renews its short term loan to Barnfield & Hyndburn Ltd of £150,000 if required to assist our joint venture, manage its short term loan

position with its Bank, while it continues to develop its site at Mill Gardens Great Harwood pending the arrival of receipts from sales.

Reasons for Recommendations and Background

The Localism Act 2011 has made significant changes to the Local Government Finance Act 1992, and now requires the billing authority to calculate a Council Tax requirement for the year, not its budget requirement as previously. Details of the budgetary proposals are contained with this Agenda and in the supporting papers to this Council meeting from the Cabinet Meeting on the 3rd February 2016.

The Cabinet Budget proposals (3rd February 2016) have been submitted with the agenda for today's meeting. There is only one alteration to the reports previously submitted. The Council has received representations from Hyndburn Leisure Trust to defer part of the savings that it was due to implement for 12 months and we have agreed to this request. The £50,000 reduction in savings from the Grant to the Leisure Trust will be offset by the creation of a £50,000 Corporate Savings Target for the year. The report outlines the precepts from the other councils and seeks permissions to roll forward any unspent Area Council Capital and Revenue balances and make a transfer of sums to the Local Government Pension Scheme to reduce our long term pension liability.

The overall Council Tax requirement for a Band D property remains at £230.52 and the Council's Budget for 2016/17 is £11,283,000.

Council Tax for Hyndburn Borough Council services is therefore not increased from the previous year.

The County Council notified Hyndburn Council on the 16th February 2016 that it would be increasing its Council Tax requirement for each household by 3.99%. This is an increase of £45.08 for a Band D property from the previous year's figure of £1,129.78 to £1,174.86.

The Lancashire Police & Crime Commissioner notified Hyndburn Council the 16th February 2016 that it would be increasing its Council Tax requirement for each household by 1.99%. This is an increase of £3.16 for a Band D property from the previous year's figure of £159.06 to £162.22.

The Lancashire Combined Fire Authority notified Hyndburn Council on the 15th February 2016 that it would be increasing its Council Tax requirement for each household by 0.99%. This is an increase of £0.64 for a Band D property from the previous year's figure of £64.86 to £65.50.

Altham Parish Council have confirmed that they do not intend to increase Council Tax bill this year for the services they provide.

The overall increase in Council Tax for 2016/17 compared with 2015/16 is 3.01% (3.01% in Altham). A Band D property will have to pay an additional £48.88 over the year. The amounts charged by each council for each Council Tax Band is shown at Appendix A along with the combined amount due for each Band. Information is also provided in Appendix A over the charges for each band payable for residents in the parish of Altham. Details of the parish precept compared to the previous year are shown at Appendix B.

Currently the Council operates a policy that requires surplus funds to be returned to a central pot at the end of the year. The Cabinet has previously indicated that it would allow Area Councils or their successor bodies to utilise unspent monies into the future until these sums are exhausted. This recommendation paves the way for this to continue to occur.

The Council's Balance Sheet is currently dominated by its Net Liability on its Pension Fund. At the end of 2014/15 it was £45.8m. The figure represents the amounts owed by the Council to meet its obligation to former and current employees for the cost of their pensions.

The liability figure largely accumulated in the 1970s, 1980s and 1990s when accounting for pension liabilities was not a part of local authority accounting and insufficient monies were paid into the pension fund by the Council, particularly for early retirements and pension enhancements. This practice stopped over 10 years ago, but most of the residual liability remains from that time.

The liability is scheduled to be financed over the next 19 years from annual contributions from Hyndburn Council. These costs represent a significant additional burden on the Revenue Budget and in 2016/17 the Council is budgeted to pay almost £2m in pension costs.

The payment of additional funds into the Pension Fund can help to significantly reduce the overall future annual amounts the Council will have to pay. This action has been taken three times before in the last ten years, in 2006/7, 2007/8 and 2013/14 when the Council made additional contributions of £999,000, £476,000 and £2.5m .

The additional payments are invested by the Pension Fund and our action in making additional contributions previously was a major contributing factor in ensuring that at the latest revaluation of our pension assets and liabilities the Actuary did not increase our annual contributions. Some other District Councils in Lancashire who underwent the same process have seen their annual pension contributions increased by between £200,000 and £400,000.

Our previous prudent action of paying additional contributions has therefore paid dividends in terms of helping us to avoid significant future costs and it is now recommended that the Council uses some of the additional resources it has currently available to further reduce its pension liability. Taking this action now should help to ensure that future amounts we have to pay towards pension costs do not increase and potentially start to diminish. This will provide great assistance to the Council in future years as it struggles to find ever more demanding savings against a backdrop of Government reduction in grant funding.

The Cabinet currently anticipates that it will end the 2015/16 financial year in surplus. Any surplus generated in 2015/16 will be used to assist the Council to address any shortfall in funding occurring in future years, the need to continue to reduce its long term cost base via invest to save(including making additional payments to the pension fund), funding additional capital expenditure, meeting other costs and enhancing its reserves. The surplus will be placed under the direction of the Chief Executive to ensure it can be used effectively and flexibly in response to the continuing financial pressures the Council faces.

The Council has a joint venture with Barnfield Construction Limited to develop the Mill Gardens site in Great Harwood. The development was initially being funded from internal funds generated from previous projects. However due to the downturn in the housing market it has been necessary for both partners to provide short term loans to the partnership to complete the development. Permission is requested via this report to finance these short term loans once again.

Overall Financial Position and Robustness (Local Government Act Section 25 Statement)

There are a number of significant areas within the Budget for 2016/17 that require a degree of estimation. These estimates are based on the best professional judgements, developed upon data that is available to the Council at the time of drawing up its budget. However there is always potential for the actual figures to vary from the estimates during the year. Within the Budget there is therefore a degree of risk. The most notable areas of risk are:-

- the impact of non-pay inflation,
- further fluctuations in interest rates and the collapse of any Bank where we deposit our funds,
- the impact of changes on funding around business rates and council tax, particularly council tax support
- vacancy target savings at a corporate level that have to be achieved during the year

In arriving at this Budget the Council has taken appropriate advice from its Deputy Chief Executive and the overall budget position is based on sound and reasonable professional judgements. In addition the Council, will monitor its in-year budget performance on a monthly basis and take appropriate management action to control any overspends.

The Council has also at its disposal its Reserves and it is predicted that they will be between £2m and £3m at the start of the financial year. The Deputy Chief Executive has confirmed that this level of Reserve should be adequate for the majority of spending pressures the Council may face in 2016/17. More detail on Financial Risk and its Management is provided in the Cabinet Report.

Alternative Options considered and Reasons for Rejection

The budget represents the culmination of many months of deliberation over the level of service and savings to be made. Within the budget many options have been considered. No substantial reasons for rejecting the proposed budget have been provided and the Overview & Scrutiny Panel that reviewed the Budget proposals in detail at their meeting on the 16th February 2016 made no recommendations to formally alter the budget.

Consultations

Details on the consultations surrounding the Budget proposals are contained within the papers submitted to Cabinet on the 3rd February 2016.

In addition a formal consultation was held by the Council on the 16th February 2016 by the Overview & Scrutiny Panel. Members of the Public were invited to attend and put questions to the Leaders of each of the main groups.

Implications

Financial implications (including any future financial commitments for the Council)	As outlined in the report.
Legal and human rights	The Council is required to set a balanced budget

implications	
Assessment of risk	There are a number of risks within the Budget. These have been highlighted in the Cabinet Report and covered under the detail of the report in the section on Overall Financial Position and Robustness.
Equality and diversity implications A <i>Customer First Analysis</i> should be completed in relation to policy decisions and should be attached as an appendix to the report.	In line with the latest Government Guidance the Council has not produced a specific customer first analysis of the overall budget. Individual services remain responsible for the production of any customer first analysis required where it is deemed the proposed budgetary adjustments may impact on different groups in different ways. Due to the nature of the savings proposals for 2016/17 no individual customer first analysis was undertaken by individual services as none were deemed to impact directly on service provision and therefore would not disproportionately impact on any of the protected characteristics.

Local Government (Access to Information) Act 1985: List of Background Papers

Background Papers:

Cabinet 3 rd February 2016	
Item 6	Prudential Indicators & Treasury Management Strategy 2016/17 to 2018/19
Item 7	Medium Term Financial Strategy 2016/17 to 2018/19
Item 10	General Fund Revenue Budget 2016/17
Item 11	Capital Programme 2016/17

All these papers and the Overview & Scrutiny Committee Report can be obtained from following the links at our web page for the Cabinet Meeting on the 4th February 2016 or by clicking on the links below.

[Cabinet 3rd February 2016 Budget Reports](#)

[Overview & Scrutiny Committee 16th February 2016 Budget 2016/17 Review](#)

Freedom of Information

The report does not contain exempt information under the Local Government Act 1972, Schedule 12A and all information can be disclosed under the Freedom of Information Act 2000.

Appendix A

Council Tax 2016/17 by Council Tax Band & By Precepting Authority

Council Tax Schedule 2016/17	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Hyndburn Borough Council	153.68	179.29	204.91	230.52	281.75	332.97	384.20	461.04
Lancashire County Council	783.24	913.78	1,044.32	1,174.86	1,435.94	1,697.02	1,958.10	2,349.72
Lancashire Police & Crime Commissioner	108.15	126.17	144.20	162.22	198.27	234.32	270.37	324.44
Lancashire Fire & Rescue Authority	43.67	50.94	58.22	65.50	80.06	94.61	109.17	131.00
Total Council Tax Payable (outside Altham Parish)	1,088.74	1,270.18	1,451.65	1,633.10	1,996.02	2,358.92	2,721.84	3,266.20
Altham Parish Council	25.51	29.77	34.02	38.27	46.77	55.28	63.78	76.54
Altham & Hyndburn	179.19	209.06	238.93	268.79	328.52	388.25	447.98	537.58
Total for Altham	1,114.25	1,299.95	1,485.67	1,671.37	2,042.79	2,414.20	2,785.62	3,342.74

Appendix B

TOWN & PARISH COUNCIL PRECEPTS

	2015/16			2016/17		
	Tax	Precept	Council Tax	Tax	Precept	Council Tax
Parish/Town Council	Base	£	Band D (£)	Base	£	Band D (£)
Altham Parish Council	299	11,443	38.27	301	11,519	38.27
Total/Average	299	11,443	38.27	301	11,519	38.27