

<b>Report to</b>		<b>Cabinet</b>
<b>Report by</b>		<b>Councillor Joyce Plummer Portfolio Holder Resources</b>
<b>Date</b>		<b>9<sup>th</sup> February 2022</b>
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# **GENERAL FUND REVENUE BUDGET**

## **2022/23**

### **Purpose of the Report**

1. This report sets out proposals for the 2022/23 General Fund Revenue Budget. It also provides an overview of key issues arising from the Medium Term Financial Strategy.
2. The decision to set the Budget will be a key decision of the Council. The role of the Cabinet is to recommend a proposed Budget to the Council.

# Recommendations

## 3. I recommend:

- a) That Cabinet proposes to Council an increase in Council Tax for 2022/23 of £5.11 per year for a Band D property. This is equivalent to less than 10 pence per week. As most households in Hyndburn are Band A rather than Band D properties, the vast majority of households will only see a rise of less than 7p per week. This is only the sixth increase in Council Tax by Hyndburn Council in 13 years.
  
- b) The Budget for 2022/23 will therefore be £12,3347,000 as detailed in Appendices 1 and 2.
  
- c) That Cabinet recommend approval of the growth items and savings approach outlined for 2022/23 as set out in Appendix 3 to ensure the Council has a balanced budget.
  
- d) That Cabinet note the significant improvement made in relation to budget monitoring and cost reduction within the

Authority over the past 18 years and confirms its commitment to continuing this approach in the year ahead.

- e) That Cabinet recommends during the financial year 2022/23, the Deputy Chief Executive be delegated responsibility to amend the Budget (following consultation with the Leader of the Council) for technical reasons, such as the restructuring of cost centres, the re-apportionment and re-allocation of overheads etc., provided such amendments have an overall neutral impact on the Budget.
  
- f) That Cabinet recommends during the financial year 2022/23, the Deputy Chief Executive be delegated responsibility to amend the Budget (following consultation with the Leader of the Council) should the estimate of Business Rates not be sufficiently accurate, by drawing on reserves if needed or paying over additional contributions to reserves.
  
- g) That to aid future financial management planning any surpluses generated during 2022/23 are set aside to help the Council reduce its cost base over the next three years, to

support its long term capital programme or to strengthen its overall reserve position.

- h) That Cabinet recommends that the Lower Tier Service Grant and the 2022/23 Services Grant are used to help balance the Council's Budget.
  
- i) That Cabinet recommends that the New Homes Bonus and any additional funds from Government that are not ring-fenced funding as well as any other surplus funds can be used if required to support Capital expenditure as determined by the Deputy Chief Executive in the overall financing of capital expenditure or be transferred to Reserves.

## **Summary**

4. This Report sets out the Council's Revenue Budget for 2022/23.

This will require net expenditure of £12,334,000.

5. Under these proposals, Council Tax for Hyndburn residents will rise for Hyndburn Council provided services by £5.11 (1.99%) for a Band D property. The amounts due for each band are shown at

Appendix 4. The increase is equivalent to less than 10p per week for a Band D property. However, for most residents the increase will be less than 7p per week as the majority of households in Hyndburn are Band A properties that pay two-thirds the value of a Band D property in Council Tax.

6. This is the only the sixth rise in council tax for Hyndburn services since 2009/10 and the average annual increase over this period has been 1%. This is significantly below the rate of inflation over this period. If the Council had increased Council Tax simply by inflation (CPI) over the last 13 years rather than the actual increases made, Council Tax for Hyndburn's services would have been almost 14% more expensive at £292.76 for each average Band D property within Hyndburn which is £32.12 more than proposed for 2022/23 at £260.64.

7. The increase in Council Tax by Hyndburn Council is a result of cost pressures from wages, other expenditure inflation, the loss of income and the impact of COVID 19 which have altered at a faster rate than the increases generated from Government Grant or Business Rates.

8. Lancashire County Council, the Police & Crime Commissioner and the Lancashire Combined Fire Authority have not yet formally taken their decisions on Council Tax Levels for 2022/23. It is expected

that the County Council will raise its Council Tax for each household by a general increase of 1.99% and a 2.0% increase to assist with meeting the cost of Adult Social Care which equates to a 3.99% increase overall. It is expected that the Police Commissioner will increase a Band D Property by £10.00 and that the Lancashire Combined Fire Authority will recommend a £5.00 increase.

9. Altham Parish Council has set a separate precept for its activities for the fourteenth time in 2022/23. This year the Parish Council intends to increase its precept. The Band D charge for Altham Parish Council will therefore increase from £40.27 to £41.07 for the year and the Parish Council will precept the Collection Fund for £12,731. Details of the proposed position on other Bandings for properties in Altham are shown in Appendix 6.

10. In setting the Budget for 2022/23 the Council faces continued volatility around some of the most significant items within its Budget. Major reforms of local government finance have transferred the risk of business rate revenues and Council Tax benefits to the Council. The certainty on which the Council could budget and manage its finances has therefore decreased since 2013 and it will be important going forward to plot any deviations away from the expected figures and take appropriate action if these should start to emerge. The ongoing impact

from COVID 19 is also difficult to predict at this time. This might result in the need to reduce spending during the year, if revenue monitoring starts to indicate the amounts of funds received will fall short of the target or if we face an upsurge in spending.

11. The Cabinet intends to continue the good financial stewardship of the Council's affairs by continuing the successful policies introduced over the last 18 years to manage costs effectively and promote appropriate service investment. This Budget will therefore deliver,

- *A continuation of our established approach of limiting enhancements on early retirement, continuing our rigorous approach to absence management and committing to minimising borrowing costs. These actions have already stemmed the build-up of unproductive costs within the organisation. In each of these cases we have put a stop to the costly and financially damaging policies of the past and created a healthier and more financially stable culture within the Council.*

- *The Capital Programme for 2022/23 will be the largest the Council has ever authorised at over £38m. The Programme will include a £24m investment in Accrington Town Centre with £20m coming from the Government's Levelling Up Fund and a £12m investment into our Leisure Estate to modernise it and significantly boost the number of people making use of the facilities to keep fit and healthy. There will also be £250,000 of investment into Accrington Stanley Community Trust to help them expand their facilities and £240,000 to replace the artificial pitch at Hyndburn Sport Centre. In addition, the Council will be committing a further £1m to Disabled Facility Grants this year and around a further £500,000 will be spent on a variety of projects to improve the Council's service delivery and value for money. Within the overall capital programme it is our intention to maintain our commitment to avoid borrowing whenever possible and therefore we will be looking to only borrow to*

*finance the investment in the Leisure Estate which can not be finance by external grants and existing capital and revenue resources.*

- *Despite costs of over £85,000 to provide car parking in Hyndburn for residents and visitors and particularly for shoppers, we will continue to provide this facility free of charge and not introduce charges for parking in Hyndburn. We believe this action will help bolster our town centres through these difficult economic times and provide an incentive for people to shop locally rather than drive and pay to shop elsewhere across the North-West*
- *Further reductions in our accommodation costs, building on the success over the last 13 years including further rationalising our accommodation and looking at more ways of using our accommodation more effectively. We will also continue our actions to reduce our carbon emissions*

*and our energy costs and continue contributing to the improvements of our environmental footprint by positive action.*

12. We intend to continue to deliver all of the above and remain committed to a radical agenda of improvement while managing within our available resources. This will be more difficult in the years to come, given our reduced resources from the Government. However, there remains a firm commitment and absolute determination amongst Members and Officers of the Council to control the finances of the Council, drive forward on the efficiency agenda and continue to improve service delivery. We wish to continue to push forward on the drive for delivering value for money as a key priority for the Council.

13. The rewards of strong financial control remain clearly evident. The Council has built itself back from experiencing major difficulties in controlling expenditure and a position of negative reserves in 2003/04 to a situation by March 2021, in which Balances are over £2.3m. We have been able to operate within our existing financial resources over the last two years during the pandemic, through good financial management and will continue to deliver strong financial performance in the years to come.

14. Within the Budget for 2022/23 there are a number of areas which are subject to our best estimation. There are therefore a number of risks around the Budget, should these estimated costs or revenue amounts vary during the year. We have assumed that extra costs from COVID 19 are containable within the funds previously provided by Government or that additional funds will be made available if required.

15. After the introduction of the Government reforms to Business Rates Funding of Local Government, the Council now carries a significant risk around the level of monies available, fluctuating substantially from this source. In addition as the calculation of how much funds will be available is dependent on a number of factors including debt collection rates, the size of appeals against business rates assessment and the success of these appeals, new rules around levies, safety nets and pooling, the introduction of new rules on rates relief on retail premises and small businesses, as well as predicted levels of growth or decline in business activities and the estimation of a number of figures which will only truly emerge after the end of the financial year, the imprecision in these estimates is regarded as high and could be subject to variations of hundreds of thousands of pounds. The volatility around these forecasts has increased due to the impact COVID 19 that the pandemic will have on the Business Community. Volatility is

therefore expected to remain for a number of years until the new system becomes bedded down and the financial impact of COVID 19 begins to subside.

## **Background**

### **Introduction**

16. Over the last 24 months the Council has faced its most significant challenge since it was created in 1974. It has been able to respond effectively to calls from Government to provide a significant amount of support to the local community, provide assistance to the national efforts around fighting the virus and handle a large amount of financial support to the local business community. It has managed this within its overall financial resources, knowing that the strong financial management it has imbedded over the last 19 years has given it the Reserves and management ability to respond effectively to the crisis.

17. The Financial Year 2020/21 ended with the Council achieving a surplus on its Revenue Account and it is expected that a surplus will be achieved again in 2021/22. The improvement has meant it has not been necessary to strengthen reserves from the Council's Revenue budget in any of the last 15 years, which has freed up resources to go directly into

service provision. Despite the clear financial impact of COVID 19, the Reserves Level we currently hold are likely to be sufficient going forward and therefore we are again proposing that there is no need to direct resources away from front line services for this purpose during 2022/23.

18. Since taking office in May 2011, cost control has continued to be high on the Controlling Group's agenda and they have responded with positive steps to a number of external pressures on costs and loss of income over the years. These extra pressures have not only been contained within the overall budget, but additional savings have been successfully generated each year. This has allowed the Council to face the threat from COVID 19 from a strong position, knowing it has the Reserves to meet the challenges it faces.

19. Although it is worth noting the major improvements in financial management and cost control over the last 19 years, the Council needs to continue to press this home in the year ahead in order to continue to drive value for money across its core operations. This will also ensure the Council continues to protect the Reserves it may need to help in the continued fight against COVID 19. Members of all parties have made it clear that this is an absolute priority for the Authority and have supported a rigorous approach to this issue.

20. The Council must also deal clearly and effectively with the challenges ahead. The Medium Term Financial Strategy continues to indicate major savings pressures over the next three years, most of which stem from the potential loss of Government funding for our core activities.

21. For Hyndburn this will require a focus on and commitment to tough decisions for a number of years ahead. Indications from right across local government, but particularly at Shire District level, suggest there is huge pressure on services due to the limited amount of funding available. The Local Government Finance Settlement has reduced our available resources from Government by almost £5.2m since 2010/11 and the MTFS recognises that should the Government proceed with major changes to the way in which local government is financed, the Council could face the need to generate over £4.2m of savings in the next few years.

## Medium Term Financial Strategy

22. The Medium Term Financial Strategy (MTFS) has been updated by the Deputy Chief Executive ahead of the preparation of the Council's Budget and submitted to the Cabinet meeting of the 9<sup>th</sup> February 2022. It will also be presented to the Council on the 24<sup>th</sup> February 2022.

23. The Medium Term Financial Strategy indicates the Council's fortunes are significantly linked to decisions taken by Central Government over the future funding of local government. If the Government chooses to continue the current system of funding levels over the next 3 years, the Council will need to generate relatively small amounts of savings going forward to balance its Annual Budget. Given our historical ability to deliver savings at a much higher rate, balancing the Budget in these circumstances is well within the capabilities of the Council.

24. If the Government, however, opts for an agenda around financial reform the Council could face significant reductions in the direct level of grants it received from Government and it could also see sizeable reduction in the revenue it retains from Business Rates. The level of loss of funding from either of these sources is difficult to

predict and could range from small to very large. The very large option has to be recognised as a real possibility as the Government has indicated its intention to remove all direct revenue grants to District Councils for many years. Previously, the Government had already substantially cut Revenue Support Grants across local government as part of its austerity drive that began in 2011/12 and by 2017/18 the consequence was that a rolling programme of removing all Revenue Support Grant from some Councils already existed. With some Councils in this situation finding themselves facing “negative” Revenue Support Grant, a position in which having lost all their Revenue Support Grant the Government continued to assess they needed to provide further savings and Councils were notified they would be required to pay over funds to the Government rather than receive a grant.<sup>1</sup> This process was only halted by Brexit and COVID 19 and was meant to have been accelerated by the proposed Fair Funding Review which was due to look at redistributing the allocation of funding across local government in terms of Grants and Business Rates.

25. The loss of Revenue Support Grant would cost the Council £1.6m. In addition, we currently have just over £400,000 of other direct grant funding from the Government supporting the Budget from

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<sup>1</sup> Lobbying from the LGA and others prevented the repayment option being enacted but did not stop the ending of Revenue Support Grants for the Councils concerned.

two new grants introduced as a response to the pandemic. MLUHC have heavily indicated for both these grants that local government should not assume they will continue as permanent extra funding to the sector. In fact, MLUHC clearly indicated the Lower Services Tier Grant for 2021/22 was a one-year grant only and would not continue. The removal of all 3 grants would cost the Council £2m. At this level of grant reduction, the Council would need to take tough decisions around the future shape of its services.

26. The other major pressures the Council faces are

- The falling level of grant to support the payment of housing benefits.
- Inflationary pressures on wages and the purchase of goods and services.

In addition, the Council could face further financial pressure over the period of the MTFS if it uses up all its available capital resources and has to finance any future Capital spend from its Revenue Budget. In this context the Budget for 2022/23 needs to be a cautious one as significant turbulence to our financial well-being may be just a little over 12 months away.

## Continuation Budget

27. Due to the impact of COVID 19 in 2021/22 a roll forward of our financial plans for 2021/22 has been made for 2022/23. This protects all cost centres from reductions at a time of great uncertainties and allows the Council to measure the impact of COVID 19 on its overall financial position from a solid known base. In addition, this will provide stability across the organisation as we continue to deal with the most significant challenge we have ever faced. Our long-term Corporate Priorities are detailed within our Corporate Strategy with the overall objective of improving the local economy and the mix of housing within Hyndburn and these have not altered due to COVID 19. In many ways the pandemic has re-enforced the vision set out in the Corporate Strategy, as COVID 19 has impacted most on those who have low incomes, those who have poor health and those who live in the poorest housing conditions and the Corporate Strategy seeks to overcome these factors by improving the local economy and the housing offer across Hyndburn. Our in-year objective is however a continued focus to support the national efforts to address the pandemic and assist in a clear and speedy recovery locally. The delivery of our key Corporate objectives remains a significant challenge in the light of

COVID 19, a period of reduced funding, uncertain global economic indicators and the aftermath of Brexit.

28. Our current budgets are aligned to these objectives. Service Plans are updated on an on-going basis as required by Managers throughout the year and Service Managers are invited to update their medium term running costs and changes of strategic or tactical direction ahead of the compilation of the Medium Term Financial Strategy. Equally the existing MTFs guides managers on the likely resources available over the future period and gives an indication of the potential boundaries and challenges they may face and need to address within their Service Plans. Cost pressures are initially dealt with internally within service areas, as are developments in new services provision with managers exercising their abilities to re-organise between priorities and choose between competing demands based on the guidance set out in the Corporate Strategy and discussions with Cabinet Members.

29. These calculations indicate a Continuation Budget of just over £11.227m with £1.227m of growth pressures and this figure has been used in Appendix 1 to show the level of potential spend the Council faces compared to the resources available and establish the savings target for the Council going into 2022/23.

## Growth Pressures

30. The Council also needs to adjust its Budget this year to recognise a series of cost pressures and declines in income streams that it now faces. After not adjusting budgets last year in response to the pandemic, salary increases and the national wage settlement for local government workers, as well as the extra costs from the Government's changes in Employer National Insurance contributions need to be incorporated into the Budget for 2022/23. Adjustments also need to be made for the continuing impact of DWP changes to the operation of Housing Benefit as it continues to widen the roll-out of Universal Credit and institute other reforms for the benefit system. To start the budget process in a neutral position there is also the need to remove the one-off use of a corporate saving target for the year.

31. Pressure also exists within the Budget stemming from the need to support events and activities in across our Town Centres to help boost the local economy and to adjust the income target for the Market Hall to reflect declining revenues due to concessions offered to traders to reflect the fall in activities levels for a number of years and the further impact of COVID 19. Environmental Health budgets need additional support to allow the team to expand to meet the increased

challenges around enforcement activity and there are other priorities such as necessary investment in ICT and service developments and to meet the costs of rising contract prices around Christmas decoration installation and removal.

32. Funds are also provided to meet the need to create permanent posts in Community Safety and Elections as work loads in both areas have increased significantly over recent years and are no recognised as unlikely to change. There are adjustment to income targets in Regeneration, to reflect that the previous ability to charge a management fee to HMR programme has now gone and that income generated from our property estate is down, as we have sold a number of property over the years and therefore lost the income stream associated with rental payments from them. Extra costs that Regeneration Services face are also recognised by extra funding for Repairs and Maintenance to our portfolio of property, the servicing and maintenance of Defibrillators which was highlighted by an investigation by Overview & Scrutiny into their effective provision across Hyndburn and the recent upswing in the external cost of employing Valuers to provide updated cost information for accounting purposes. The Planning Budget is also to adjusted to reduce its income target on Building Control and to provide additional resources to meet

the cost of ICT software price increases. Finally, there is funding to meet the unavoidable cost around traffic management for Remembrance Sunday Parades across Hyndburn and £15,000 as the Council's commitment to joint working across Lancashire to help develop plans for a Levelling Up and Devolution bid to the Government. The detailed list of the proposals is provided at Appendix 3.

To balance the Budget, it is proposed to reintroduce a Corporate Savings Target of £100,000 this year and to save £20,000 on overall expenditure in Policy & Corporate Governance by reducing the Cabinet Action Fund by that amount. A number of growth items were not able to be supported this year due to the overall pressures on the Budget.

The largest items of the bids not included in the Budget was a request submitted by Unison in January 2022 for every member of staff to be given the equivalent of 2 increments in pay. This was estimated as costing £447,000 on an annual basis with uplifts for wage settlements adding to the overall costs each year. The proposal was not advanced as the Council wanted to maintain its commitment to the National Wage Negotiation process and the affordability of such a proposal was a major challenge given the other budgetary pressures the Council faces and the potential for a large loss of revenue in 2023/24, if the

Government moves forward with a review of how local government is financed.

## **Available Resources**

### **Core Government Revenue Support Grant (RSG)**

33. Revenue Support Grant for 2022/23 has been set at £1,616,289. This is at the same level as 2021/22 of £1,568,280 plus an inflation increase of £48,009 (3%). This grant is still expected to disappear from 2023/24 if the Government moves forward with its previously stated intention of reforming local government finances.

### **Business Rates**

34. Business Rates which until 2013/14 came in the form of a grant from Central Government is now collected and partially retained locally and is therefore a separate revenue source for the Council. The Council currently shares the business rates collected locally with the Government who take 50% of the sums raised, Lancashire County Council who receive 9% and the Lancashire Combined Fire Authority who receive 1%. In addition, the Government operates a system of Tariffs and Top-ups which sees the amount retained by Hyndburn

Council reduced by a further £3.97m to £4.67m. The Council also now has the risk around non-collection and the impact of late payments.

35. These changes add an additional degree of complexity to forecasting correctly the level of Business Rates the Council will receive to manage its Budget in 2022/23 and therefore there is a recommendation to allow the Deputy Chief Executive to draw upon reserves if this figure included in the Budget is too high compared to the actual level of revenue received and for the Deputy Chief Executive to contribute any additional sums received over and above the Budgeted figure to reserves, or to support the Capital Programme going forward with these one-off sums. For 2022/23 the estimated revenue from Business Rates is expected to be £4.67m.

## **Council Tax**

36. It is expected that Council Tax will raise the equivalent of £5.5m of revenue for the Council in 2022/23. After seven years of no council tax increase in Hyndburn, dating back to 2009/10, this year will be the sixth year of a council tax increase. This year the increase will be £5.11 for a Band D property. This increase is 10p larger than the increase last year. Over the last 13 years the Council has increased Council Tax at well below the rate of inflation. This year's increase is

the equivalent of less than 10 pence per week for a Band D property and as 60% of the properties in Hyndburn are Band A properties, most households will only pay around 7 pence per week more, an annual increase of £3.40 (1.99%). This is a lower percentage increase than two years ago, when the increase was 2.04% and is equal to the increase of 1.99% introduced last year. The rise is in line with the current rate of increase indicated by the Government for Council Tax at District Councils.

37. The increase in council tax of £5.11 is needed to assist the Council balance its Budget in 2022/23 and meet the cost of spending pressures not able to be funded from other revenue sources this year.

### **New Homes Bonus**

38. The Council will also receive some additional resources from the New Homes Bonus. This is additional funding from the Government to encourage local Councils to support the building of new homes. The amount each Council receives is determined by the increase in homes as shown on the annual returns for house numbers to the Ministry of Levelling Up, Housing and Communities (MLUHC).

For Hyndburn the expectation is that the number of new homes built will remain small and we will only receive £191,444 for 2022/23.

39. As the value of the grant will be small, liable to fluctuate from year to year and will be difficult to determine each year in advance, the recommendation is that these monies are used to supplement the Capital resources of the Council. The figure is expected to continue to fall in subsequent years and is expected to be abolished by the Government in the next year or so. This will lessen the extent to which we can fund Capital Projects from this source of money in the future.

### **Other Government Funding**

40. The Government has made 2 additional grants available to the Council in 2022/23. The Lower Tier Support Grant which was introduced last year as a one-off grant to help support Councils in the wake of the pandemic has been retained for 2022/23. It is unclear whether it will be retained beyond 2022/23. The £153,344 the Council received in 2021/22 has been increased this year in line with inflation to £161,518 for 2022/23. The Council has also received £248,224 from a Grant called 2022/23 Services Grant. This grant includes the funding promised by Government to meet the cost of the increase in employers' national insurance contributions that it imposed across the economy in

a tax hike earlier in the year. Our estimate is that the additional national insurance costs the Council will now face is £102,000 per annum and therefore the net extra spending power provided by this grant is actually only equivalent to £146,000. The Government has also indicated that Councils should not assume this grant will be paid in future years and that it may be altered downwards, distributed in a different way or withdrawn completely at any point in the future.

## **Resource Summary**

41. The Council's estimated Resources for 2022/23 are £12,334,000. The single largest item of funding comes from Council Tax raised with £5.5m raised locally. The vast majority of the remaining revenue coming from the locally retained element of business rates (£4.7m) collected across Hyndburn. Central Government funding will provide just over £2.0m of direct funding this year which is 17% of our overall resource needs. This is slightly higher than in previous years mainly due to COVID 19. As indicated in the MTFS there is a strong possibility that all of this Government funding will potentially disappear if the Government institutes a review of local government finances at the end of this financial year.

# Budget Proposals 2022/23

## General Financial Pressures

42. The Cabinet recognises that it needs to maintain services and continue to deliver on its key priorities while at the same time continuing to address the threat posed by COVID 19. It also has a clear duty to set a balanced financial budget for 2022/23 and continue its financial strategy to ensure its financial stability over the medium term.

43. The proposals for 2022/23 assume that savings activated to deliver previous budgets continue to be used and that where one-off savings were identified, Budget Holders bring forward equivalent amounts in 2022/23 to buttress their budgets ahead of any further proposed savings for 2022/23 onwards.

44. With expected Revenue of £12,334,000 for 2022/23 and estimated roll forward cost of operating the organisation of £11,227,000 for the year ahead plus £1,227,000, the Council has a saving gap for the year of £120,000. As the savings target for the year equates to 1% of the predicted spend for 2022/23 year, a Corporate In-year Saving Target of £100,000 has been set this year along with £20,000 of saving from a reduction in the Cabinet Action Fund, rather

than requiring individual service areas to deliver this level of savings. Appendix 3 which usually lists the full extent of all the savings proposed to balance the Budget each year, this year details the list of growth items proposed along with the recommendation to institute a Corporate Savings Target of £100,000 and reduce the Cabinet Action Fund by £20,000.

## **Budget Saving Proposals**

45. With an in-built target to produce a 1% savings on our estimated spend during the year and significant savings pressures likely to be necessary in 2022/23, the Council needs to remain focused on maintaining good financial discipline, look to continue to reduce its cost base and boost income throughout the coming financial year.

## **Reserves**

46. The Council has recognised the need to refresh and maintain its financial reserves after they became dangerously low as a result of the financial difficulties, we experienced over a decade ago.

47. However, after the significant improvement achieved over the last few years it has not been necessary to make an additional provision since 2006/07 from the Revenue Budget and it is possible for 2022/23 to continue with this policy. Reserves are currently over £2.3m and with an expected surplus anticipated for 2021/22, Reserve Levels should remain consistent with previous years.

48. The strong position on Reserves therefore allows the Council to commit its entire available budget to service provision, further improving the delivery to the public of Hyndburn.

49. Reserves while having been restored after the difficulties of a few years ago need to be maintained and increased when possible. The MTFS outlines the large number of potential claims on our expenditure from items that are not contained within the Budget and a minimum provision to face these threats of £2.0m to £3.0m is considered appropriate. Some of the potential calls upon the Reserves are listed below from the MTFS,

- Continuing additional costs caused by our response to COVID 19.
- Any further reduction in core Government Grants stemming from how the Government determines to

manage public sector finances over the next few years.

- The threat of substantial increased costs from the Government's proposals to cap the amount it reimburses the Council in relation to Council Tax support.
- The increased threat of industrial action during a period of public sector pay restraint and job losses.
- The Government's stated intention to end paying Housing Benefit and the potential for large residual costs that may fall upon Councils in terminating this service.<sup>2</sup>
- Potential costs from challenges to Planning decisions or enforcement action.
- The increased threat of settling employment disputes as a result of employment tribunal decisions and changes in employment law.
- Emergency spend pressures in-year, due to one-off items of capital or revenue spend.

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<sup>2</sup> The Government has announced a longer roll-out period for the introduction of Universal Credit and has said it will meet redundancy costs associated with the ending of Housing Benefit, however there are a number of caveats around this proposal and the Council may still face exit costs from terminating the service.

- Risks around the conclusion of the Housing Market Renewal Programme.
- The continuing trading difficulties experienced by Hyndburn Leisure and financial pressures on other partner organisations.
- Supplier failure during an elongated period of financial constraint.
- Environmental warranties on our land and guarantees provided to Hyndburn Homes over land transferred to them.
- Legal challenges over the operation of our fees and charges<sup>3</sup>
- Continuing reductions in our income from fees and charges as the economy remains sluggish
- Potential large fines under the General Data Protection Regulations introduced in 2022/23.

50. This is not a fully comprehensive list of all of the potential calls that could be made on the Reserves, however it provides some

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<sup>3</sup> The threat of fines from Europe for the failure of councils to meet targets on climate change and environmental improvements has been removed given the UK's exit from the EU. If similar schemes are re-introduced under other international agreements or the British Government introduced other punitive measures the risk will be restored.

indication of the financial risks outside the core Budget that the Council could face.

51. While some events are more likely than others and they vary in their potential cost to the Council, the extent and monetary range of these unbudgeted challenges have the potential to severely damage the Council's finances if they mature.

## **Risks and Risk Management**

52. The 2022/23 Budget is constructed on a number of estimates, because exact figures are not known for many future events. There are a number of these estimations which are subject to uncertainty and volatility. In order to complete the Budgetary exercise, it is necessary to make a series of judgements around the level at which certain items should be costed. The significant areas in the Budget around which judgements have been applied are explained below.

53. The Budget assumes the Council is able to manage the additional costs of COVID 19 within the extra resources the Government has made available to it for 2022/23.

54. In dealing with the pandemic the Council is still faced with an unprecedented challenge on which it has very little information to forward forecast the spending and income implications. Currently it would appear the Omicron Variant is not having a dramatic impact on the economy or the Council's overall financial position. However, further variants may occur and have a much more severe impact on our financial health.

55. There is also significant estimation in the figure for Business Rates paid in the year and these are liable to fluctuate significantly for a wide variety of reasons and may be more volatile in 2022/23 than previously as a wider number of businesses struggle financially.

56. There is no agreement over the national wage increase for local government workers currently, however given the current economic situation it is not expected that the wage settlement will create a financial risk to the Budget of the Council. Similarly, general inflationary pressures on non-wage expenditure are not expected to accelerate and is not viewed as an immediate threat to our Budget.

57. Additionally, given the economic consequences of COVID 19 and Britain's successful exit with a trade deal from the EU and the need to provide some stability and strength into the economy we do not

expect to see any significant change in the Bank Base Rate over the 2022/23 financial year.

58. The next 12 months therefore sees a Budget period in which the management of costs in relation to COVID 19 and the monitoring of Business Rates will be key.

59. The normal risks around in-year pressures on spending and income will be dealt with via our well-developed budget reporting mechanisms, which not only displays how much is spent each month within the Council but requires Service Managers to estimate their spend to the end of the year. We should therefore receive early warnings of any overspends allowing corrective action to be taken. Reserve Levels are also sufficient to allow us to be protected from any immediate threat, while we take action to adjust our cost base to cope with any external financial pressures.

## **Consultation**

60. This year we are asking the public and businesses to attend a meeting of the Council's Overview and Scrutiny Meeting on the Budget which takes place at 3:00pm on 16<sup>th</sup> February 2022. Details can be found on the Council's website. At this meeting all those who

join us will get to hear the questions put to each of the main parties around their Budget proposals and the public as well as businesses representatives will be invited to put questions to the Leaders of each group and make any general comments. This direct involvement with the public and businesses at this key meeting to debate the Cabinet's budget proposals is seen as a continuing innovative way to engage the public and create a dialogue that informs Councillors and the public of the choices and difficulties around setting the budget.

61. The Council Tax due to Hyndburn Borough Council for each property by Band is shown at Appendix 4.

62. The overall estimated Council Tax per household for 2022/23 is shown at Appendix 5.

## **Conclusion**

63. The overall Revenue Budget 2022/23 is set out at Appendix 2. The Budget for 2022/23 will be £12,334,000 and will be supported by a Council Tax levy of £260.64 for a Band D property—translating into a revenue source of £5,486,000 to meet services to the local community. The Budget has been determined in light of continuing upward pressure on costs, the additional costs associated with COVID 19, previous

financial difficulties that continue to overhang the Council, the available funding from Government and the Council's strong desire to provide high levels of service to the Community in line with its priorities.

## **CONSULTATIONS**

64. As outlined in the Report, the public and businesses are invited to participate in a virtual meeting of the Council's Overview & Scrutiny Meeting on the 16<sup>th</sup> February at 3:00pm to review in detail the Budget proposals of all parties, consider the proposals put forward and make suggestions for changes and improvements to the Budget plans to be submitted to Full Council on the 24th February 2022.

## **REASONS FOR RECOMMENDATIONS**

65. The recommendations in the report provide an appropriate platform on which the Cabinet can recommend a Budget to the Council which meets the objectives and key priorities of the people of Hyndburn.

## **ALTERNATIVE OPTIONS**

## **CONSIDERED AND REASONS FOR**

## **REJECTION**

66. There have been a wide number of individual proposals put forward to produce a Balanced Budget. Options have been rejected on a variety of grounds including policy objectives, practicalities and the potential for additional costs to be incurred. Further options may be presented at the Council meeting.

## **BUDGET IMPLICATIONS**

67. As outlined in the report.

## **LINKS TO CORPORATE PRIORITIES**

68. The Budget report links to all corporate priorities in determining the funding levels for expenditure in the year ahead.

## **EQUALITY**

69. Any detailed policy changes, changes in service provision or operational changes as a result of the budget proposals will have an EIA produced by the relevant Service Head where this is required.

## **RISKS**

70. There are a number of financial risks around setting the Budget. These are set out in detail in the report and cover the impact of making estimations of several large financial areas which contain a degree of volatility. The Council is able to offset these risks by the effective management it has in place over budgets during the year and the ability to take early corrective action and make additional savings and re-prioritise spending decisions if necessary. It can also draw upon its reserves as a short term measure while it takes corrective action.

## **LEGAL IMPLICATIONS**

71. The Council is required to set a Balanced Budget for the Financial Year ahead and needs to take into consideration the Government's threat of Capping.

# **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

72. This Report should be read in conjunction with the other finance reports presented to the Cabinet meeting on the 9<sup>th</sup> February 2022. The relevant reports are listed below and can be found by accessing the Council's website or following the hyperlink below.

[For access to the Cabinet Agenda and Reports --please follow this link to the appropriate dates and reports](#)

Financial Position December 2021 Report for the Year Ending 31<sup>st</sup> March 2022

Medium Term Financial Strategy 2022/23 to 2024/25

Prudential Indicators Monitoring & Treasury

Management Strategy 2022/23 to 2024/25

General Revenue Budget 2022/23

Capital Budget Report 2022/23

**APPENDIX 1**

<b>Initial Outline Budget</b>			
<b>2022/23</b>		£000	
Revenue Support Grant		1,616	
Lower Tier Service Grant		162	
Business Rates		4,658	
Council Tax		5,486	
Collection Fund Surplus		164	
Service Grant 2022/23		248	
Use of Reserves		0	
<b>Total Resources Available 2022/23</b>		<b>12,334</b>	
Roll Forward Budget		11,227	
Growth Items		1,227	
Unadjusted Predicted Spend		<b>12,454</b>	
Savings Required		120	
Savings Identified		120	
Predicted Spend 2022/23		12,334	
Unfunded Spend at this time		<b>0</b>	

## Revenue Budget 2022/23

<b>Service Expenditure</b>	<b>£000</b>
Environmental Services	5,726
Culture & Leisure Services	766
Planning & Transportation	815
Regeneration Services	1,394
Policy & Corporate Governance	3,723
Non Service Related Budgets	-90
Contribution to Reserves	0
<b>Net Total Expenditure</b>	<b>12,334</b>
Band D Property 2020/21	£ 255.53
Band D Property 2021/22	£ 260.64
Increase on Previous Year	<b>£ 5.11</b>
% Increase on Previous Year	<b>1.99%</b>
Band A Property 2020/21	£ 170.36
Band A Property 2021/22	£ 173.76
Increase on Previous Year	<b>3.40</b>
% Increase on Previous Year	<b>1.99%</b>

**APPENDIX 3****Savings Requirement & Growth Proposals 2022/23**

<b>Available Resources</b>	£	<b>12,334,452</b>
<b>Previous Year Spend</b>	£	11,227,000
<b>Budget Pressures</b>		
Increase in Pay etc net of Pension Savings	£	152,221
DWP Strategic Changes	£	150,000
Reversal Corp Savings Target	£	116,000
<hr/>		
<b>Initial Roll Forward Position v1</b>	<b>£</b>	<b>11,645,221</b>
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<b>Growth Pressures</b>		
ICT Broadband Upgrade	£	15,000
Housing Benefit Move to Cloud	£	82,132
Net Adjustment to Market Hall Income Target	£	104,018
Net Cost of Environmental Health Team expansion	£	43,800
Lancashire Joint Working	£	15,000
Christmas Decorations	£	30,947
Town Centre Events	£	126,050
Remembrance Sunday Civic Events	£	7,000
Christmas Tree Purchases	£	3,358
Community Safety Officer	£	43,914
Elections Officer	£	30,002
Defibrillators	£	12,000
Corporate Property Repairs & Maintenance	£	50,000
Capitalisation Fee Income Generation Regeneration Development Team	£	100,000
Corporate Property Income Target	£	80,000
Planning ICT	£	40,000
Corporate Property Fee to External Valuers	£	11,010
Building Control Income	£	15,000
<hr/>		
<b>Spend Total</b>	<b>£</b>	<b>12,454,452</b>
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**Savings**

Corporate Savings Target	£	100,000
Cabinet Action Fund	£	20,000

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<b>Budget Spend</b>	<b>£</b>	<b>12,334,452</b>
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Budget Gap	£	-
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**Hyndburn Borough**  
**Council Tax Increase 2022/23**  
**by Property Band**

Valuation Band and Statutory ratios of Band D Council Tax		Council Tax	Council Tax	Annual Increase
		2021/22	2022/23	
Band A	6/9	£ 170.36	£ 173.76	£ 3.40
Band B	7/9	£ 198.75	£ 202.72	£ 3.97
Band C	8/9	£ 227.14	£ 231.68	£ 4.54
Band D	9/9	£ 255.53	£ 260.64	£ 5.11
Band E	11/9	£ 312.32	£ 318.56	£ 6.24
Band F	13/9	£ 369.10	£ 376.48	£ 7.38
Band G	15/9	£ 425.89	£ 434.40	£ 8.51
Band H	18/9	£ 511.06	£ 521.28	£ 10.22

## Appendix 5

### Overall Change in Council Tax 2022/23 (estimated)

Council Tax Schedule	2021/22								Change Between 2020/21 and 2021/22							
	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Hyndburn Borough Council	170.36	198.75	227.14	255.53	312.32	369.10	425.89	511.06	3.34	3.90	4.45	5.01	6.12	7.23	8.35	10.02
Lancashire County Council	980.14	1,143.49	1,306.85	1,470.20	1,796.91	2,123.62	2,450.33	2,940.40	46.59	54.35	62.12	69.88	85.41	100.87	116.46	139.76
Lancashire Police & Crime Commissioner	150.97	176.13	201.29	226.45	276.78	327.10	377.42	452.90	10.00	11.67	13.33	15.00	18.34	21.67	25.00	30.00
Lancashire Fire & Rescue Authority	49.13	57.33	65.52	73.71	90.09	106.47	122.84	147.41	1.89	2.22	2.53	2.85	3.48	4.12	4.74	5.69
Total Council Tax Payable (outside Altham Parish Council)	1,350.60	1,575.70	1,800.80	2,025.88	2,476.10	2,926.29	3,376.48	4,051.77	61.82	72.14	82.43	92.73	113.35	133.89	154.55	185.47
Altham Parish Council	26.85	31.32	35.80	40.27	49.22	58.17	67.12	80.54	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Altham Parish Council & Hyndburn Borough Council	197.21	230.07	262.94	295.80	361.54	427.27	493.01	591.60	3.34	3.90	4.45	5.01	6.12	7.23	8.35	10.02
<b>Total for Altham</b>	<b>1,377.45</b>	<b>1,607.02</b>	<b>1,836.60</b>	<b>2,066.15</b>	<b>2,525.32</b>	<b>2,984.46</b>	<b>3,443.60</b>	<b>4,132.31</b>	<b>61.82</b>	<b>72.14</b>	<b>82.43</b>	<b>92.73</b>	<b>113.35</b>	<b>133.89</b>	<b>154.55</b>	<b>185.47</b>

This assumes a £5.11 increase in Council Tax for a Band D property by Hyndburn Borough Council as indicated in this report. Altham Parish Council has decided to increase its Council Tax. Lancashire County Council, the Police & Crime Commissioner and the Lancashire Combined Fire Authority have not made formal decisions as yet. The above model assumes a 3.99% increase for LCC, a £10 increase by the Police & Crime Commissioner and a £5.00 increase by the Lancashire Combined Fire Authority. All figures may be subject to revision once the relevant bodies have made their formal decision.

**Appendix 6**

**Altham Parish Precept 2022/23**  
**by Property Valuation Band**

Valuation Band and Statutory ratios of Band D Council Tax			Council Tax		Council Tax		Annual Increase
			2021/22		2022/23		
Band A	6/9		26.85		£ 27.38		£0.53
Band B	7/9		31.33		£ 31.94		£0.61
Band C	8/9		35.80		£ 36.51		£0.71
Band D	9/9		40.27		£ 41.07		£0.80
Band E	11/9		49.22		£ 50.20		£0.98
Band F	13/9		58.17		£ 59.33		£1.16
Band G	15/9		67.12		£ 68.45		£1.33
Band H	18/9		80.54		£ 82.14		£1.60