

| | | | |
|--|------------|--|--|
| REPORT TO: | | Council | |
| DATE: | | 27 February 2025 | |
| PORTFOLIO: | | Councillor Noordad Aziz/Councillor Vanessa Alexander - Finance and the Budget Process | |
| REPORT AUTHOR: | | Martin Dyson, Executive Director (Resources) | |
| TITLE OF REPORT: | | General Fund Revenue Budget 2025/26 | |
| EXEMPT REPORT (Local Government Act 1972, Schedule 12A) | No | Not applicable | |
| | | | |
| KEY DECISION: | Yes | If yes, date of publication: | |

1. Purpose of Report

- 1.1 This report sets out proposals contained in Revenue Budget Report 2025-2026 as attached at **Appendix A**. It also provides an overview of key issues arising from the Medium-Term Financial Strategy.
- 1.2 The decision to set the Budget is a key decision of the Council. The role of the Cabinet is to recommend a proposed Budget to Council.

2. Recommendations

- 2.1 That Council approves an increase in Council Tax for 2025/26 of 2.99%, increasing the charge for a Band D property to £276.46.
- 2.2 The Budget for 2025/26 will therefore be £17,313,300 as detailed in Appendices 1 to 3 of the Revenue Budget 2025-2026 report attached at **Appendix A** of this report.
- 2.3 That Council approves the changes in budget requirement through including inflation, growth and savings identified in **Appendix 3** of the Revenue Budget 2025-2026 report, to ensure the Council can set and approve a balanced budget.

- 2.4 That Council notes the significant improvement made in relation to budget monitoring and cost reduction within the Authority over the past 20 years and confirms its commitment to continuing this approach in the year ahead.
- 2.5 That Council approves that during the financial year 2025/26, the Executive Director (Resources) 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.
- 2.6 That Council approves that during the financial year 2025/26, the Executive Director (Resources) 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.
- 2.7 That to aid future financial management planning any surpluses generated during 2025/26 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.
- 2.8 That Council approves that the Extended Producer Responsibility Grant is set aside in reserves to be drawn down as required, so the Council can meet its obligations under the legislation.
- 2.9 That Council approves that 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 Executive Director (Resources) in the overall financing of capital expenditure or be transferred to Reserves.

3. Reasons for Recommendations and Background

- 3.1 This report sets out the Council's Revenue Budget for 2025/26. This will require net expenditure of £17,313,300.
- 3.2 Under these proposals, Council Tax for Hyndburn residents will incur a rise in charge for Hyndburn Council provided services and the charge for a Band D property will increase from £268.43 in 2024/2025 to £276.46.
- 3.3 A number of national and global issues have undoubtedly had an impact on the council's budgets and this along with the impact of higher inflation and forecast pay settlements has contributed to the Council raising its element of the Council tax by the maximum 2.99%, an increase of £8.03 annually on a Band D property.

- 3.4 Lancashire County Council and the Police & Crime Commissioner and the have not yet formally taken their decisions on Council Tax Levels for 2025/26. It is expected that the County Council will raise its Council Tax for each household by a general increase of 2.99% and a 2.0% increase to assist with meeting the cost of Adult Social Care which equates to a £82.50 (4.99%) increase overall. The Police Commissioner have confirmed that they will increase a Band D Property by £14.00 (5.31%).
- 3.5 At their budget meeting on 17th February 2025, Lancashire Combined Fire Authority approved an increase to its Council Tax for a Band D Property of £5.00 (5.90%).
- 3.6 Altham Parish Council has set a separate precept for its activities. This year the Parish Council has decided to increase its precept by 2.66% and the Band D charge for Altham Parish Council will therefore increase from £43.18 for 2024/25 to £44.33 for 2025/26. The Parish Council will precept the Collection Fund for £14,185.60 for 2025/26. Details of the proposed position on other Bandings for properties in Altham are shown in Appendix 6.
- 3.7 In setting the Budget for 2025/26 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. 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.
- 3.8 The Cabinet intends to continue the good financial stewardship of the Council's affairs by continuing its successful policies 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 2025/26 will continue to deliver key investment in council and public facilities adding another £2.48m to £44.87m the Council currently has approved.
 - A large proportion of the capital programme will be phased over the next few financial years and this includes the continued delivery of £24m investment in Accrington Town Centre, with £20m coming from the

Government's Levelling Up Fund, and continuing the £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.

- The additions to the programme in 2025/2026 of £2.48m include:
 - a) £317,000 of investment into Parks and Play areas of which the council expected to be able to attract £52,500 of external grant funding to contribute to the improvements.
 - b) £1,359,906 to provide Disabled Facility Grants this year which is fully funded from the better care fund.
 - c) £115,000 to maintain and invest in its operational assets and vehicle fleet.
 - d) £419,500 to improve and develop new ICT and technical equipment to deliver services in a more efficient way.
 - e) £177,800 on UK Shared Prosperity projects, decisions on which schemes this will involve have not yet been made, and this will be reported once a proposal is available.
 - f) £87,000 on Community projects that involve War Memorial restoration, Christmas decoration replacement and Maiden Street Clock Towner lighting.

- Despite costs of over £87,000 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 15 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.

3.9 We intend to continue to deliver all 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.

3.10 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 2025, in

which general reserve balances are expected to be just under £2.5m. We have been able to operate within our existing financial resources over the last four years, through good financial management and will continue to deliver strong financial performance in the years to come.

- 3.11 Within the Budget for 2025/26 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.
- 3.12 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 have increased due to the impact recent national and global issues have had on the Business Community.

4. Alternative Options considered and Reasons for Rejection

- 4.1 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.

5. Consultations

- 5.1 As outlined in the Report, the public and businesses are invited to participate in a meeting of the Council's Overview & Scrutiny Committee on the 20th February 2025 at 4:00pm 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 27th February 2025.

6. Implications

| | |
|--|----------------------------|
| Financial implications (including any future financial commitments for the Council) | As outlined in the report. |
|--|----------------------------|

| | |
|--|--|
| <p>Legal and human rights implications</p> | <p>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.</p> |
| <p>Assessment of risk</p> | <p>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.</p> |
| <p>Equality and diversity implications <i>A Customer First Analysis should be completed in relation to policy decisions and should be attached as an appendix to the report.</i></p> | <p>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.</p> |

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

- 7.1 This Report should be read in conjunction with the other finance reports presented to the Cabinet meeting on the 27th February 2025. The relevant reports are listed below and can be found by accessing the Council's website.
- Medium Term Financial Strategy 2025/26 to 2027/28
 - Prudential Indicators Monitoring & Treasury Management Strategy 2025/26 to 2027/28
 - Capital Budget Report 2025/26

8. Freedom of Information

- 8.1 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.

A scenic view of a golf course. In the foreground, a paved path leads towards a well-maintained green. A person is seen in the middle ground, possibly playing golf. A long, low hedge runs across the middle ground. In the background, there are lush green trees, a small building with a thatched roof, and a tall, stone tower. The sky is blue with some white clouds.

REVENUE BUDGET

2025-2026

FOR AN AMBITIOUS AND SUSTAINABLE

HYNDBURN FUTURE

BACKGROUND

- 1.1 Over the last 15 years, 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 coronavirus and handle a large amount of financial support to the local business community. It has managed this within its overall financial resources, through its strong financial management and retained reserves to enable management the ability to respond effectively to any future crisis.
- 1.2 The Financial Year 2023/24 ended with the Council achieving a surplus on its Revenue Account and it is expected that a small surplus will be achieved again in 2024/25. The improvement has meant it has not been necessary to strengthen reserves from the Council's Revenue budget in any of the last 17 years, which has freed up resources to go directly into service provision. Despite the continuing financial implications of wider national and global issues, the reserves level we currently hold is 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 2025/26.
- 1.3 The local authority elections in May 2024 have seen a shift in the political control of the Council with the newly elected Controlling Group taking positive steps to the several external pressures on costs and loss of income over the current year. These extra pressures have not only been contained within the overall budget, but additional savings are expected to be generated in 2024/25.
- 1.4 This has allowed the Council to face the continuing financial pressures from a strong position, knowing it has the reserves to meet the challenges it faces.
- 1.5 Although it is worth noting the major improvements in financial management and cost control over the last 20 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 and it will ensure the Council is in a strong position to meet any unexpected future demands. 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.
- 1.6 The Council must also deal clearly and effectively with the challenges ahead. The MTFS continues to indicate major savings pressures over the next three years, most of which stem from forecast inflationary increases and costs arising from new issues on the horizon.
- 1.7 For Hyndburn this will require a focus on, and commitment to, tough decisions for several years ahead. Indications from right across local government suggest there is huge pressure on services due to the limited amount of funding available. The change in approach to distribution of funding for 2025/26 to incorporate a 'needs based' element was appreciated and has benefitted Hyndburn when compared to how other District councils fared in the Local Government Finance Settlement. It should however be noted that forecast funding from Central Government remains at £4.3m lower in 2025/26 than that in 2010/11.

MEDIUM TERM FINANCIAL STRATEGY

- 2.1 The Medium-Term Financial Strategy (MTFS) has been updated by the Executive Director (Resources) ahead of the preparation of the Council's Budget and submitted to the Cabinet meeting of the 12th February 2025. It will also be presented to the Council on the 27th February 2025.
- 2.2 The MTFS 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 and a savings and transformation plan will be developed to identify and monitor progress in achieving these savings.
- 2.3 The Deputy Prime Minister and Secretary of State for Housing, Communities and Local Government has stated that there is a vision for change, with local government at its very heart, although there are no illusions about the scale of problems facing local government with funding cuts since 2010 disadvantaging the most deprived areas. And has stated that the government will reform how councils are funded and will deliver funding where it is needed most. As a result, 2026-27 will mark the first multi-year funding settlement for local government in ten years.
- 2.4 Central Government have indicated that there will be significant reform of funding for Local Government before the 2026/27 Finance Settlement is produced, as well as a reset of the business rates system. Therefore, there are high levels of uncertainty over funding for future years, which we do not have enough information to be able to accurately predict at the current time. Should the future funding changes reduce the income received from Central Government, the Council would need to take tough decisions around the future shape of its services.
- 2.5 The MTFS is produced on the assumption that the Council will continue to operate in its own right over the next 3 years. Current discussions regarding Local Government reorganisation have not yet given any definitive timescales for when it might happen across Lancashire and therefore this has not been taken into account when preparing the budget or MTFS.
- 2.6 The Council may face other external pressures that it cannot control such as:
- Inflationary pressures on wages and the purchase of goods and services.
 - Any continuing impact of the War in Ukraine on Energy Prices.
 - Other global changes such as increases on Insurance premium due to Climate change or natural disasters.
- 2.7 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 2025/26 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

- 3.1 The basis of the revenue budgets is to continue to provide the same level of services as provided in 2024/25 and therefore roll forward the budgets with the addition of the financial pressures that are being faced to create a new budgeted cost for continuation of service delivery. 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. The vision set out in the Corporate Strategy continues to be re-enforced, to minimise impact on those who have low incomes, those who have poor health and those who live in the poorest housing conditions. 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 any continuing factors from high cost of living and increasing costs for businesses in order to assist in a clear and speedy recovery locally. The delivery of our key corporate objectives remains a significant challenge in a period of reduced funding as well as uncertain national and global economic indicators.
- 3.2 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.
- 3.3 These calculations indicate a Continuation Budget of just over £17.314m with £1.160m of growth and inflationary 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 2025/26.

GROWTH & INFLATION PRESSURES

4.1 The Council also needs to adjust its Budget this year to recognise a series of cost pressures from the salary increases and the national wage settlement for local government workers.

4.2 The negotiation of the local government pay award in 2024/25 averaged a 4.2% increase in staffing costs, which was 0.8% below the budgeted increase for the year. The 2025/26 budget includes a forecast for a 3% increase, the current inflation levels stand at 2.5% at December 2024, with interest rates forecasted to fall below 4% by the end of 2025/26, therefore the budget has been set at this rate.

4.3 The impact of inflation and increased costs of materials has impacted the supplies and services budgets and created budget pressures across all service areas. These costs have been managed within budget resources within 2024/2025 through increased investment income returns. These returns are not expected to continue at such a high level over the period of the MTFS as interest rates continue to fall and the forecast level of capital expenditure in 2025/26 significantly reduces the balances available for investment. It is therefore expected that the revenue budget will incur significant costs in supplies and services and there will be additional budget pressures to contend with. These are shown in Appendix 3.

4.4 The Council is seeing significant pressures in 2024/25 with regards in a couple of areas, which are expected to continue over the period of the MTFS

and have therefore been reflected in the budget for 2025/26:

- Support for Leisure services – The Council's leisure services are outsourced and run by Hyndburn Leisure Trust. Increases over recent years in utility costs, minimum wage and more recently National Insurance, have all significantly impacted the Trusts ability to maintain a breakeven position. The Trust are in the process of setting their budget for 2025/26, but it is expected that they will require financial support from the Council of around £0.7m. Financial support equal to this amount has been included in the Council's budget but will require a subsidy control assessment before it could be provided to Hyndburn Leisure.
- Housing Benefits / Exempt Accommodation – The Council processes Housing Benefit claims on behalf of the Department for Work and Pensions (DWP), the majority of which it recovers through subsidy grant funding. However, there are certain categories of benefit claims which the Council is unable to recover. The Council has seen a significant increase over 2024/25 in claims related to the 'exempt properties' category of which the Council is unable to recover. In line with the expected outturn for the current financial year, additional costs of £0.4m have been included in the 2025/26 budget for dealing with this issue. The Council has set up a working group who are looking at how this issue can be addressed.

GROWTH & INFLATION PRESSURES

(CONTINUED)

- **Oswaldtwistle Civic Theatre** – The closure of the theatre and return of the lease to the Council has resulted in the need to undertake surveys and compliance works to understand the condition of the building, prior to it being ready for potential future occupation. The Council approved £120,000 its budgets from 2024/2025 to cover any associated costs. It is anticipated that the funding of any major capital works will be provided through external bodies. The site has recently been added to a heritage “at risk” register by the Theatres Trust charity as part of its efforts to protect the venue.
- **Mercer Hall** – this site is a former dance hall and currently partly used as a Leisure centre has been identified to be re-imagined into a space for community and cultural use. This site is subject to an external funding bid to change its use and utilise the space for the community. The Council approved £120,000 split over 2024/2025 and 2025/2026 to be set aside to support any associated costs.
- **Waste Disposal / Transfer Station** – Negotiations continue with Lancashire County Council regarding their contract situation for the disposal of waste at the Whinney Hill site. This may require Hyndburn and the other East Lancashire districts to find alternative sites to dispose of their residual household waste. It is not known to date the additional costs that may be incurred by the Council. The change in use for from the current site will come into force from April 2026 and the Council has made provision in its MTFS for costs for alternative disposal from that point on.
- **Introduction of Food Waste** – From April 2026 the Council must provide a food waste collection for residents. A grant has been received from DEFRA to be used towards the capital costs of implementing the new collection (e.g. purchasing new vehicles, bins and food caddies). It is expected that a further grant will be provided to assist with the additional ongoing revenue costs, but there have been no confirmations of how much this grant will be or how long it will be provided for. It is assumed that all costs will be met by any grant received and the service structured accordingly.
- **Cremation services** – There is a risk that there may be a change in legislation to enforce new systems for mercury abatement to be installed/retro fitted to the current incinerators at the crematorium. It is expected that these changes may come into place in 2 to 3 years’ time and there will be a significant capital cost for works to ensure compliance. The parks team are currently investigating this further and will inform cabinet of the requirements as soon as the information is available. The Council set aside £50,000 into reserves in 2023/24 to be used for this

GROWTH & INFLATION PRESSURES

(CONTINUED)

purpose, and a further contribution of £150,000 is included in the budgets from 2024/25 onwards.

- **Extended Producer Responsibility –** From 2025, some organisations and businesses will have to pay a fee for the packaging they supply to or import into the UK market. This is called extended producer responsibility (EPR) for packaging. The money will go to local authorities (LAs) are classed as either waste disposal, waste collection or unitary authorities or statutory waste disposal authorities. The fees collected will be paid over to local authorities to cover net costs of collecting, managing, recycling and disposing of household packaging waste. The Council has been notified it could receive a grant of over £1m in 2025/2026 to cover these costs, with a final determination to be announced during the 2025/2026 financial year. Future years grants have not been determined, and the Council will need to sign up to a new local authority payments (LAPs) function of the EPR digital service to return data and receive payments.
 - **Levelling Up Fund Projects and Town Centre Regeneration –** these schemes have revenue consequences for the Council and to date there are no known pressures although as the schemes progress there is a possibility that there could become pressures once buildings are fully operational.
 - **Huncoat Garden Village delivery –** the Council has accepted a grant offer from Homes England for nearly £30m to facilitate the development of over 1,800 new homes on a site designated at Huncoat. To date there are no known pressures as the delivery of the project is covered within the grant.
- 4.5 To reduce the impact of rising costs, the service plans include increases in service charges through fees and charges.
- 4.6 The Council is also making provision within its revenue budget to set aside reserves to deal with the future service provision and capital costs of legislation changes in mercury abatement at the crematorium in 2027.
- 4.7 To balance the Budget, it is proposed to reintroduce a Corporate Savings Target of £163,900 this year which is to come from general savings throughout the year and this represents 0.94% of the revenue budget for 2025/26.
- 4.8 A number of other growth items were not able to be supported this year due to the overall pressures on the Budget and will be managed within current budget levels.

AVAILABLE RESOURCES

As covered in the MTFs, briefly, these are the resources available to the council:

CORE GOVERNMENT REVENUE

SUPPORT GRANT (RSG)

The Governments Finance settlement has allocated a Revenue Support Grant (RSG) for 2025/26 of £2,069,327. This is an increase of £51,671 (2.56%) compared to the 2024/25 allocation of £2,017,656.

A new Recovery Grant was introduced by the current Government, which has been distributed to *'places with greater need and demand for services, and which are least able to fund their own services locally'*. As one of the most deprived District Councils in the Country, Hyndburn received an allocation of £390,068 in Recovery Grant.

The Government removed grants which had been given in previous years, such as the Services Grant and Minimum Funding Guarantee Grant, in order to provide the new Recovery Grant. In 2024/25 Hyndburn received total allocations for these grants of £269,843.

The combined overall effect is an increase in the government funding from these grants of £172,342 (7.43%) to the funding received in 2024/25. Due to the Finance Settlement being for one year only, and the new Government wanting to look at Local Government funding, there are high levels of uncertainty in future years of the MTFs.

Following the Governments change to National Insurance thresholds and rates from 1st April 2025, they announced that a grant would be provided to Local Government to meet the increased costs Councils will incur. When the Provisional Finance Settlement was published it was announced that allocations would only be available when the Final Settlement was released, but that the total funding which would be provided across the sector was £515m. With the Final Settlement published

on 4th February 2025, it was confirmed that Hyndburn will receive a grant of £133,041. This is insufficient to fully compensate the Council for the additional cost of the change in Employers National Insurance thresholds and rates, which is forecast to be an additional £285,000 for Hyndburn.

BUSINESS RATES

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 £5.094m. The Council also now has the risk around non-collection and the impact of late payments.

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 2025/26 and therefore there is a recommendation to allow the Executive Director of Resources 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 Executive Director of Resources 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 2025/26 the estimated revenue from Business Rates is expected to be £8.447m.

AVAILABLE RESOURCES

(CONTINUED)

As mentioned earlier in this report, Central Government have announced their intention for a reset of the Business Rates system for 2026/27.

For the purpose of the MTFS, it has been assumed that if Hyndburn were to encounter a reduction in Business Rates income from the reset planned for 2026/27, this would be reimbursed to the Council through other grants from Central Government.

COUNCIL TAX

It is expected that Council Tax will raise the equivalent of £6.064m of revenue for the Council in 2025/26. In 2025/26 the council will increase its portion of the residents' bill. This year will see the Band D equivalent will rise by 2.99% taking the charge from £268.43 in 2024/25 to £276.46 per household. D property for 2025/26.

NEW HOMES BONUS

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 Housing, Communities and Local Government (MHCLG).

Hyndburn's New Homes Bonus grant allocation increased by £58,183 (49.14%) to £176,577 in 2025/26 from £118,394 in 2024/25.

The Government have indicated a change in the calculation for New Homes Bonus in future years. The MTFS assumes that the Council will not lose out from any changes

and has assumed the grant will continue to be received with inflationary increases.

FUNDING REFORM

The new Government have announced plans to reform Local Authority funding over the coming year.

This is expected to include a number of changes which will impact directly on the funding Hyndburn will receive from 2026/27 onwards:

- Allocating funding based on an updated assessment, including deprivation,
- Intention to deliver a 'Reset' of the Business Rates Retention System. It is expected that this will move business rates income retained by local Authorities to the places who need it most,
- Update New Homes Bonus funding allocations from 2026/27 by updating the distribution methodology,
- Endeavouring to keep allocations up to date by using the most recent data when calculating funding allocations,
- Introduce multi-year settlements, allowing for better medium-term planning by Local Authorities.

The Government is currently consulting on proposed areas for change in future Local Government funding, and we expect more detailed plans over the coming months.

It is not currently known what these changes will mean for Hyndburn, and therefore future years of the MTFS remain highly uncertain and subject to potential changes.

RESOURCE SUMMARY

The Council's estimated Resources for 2025/26 are £17,313,300.

The largest items of funding come from the retention of Business rates £8.447m (49%) and Council Tax raised with £6.064m (35%) raised locally. Central Government funding will provide £2.803m of direct funding this year which is 16% of our overall resource needs. As indicated above, there is a strong possibility this balance will change significantly going forward, following the Governments Local Government funding reform proposals.

BUDGET PROPOSAL

5.1 The Cabinet recognises that it needs to maintain services and continue to deliver on its key priorities. It also has a clear duty to set a balanced financial budget for 2025/26 and continue its financial strategy to ensure its financial stability over the medium term.

5.2 The proposals for 2025/26 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 2025/26 to buttress their budgets ahead of any further proposed savings for 2025/26 onwards.

5.3 With expected Revenue costs of £17,477,200 for 2025/26, an estimated

roll forward cost of operating the organisation of £16,318,000 for the year ahead plus £1,159,200 for inflation and other cost pressures, the Council has a saving gap for the year of £163,900 to meet its funding of £17,313,300. The savings target for the year only equates to 0.94% of the predicted spend for 2025/26 year, and therefore a Corporate In-year Saving Target of £163,900 has been set this year. 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 and pressures proposed along with the recommendation to institute a Corporate Savings Target of £163,900.

BUDGET SAVING PROPOSALS

6.1 With an in-built target to produce a 094% savings on our estimated spend during the year and significant savings pressures likely to be necessary in 2025/26, 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

7.1 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.

7.2 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 2025/26 to continue with this policy. General reserves are currently over £2.5m and with an expected surplus anticipated for 2024/25, reserve levels should remain consistent with previous years.

7.3 The strong position on reserves therefore allows the Council to commit its entire available budget to service provision, further improving the delivery to the residents of Hyndburn.

7.4 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 £1.0m is considered appropriate. Some of the potential calls upon the Reserves are listed below from the MTFS,

- The continuing impact of the War in Ukraine on energy supply and service costs.
- Any potential reductions 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.
- 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.
- 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.
- Legal challenges over the operation of our fees and charges.
- 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.
- The unknown revenue budget implications of the introduction of the new Food Waste service and the requirements for new Waste transfer arrangements from 2026.

7.5 This is not a fully comprehensive list of all the potential calls that could be made on the reserves, however it provides some indication of the financial risks outside the core Budget that the Council could face.

7.6 While some events are more likely than others and they vary in their potential

CONT. RESERVES

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.

There will also be additions to its reserves over the next few years through forecast underspends in 2024/25 and planned set asides for future commitments on capital expenditure.

7.7 The Council is expecting significant movement in its reserves over the next financial year, as it continues the planned capital programme works.

7.8 The table below shows the forecast position for the Council's usable reserves as at 31st March 2026.

| | Balance of Reserves 1 April 2024 £'000 | Forecast Change in Reserves 2024/25 £'000 | Forecast Balance of Reserves at 31 March 2025 £'000 | Forecast Change in Reserves 2025/26 £'000 | Forecast Balance of Reserves at 31 March 2026 £'000 |
|--|--|---|---|---|---|
| General Fund: | | | | | |
| General Fund Balance | 1,868 | 608 | 2,476 | - | 2,476 |
| Total Unallocated General Fund Reserves | 1,868 | 608 | 2,476 | - | 2,476 |
| Earmarked Reserves: | | | | | |
| Planning S106 Reserve | 364 | (147) | 217 | - | 217 |
| Invest to Save | 616 | (267) | 349 | (125) | 224 |
| Communities for Health Reserve | 55 | (46) | 9 | - | 9 |
| Dilapidations Reserve | 4 | - | 4 | - | 4 |
| Revenue Funding for Capital Schemes | 2,638 | (418) | 2,220 | (1,724) | 496 |
| Business Rates Volatility Reserve | 455 | 90 | 545 | (121) | 424 |
| Climate Change Reserve | 750 | (154) | 596 | (148) | 448 |
| Balances Set Aside to Fund Specific Future Expenditure | 3,548 | 265 | 3,813 | (938) | 2,875 |
| Levelling Up and Leisure Investment | 10,608 | (5,884) | 4,724 | (4,274) | 450 |
| Total Earmarked Reserves | 19,038 | (6,561) | 12,477 | (7,330) | 5,147 |
| Capital Receipts Reserve: | | | | | |
| Capital Receipts Reserve | 2,746 | (933) | 1,813 | (654) | 1,159 |
| Total Capital Receipts Reserve | 2,746 | (933) | 1,813 | (654) | 1,159 |
| Capital Grants Unapplied: | | | | | |
| Capital Grants Unapplied | 2,452 | (1,755) | 697 | (669) | 28 |
| Total Capital Grants Unapplied | 2,452 | (1,755) | 697 | (669) | 28 |
| Total Usable Reserves | 26,104 | (8,641) | 17,463 | (8,653) | 8,810 |

RISKS & MANAGEMENT

- 8.1 The 2025/26 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.
- 8.2 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 2025/26 than previously as a wider number of businesses struggle financially.
- 8.3 There is no agreement over the national wage increase for local government workers currently, however given the recent economic situation it may be a risk that the 3% pay award budgeted does not fulfil the union wage demands and this could create a financial risk to the Budget of the Council. General inflationary pressures on non-wage expenditure have been included in the budget and it is not expected that these will accelerate to create an immediate threat to our Budget.
- 8.4 Both national and global factors may create additional economic volatility and impact the Bank Base Rate over the 2025/26 financial year. It is expected that this volatility will reduce although rates may remain high and this creates additional costs. The council has been, and will continue to, mitigate these additional costs through the maximisation of its treasury investments to ensure the best interest rates are achieved whilst minimising the risk surrounding security of funds and maintaining liquidity.
- 8.5 The next 12 months therefore sees a Budget period in which the management of costs and the monitoring of Business Rates will be key.
- 8.6 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.
- 8.7 The Council uses various external advisers to assist in the mitigation of risk and ensure that the Council is prepared and well advised on how to identify, assess and control risks.

CONSULTATION

This year we asked the public and businesses to attend a meeting of the Council's Overview and Scrutiny Committee on the Budget which took place at 4:00pm on 20th February 2024. Details can be found on the Council's website. At this meeting all those who joined us got to hear the questions put to each of the main parties around their Budget proposals and the public as well as businesses representatives were 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.

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

The overall estimated Council Tax per household for 2024/25 is shown at Appendix 5.

CONCLUSION

The overall Revenue Budget 2025/26 is set out at Appendix 2. The Budget for 2024/25 will be £17,313,300 and will be supported by a Council Tax levy of £276.46 for a Band D property—translating into a revenue source of £6.064m 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 both national and global issues, 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.



APPENDIX 1

INITIAL OUTLINE BUDGET

2025/26

| INITIAL OUTLINE BUDGET 2025/26 | £'000 | |
|--|-----------------|-------|
| Resources: | | |
| Non-Ringfenced Government Grants | (2,803) | |
| Business Rates | (8,447) | |
| Council Tax | (6,064) | |
| Total Resources Available | (17,314) | |
| Net Expenditure: | | |
| Roll Forward Budget | 16,318 | |
| Net Expenditure Increases | | |
| Inflationary Increases | 568 | |
| Budget Pressures - Net Expenditure Pressures | 996 | |
| Budget Pressures - Net Income Changes | (1,334) | |
| Changes in Movemenst to/from Reserves | 930 | |
| Total Changes in Net Expenditure | 1,160 | |
| Predicted Spend | 17,478 | |
| Savings Required | 164 | |
| Corporate Savings Target | 0.94% | (164) |
| Predicted Spend After Savings Targets | 17,314 | |
| Unfunded Spend at this Time | - | |

APPENDIX 2

REVENUE BUDGET

2025/26

| REVENUE BUDGET 2025/26 | £'000 |
|--|-----------------|
| <u>Service Expenditure</u> | |
| Resources | 6,188 |
| Legal and Democratic | 2,040 |
| Planning and Transportation | 748 |
| Environmental Services | 4,438 |
| Environmental Health | 966 |
| Regeneration and Housing | 1,654 |
| Corporate Savings Target | (164) |
| Total Service Expenditure | 15,870 |
| <u>Non-Service Income and Expenditure</u> | |
| Minimum Revenue Provision | 1,085 |
| Interest Payable | 481 |
| Investment Income | (703) |
| Total Non-Service Income and Expenditure | 863 |
| Net Cost of Services | 16,733 |
| Contributions to/(from) Reserves | 581 |
| Total Net Expenditure | 17,314 |
| <u>Funded by:</u> | |
| <u>Non-Ringfenced Government Grants</u> | |
| Revenue Support Grant | (2,069) |
| Recovery Grant | (390) |
| Employer National Insurance Contributions Grant | (133) |
| Domestic Abuse Safe Accommodation Grant | (34) |
| New Homes Bonus | (177) |
| Total Non-Ringfenced Government Grants | (2,803) |
| <u>Business Rates</u> | |
| Business Rates Income | (9,990) |
| Business Rates Tariff | 5,094 |
| Business Rates S31 Grants | (2,981) |
| Business Rates (Surplus)/Deficit from Prior Year | (570) |
| Net Business Rates Income | (8,447) |
| <u>Council Tax</u> | |
| Council Tax Requirement | (6,127) |
| Council Tax (Surplus)/Deficit from Prior Year | 63 |
| Net Council Tax Income | (6,064) |
| Total Estimated Funding | (17,314) |
| Funding Gap Remaining | - |

APPENDIX 3

BUDGET MOVEMENTS IN YEAR

2025/26

| BUDGET MOVEMENTS | £'000 |
|---|---------------|
| <u>Expenditure Budgets</u> | |
| Prior Year Expenditure Budgets | 16,318 |
| <i>Inflationary Increases:</i> | |
| Salaries & Wages | 699 |
| Utilities | 55 |
| Supplies & Services | 210 |
| Changes in Service Grant Income | (221) |
| Changes in Service Fees and Charges Income | (175) |
| Housing Benefit Subsidy & Administration | - |
| Total Inflationary Adjustments | 568 |
| <i>Identified Budget Pressures:</i> | |
| Additional Cost of Leisure Services | 700 |
| Additional Housing Benefit Costs | 400 |
| Homelessness Government Grant | (543) |
| Costs Relating to Homelessness Grant | 543 |
| New Extended Producer Responsibility Grant | (1,035) |
| Increase in Investment Income | (299) |
| Decrease in Interest Payable | (73) |
| Decrease in Capital Charges | (31) |
| Total Identified Budget Pressures | (338) |
| <u>Changes in Contributions to/from Reserves</u> | |
| Change in Contributions from Reserves | 95 |
| Change in Contributions to Reserves | 835 |
| Net Change in Contributions to/from Reserves | 930 |
| Spend Total | 17,478 |
| Corporate Savings Target Identified | 0.94% (164) |
| Total Net Expenditure | 17,314 |

APPENDIX 4

HBC TAX INCREASE 2025/26

BY PROPERTY BAND

| Valuation Band and Statutory Ratios of Band D Council Tax | Ratio | Council Tax | | |
|---|-------|-------------|----------|-----------------|
| | | 2024/25 | 2025/26 | Annual Increase |
| Band A | 6/9 | £ 178.96 | £ 184.31 | £ 5.35 |
| Band B | 7/9 | £ 208.78 | £ 215.02 | £ 6.24 |
| Band C | 8/9 | £ 238.61 | £ 245.74 | £ 7.13 |
| Band D | 9/9 | £ 268.43 | £ 276.46 | £ 8.03 |
| Band E | 11/9 | £ 328.08 | £ 337.90 | £ 9.82 |
| Band F | 13/9 | £ 387.74 | £ 399.33 | £ 11.59 |
| Band G | 15/9 | £ 447.39 | £ 460.77 | £ 13.38 |
| Band H | 18/9 | £ 536.87 | £ 552.92 | £ 16.05 |

APPENDIX 5

ESTIMATED OVERALL CHANGE

IN COUNCIL TAX

2025/26

| Council Tax Schedule | 2025/26 | | | | | | | | | Change Between 2024/25 and 2025/26 | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------------------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|
| | Band AA £ | Band A £ | Band B £ | Band C £ | Band D £ | Band E £ | Band F £ | Band G £ | Band H £ | Band AA £ | Band A £ | Band B £ | Band C £ | Band D £ | Band E £ | Band F £ | Band G £ | Band H £ |
| Hyndburn Borough Council | £153.59 | £184.31 | £215.02 | £245.74 | £276.46 | £337.90 | £399.33 | £460.77 | £552.92 | £4.46 | £5.35 | £6.24 | £7.13 | £8.03 | £9.82 | £11.59 | £13.38 | £16.05 |
| Lancashire County Council | £964.33 | £1,157.19 | £1,350.06 | £1,542.92 | £1,735.79 | £2,121.52 | £2,507.25 | £2,892.98 | £3,471.58 | £45.84 | £55.00 | £64.17 | £73.33 | £82.50 | £100.83 | £119.16 | £137.50 | £165.00 |
| Lancashire Police & Crime Commissioner | £154.11 | £184.93 | £215.76 | £246.58 | £277.40 | £339.04 | £400.69 | £462.33 | £554.80 | £7.78 | £9.33 | £10.89 | £12.45 | £14.00 | £17.11 | £20.22 | £23.33 | £28.00 |
| Lancashire Fire & Rescue Authority | £49.85 | £59.82 | £69.79 | £79.76 | £89.73 | £109.67 | £129.61 | £149.55 | £179.46 | £2.78 | £3.33 | £3.89 | £4.44 | £5.00 | £6.11 | £7.22 | £8.33 | £10.00 |
| Total Council Tax | £1,321.88 | £1,586.25 | £1,850.63 | £2,115.00 | £2,379.38 | £2,908.13 | £3,436.88 | £3,965.63 | £4,758.76 | £60.86 | £73.01 | £85.19 | £97.35 | £109.53 | £133.87 | £158.19 | £182.54 | £219.05 |
| Parish Precepts: | | | | | | | | | | | | | | | | | | |
| Altham Parish Council | £24.63 | £29.55 | £34.48 | £39.40 | £44.33 | £54.18 | £64.03 | £73.88 | £88.66 | £0.64 | £0.76 | £0.90 | £1.02 | £1.15 | £1.40 | £1.66 | £1.91 | £2.30 |
| <i>Total Altham Parish Council & Hyndburn Borough Council</i> | <i>£178.22</i> | <i>£213.86</i> | <i>£249.50</i> | <i>£285.14</i> | <i>£320.79</i> | <i>£392.08</i> | <i>£463.36</i> | <i>£534.65</i> | <i>£641.58</i> | <i>£5.10</i> | <i>£6.11</i> | <i>£7.14</i> | <i>£8.15</i> | <i>£9.18</i> | <i>£11.22</i> | <i>£13.25</i> | <i>£15.29</i> | <i>£18.35</i> |
| Total for Altham Parish Properties | £1,346.51 | £1,615.80 | £1,885.11 | £2,154.40 | £2,423.71 | £2,962.31 | £3,500.91 | £4,039.51 | £4,847.42 | £61.50 | £73.77 | £86.09 | £98.37 | £110.68 | £135.27 | £159.85 | £184.45 | £221.35 |

APPENDIX 6

ALTHAM PARISH PRECEPT

BY PROPERTY VALUATION BAND

2025/26

| Valuation Band and Statutory Ratios of Band D Council Tax | Ratio | Council Tax | | |
|---|-------|-------------|---------|-----------------|
| | | 2024/25 | 2025/26 | Annual Increase |
| Band A | 6/9 | £ 28.79 | £ 29.55 | £ 0.76 |
| Band B | 7/9 | £ 33.58 | £ 34.48 | £ 0.90 |
| Band C | 8/9 | £ 38.38 | £ 39.40 | £ 1.02 |
| Band D | 9/9 | £ 43.18 | £ 44.33 | £ 1.15 |
| Band E | 11/9 | £ 52.78 | £ 54.18 | £ 1.40 |
| Band F | 13/9 | £ 62.37 | £ 64.03 | £ 1.66 |
| Band G | 15/9 | £ 71.97 | £ 73.88 | £ 1.91 |
| Band H | 18/9 | £ 86.36 | £ 88.66 | £ 2.30 |