REPORT TO:		Cabinet	
DATE:		05 August 2026	
PORTFOLIO:		**Councillor Munsif Dad BEM JP - Leader of the Council**	
REPORT AUTHOR:		Martin Dyson, Executive Director (Resources)	
TITLE OF REPORT:		Local Government Review Implementation Reserve	
EXEMPT REPORT (Local Government Act 1972, Schedule 12A)	**No**	Not applicable	
KEY DECISION:	**Yes**	If yes, date of publication:	30th July 2026

1. Purpose of Report

1.1 To inform members of the proposed LGR Implementation Reserve Assurance Framework.

2. Recommendations

2.1 That Cabinet notes the content of the proposed LGR Implementation Reserve Assurance Framework.

2.2 That Cabinet agrees to Hyndburn Borough Council's contribution of £421,305 (1.4%) of the overall £30m Implementation Reserve.

2.3 That Cabinet approves the signing of this Assurance Framework on behalf of this Council.

3. Reasons for Recommendations

3.1 Following requests from Government, in November 2025, Councils across Lancashire submitted business cases on the proposed options for the future make up of Local Government across the County.

3.2 Each of the 5 proposals submitted recognised that, regardless of the number of Local Authorities in Lancashire following LGR, there would be significant costs to undertake a programme to set up the new Unitary Councils, ready for the expected vesting day of 1st April 2028. These implementation costs are required to be funded by the existing Local Authorities.

3.3 A programme for LGR across Lancashire has been established, and an initial Implementation Reserve of £30m has been agreed between the 15 existing Councils. Contributions towards the Implementation Reserve have been agreed between the existing Authorities, ensuring the split was equitable for each Council. The contribution from Hyndburn Borough Council is £421,305.

3.4 The purpose of the Reserve is to fund capacity within the LGR Programme to ensure that the new Unitary authorities can provide safe and legal services from 1st April 2028.

3.5 The government recently announced its preferred option for Local Government Reorganisation (LGR) in Lancashire. Subject to parliamentary approval, four Unitary Councils will be created, to replace the current 15 Councils.

3.6 As the LGR programme is starting to develop, the arrangements for the governance of the implementation budget have been developed by the Lancashire Chief Finance Officers (LCFOs) Group and subsequently reviewed by the Lancashire Strategic LGR Chief Executives Board.

4. Creation and use of the Reserve

4.1 The reserve was created on 1st April 2026 and will be held until 30th September 2028. It is initially being hosted by Lancashire County Council (LCC) until vesting day (1st April 2028), at which point any remaining reserve will transfer to one of the new Unitary Authorities, as part of the legacy arrangements to be determined by the Shadow Councils, who will host the reserve until it is closed. If there are any funds remaining in the reserve on 30th September 2028, they will be split equitably between the new Unitary Authorities.

4.2 The use and governance arrangements for the Implementation Reserve will be determined by the Assurance Framework. As the reserve will be hosted by LCC, it will also be managed in accordance with their Financial Rules and Regulations in Section 10 of the Constitution of LCC.

4.3 The purpose of the reserve is to support the implementation process associated with LGR in Lancashire, and a set of example eligible costs to be covered by the reserve have been set out in the Assurance Framework. These are costs directly attributable to the LGR programme, with the objective of ensuring the new Unitary Councils can provide safe and legal services from 1st April 2028.

4.4 Any changes to the scope of the activity to be funded by the reserve will only be made by the Lancashire Strategic LGR Chief Executives Board. When voluntary Joint Committees and Shadow Councils are established any changes in the scope of the activity to be funded will require their approval.

4.5 As set out above, the initial total value of the Implementation Reserve will be £30m. This will be reviewed in light of the Government's preferred option and any subsequent decisions made through the parliamentary approval process. Should there be any changes to the contribution required from Hyndburn BC, these will be reported in line with the Council’s own reporting requirements.

4.6 Each Council's contribution to the reserve is conditional on it being used in accordance with the Assurance Framework and for the purposes stated within that document.

4.7 Where the Government provides any additional LGR capacity funding for the programme, this will be added to the Implementation Reserve contingency budget.

4.8 The total value of the Implementation Reserve is £30m with agreed contributions from:

Council	Split	Value
Lancashire County Council	55.00%	£ 16,500,000.00
Blackburn and Darwen Council	11.00%	£ 3,300,000.00
Blackpool Council	9.00%	£ 2,700,000.00
Burnley Council	1.50%	£ 458,202.00
Chorley Council	2.50%	£ 736,651.00
Fylde Borough Council	2.10%	£ 620,941.00
Hyndburn Borough Council	1.40%	£ 421,305.00
Lancaster City Council	2.80%	£ 830,748.00
Pendle Borough Council	1.60%	£ 477,478.00
Preston City Council	2.80%	£ 839,876.00
Ribble Valley Borough Council	1.60%	£ 487,571.00
Rossendale Borough Council	1.30%	£ 402,086.00
South Ribble Borough Council	2.40%	£ 726,790.00
West Lancs Borough Council	2.50%	£ 742,080.00
Wyre Council	2.50%	£ 756,272.00
Total	**100.00%**	**£ 30,000,000.00**

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4.9 The value of the reserve will be reviewed as of 30th September 2026.

4.10 Each Council's contribution will be conditional on all other Councils making their agreed contribution and the reserve being used for the purposes and in accordance with the terms of this Assurance Framework.

4.11 Our contribution of £421,305 was included in our Medium-term Financial Strategy Forecasts agreed as part of our budget setting process for 2026/27.

4.12 The Lancashire County Council Director of Finance will report quarterly to the Finance Workstream Board (LCFOs group) and the Lancashire Strategic LGR Chief Executives Board. Following the establishment of the Joint Committees and the Shadow Authorities, six monthly monitoring reports will be provided to them.

5. Alternative Options considered and Reasons for Rejection

5.1 The agreement on the implementation reserve contributions is based upon all Councils contributing the amounts stated in section 4.8. Failure by any Authority to make its agreed contribution may require the implementation arrangements and funding assumptions to be reviewed.

6. Consultations

6.1 Government have recently undertaken a statutory consultation on the Local Government Reorganisation proposals and there are no specific consultations required in respect of the contents of this report.

7. Implications

Financial implications (including any future financial commitments for the Council)	The Council will initially contribute £421,305 towards the LGR Implementation Reserve, and this amount was included in the financial forecasts within the Council Medium Term Financial Strategy approved by Council in February 2026.
Legal and human rights implications	The Local Government and Public Involvement in Health Act 2007 (‘the Act’) sets out the legal framework for Local Government Reorganisation (LGR). The Act gives the Secretary of State the power to implement an LGR proposal, which is done using a Structural Changes Order. Now the Government has announced its preferred option on the future structure of Local Government in Lancashire, once approved by Parliament a Structural Changes Order WILL come into place. The Structural Changes Order for other areas across England which have been through the Local Government Reorganisation process in recent years have all stated that expenditure incurred by the shadow Authorities in relation to their execution of duties under the Order is to be divided among the existing Councils in such proportions as may be agreed between them.
Assessment of risk	The LCFOs group have agreed an Assurance Framework, setting out the

	governance arrangements for the Implementation Reserve, which has subsequently been presented to the Lancashire Strategic LGR Chief Executives Board.
Equality and diversity implications *A Customer First Analysis should be completed in relation to policy decisions and should be attached as an appendix to the report.*	In line with the latest Government Guidance the Council has not produced a specific customer first analysis of the overall budget. Individual services remain responsible for the production of any customer first analysis required where it is deemed the proposed budgetary adjustments may impact on different groups in different ways. Due to the nature of the savings proposals for 2025/26 no individual customer first analysis was undertaken by individual services as none were deemed to impact directly on service provision and therefore would not disproportionately impact on any of the protected characteristics.

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

8.1 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
- General Fund Revenue Budget 2025/26

9. Freedom of Information

9.1 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.