

Report to		Council
Report by		Councillor Gareth Molineux Portfolio Holder Resources
Date		22nd February 2018
Report Prepared by		Joe McIntyre Deputy Chief Executive

GENERAL FUND REVENUE BUDGET

2018/19

Purpose of the Report

1. This report sets out proposals for the 2018/19 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 increase Council Tax for 2018/19 by £5.00 per year for a Band D property. This is equivalent to less than 10 pence per week and as most households in Hyndburn are Band A rather than Band D properties, the vast majority of households will only see a rise of 7p per week. This is only the second increase in Council Tax by Hyndburn Council for 9 years.

- b) The Budget for 2018/19 will therefore be £11,174,000 as detailed in Appendices 1 and 2.

- c) That Cabinet recommend approval of the list of savings and budget changes for 2018/19 as set out in Appendix 3.

- d) That Cabinet note the significant improvement made in relation to budget monitoring and cost reduction within the Authority over the past 14 years and confirms its commitment to continuing this approach in the year ahead.

- e) That Cabinet recommends during the financial year 2018/19, 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 2018/19, 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 2018/19 are set aside to help the Council reduce its cost base over the next three years, support its long term capital programme or strengthen its overall reserve position.

h) That Cabinet recommends that the New Homes Bonus and any additional unring-fenced funding from the Government as well as any further surplus on the Collection Fund 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 2018/19. This will require a net expenditure of £11,174,000.

5. Under these proposals, Council Tax for Hyndburn residents will rise for Hyndburn Council provided services by £5.00 per year for a Band D property. The amounts due for each band are shown at Appendix 4. The increase is equivalent to 10p per week for a Band D property, but 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 second rise in council tax for Hyndburn services since 2009/10 and represents an average annual 0.5 % increase over the full period since 2009/10. If the Council had increased Council Tax simply by inflation over the last 10 years rather than not increasing it at all, Council Tax for Hyndburn's services would have been over £53.00 higher for each average Band D property within Hyndburn.

7. The increase in Council Tax is a direct result of Lancashire County Council ending its financial support for recycling across Lancashire and removing £821,000 of income paid to Hyndburn to assist in separating household waste into separate streams for disposal either to landfill or to be used for some other purpose. While Hyndburn has commenced taking whatever steps it could to make savings and generate income to replace the amounts lost as a consequence of Lancashire County Council's decision, it is not envisaged that it will be possible to find the full £821,000 lost and therefore £305,000 of additional revenue is required from Council Tax over the coming period and this requires a £5.00 increase on Council Tax for the years 2017/18 to 2019/20.

8. Lancashire County Council, and the Police & Crime Commissioner have taken their decisions on Council Tax Levels for next year. The County Council will raise its Council Tax for each household by 5.99% while the Police Commissioner will raise it by £12.00 per Band D property. The Combined Fire & Rescue Authority has yet to make a formal decision and so for illustrative purposes we have assumed it will increase its Council Tax by 2.99%, the maximum under the Government's rules.

9. Altham Parish Council has set a separate precept for its activities for the tenth time in 2018/19. This year the Parish Council does not intend to increase its precept. The Band D charge for Altham Parish Council will therefore remain at £40.27 for the year and a precept on the Collection Fund of £12,282. Details of the impact of the potential increase on other Bandings for properties in Altham are shown in Appendix 6.

10. In setting the Budget for 2018/19 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 for

the first time. 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 analysis during the year starts to indicate the amounts of funds received will fall short of the target.

11. The Cabinet intends to continue the good financial stewardship of the Council's affairs by continuing the successful policies introduced over the last 14 years to manage costs effectively and promote appropriate service investment. Once again, we have given emphasis to shifting resources from central and support services into front line services. This has been done at the express request of the Cabinet and is in accordance with the national agenda to improve the value of local government services. It is also worth noting that proposals for savings and new investment have all been vetted by the Corporate Management Team and Cabinet against the priorities in the Corporate Strategy. The outcome of this process is that there is a continuing shift of resources in this budget toward front line, priority areas. This Budget will therefore deliver,

- *A major reduction in back office costs, with Policy & Corporate Governance contributing almost 40% of the savings the Council has to achieve to balance its budget next year, despite being less than 30% of the overall size of the Council.*
- *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.*
- *While the Council is not incurring any further borrowing costs it is able to invest almost £5.0m in*

total for the year with £1.2m invested in Accrington Town Centre, a further £1.7m invested in Housing Regeneration, over £828,000 committed to improving homes for those with a disability, a £400,000 investment in our Waste Services to modernise and improve the cost of operation of our recycling and over £800,000 of other building, operational and infrastructure projects.

- *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 10 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 emission 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 2017, in which Balances are over £2.8m and the Revenue Budget for 2017/18 is predicting a saving of over £284,000 which will contribute to improving the strength of our underlying financial position.

14. Within the Budget for 2018/19 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.

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 and safety nets, 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 is expected to remain for a number of years until the new system becomes bedded down and more robust data emerges on which to make more reliable forecasts.

16. The threat of pay inflation during 2018/19 is viewed as low. The Government has set out a clear agenda around public sector pay restraint and the reductions in local government funding indicate that any pay settlement beyond 1% puts further pressure on Budgets and significantly increases the threat of increased job losses. In these circumstances we do not envisage a settlement significantly above 2% as realistic and have constructed the Budget around a 2% increase.

17. With inflation likely to be low over the period and our strong past record on tracking in-year spend, plus the level of our Reserves, the Council should have confidence going into the year ahead that it will be able to deliver its Budget.

Background

Introduction

18. Over the last 12 months, the Council has continued to work hard to stabilise and improve its underlying financial position. The Financial Year 2016/17 ended with the Council achieving a surplus on its Revenue Account. The improvement has meant it has not been necessary to strengthen reserves from the Council's Revenue budget in any of the last 11 years, which has freed up resources to go directly into service provision and we are again proposing that there is no need to direct resources away from front line services for this purpose during 2018/19.

19. 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 overall budget, but additional savings generated each year and there is an expectation that a budget surplus will be generated in 2017/18 of approximately £280,000. This money has

been earmarked to assist the Council to reduce its cost base over the next few years.

20. Although it is worth noting the major improvements in financial management and cost control over the last 11 years, the Council needs to press this home in the year ahead in order to continue to drive value for money across its operations. 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.

21. 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 loss of Government funding for our core activities. In addition the ending of the Cost Share Agreement with Lancashire County Council sees the loss of £821,000 of income from 2018/19 which the Council needs to address.

22. 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 by almost £5.1m since 2010/11 and our forecast is that we will need to save over £3.6m more in the period 2018/19 to 2020/21.

Medium Term Financial Strategy

23. 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 14th February 2018 and will be placed before the Council on the 22nd February 2018.

24. The MTFS indicates that the Council faces a major challenge to balance its Budget beyond the current year and that in taking decisions in regard to 2018/19, it needs to recognise the savings agenda it will potentially face in 2019/20 and 2020/21. The main pressures stem from the Government's reduction in funding to the Council and the ending of the Lancashire Cost Share Agreement on Recycling. The other major pressures the Council faces are

- The reduction of grant to support the payment of housing benefits.
- Auto-enrolment of employees into the pension scheme
- 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 inflation on salaries and goods and services increases beyond the current forecast and it would face a potential major additional cost in 2020/21 if it uses up all its available capital resources and has to finance any future Capital spend from its Revenue Budget.

Continuation Budget

25. Work has been undertaken with Service Managers and Finance Staff to establish a roll-forward budget based on our corporate priorities, current expenditure patterns in 2017/18 and known financial pressures for 2018/19. Our Corporate Priorities are detailed within our Corporate Strategy with the overall objective of improving the local economy and the mix of housing within Hyndburn. This objective remains challenging in a period of reduced funding, uncertain global

economic indicators, Brexit negotiations and a Minority Government at Westminster.

26. 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. Plans for improvements or service development not internally funded are detailed below.

27. Pay costs are assumed to increase in line with the guidance issued by Government in respect of public sector pay. This limits the overall

increase in wage costs to around £255,000 after uprating salary costs for 2018/19 and allowing for increments and the knock-on impacts on national insurance contributions and employer pension contributions.

28. Inflation for non-pay items continues and is currently above the Bank of England target of 2% though the large upswing in inflation following the Brexit Vote has not materialised with the Consumer Price Indicator at 3.0% in December 2017 and no firm indications that it is about to spiral upward. Overall capacity on the supply side of the world economy appears to remain abundant, weakening any opportunity for suppliers to effectively pass on price increases they incur due to the price of sterling falling against other major currencies. We have therefore assumed for budgeting purposes that cost centres will be able to absorb whatever inflationary pressure they face within a 2% uplift of their Budgets.

29. These calculations indicate a Continuation Budget of just over £11.17m 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 2018/19.

Growth Pressures

30. There are no growth items proposed for the 2018/19 Budget. Other service pressures are being dealt with by Service Managers within their own budgets when they deem that new ideas and initiatives require support. In these circumstances they will generate additional savings above their target savings to finance these changes.

Available Resources

Core Government Revenue Support Grant (RSG)

31. Revenue Support Grant for 2018/19 has indicatively been set at £1,998,000. This figure is awaiting confirmation from Government after consultation and is usually finalised in late February or early March. On a like for like basis Revenue Support Grant is £447,000 down compared to the previous year. This is 18% down compared to the amounts we received in the previous year,

Business Rates

32. 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 new 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 Fire and Rescue Authority who receive 1%. In addition the Government operates a system of Tariffs and Top-ups which sees the amount retained by Hyndburn Council reduce by a further £3.8m The Council also now has the risk around non-collection and the impact of late payments.

33. Additionally in 2018/19 there was a major revaluation of property business rates nationally. At a local level this has altered downwards the overall amount of Business Rates to be collected in Hyndburn and the figure will be further reduced by the higher rate for exemption from Business Rates for small businesses. The overall change as currently estimated is from £19.7m in 2016/17 to £18.3m in 2018/19 a drop of £1.4m. This figure is still subject to finalisation. As part of this process the Government has introduced a taper system on the changes at an individual business level and adjusted the tariff the Council faces downwards. 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 2018/19 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 and assign any surplus on the Collection Fund to reserves or to support the Capital Programme going forward with these one-off sums. For 2018/19 the estimated revenue from Business Rates is expected to be £3.7m.

Council Tax

34. It is expected that the Council Tax will raise the equivalent of £4.9m of revenue for the Council in 2018/19. After seven years of no council tax increase in Hyndburn, dating back to 2009/10, this year will be the second year of a council tax increase of £5.00 for a Band D property. This is the equivalent of less than 10 pence per week for a Band D property and as 2/3^{rds} of the properties in Hyndburn are Band A properties, most households will only pay around 7 pence per week more, an annual increase of £3.34. (2.12%), a lower percentage increase than last year's 2.17% increase and below the current rate of inflation once again.

35. The increase in Hyndburn's Council Tax is below the amount assumed by the Government of 2.99% and by which it adjusts its

future support of local government finances, indicating the Council is continuing to outperform other Councils and the Government's predictions on providing value for money to its local residents.

36. The increase in council tax of £5.00 is needed to help the Council replace funding cut by Lancashire County Council for the collection of recyclables. The increase raised £100,000 of additional revenue in the first year (2017/18) and this will increase to £305,000 of additional revenue by 2019/20. This will partly contribute to the loss of £821,000 annually from Lancashire County Council's decisions in this area.

New Homes Bonus

37. 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 to the DCLG. For Hyndburn the expectation is that the number of new homes built will remain small and we will only receive £321,000 for 2018/19. This is down

£226,000 compared to the previous year. 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 however expected to fall in subsequent years and this will lessen the extent to which we can fund Capital Projects from this source of money into the future unless there is a major upswing in the number of properties being constructed in Hyndburn over the next few years.

Resource Summary

38. The Council's estimated Resources for 2018/19 are £11,174,000 and this compares to an expected roll forward cost of operating the organisation of £12,861,000. This indicates a saving gap for the year of £1,687,000. Individual savings from Service Departments and Corporately of £1,687,000 have been identified equal to the savings target and these are shown at Appendix 3.

Budget Proposals 2018/19

General Financial Pressures

39. 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 2018/19 and continue its financial strategy to ensure its financial stability over the medium term.

40. The Corporate Management Team has been working with Service Managers to develop proposals to meet these broad aims. The major elements of these plans to reduce the overall costs are set out below and further details on the savings and income generation are provided in Appendix 3. Given that over the last 13 years we have looked to save around £1m a year on average, some of the proposals put forward present the Council with hard choices. However in order to continue with the good work done over the last 13 years and to keep the District precept to a minimum, these decisions need to be made. If any of the proposals are not accepted a comparable and compensating proposal will need to be found.

41. The proposals for 2018/19 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 2018/19 to buttress their budgets ahead of any further proposed savings for 2018/19 onwards. Last year we set a one year corporate savings target of £165,000 which we are on target to deliver in 2017/18. However as it was a one-off savings plan this figure has been incorporated into the savings target for 2018/19 to produce a permanent solution to this saving gap.

Recycling Pressures

42. Lancashire County Council have over recent years had an agreement with all collection authorities in Lancashire, including Hyndburn to provide financial support to assist with the cost of recycling. For Hyndburn the financial support was around £653,000 annually. Lancashire County Council has given notice that it will not renew the current agreement when it ends on the 31st March 2018. A variety of discussions with Lancashire County Council have failed to persuade them to alter their position. Lancashire County Council have also given notice to all collection authorities that from 31st March 2018 they will also take ownerships and consequently the income, of all

recyclable waste. For Hyndburn, the sale of our recycling generated a budgeted income of £168,000 annually. Given the reduction in Government Grant to Hyndburn Council over recent years and the projected reductions to come for the next 3 years at least, the Council cannot absorb the loss of this income from recycling within its current budget without a major impact on other services.

43. Hyndburn therefore needs to adapt its financial and operational strategy around the collection of recycling materials in order to minimise the financial fall-out from the loss of income stemming from Lancashire County Council's decisions. The strategy proposed is to switch from a collection based on recyclable bags and boxes to the provision of 2 additional wheeled bins, one for Paper and Cardboard Recyclables and the other for glass, plastics and metals. These new bins will provide significantly more capacity to hold recyclable waste and end the current situation with the existing service in which recyclable materials presented for collection in bags and boxes are often emptied, either accidentally or deliberately and litter the streets. Paper and Cardboard will be collected on alternative fortnights to Glass, Plastics and Metal and all other Household waste will be collected as now every two weeks. This together with other savings across Waste Services will allow the Council to reduce its collection

costs by around £350,000 per year, provide households with large robust recyclable wheeled bins which will allow a greater amount of recyclables to be stored and reduce the environmental impact of the current scheme.

44. As part of the strategy to address the removal of the Cost Share Agreement, the Council introduced in August 2017, the ability for residents to choose how they manage their garden waste. Households can now put their garden waste in the grey wheeled bin, which for many households will mean they no longer require a separate green wheeled bin. Alternatively, households can drop their green waste off at the Household Waste Recycling Centre, Whinney Hill Road, Altham. For householders who would still prefer their garden waste to be collected separately by the Council, a small administrative collection charge was introduced for each green wheeled bin. This service uses the existing green wheeled bins and provides collections on a fortnightly basis, from March to November. It is expected that the net budget impact of these changes will be approximately £150,000 a year.

45. These measures will reduce the loss of income from the ending of the Cost Share Agreement by Lancashire County Council from £821,000 to £305,000. After careful consideration of the overall financial position of the Council and the further grant reductions from Government for Hyndburn that were announced in 2017/18 totalling over £1.7m in the following 3 years and having regard to the fact that Council Tax has not been increased over the past 7 years, the final part of the strategy to offset the withdrawal of income in support of recycling by Lancashire County Council is via increasing Council Tax to fund the gap. A £5.00 increase in Council Tax was therefore introduced as part of a 3 year strategy to replace the lost income from Lancashire County Council from 2017/18. This increase is less than 10p per week for a Band D property and as the vast majority of houses in Hyndburn are Band A properties, the actual rise for most households in Hyndburn will be less than 7p per week. The Council will also continue to work over the next 3 years to persuade Lancashire County Council to resume its funding of recycling and to look at how improvements in operation and efficiency might occur which would lessen the need for council tax increases to fund this service.

Budget Saving Proposals

46. The general financial pressures and the specific ones stemming from Lancashire County Council's decision on no longer supporting District Councils with recycling require us to focus sharply on our priorities so that we can be clear both about the areas for targeted cost reduction and also the areas for new or additional investment. On this basis, the budget has been designed to allow the Council to pursue a range of saving initiatives – a selection of which are set out below:

- Community Services including Leisure Services will save £867,000 compared to its roll forward budget position from a combination of more effective working, generating additional income through fees and charges, reducing some staff costs and making savings on supplies and services via renegotiation of contracts and better procurement management.
- The Planning Service will reduce its cost by £48,000 through an exercise to re-organise the way the department operates, generating additional income and other cost saving measures

- Policy and Corporate Governance will provide over £640,000 worth of savings through a mixture of staff efficiencies, limiting spend on non-essential items, and reducing overhead costs. The overall budget will also be improved by income generation and efficiency measures.
- Regeneration Services have provided a variety of savings measures and increased income projections for the year totalling almost £131,000.

47. The pattern of savings to achieve the overall average saving of 13% shows that protecting fundamental services and reducing our back office costs remains our highest priority with corporate costs reduced on average by almost 16% compared to their roll-forward position, while front line services were reduced by around 11%.

48. Full details of the savings are set out in Appendix 3.

Reserves

49. The Council has recognised the need to refresh its financial reserves over the last few years after they became dangerously low as a result of the financial difficulties we experienced over a decade ago.

50. 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 2018/19 to continue with this policy. Reserves are currently over £2.8m and an underspend is predicted for 2017/18. 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.

51. 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.

- Any further reduction in core Government Grants stemming from how the Government determines to manage public sector finances over the next few years.
- The ending of the Cost Share Agreement with Lancashire County Council for the separation of waste and the potential loss of income stemming from the termination of this agreement.
- The need to repay land charge search fees after a ruling from Europe that these fees have been levied contrary to European Environmental Law.
- 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.¹
- 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 recession
- Environmental warranties on our land and guarantees provided to Hyndburn Homes over land transferred to them

¹ 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.

- Legal challenges over the operation of our fees and charges
- The threat that Central Government will pass fines from Europe directly to Councils if the UK fails to meet its targets on climate change and environmental improvements.
- Continuing reductions in our income from fees and charges as the Recession continues
- Financial pressures around ensuring our pension fund is properly financed
- Potential large fines under the General Data Protection Regulations that are to be introduced in 2018/19.

52. This is not a fully comprehensive list of all of 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.

53. 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

54. The 2018/19 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.

55. There is 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.

56. Pay Inflation should not be a major factor over the next 12 months. We have used a 2% increase within the Budget and we expect due to the pressures that continue to exist around public sector expenditure that there will be little deviation away from this figure.

57. There were predictions of a rise in inflation immediately following the Brexit Vote coupled with a drop in consumer activity and possibly a further recession. This has not materialised. Inflation has risen to just over 3% during 2017 but has fallen subsequently and therefore it does not appear currently likely to accelerate at an alarming and unaffordable rate as there appears to be continuing global economic weakness and this is expected to keep the cost of Goods and Service stable over the 12 months of the Budget and therefore inflation in this area is expected to create only a low to moderate degree of risk within the financial forecast.

58. Given the Brexit vote 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 2018/19 financial year.

59. The next 12 months therefore sees a Budget period with the only major risk around Business Rates actuals diverging significantly from the estimates made. The Council however has sufficient financial reserves to draw upon if necessary to deal with any such fluctuations.

60. 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

61. This year we are asking the public to attend the Council's Overview and Scrutiny Meeting on the Budget which takes place at 2:30pm on 19th February 2017 at Scaitcliffe House. At this meeting they will get to hear the questions put to each of the main parties around their Budget proposals and the public will be invited to put questions to the Leaders of each group and make any general comments. This direct involvement with the Public 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.

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

63. The overall estimated Council Tax per household for 2018/19 is shown at Appendix 5.

Conclusion

64. The overall Revenue Budget 2018/19 is set out at Appendix 2. The Budget for 2018/19 will be £11,174,000 and will be supported by a Council Tax levy of £240.52 for a Band D property—translating into a revenue source of £4,932,000 to meet services to the local community. The Budget has been determined in light of continuing upward pressure on costs, 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

65. As outlined in the Report, the public have been invited to participate in the Council's Overview & Scrutiny Meeting on the 19th February at 2:30pm in Scaitcliffe House to review in detail the Budget proposals of all parties, consider the proposals put forward and make suggestions on changes and improvements to the Budget plans to be submitted to Full Council on the 22nd February 2018.

REASONS FOR RECOMMENDATIONS

66. 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

67. 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

68. As outlined in the report

LINKS TO CORPORATE PRIORITIES

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

EQUALITY

70. 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

71. 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 a number of 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

72. 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

73. See the relevant supporting papers from the Cabinet February 2017 and the report to Cabinet in October 2017 which provided an update on the Medium Term Financial Strategy which are available from the Hyndburn Borough Website (links provided below) and other items on today's agenda.

[Council Budget Papers 2017/18](#)

[Medium Term Financial Strategy October 2017](#)

Initial Outline Budget 2018/19		
		£000
Revenue Support Grant		1,998
Business Rates		3,744
Council Tax		4,932
Collection Fund Surplus		400
Use of Reserves		100
Total Resources Available 2017/18		11,174
Roll Forward Budget		12,861
Growth Items		0
Unadjusted Predicted Spend		12,861
Savings Required		1,687
Savings Identified		1,687
Predicted Spend 2017/18		11,174
Unfunded Spend at this time		0

Revenue Budget 2018/19	
Service Expenditure	£000
Environmental Services	4,801
Culture & Leisure Services	903
Planning & Transportation	801
Regeneration Services	1,815
Policy & Corporate Governance	3,423
Non Service Related Budgets	-569
Contribution to Reserves	0
Net Total Expenditure	11,174
Band D Property 2017/18	£ 235.52
Band D Property 2018/19	£ 240.52
Increase on Previous Year	£ 5.00
% Increase on Previous Year	2.12%
Band A Property 2017/18	£ 157.02
Band A Property 2018/19	£ 160.36
Increase on Previous Year	3.34
% Increase on Previous Year	2.12%

**Savings Proposals
2018/19**

Food Safety	£
General Subscriptions and Publications	859
Computer Rental Maintenance	7,000
Staff Savings	27,718
Pest Control	
Car Allowance Saving	230
Hired Vehicles Savings	399
Fuel Savings	2,548
Standpipe License Saving	559
Waste Services	
Recycling Restructuring	495,418
Clinical Waste Disposal	1,000
Advertising Savings	569
Enforcement Overtime Reduction	2,405
Recycling Leaflet Savings	2,554
Recycling Income Increase	28,000
Other Income	3,000
Street Cleansing Miscellaneous Savings	189
CVMU Miscellaneous Savings	5,000
Parks	
Grass Cutting Restored	-7,000
Salary NI & Superann Savings	27,000
Overtime Savings	5,000
Diesel Savings	1,000
Reduced Hired of Vehicles	2,000
Materials Reduced costs	2,000

Agency Staff Reduction in Numbers Used	5,000
Crematorium Additional Income	27,500
Planning & Engineering Services	
Staffing Savings	28,600
Additional Income from DCLG expected	5,000
Urban forest budget reduction	2,000
Lighting Budget for Bus Shelters Savings	3,000
Extra Income from Street Naming	8,000
Allotments additional income	2,000
Regeneration Services and Corporate Property	
Market Hall Deletion of Vacant Post	11,698
DFG Increased Income	37,286
Housing Advice Increased Income	13,329
Development Income and Savings on Professional Fees	17,597
Property Services Increased Fees	15,000
Corporate Repairs and Maintenance Savings on Operations	5,865
Christmas Decorations and Amenity Reduction n Spend	3,978
Sadler Street Industrial Estate ending of leases	9,878
Eagle Street Senior Citizens Rates Reduction	5,848
Haworth Art Gallery	
Reduced spending on Bedding Plants	500
Reduced spending on Repairs and Maintenance of equipment	2,500
Reduction in Advertising spend	2,000
Additional Income from Weddings	5,304
Policy & Corporate Governance	
Legal & Democratic Services	
Member Services	
Hire of premises Savings	200
Local Democracy week removal of funding	359
Postage Reductions	50
Salary Saving	17,800
Members Expenses	
Miscellaneous Savings	700
Mayoralty	
Miscellaneous Savings	1,013
Overtime Budget removed	1,305
Human Resources	

Training Budget Reduced	4,426
Miscellaneous expenses	1,099
Legal	
Staffing Deletion of Vacant Post	27,110
Increased Income Target	2,500
Licensing	
Miscellaneous Savings	525
Registration of Electors	
Miscellaneous Savings	683
Local Land Charges	
Miscellaneous Savings	143
Policy and Performance Review	
Staffing Savings	9,794
Secretariat	
Staffing Savings	2,695
Marketing and Communications	12,000
ICT	
Reduced Software License Costs	1,508
Stationery Cost Savings	500
Benefits and Customer Services	
Savings on Salaries	126,892
Reduction on Summons Costs	5,500
Swipe Cards	2,000
Miscellaneous Costs	7,743
Accountancy	
Car Expense Savings	800
Miscellaneous Other Savings	1,978
Audit	
Car Expense Savings	99
Miscellaneous Other Savings	402
Other	
Insurances Contract Savings	8,500
Pension Payments Reduction	25,000
Cabinet Action Fund Reduced Funding	4,318

Single Funding Pot Reduced Costs	8,637
Cannon Street Service cost savings	7,000
Leisure Services savings	227,311
Environmental Warranties Set Aside Ended	250,000
Corporate Savings Target	107,377
Total Savings Identified	1,687,298

Hyndburn Borough
Council Tax Increase 2018/19
by Property Band

Appendix 4							
Valuation Band and Statutory ratios of Band D Council Tax			Council Tax		Council Tax		Annual Increase
			2017/18		2018/19		
Band A	6/9	£	157.02	£	160.35	£	3.33
Band B	7/9	£	183.19	£	187.08	£	3.89
Band C	8/9	£	209.36	£	213.80	£	4.44
Band D	9/9	£	235.52	£	240.52	£	5.00
Band E	11/9	£	287.86	£	293.97	£	6.11
Band F	13/9	£	340.20	£	347.42	£	7.22
Band G	18/9	£	392.54	£	400.87	£	8.33
Band H	18/9	£	471.04	£	481.04	£	10.00

Appendix 5

Overall Change in Council Tax 2018/19

Council Tax Schedule	2018/19								Change Between 2017/18 and 2018/19							
	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	160.35	187.08	213.80	240.52	293.97	347.42	400.87	481.04	3.33	3.89	4.44	5.00	6.11	7.22	8.33	10.00
Lancashire County Council	863.28	1,007.16	1,151.04	1,294.92	1,582.68	1,870.44	2,158.20	2,589.84	48.79	56.92	65.05	73.18	89.44	105.70	121.97	146.36
Lancashire Police & Crime Commissioner	118.30	138.02	157.73	177.45	216.88	256.32	295.75	354.90	8.00	9.34	10.66	12.00	14.66	17.34	20.00	24.00
Lancashire Fire & Rescue Authority	44.98	52.47	59.97	67.46	82.46	97.44	112.44	134.92	1.31	1.53	1.75	1.96	2.40	2.83	3.27	3.92
Total Council Tax Payable (outside Altham Parish Council)	1,186.91	1,384.73	1,582.54	1,780.35	2,175.99	2,571.62	2,967.26	3,560.70	61.43	71.68	81.90	92.14	112.61	133.09	153.57	184.28
Altham Parish Council	26.85	31.33	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	-
Altham Parish Council & Hyndburn Borough Council	187.20	218.41	249.60	280.79	343.19	405.59	467.99	561.58	3.33	3.89	4.44	5.00	6.11	7.22	8.33	10.00
Total for Altham	1,213.76	1,416.06	1,618.34	1,820.62	2,225.21	2,629.79	3,034.38	3,641.24	61.43	71.68	81.90	92.14	112.61	133.09	153.57	184.28

This assumes a £5.00 increase in Council Tax for a Band D property by Hyndburn Borough Council as indicated in this report. Altham Parish Council has decided not to increase its Council Tax. Lancashire County Council and the Police & Crime Commission have made their formal decisions and they are used in the above calculation, LCC are increasing Council Tax by 5.99% and the Police Commissioner by £12.00 for a Band D property. The Fire & Rescue Authority have not made formal decisions as yet. The above model assumes a 2.99% increase .

Appendix 6

Altham Parish Precept 2018/19 by Property Valuation Band

Altham Parich Council							
Appendix 6							
Valuation Band and Statutory ratios of			Council Tax		Council Tax		Annual Increase
			2017/18		2018/19		
Band A	6/9		26.85	£	26.85	£	-
Band B	7/9		31.33	£	31.33	£	-
Band C	8/9		35.80	£	35.80	£	-
Band D	9/9		40.27	£	40.27	£	-
Band E	11/9		49.22	£	49.22	£	-
Band F	13/9		58.17	£	58.17	£	-
Band G	18/9		67.12	£	67.12	£	-
Band H	18/9		80.54	£	80.54	£	-

* There are currently no Band H properties in Altham parish