

# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO SPECIAL POLICY AND FINANCE COMMITTEE

Agenda Item No 8

meeting date: 12 FEBRUARY 2013  
 title: OVERALL REVENUE BUDGET 2013/14  
 submitted by: DIRECTOR OF RESOURCES  
 principal author: JANE PEARSON

### 1 PURPOSE

- 1.1 To approve the revised revenue budget for 2012/13.
- 1.2 To consider and recommend a revenue budget, budget requirement and precept for 2013/14 to Full Council on 5 March 2013.

### 2 CURRENT YEAR'S REVISED BUDGET 2012/13.

#### **Background**

- 2.1 The revised budget for 2012/13 has now been prepared. Committees, during this cycle, have reviewed their estimates and the reasons for any significant changes.
- 2.2 At the time of setting the current year's budget the Government had announced severe cuts in public sector funding. We therefore tasked ourselves with carrying out a review of all services to take place during latter half of 2011.
- 2.3 The package of measures arising from the review of our services was agreed by Policy and Finance in November 2011 and amounted to £635,000. Obviously this totalled a significant amount of savings which we then incorporated into our base budgets from the current year.
- 2.4 The 2012/13 budget included provision for price increases of 2.5%. Committee estimates did not include an allowance included for any potential pay increase, however a contingency was set aside for £75,000 in case an award was agreed. Where possible budgets were cash limited.
- 2.5 The revised budget is now looking as if there will be a reduction of £160k in net expenditure. This is shown in the summary below.

	Original Estimate 2012/13 £	Restated Original Estimate 2012/13 £	Revised Estimate 2012/13 £
<b>Committee Expenditure</b>			
Planning & Development	514,810	599,770	630,070
Community	3,322,100	3,308,610	3,273,920
Health and Housing	671,070	672,670	714,940
Policy & Finance	2,245,380	1,909,950	1,758,610
<b>Total of Committees</b>	<b>6,753,360</b>	<b>6,491,000</b>	<b>6,377,540</b>
<b>Capital Adjustments</b>			
Less Depreciation (included in above)	-687,900	-687,900	-656,100

	Original Estimate 2012/13 £	Restated Original Estimate 2012/13 £	Revised Estimate 2012/13 £
Add Minimum Revenue Provision (MRP)	148,030	148,030	140,230
<b>Total Expenditure</b>	<b>6,213,490</b>	<b>5,951,130</b>	<b>5,861,670</b>
<b>Other Items</b>			
External Interest Payable	19,730	19,730	19,730
Interest Earned	-30,000	-30,000	-29,760
Council Tax Freeze Grant	-78,910	-78,910	-78,910
New Homes Bonus	-167,240	-167,240	-179,650
Pay Award Contingency	75,000	75,000	0
Transfer From/To Various Funds (See Annex 1)	36,945	299,305	189,085
<b>Net Expenditure</b>	<b>6,069,015</b>	<b>6,069,015</b>	<b>5,782,165</b>
Adjustment to Balances to Get to Agreed Budget	-20,733	-20,733	266,117
<b>Agreed budget for year</b>	<b>6,048,282</b>	<b>6,048,282</b>	<b>6,048,282</b>

### **Change in Committee Expenditure**

- 2.6 In summary, committee expenditure has fallen by £113k. Obviously, in a total budget of over £6m there are many variations during the course of a year. Each committee, in considering its revised budget, has been given details for any differences.
- 2.7 The main ones are as follows:

	£'000
<b>Increased Income</b>	
Increase in Planning Fee Income	-120
Continued Children's Trust Grant Income	-15
Ribblesdale Pool Income - Courses and Contracts	-16
Higher Housing Benefit subsidy due to increased payments	-453
<b>Decreased Income</b>	
Lower level of Income from Building Control Fees	42
Lower Council Tax Benefit subsidy due to reduced payments	56
<b>Reduced Expenditure</b>	
Further Reduction in the cost of Public Conveniences	-24
Reduced Diesel Costs and Usage	-24
Reduction in External Audit Fee	-30
Reduction in Meals and Wheels and Luncheon Club costs due to fewer recipients	-10
Reduced Council Tax Benefit Payments	-56

<b>Increased Expenditure</b>	
Increase in Planning Consultant Costs (Funded from Earmarked Reserves)	37
Increase in charge for waste paper collection from contractor	26
Increased Housing Benefit Payments	453
Warm Homes Grant Expenditure (Funded from Earmarked Reserves)	44
Increase in Expenditure on Forest of Bowland Bridleways (Funded from Earmarked Reserves)	35
<b>Reduced Depreciation</b>	-34
<b>Net Other Movements</b>	-24
<b>Net Change in Committee Expenditure Forecast for 2012/13 RE</b>	<b>-113</b>

### ***Movement in Other items***

2.8 Other Items show movements as follows:

<b>Other Items</b>	<b>Restated Original Estimate 2012/13 £000</b>	<b>Revised Estimate 2012/13 £000</b>	<b>Difference £000</b>
Interest Payable	20	20	0
Minimum Revenue Provision	148	140	-8
Depreciation	-688	-656	32
Interest Earned on Investments	-30	-30	0
Council Tax Freeze Grant	-79	-79	0
Pay Award Contingency	75	0	-75
New Homes Bonus Grant	-167	-180	-13
<b>Net change</b>	<b>-721</b>	<b>-785</b>	<b>-64</b>

2.9 The main change relates to the national agreement that there has been no pay award for local government staff. This saves the Council £75,000. There has been a reduction of £32k in the total amount of depreciation which we take out of our committee expenditure. We have also been successful in demonstrating the impact of council tax banding appeals on our new homes bonus grant. The Government therefore awarded the Council an extra £12,410 in 2012/13. We will receive this extra funding for six years.

### ***Movement in Earmarked Reserves***

2.10 Annex 1 shows the forecasted transfers to and from earmarked reserves compared with the original estimate. In summary we anticipate adding £110k less to earmarked reserves.

## Overall Changes

2.11 A summary of the changes between the original and revised estimate is shown below

	Difference £000
Committees	113
Other Items	64
Use of Earmarked Reserves	110
<b>Net change</b>	<b>287</b>

2.12 This shows that the Council has in effect 'saved' £287k compared with the original estimate. Therefore **instead of taking** £21k from general fund balances at the end of the year, based on these revised estimates we **would be adding** £266k to balances.

## 3 THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/14

### Provisional Grant Settlement

3.1 The details of our grant settlement are set out in the separate report elsewhere on your agenda. The table below summarises our provisional position. You will see under the new arrangements that a number of previously separate grant streams have now been added to our funding assessment (rolled in).

Start Up Funding Assessment	£
Relative Needs Amount	1,342,574
Relative Resources Amount	-1,407,547
Central Allocation	2,543,187
Floor Damping	135,908
<b>Formula Funding</b>	<b>2,614,122</b>
Add: Grants rolled in:	
Homeless grant	50,000
Council Tax Support	218,897
Council Tax Freeze compensation (for freezing council tax in 2011/12)	78,660
<b>SUFA</b>	<b>2,961,679</b>

3.2 We expect to receive notification of the final settlement figures in early February. We will report our final figures to you at your meeting if possible.

### **Future Years Government Funding**

- 3.3 The Government have also announced provisional grant figures for 2014/15. These show considerable further reductions to our central government support.

<b>Analysis of change in Grant Funding from 2013/14 to 2014/15</b>				
	<b>2013/14</b>	<b>2014/15</b>	<b>Difference</b>	<b>%</b>
	<b>£</b>	<b>£</b>		
RSG	1,778,495	1,365,618		
NNDR				
Redistributed/Business Rates				
Baseline	1,183,184	1,219,474		
	<b>2,961,679</b>	<b>2,585,092</b>	<b>-376,587</b>	<b>-12.72%</b>

- 3.4 The Budget Working Group are obviously very concerned about these further reductions and will be meeting early in the new financial year to consider the Council's future budget position.

### **Local Council Tax Support**

- 3.5 The Council has agreed it's Council Tax Support Scheme which comes into effect on 1 April 2013.
- 3.6 Our scheme will see a reduction in support for working age claimants of a maximum of 8.5% for the forthcoming year. This means that we are entitled to claim a transition grant from the Government for meeting this and certain other criteria.
- 3.7 By utilising our share of the extra council tax generated from second homes and also using the transition grant our scheme will be fully funded.
- 3.8 Council Tax Support will be awarded as a discount against an individual's council tax bill. This means that the cost of our council tax support scheme impacts on how we calculate our tax base.
- 3.9 The Government have allocated an amount of £23,065 within our council tax support grant of £218,897 which they state should be passed on to parishes to compensate them for the impact of our new scheme on their tax bases. We have allocated grants to individual parishes based on the current cost of council tax benefit in their areas. We have asked parishes to take this funding into account when setting their parish precepts.

### **Council Tax Base**

- 3.10 I have calculated the council tax base in accordance with proper practices and have allowed for the impact of our Local Council Tax Support Scheme mentioned above. This means our council tax base for 2013/14 falls to 21,053. This compares with the current tax base of 22,434 in 2012/13.
- 3.11 A breakdown of the calculation showing the tax base per parish is shown in Annex 4.

## **4 COLLECTION FUND**

4.1 The council tax is a combination of various factors, namely:

- ❖ The spending requirements of -
  - ❖ Lancashire County Council
  - ❖ Lancashire Police Authority
  - ❖ Lancashire Combined Fire Authority
  - ❖ Ribble Valley Borough Council
  - ❖ The Parish Councils in our area
- ❖ Less government grants
- ❖ Less our share of national non domestic rates
- ❖ Surplus/deficit on the collection fund
- ❖ Council tax base at band D equivalent

4.2 I have already assessed the potential surplus/deficit on the collection fund relating to council tax. I estimate the Collection Fund will produce a deficit of £230,511 this year.

4.3 The deficit will be shared amongst all the current major precepting authorities. Our share of the deficit is £24,579.

4.4 A statement showing the Collection Fund is attached at Annex 2.

## **5 REVENUE BUDGET 2013/14**

### ***Background***

5.1 The announcement of the Finance Settlement confirms that local government continues to bear the brunt of public spending cuts in this Spending Review period. The Autumn Statement promises that cuts will continue at least until 2018. Whilst it is pleasing that campaigning appears to have resulted in councils being protected from additional cuts next year, the extra two per cent cut in 2014-15 will prove further challenging to local government.

5.2 The past twelve months have proved to be dynamic in terms of major changes affecting local government finances.

- ❖ Retention of Business Rates
- ❖ Localising Support for Council Tax
- ❖ Council Tax Reforms

### ***Council Tax Freeze Grant/Capping***

5.3 The Government have announced that they will once again offer funding to council's who freeze their council tax in 2013/14. The funding offered equates to a 1.0% increase in council tax foregone and will be paid for a two year period ie in 13/14 and 14/15.

5.4 A referendum will have to be held for authorities wishing to increase their council tax by 2% or more. An exception to this however has been announced by the Government for Councils with a bottom quartile Band D council tax. For such councils the referendum threshold will not apply until a £5 increase in Band D is applied.

- 5.5 Our Band D tax is £140.69 and is in the bottom quartile of all councils. This means that we could increase our tax by £5 which would be an increase in percentage terms of 3.6% before we would trigger the need to hold a referendum. This would raise approximately £105,000 but the council tax freeze grant would have to be deducted from this figure in years one and two. Thereafter the council would benefit from the full amount each year.
- 5.6 The Budget Working Group considered the Government's offer and recommended that we prepare our budget based on a council tax freeze. This would mean we would be eligible to receive a freeze grant of £31,610 each year for two years.

### ***Council Tax Technical Reforms***

- 5.7 The localism act extended the power of billing authorities to vary the level of exemption and discounts to some properties which had been exempt from Council Tax by Prescription. These changes affect empty properties which are:-
- ❖ Uninhabitable or under repair or work completed within the last 12 months (Class A)
  - ❖ Empty and Unfurnished for up to 6 Months (Class C)
- 5.8 In addition billing authorities are to be allowed to charge a premium upon properties which have been empty for a period of greater than 2 years.
- 5.9 It is proposed that the Council maintain the existing position for 2013/14 ie replace the existing Class A and C exemptions with new 100% discounts for twelve and six months respectively. The new discounts would therefore be revenue neutral to the Council's budget.

### ***New Homes Bonus Scheme***

- 5.10 The New Homes Bonus scheme commenced in April 2011, and match funds the additional council tax raised for new homes and empty properties brought back into use, with an additional amount for affordable homes, for the following six years. The grant is calculated based on the movement of dwellings in council tax base retrospectively October to October.
- 5.11 The New Homes Bonus grant is shared 80:20 between district and county councils in two tier areas and is un-ringfenced. The Government state that New Homes Bonus is a powerful, simple and transparent incentive for housing growth.
- 5.12 Our provisional allocation for next year was £170,723, however we have again managed to successfully challenge the impact of council tax rebandings on our new homes bonus and I am pleased to advise that our final allocation is £188,053. We will receive this higher amount for six years.

5.13 Our grant is shown in the table below:

		<i>Received in year</i>							
		<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	
Relates to:	2011/12	62,046	62,046	62,046	62,046	62,046	62,046		
	2012/13		117,599	117,599	117,599	117,599	117,599		
Prov alloc	2013/14			188,053	188,053	188,053	188,053	188,053	188,053
	Available	<b>62,046</b>	<b>179,645</b>	<b>367,698</b>	<b>367,698</b>	<b>367,698</b>	<b>367,698</b>	<b>305,652</b>	<b>188,053</b>
Allocated									
Revenue:	base budget	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Capital:	Econ Dev	0	107,240	0	0	0	0	0	0
		60,000	167,240	60,000	60,000	60,000	60,000	60,000	60,000
Spare i.e. unallocated		2,046	12,405	307,698	307,698	307,698	307,698	245,652	128,053

### ***Budget Requirement Calculation***

5.14 As last year, we are therefore already in a position where we know our 2013/14 council tax and therefore what our budget requirement needs to be, assuming you accept the Budget Working Group's recommendation to freeze our council tax. Our Budget Requirement is therefore calculated as follows,

	£	£
Taxbase	21,053	
Band D	140.69	
Precept (i.e. amount raised from council tax)	2,961,947	2,961,947
Council Tax Deficit		-24,579
Start up Funding Assessment (SUFA)		2,961,679
<b>Our Maximum Budget Requirement</b>		<b>5,899,047</b>

### ***Base Budget Position***

#### ***Introduction***

5.15 Each committee has been asked to prepare their budget on the basis of no increase in the level of spending in real terms. The budgets do include provision for pay and price increases of 2.5%. Fees and charges have also been reviewed by committees and have been increased by at least the rate of inflation where feasible, with the exception of car parking charges which have been frozen. At the time of your meeting all committees will have considered their draft budgets for next year.

### **Provisional Base Position**

5.16 The provisional base position for next year as submitted to service committees is shown below, compared with the original budget for 2012/13.

	<b>Original Estimate 2012/13 £</b>	<b>Original Estimate 2013/14 £</b>
<b>Committee Expenditure</b>		
Planning & Development	599,770	555,260
Community	3,308,610	3,359,280
Health and Housing	672,670	800,430
Policy & Finance	1,909,950	1,826,430
<b>Total of Committees</b>	<b>6,491,000</b>	<b>6,541,400</b>
<b>Capital Adjustments</b>		
Less Depreciation (included in above)	-687,900	-684,780
Add Minimum Revenue Provision (MRP)	148,030	145,330
<b>Total Expenditure</b>	<b>5,951,130</b>	<b>6,001,950</b>
<b>Other Items</b>		
External Interest Payable	19,730	16,460
Interest Earned	-30,000	-29,140
Council Tax Freeze Grant	-78,910	-31,610
New Homes Bonus Grant	-167,240	-367,700
Pay Award Contingency	75,000	0
Localisation of Council Tax Support – Transition Grant	0	-5,780
Localisation of Council Tax Support – Payment to Parishes	0	23,000
Business Rate Retention – Growth share	0	-47,165
Transfer From/To Various Funds (See Annex 3)	299,305	634,255
<b>Net Expenditure</b>	<b>6,069,015</b>	<b>6,194,270</b>
Adjustment to Balances to Get to Agreed Budget	-20,733	-295,223
<b>Agreed budget for year</b>	<b>6,048,282</b>	<b>5,899,047</b>

## Comments on Next Year's Base Revenue Budget

### Committee Expenditure

- 5.17 The net effect, as shown in the above summary, is that committee expenditure (after allowing for transfers to and from earmarked reserves) has increased by £50k. The reasons for this, again, are varied and have been reported to service committees in the budget reports.

	£'000
<b><u>Increased Income</u></b>	
Localisation of Council Tax Support - Grant Income	-28
Housing Benefit Subsidy	-431
Continued Children's Trust Grant Income	-15
Ribblesdale Pool Income - Courses and Contracts	-14
<b><u>Decreased Income</u></b>	
Localisation of Council Tax Support - Subsidy Reduced following changes	2,310
Homelessness Grant now part of main funding	50
Lower level of Income from Building Control Fees	15
Planning Fee Income - based on 3yr average	48
Reduced Benefit Administration Grant	20
<b><u>Reduced Expenditure</u></b>	
Changes for Localisation of Council Tax Support - decreased payments	-2,290
Further Reduction in the cost of Public Conveniences	-41
Platform Gallery and Tourist Information Centre joint working savings	-24
Reduced Diesel Costs and Usage	-24
No further costs included at this stage for Core Strategy	-86
Staff Costs	-26
Performance Reward Grants (Funded from Earmarked Reserves)	-30
<b><u>Increased Expenditure</u></b>	
Localisation of Council Tax Support - Use of Grant	28
Increase in Housing Benefit Payments	431
Inflation	134
Increase in charge for waste paper collection from contractor	26
<b><u>Net Other Movements</u></b>	-3
<b>Net Change in Committee Expenditure Forecast for 2013/14 OE</b>	<b>50</b>

## 5.18 Movement of Other items

	£000
Increase in Depreciation (which we remove from our committee estimates)	3
Reduction in interest payable	-3
Reduction in MRP	-3
Council Tax Freeze Concession	47
Localisation of Council Tax Support - Payment to Parishes	23
Localisation of Council Tax Support - Transitional Grant	-6
Business Rate Growth	-47
Increase in New Homes Bonus Grant	-200
<b>Net Total reduction in other items</b>	<b>- 186</b>

## 6 BUSINESS RATE RETENTION

6.1 The changes to Business Rates from 2013/14 will mean estimating the overall Business Rate income and our share which we will be allowed to retain will become an important part of the budget setting process.

6.2 This year's local government finance settlement is the first under the new arrangements. It will provide each local authority with its starting position under the business rates retention scheme. This includes the following calculations, which will be fixed until the first reset that the Government intends will take place in 2020:

- ❖ Individual authority start-up funding assessment
- ❖ Baseline funding level
- ❖ Individual authority business rates baseline
- ❖ Tariffs and top-ups

6.3 This is best explained using the estimated business rates income we have submitted to the Government via our NNDR1 form.

6.4 The separate report on Business Rate Retention elsewhere on your agenda sets out in considerable detail how the changes will impact on our finances. In summary the table below shows our best estimate of how much growth we will retain in 2013/14.

Calculation of any growth to be retained	2013/14 £
<b>Our share of NNDR1 Business Rates Yield</b>	5,440,749.60
<b>less Tariff Payment</b>	4,163,234.94
= retained Rates Income	1,277,514.66
Baseline Funding Level	1,183,184.21
<b>Levy due on growth above baseline</b>	94,330.45
Less Levy at rate above (50p in £)	47,165.23
= growth retained	47,165.23

6.5 This shows that **based on our NNDR1 return** we expect to retain business rates income of:

- ❖ Our baseline funding level £1,183,184
- ❖ Plus our share of growth £47,165
- ❖ Total Business rates income expected for Ribble Valley = £1,230,349

### ***Volatility and Uncertainty***

6.6 Given this is the first year of the new system and there are many uncertainties surrounding issues such as appeals and growth estimates this figure should be treated with caution. The very worst case scenario is that we would receive business rates at our safety net threshold level of £1,094,445. The difference between these amounts is £135,904. **I would recommend that we earmark from reserves/balances an amount equivalent to this in order to provide some protection to our budget funding against business rates volatilities.**

6.7 There is also some uncertainty surrounding how much funding we will receive from the Government to fund the extension of the small business rate relief scheme which was not included in the various baselines outlined above. The Government have indicated we will be paid via a separate Section 31 grant an amount to compensate us for the extended relief.

6.8 Within our General Fund budget is an amount for discretionary rate relief of £24,660 which is unlikely to be needed in future as this relief will fall within the calculation of the overall business rates share. However at this stage because of the uncertainties surrounding business rates in general I propose to leave this budget unchanged.

## **7 REVENUE BUDGET 2014/15 AND BEYOND**

7.1 In addition to considering our budget for 2013/14 we need to be conscious of the challenges also facing us the year after.

7.2 As stated earlier, the Government has also announced a provisional grant settlement for 2014/15 which shows a further reduction in our support of £377,000

7.3 Beyond this we really do not know what Government support we will receive; much will depend on how the new Business Rate Retention scheme bears out. We can only assume significant reductions in public sector finances will continue for the foreseeable future.

## **8 BUDGET WORKING GROUP**

### ***Background***

8.1 The Budget Working Group have again met frequently throughout the year to consider the Council's financial position.

8.2 Recent meetings have concentrated on reviewing the overall budget for 2013/14. The Budget Working Group have made a number of recommendations in order to achieve an affordable budget.

## **Budget Recommendations**

- 8.3 The Committee estimates as prepared include an allowance for a potential national pay award of 2.5% which in the Autumn appeared to be a reasonable estimate based on early discussions at national level. More recent meetings between the unions and the local government employers suggest that if a pay award were to be agreed it would be more likely to be nearer 1%. **The Budget Working Group therefore recommend reducing the amount in the budget for the pay award to 1%. This will reduce Committee budgets by £85,340**
- 8.4 A further £43,950 can be saved from the reduction in our external audit fees following the abolition of the Audit Commission and the recent national procurement of audit services.
- 8.5 This would leave a budget requirement before the use of balances of £6,064,980. This is £165,933 higher than the maximum permitted as set out in paragraph 5.11.
- 8.6 The Budget Working Group also considered a report on Planning Services which was approved by this committee at your January meeting. This report requested additional resources of £265,000 to support the Planning function. The Budget Working Group's recommendation for funding this budgetary growth is set out below.

	<b>Estimated cost £</b>	<b>Recommended Funding £</b>
Additional posts of senior planners x 2	65,000	Increase planning fee income by corresponding amount
Cost of defending major planning appeals	100,000	Set aside from revised estimate surplus
Cost of updating evidence base and other work for core strategy	100,000	Set aside from revised estimate surplus
<b>Total Planning Growth</b>	<b>265,000</b>	

- 8.7 The Budget Working Group in recommending this additional funding stressed that officers should provide detailed estimates of both the amount for appeals and the sum to be set aside for core strategy.

## **Conclusion**

- 8.8 If you accept the above recommendations for funding the planning growth items this would leave the budget shortfall unchanged at £165,933. The Budget Working Group's final recommendation is that this amount should be taken from general balances to support the budget.

## **9 ROBUSTNESS OF THE ESTIMATES AND BALANCES AND RESERVES**

### **Introduction**

- 9.1 There is a legal requirement under Section 25 of the Local Government Act 2003 for the Council's Section 151 officer to report on the robustness of the budget and the adequacy of the Council's balances and reserves.

## **Robustness of the Budget**

9.2 In order to ensure the Council sets a robust budget we follow the processes below;

- ❖ Accountancy staff carry out monthly budget monitoring in conjunction with budget holders and report the outcomes to Corporate Management Team
- ❖ Service Committees also receive regular budget monitoring reports
- ❖ Heads of Service are given responsibility for managing their budgets
- ❖ We prepare our financial plans using a base budget concept whereby any increases/reductions in the level of services are considered over and above the base budget and approval must be sought/virements requested
- ❖ We have a Budget Working Group consisting of members and the Council's Corporate Management Team which meets on a regular basis to make recommendations to officers and service committees in order to maintain a high level of control over our financial position and ensure we manage our finances strategically and effectively.
- ❖ We prepare three year budget forecasts and also a Medium Term Financial Strategy which considers our budget pressures in the medium to longer term

<b>Budget Area</b>	<b>Measures Taken</b>
Future pressures	<p>The Budget Working Group have been meeting monthly to assess pressures facing the Council. These have included;</p> <ul style="list-style-type: none"> <li>❖ Business Rate Retention</li> <li>❖ Council Tax Reforms</li> <li>❖ 3 year capital programme</li> <li>❖ Income streams e.g. vat shelter</li> <li>❖ Comprehensive Spending Review</li> <li>❖ New Local Council Tax Support Scheme</li> </ul>
Consideration of Inflation and Interest Rates	<p>A small amount has been included in respect of a pay award based on the latest on-going negotiations at national level on local government pay.</p> <p>Further to the outcome of the three year valuation of the pension fund factored into our budgets is an increase of 0.5% in our employers superannuation rate which results in a rate of 17.1% from April 2013</p> <p>The prospects for interest rates are regularly reviewed. Currently they are forecasted at 0.5% and we anticipate rates will not increase significantly until at least 2014/15.</p>
Savings Considerations	<p>All saving proposals are examined to ensure they are realistic and sustainable before they are accepted. Furthermore they are monitored closely throughout the year once the budget has been set to ensure they are achieved.</p>
Use of reserves and balances	<p>Careful consideration is given to the use of reserves and balances when setting the budget to ensure that future budgets are sustainable.</p>

9.3 I am confident with all these measures in place that the Council continues to manage its finances to a high standard and prepares robust budget plans.

### ***Adequacy of Reserves***

9.4 A reasonable level of balances is needed to provide funds to:

- ❖ Finance levels of inflation in excess of those provided in the budget
- ❖ Provide for unforeseen expenditure
- ❖ Finance expenditure in advance of income
- ❖ Allow flexibility as the year progresses

9.5 The availability of balances has increased in importance since the Local Government Finance Act 1982 revoked local authorities' power to issue supplementary precepts.

### ***General Fund Balances***

9.6 At this stage general fund balances are estimated as follows:

	<b>£000</b>
Opening Balance 1 April 2012	1,616
Estimated Amount to be added to Balances in 2012/13	266
General Fund Balances before adjustments arising from BWG recommendations	1,882
Transfer to New Business Rate Growth volatility reserve see para 6.6	-136
Transfer to Planning Appeal Reserve fund para 8.6	-100
Transfer to Core Strategy Reserve fund para 8.6	-100
<b>Estimated Balances in Hand 31 March 2013</b>	<b>1,546</b>

9.7 The level of balances to retain is a matter of professional judgement but should be set in the context of the authority's medium term financial strategy and the risks facing the authority.

9.8 My view, especially bearing in mind our record of strong budgetary control, is that the minimum level of balances we should hold is £700,000. This more importantly is the figure that you have previously agreed in the Medium Term Financial Strategy and is recommended in the latest version elsewhere on the agenda.

9.9 Bearing this in mind and our previous good record in achieving savings in the revenue budget as the year progresses my judgement is that in 2013/14 the maximum amount to be used to fund recurring expenditure should be no more than £200,000. This is based upon our sound system of financial control and our recent track record of underspendings during the year.

## **Earmarked Reserves**

- 9.10 Annex 3 shows the Council's earmarked reserves together with any movements forecast for 2012/13 and the 2013/14 financial year.
- 9.11 The earmarked reserves are also judged to be adequate to meet the commitments and forecast expenditure facing the Council.
- 9.12 If you agree to the Budget Working Group's recommendations, the resultant budget for 2013/14 is set out below. This would still leave £1.38m in general fund balances at the end of March 2014.

## **10 BUDGET WORKING GROUP RECOMMENDED REVENUE BUDGET 2013/14**

- 10.1 If you agree to the proposals outlined above the resultant budget would be as follows:

	<b>Original Estimate 2012/13 £</b>	<b>Original Estimate 2013/14 £</b>
<b>Committee Expenditure</b>		
Planning & Development	599,770	555,260
Community	3,308,610	3,316,550
Health and Housing	672,670	800,430
Policy & Finance	1,909,950	1,739,870
<b>Total of Committees</b>	<b>6,491,000</b>	<b>6,412,110</b>
<b>Capital Adjustments</b>		
Less Depreciation (included in above)	-687,900	-684,780
Add Minimum Revenue Provision (MRP)	148,030	145,330
<b>Total Expenditure</b>	<b>5,951,130</b>	<b>5,872,660</b>
<b>Other Items</b>		
External Interest Payable	19,730	16,460
Interest Earned	-30,000	-29,140
Council Tax Freeze Grant	-78,910	-31,610
New Homes Bonus Grant	-167,240	-367,700
Pay Award Contingency	75,000	0
Localisation of Council Tax Support – Transition Grant	0	-5,780
Localisation of Council Tax Support – Payment to Parishes	0	23,000
Business Rate Retention - Growth	0	-47,165
Transfer From/To Various Funds (See Annex 3)	299,305	634,255
<b>Net Expenditure</b>	<b>6,069,015</b>	<b>6,064,980</b>
Adjustment to Balances to Get to Agreed Budget	-20,733	-165,933
<b>Agreed budget for year</b>	<b>6,048,282</b>	<b>5,899,047</b>

## 11 BUDGET REQUIREMENT AND PRECEPT

- 11.1 The Local Government Finance Act 1992 requires the Council, as billing authority, to make certain calculations regarding the budget requirement. Obviously at this stage the calculation is based upon the information set out in Section 10 above.

<b>BUDGET REQUIREMENT AND PRECEPT</b>	
	<b>£</b>
RVBC Net Budget	5,899,047
Plus Parish Precepts	347,110
	<b>6,246,157</b>
Less - SUFA	-2,961,679
<b>Net Requirement Before Adjustments</b>	<b>3,284,478</b>
Council Tax Deficit	24,579
<b>Precept (Including Parishes)</b>	<b>3,309,057</b>

### *Updated Three Year Forecast*

- 11.2 I have updated the three year forecast assuming the above budget for 2013/14 is agreed. The Medium Term Financial Forecast (MTFF) is reported elsewhere on the agenda and shows our position in more detail.
- 11.3 We have included in our forecast the provisional settlement for 2014/15, beyond this we have assumed a cash freeze in our baseline funding after adjusting for the fallout of the freeze grant which was paid for a 4 year period from 2011/12 for freezing our council tax in 2011/12. The Government are due shortly to carry a comprehensive spending review for 2015/16 only and therefore our forecast needs to be kept under review to reflect any indications of what the impact of this will be.
- 11.4 In summary I have set out below the updated the three-year budget forecast based upon a 2.5 per cent increase in council tax for 2014/15 and 2015/16. This results in a forecast for the next three years of:

	<b>2013/14</b>		<b>2014/15</b>		<b>2015/16</b>
	<b>OE</b>				
	<b>£</b>		<b>£</b>		<b>£</b>
Net Expenditure	6,269,070		6,507,000		6,751,000
Interest Receipts	-29,140		-50,000		-75,000
Reserves	-36,175		-36,175		-36,175
C Tax Freeze concession	-31,610		-31,610		
Use of New Homes Bonus	-60,000		-60,000		-60,000
Use of Balances	-165,933		-150,000		-150,000
<b>Reductions in Expenditure Required</b>	<b>0</b>		<b>-495,358</b>		<b>-724,644</b>

<b>Budget Requirement</b>	<b>5,946,212</b>		<b>5,683,857</b>		<b>5,705,181</b>	
Government Funding	2,961,679		2,585,092		2,506,432	
Business Rate Growth	47,165		50,000		50,000	
Collection Fund Deficit	-24,579		-10,000		-10,000	
<b>Precept</b>	<b>2,961,947</b>		<b>3,058,765</b>		<b>3,158,749</b>	
Tax Base	21,053		21,211	0.75%	21,370	0.75%
Band D Ctax	140.69	2.5%	144.21	2.5%	147.81	2.5%

11.5 The above forecast shows that if our grant estimate is correct for the next three years the amount that would be required to balance our budget is significant. For 2014/15 this would be £495k and 2015/16 £725k. The Government are increasingly including the New Homes Bonus allocations within base funding levels in their presentations and it may well be that this Council considers using a proportion of such funding to finance our base budget going forward.

11.6 We will also need to consider any potential for Business Rate Growth above our baseline as the Business Rate Retention scheme unfolds.

11.7 The Budget Working Group will continue to review the Budget Forecast as we enter the next financial year.

## 12 ILLUSTRATIVE COUNCIL TAX AT BAND D

12.1 Finally I have shown below our total Band D council tax assuming a zero percentage increase for not only ourselves but also for the other precepting authorities, excluding parishes and the Police Authority where we understand a 2% increase is likely.

	<b>Actual Band D Council Tax 2012/13</b>	<b>Estimated Band D Council Tax 2013/14</b>	<b>%</b>
	<b>£</b>	<b>£</b>	
Ribble Valley	140.69	140.69	0.0
Parishes (average)	16.57	16.49	-0.5
Lancashire County Council	1,108.30	1,108.30	0.0
Police Authority	149.93	152.93	2.0
Combined Fire Authority	63.65	63.65	0.0
	<b>1,479.14</b>	<b>1,482.06</b>	<b>0.07</b>

## 13 RECOMMENDED THAT COMMITTEE

13.1 Approve the revised budget for 2012/13.

13.2 Approve the new Council Tax discounts to replace the Class A and C exemptions with effect from 1 April 2013 as set out in paragraph 5.9.

13.3 Approve the Budget Working Group's recommendations and set a budget requirement and precept for 2013/14 as set out in Section 11.1.

13.4 Recommend the budget and precept to the Full Council meeting on 5 March 2013.

A handwritten signature in black ink, appearing to read "The Mayor".

DIRECTOR OF RESOURCES

PF14-13/JP/AC  
5 FEBRUARY 2013

**SPECIAL POLICY & FINANCE COMMITTEE**  
**ANALYSIS OF TRANSFERS TO AND FROM EARMARKED RESERVES**

	Restated Original Estimate 2012/13 £	Revised Estimate 2012/13 £
<b>Taken From Reserves</b>		
Building Control Fee Earning	-1,080	-23,260
Performance Reward Grant	-37,000	-123,880
Community Safety Partnership (re CRIME)	-14,260	-2,490
DEFRA Clean Air	0	-470
Tourism Promotions	0	-1,950
Christmas Lights and RV in Bloom	0	-950
Repairs and Maintenance Reserve	0	-5,000
Warm Homes Reserve	0	-44,470
Pendle Hill Users	0	-4,260
Core Strategy	-86,000	-77,630
IT Equipment	0	-6,500
Forest of Bowland	0	-34,640
LalPac Reserve	0	-450
Planning Reserve Fund - Use of	0	-37,500
Wellbeing and Health Equality	-12,420	0
Emergency Planning	0	-2,520
Post LSVT Reserve (Pensions)	-36,175	-36,175
<b>Added to Reserves</b>		
Elections	20,370	20,850
Revaluation Reserve	2,000	2,000
Exercise Referral Reserve	0	9,360
Community Rights to Bid	0	4,870
Community Rights to Challenge	0	8,550
Capital Reserve - From LSERV	5,000	5,000
Capital Reserve - From LANDC	3,270	3,270
Capital Reserve - Freehold Sales	0	7,380
Capital Reserve - From PRG Reserve	0	61,940
VAT Shelter	348,360	348,360
New Homes Bonus Reserve	107,240	119,650
<b>Total Net Transfers from Reserves</b>	<b>299,305</b>	<b>189,085</b>

## SPECIAL POLICY &amp; FINANCE COMMITTEE

## COLLECTION FUND

	Actual 2011/12 £000	Original 2012/13 £000	Revised 2012/13 £000
<b><i>Expenditure</i></b>			
Deficit brought forward	281	90	165
Precepts - Lancashire County Council	24,786	24,864	24,864
- Lancashire Policy Authority	3,271	3,364	3,364
- Lancashire Combined Fire Authority	1,423	1,428	1,428
- Ribble Valley Including Parishes	3,519	3,528	3,528
Allocation of Surplus for Year:			
Ribble Valley	0	0	0
Lancashire County Council	0	0	0
Lancashire Combined Fire Authority	0	0	0
Lancashire Police Authority	0	0	0
Cost of Collecting NNDR	85	85	85
Contribution to Pool	12,375	12,746	12,746
Bad Debts Provision	49	251	50
	<b>45,789</b>	<b>46,356</b>	<b>46,230</b>
<b><i>Income</i></b>			
Surplus Brought Forward	0	0	0
Share of Deficit:			
- Lancashire County Council	105	68	68
- Lancashire Policy Authority	14	9	9
- Lancashire Combined Fire Authority	6	4	4
- Ribble Valley	15	10	10
Council Tax Income	30,721	31,138	30,839
Council Tax Benefits	2,303	2,295	2,238
Business Rates	12,460	12,832	12,832
	<b>45,624</b>	<b>46,356</b>	<b>46,000</b>
<b>Deficit for Year</b>	<b>-165</b>	<b>0</b>	<b>-230</b>

**SPECIAL POLICY & FINANCE COMMITTEE  
EARMARKED RESERVES**

<b>General Fund</b>	<b>Balance at 31 March 2012</b>	<b>Transfers In 2012/13</b>	<b>Transfers Out 2012/13</b>	<b>Balance at 31 March 2013</b>	<b>Transfers In 2013/14</b>	<b>Transfers Out 2013/14</b>	<b>Balance at 31 March 2014</b>
	£	£	£	£	£	£	£
<u>Local Recreation Grants Fund</u> <i>Used to fund recreation grants</i>	23,651			23,651			23,651
<u>Elections Fund</u> <i>Used to fund borough elections held once every four years</i>	19,552	20,850		40,402	20,880		61,282
<u>Audit Reserve Fund</u> <i>Used for computer audit</i>	12,335			12,335			12,335
<u>Building Control Fund</u> <i>Available to equalise net expenditure over a three year period</i>	-86,310		-23,260	-109,570	4,170		-105,400
<u>Rural Development Reserve</u> <i>Used to fund consultation work on rural housing</i>	1,631			1,631			1,631
<u>Capital</u> <i>Used to fund the capital programme</i>	324,096	27,070	-36,980	314,186			314,186
<u>Insurance</u> <i>Available to meet any costs following demise of Municipal Mutual Insurance Company</i>	20,000			20,000			20,000

**SPECIAL POLICY & FINANCE COMMITTEE  
EARMARKED RESERVES**

<b>General Fund</b>	<b>Balance at 31 March 2012</b>	<b>Transfers In 2012/13</b>	<b>Transfers Out 2012/13</b>	<b>Balance at 31 March 2013</b>	<b>Transfers In 2013/14</b>	<b>Transfers Out 2013/14</b>	<b>Balance at 31 March 2014</b>
	£	£	£	£	£	£	£
<b><u>Christmas Lights/RV in Bloom</u></b> <i>Available to fund contributions towards Christmas Lights and Ribble Valley in Bloom</i>	3,266		-950	2,316			2,316
<b><u>Community Enhancement</u></b> <i>Used to fund grants to local organisations</i>	2,881			2,881			2,881
<b><u>New Community Enhancement Schemes</u></b> <i>Additional reserve for funding grants to local organisations</i>	6,809			6,809			6,809
<b><u>Rent Deposit Reserve</u></b> <i>Set aside for homeless rent deposits</i>	7,837			7,837			7,837
<b><u>Revenue Contributions (RCCO) Unapplied</u></b> <i>Used to fund capital expenditure</i>	10,605	15,650		26,255	7,500		33,755
<b><u>Parish Schemes</u></b> <i>Used to fund Parish improvement schemes</i>	1,729			1,729			1,729
<b><u>Local Development Framework</u></b> <i>To finance Local Development Framework costs</i>	3,829			3,829			3,829
<b><u>LALPAC Licensing System</u></b> <i>To fund costs of LALPAC licensing system</i>	1,424		-450	974		-460	514
<b><u>IT Equipment</u></b> <i>To fund time recording system</i>	90,540	5,000	-42,150	53,390			53,390

**SPECIAL POLICY & FINANCE COMMITTEE  
EARMARKED RESERVES**

General Fund	Balance at 31 March 2012	Transfers In 2012/13	Transfers Out 2012/13	Balance at 31 March 2013	Transfers In 2013/14	Transfers Out 2013/14	Balance at 31 March 2014
	£	£	£	£	£	£	£
<b><u>Conservation Reserve</u></b> <i>To fund conservation schemes completed after the financial year end</i>	6,210			6,210			6,210
<b><u>Concessionary Travel</u></b> <i>To fund the transfer of the administration of the scheme to upper tier local authorities</i>	40,026			40,026			40,026
<b><u>Fleming VAT Claim</u></b> <i>VAT recovered from 'Fleming' claim challenge to HMRC</i>	239,926			239,926			239,926
<b><u>Repairs and Maintenance</u></b> <i>To fund emergency repairs and maintenance items, including legionella and asbestos abatement</i>	33,299		-5,000	28,299			28,299
<b><u>Post LSVT</u></b> <i>To fund any costs post LSVT which may arise, such as pension fund liabilities</i>	438,150			438,150			438,150
<b><u>Market Town Enhancement</u></b> <i>To fund grants under Market Towns Enhancement Scheme</i>	6,643			6,643			6,643
<b><u>Performance Reward Grant</u></b> <i>Performance Reward Grant received and yet to be distributed to successful schemes</i>	428,048		-61,940	366,108		-15,000	351,108

**SPECIAL POLICY & FINANCE COMMITTEE  
EARMARKED RESERVES**

<b>General Fund</b>	<b>Balance at 31 March 2012</b>	<b>Transfers In 2012/13</b>	<b>Transfers Out 2012/13</b>	<b>Balance at 31 March 2013</b>	<b>Transfers In 2013/14</b>	<b>Transfers Out 2013/14</b>	<b>Balance at 31 March 2014</b>
	£	£	£	£	£	£	£
<b><u>Refuse Collection</u></b> <i>To fund agency staff employed in the distribution of collection date calendars</i>	18,000			18,000			18,000
<b><u>Restructuring Reserve</u></b> <i>To fund costs resulting from the restructure review</i>	227,541			227,541			227,541
<b><u>VAT Shelter Reserve</u></b> <i>To contribute towards the future financing of the capital programme</i>	1,427,224	348,360	-180,010	1,595,574	356,970	-146,816	1,805,728
<b><u>Revaluation of Assets Reserve</u></b> <i>To contribute towards the revaluation of the Council's assets every five years.</i>	4,000	2,000		6,000	2,000		8,000
<b><u>Clean Air Reserve</u></b> <i>To fund clean air survey work</i>	4,121		-480	3,641		-480	3,161
<b><u>Equipment Reserve</u></b> <i>To fund essential and urgent equipment requirements</i>	33,000			33,000			33,000
<b><u>Invest to Save Fund</u></b> <i>To fund future invest to save projects</i>	34,646		-34,646	0			0
<b><u>Invest to Save Fund</u></b> <i>To fund future invest to save projects</i>	264,298		-92,380	171,918			171,918

**SPECIAL POLICY & FINANCE COMMITTEE  
EARMARKED RESERVES**

General Fund	Balance at 31 March 2012	Transfers In 2012/13	Transfers Out 2012/13	Balance at 31 March 2013	Transfers In 2013/14	Transfers Out 2013/14	Balance at 31 March 2014
	£	£	£	£	£	£	£
<u>Land Charges Reserve</u> <i>To fund any potential restitution claims for personal search fees</i>	34,356			34,356			34,356
<u>Pendle Hill User Reserve</u> <i>To fund improvement schemes on Pendle Hill</i>	17,771	190	-4,450	13,511			13,511
<u>Planning Reserve</u> <i>To fund any future potential planning issues</i>	150,000		-37,500	112,500			112,500
<u>Tourism Promotions Reserve</u> <i>To fund planned tourism publicity and promotions</i>	1,950		-1,950	0			0
<u>Crime Reduction Partnership Reserve</u> <i>To fund cost of crime reduction initiatives</i>	26,489		-2,490	23,999		-23,999	0
<u>Housing Benefit Reserve</u> <i>To help meet the challenges facing the service in the coming years</i>	100,000			100,000			100,000
<u>Clitheroe Cemetery Extension</u> <i>To meet any future costs from CPO</i>	3,640			3,640			3,640
<u>Exercise Referral</u> <i>To meet future costs of the service</i>	5,310	9,360		14,670		-5,260	9,410
<u>Wellbeing and Health Equality</u> <i>To meet future costs of the service</i>	47,428			47,428			47,428

**SPECIAL POLICY & FINANCE COMMITTEE  
EARMARKED RESERVES**

<b>General Fund</b>	<b>Balance at 31 March 2012</b>	<b>Transfers In 2012/13</b>	<b>Transfers Out 2012/13</b>	<b>Balance at 31 March 2013</b>	<b>Transfers In 2013/14</b>	<b>Transfers Out 2013/14</b>	<b>Balance at 31 March 2014</b>
	£	£	£	£	£	£	£
<u><b>New Homes Bonus Reserve</b></u> <i>For future capital use</i>	2,046	119,645	-103,700	17,991	307,698		325,689
<u><b>Core Strategy Reserve</b></u> <i>To fund the production of the Core Strategy</i>	87,412		-77,630	9,782			9,782
<u><b>Emergency Planning Reserve</b></u> <i>To fund the production of District Emergency and Business Continuity Plans</i>	2,520		-2,520	0			0
<u><b>CCTV Reserve</b></u> <i>To fund the purchase of additional CCTV Equipment</i>	1,000			1,000			1,000
<u><b>Warm Homes Healthy People Reserve</b></u> <i>Residual grant received, to be committed to future grant schemes</i>	44,470		-44,470	0			0
<u><b>Community Right to Bid</b></u> <i>To assist in funding work on any future Community Rights to Bid</i>	0	4,870		4,870	7,860		12,730
<u><b>Community Right to Challenge</b></u> <i>To assist in funding work on any future Community Rights to Challenge</i>	0	8,550		8,550	8,550		17,100
<b>Total</b>	<b>4,173,399</b>	<b>561,545</b>	<b>-752,956</b>	<b>3,981,988</b>	<b>715,628</b>	<b>-192,015</b>	<b>4,505,601</b>

**SPECIAL POLICY AND FINANCE COMMITTEE  
COUNCIL TAX BASE BY PARISH**

<b>Parish</b>	<b>Tax Base 2012/13</b>	<b>Net Movement 2012/13 to 2013/14</b>	<b>Reduction for cost of CTS</b>	<b>Tax Base 2013/14</b>
Aighton, Bailey & Chaigley	432	16	-21	427
Balderstone	205	0	-11	194
Bashall Eaves, Great Mitton & Little Mitton	197	5	-6	196
Billington & Langho	2167	-94	-100	1,973
Bolton by Bowland, Gisburn Forest & Sawley	484	-4	-16	464
Bowland Forest (High)	61	0	-2	59
Bowland Forest (Low)	77	3	0	80
Bowland with Leagram	82	0	-2	80
Chatburn	398	0	-37	361
Chipping	491	-1	-24	466
Clayton le Dale	523	-3	-23	497
Clitheroe	5158	1	-575	4,584
Dinckley	41	0	0	41
Downham	55	-2	-5	48
Dutton	104	3	-1	106
Gisburn	207	0	-17	190
Grindleton	364	-1	-20	343
Horton	43	0	0	43
Hothersall	71	1	-1	71
Longridge	2756	-2	-228	2,526
Mearley	7	0	0	7
Mellor	1030	-5	-43	982
Newsholme	20	0	-1	19
Newton	144	4	-5	143
Osbaldeston	105	0	-1	104
Paythorne	43	-1	-1	41
Pendleton	107	1	-5	103
Ramsgreave	280	0	-14	266
Read	565	3	-26	542
Ribchester	668	1	-38	631
Rimington & Middop	223	3	-10	216
Sabden	514	-1	-45	468
Salesbury	176	0	-6	170
Simonstone	499	2	-16	485
Slaidburn & Easington	152	3	-12	143
Thornley with Wheatley	160	6	-1	165
Twiston	36	0	-2	34
Waddington	453	-1	-25	427
West Bradford	361	4	-15	350
Whalley	1471	19	-82	1,408
Wilpshire	997	103	-28	1,072
Wiswell	464	41	-20	485
Worston	43	1	-1	43
	<b>22,434</b>	<b>105</b>	<b>-1486</b>	<b>21,053</b>