# Minutes of Special Policy & Finance Committee

Meeting Date: Tuesday, 12 February 2013 starting at 6.30pm
Present: Councillor S Hirst (Chairman)

Councillors:

| | |
|---|---|
| R Elms | A Knox |
| J Hill | J Rogerson |
| T Hill | R E Sherras |
| K Hind | A Yearing |
| K Horkin | |

In attendance: Chief Executive, Director of Resources, Director of Community Services, Head of Financial Services.

641 APOLOGIES

Apologies for absence from the meeting were submitted on behalf of Councillors S Hore, E M H Ranson, D Smith, R Thompson and N Walsh.

642 DECLARATIONS OF INTEREST

There were no declarations of interest.

643 PUBLIC PARTICIPATION

There was no public participation.

644 OVERALL REVISED CAPITAL PROGRAMME 2012/2013

The Head of Financial Services reported that the latest position by scheme in relation to a number of programmes for the various spending committees.

Under Policy and Finance Committee the economic development initiatives scheme - £100,000 currently showed that there had been no capital expenditure. However, some preliminary work had been undertaken under this scheme. Members' attention was drawn to the fact that 72% of the revised estimates had been spent to date. However, it was proposed to move a large proportion of the capital budget to the 2013/2014 financial year. Principally three schemes as follows:

Clitheroe Cemetery installation of infrastructure - £84,000
Disabled Facilities Grants - £84,330
Repossession Prevention Fund - £33,290

The Head of Financial Services commented that he had forecast that we would have spare resources of £338,000 by the end of March 2013 and a comparison was given with the actual position and the expected position.

Finally, he commented that there had been a number of variations which had affected both expenditure and resources. Overall, resources brought forward from 2011/2012 had decreased by £144,000. There was also £222,000 of resources that had been received in advance from DCLG relating to the first phase of the retention of the weekly collection of residual waste scheme. This scheme will not take place until the 2013/2014 financial year.

Overall, expenditure had increased by £405,000. There had been substantial increases to the capital budgets through the addition of schemes and slippage which had largely been offset by the transfer of a large portion of the budget to the 2013/2014 financial year as indicated above.

RESOLVED: That Committee approve the overall revised capital programme for 2012/2013.

645 OVERALL CAPITAL PROGRAMME 2013/2016

The Head of Financial Services submitted his report on a three year capital programme. He commented on the draft capital programme which had been submitted to service Committees and the draft summary based on existing schemes and new bids received. This totalled £2,155,000.

As shown in some detail in the Revised Capital Programme 2012/2013 report, a substantial amount of capital budget had been recommended for transferral into 2013/2014.

He then went on to review the recommendations on the capital programme 2013/2016 which had been put forward by Corporate Management Team. The Budget Working Group had met on 24 January 2013 to consider the capital programme and their recommendations for each scheme were also reviewed. These overall recommendations were as follows:

- Community infrastructure Levy (CIL Consultancy work) £100,000 (2014/2015)– it was recommended that this scheme be deleted from the current proposed three year capital programme.

- Planning and Development Committee MVM Software - £16,000 (2014/2015) – the recommendation was that this scheme should be moved forward to the current financial year 2012/2013 in order to fast track this service improvement.

- Policy and Finance Committee Storage Area Network £40,000 (2014/2015) – it was recommended that this scheme be deleted from the current proposed three year programme.

- Health and Housing Committee Disabled Facilities Grant £120,000 (annually 2013-2016) – it was recommended that this scheme be reduced to £109,000.

- Health and Housing Committee Purchase and Repair Scheme £45,000 – no change to the value of this particular scheme but a recommendation for focus on empty properties.

Resources to finance the proposed capital schemes had been applied in a manner to best match the nature of the asset and anticipated asset life. The cemetery infrastructure scheme had been moved from the 2012/2013 financial year and was shown as financed from borrowing as was the initial intention when the scheme was first approved.

No future borrowing was intended to be used to finance the capital programme for the three year life, which had the benefit of reducing the revenue budget impact of the Minimum Revenue Provision, which must be accounted for and is the consequential revenue impact of past and future use of borrowing.

*** RESOLVED: Recommend to Full Council the capital programme 2013/2016 as set out in Annex 3 to this report. ***

646 PROVISIONAL LOCAL GOVERNMENT FINANCIAL SETTLEMENT 2013/2016

The Director of Resources reported the details of the provisional finance settlement for 2013/2014 and 2014/2015. She commented on the key points of the settlement which were:

- This was the first year of the new style settlement incorporating the retention of business rates.

- The 2013/2014 start up funding assessment was £26.07 billion and the 2014/2015 start up funding assessment is £23.85 billion.

- Total revenue support grant is £15.2 billion and £12.6 billion in 2013/2014 and 2014/2015 respectively.

- From April 2013 business rates of approximately £11 billion would be retained by councils.

- The maximum levy on the local share of business rates is 50p in the pound, this meant that a minimum of 25p in each extra pound of business rates generated locally would be retained locally.

- The government had retained four floor damping bands to protect councils facing significant reductions in funding. This year the government had gone further and stretched the banded damping floors so that they give more weight to the councils who are most dependent and had introduced banded floors for fire and rescue authorities for the same reason.

- The government had restored the level of the relative resource amount to that for 2010/2011 to help authorities with a low council tax base.

- There would be a safety net – fixed at 92.5% - to provide additional protection against business rate volatility.

The report then went on to explain in some detail the following issues:

Spending power
Start Up Funding Assessment (SUFA)
Formula Funding
Settlement for Ribble Valley 2013/2014 which was £2,961,679

The Director of Resources then commented on the Council's own settlement and made a comparison with the 2012/2013 settlement and commented that the main difference between those two years is that the government included in our spending power the income we get from new homes bonus scheme, which for 2012/2013 was £179,645 and for 2013/2014 will be £367,698. She also commented and gave details of the efficiency support grant which was aimed at eight authorities who were set to receive a reduction in spending power.

She further commented that in the summer the Council had been led to believe that the rural services network had successfully convinced the government that the Formula Funding system did not adequately recognise the cost of rural services. We, along with other Members of SPARSE were therefore very disappointed to find the increases for sparsity we anticipated within our grant figures did not fully materialise. However, lobbying work was continuing to be undertaken by the SPARSE group and it was reported that the Council would receive further funding of £9,901 in 2013/2014 following recent lobbying.

RESOLVED: That Committee note this information at the present time.

647 BUSINESS RATES RETENTION SCHEME

Committee considered the implications of the Business Rate Retention Scheme and the impact on budgets for 2013/2014. She reminded Members that local government had been asking for many years for business rates to be returned to them in order to fund services alongside council tax. The government eventually agreed to maintain a system of centrally determined business rates but with an incentive to reward councils for growth in their areas. She commented that the new system was extremely complicated. It had six stages which the Director of Resources explained in some detail and gave financial examples how this would impact on the Borough Council. The stages are:

Stage 1 – calculating the base lines
Stage 2 – calculating the tariff or top up
Stage 3 – calculating how much business rates will be collected
Stage 4 – calculating the levy rate
Stage 5 – calculating how much of the business rate income will be retained
Stage 6 – safety net payments

The Director of Resources then explained what this meant for our budget for 2013/2014. Finally, she commented that officers would be monitoring very closely our business rate income for 2013/2014 and how this compared with our baseline funding level and growth estimate. The Budget Working Group would be kept up to date with this important information.

RESOLVED: That Committee consider the new Business Rates Retention Scheme when determining the revenue budget for 2013/2014.

648 OVERALL REVENUE BUDGETS 2013/2014

The Director of Resources presented her detailed report on the Council's revised revenue budget for 2012/2013 and also in relation to a revenue budget requirement and precept for 2013/2014 which would be submitted to Full Council on 5 March 2013.

At the time of setting the current year's budgets, the government had announced severe cuts in public sector funding. We therefore tasked ourselves with carrying out a review of all services and this took place during the latter half of 2011/2012. The revised budget was now looking as if there would be a reduction of £286,850 in net expenditure. Committee expenditure had fallen by £113,000 – there was movement in other items of £64,000 and movement in earmarked reserves which would add £110,000 less to those reserves than had originally been estimated. The Local Government Finance Settlement 2013/2014 was explained in some detail. The Director of Resources took Members through the Local Council Tax Support scheme which Committee had previously agreed and would see a reduction in support for working age claimants of a maximum of 8.5% for the forthcoming year. In relation to the council tax base, our council tax base would fall to 21,053. This compared to the current tax base of 22,434 in 2012/2013. Details were given in relation to the collection fund which was estimated would produce a deficit of £230,511 in the year, which would be shared amongst all current major precepting authorities. The Revenue Budget 2013/2014 looked at retention of business rates, localising support for council tax and council tax reforms. In relation to council tax freeze grant/capping, the government had announced that they would once again offer funding to councils who froze their council tax in 2013/2014. Budget Working Group had considered the government's offers and recommended that we prepare the budget based on a council tax freeze.

Council tax technical reforms, 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 would affect empty properties which are uninhabitable or under repair or were not completed within the last 12 months (Class A) or empty and unfurnished up to six months (Class C).

In relation to the new homes bonus scheme, this had commenced in April 2011 and match funded the additional council tax raised for new homes and empty properties being brought back into use. The new homes bonus grant was shared 80/20 between district and county councils in two tier areas and was unringfenced.

Based on the assumption that the Budget Working Group's recommendation of a council tax freeze would be approved, it was calculated that the Council's maximum budget requirement would be £5,899,027. Committee requirements and the base budget were considered alongside the adjustment needed to balances in order to fall within the maximum budget requirement of £5,899,027.

Details were given in relation to the movements on Committee expenditure and income and details were also given of the Business Rates Retention Scheme and how this would impact on the Council's finances. Reference was made to volatility and uncertainty bearing in mind this was the first year of the new system and there were many uncertainties surrounding issues such as appeals and growth estimates.

Revenue budgets 2014/2015 and beyond

The Director of Resources drew Members' attention to the fact that the provisional settlement for 2014/2015 would show a further reduction in our support of £377,000.

Favourable mention was made of the Budget Working Group which had met frequently during the year to consider the Council's financial position. The Budget Working Group recommended reducing the amount in the budget for pay award of 1% and this would reduce Committee budgets by £85,340. In addition, the Budget Working Group also considered a report on planning services, which had been approved by this Committee at their January meeting. This report requested additional resources of £265,000 to support the planning function and details were given of the breakdown of this amount. The Budget Working Group recommended that this additional funding be agreed but stressed that officers should provide detailed estimates for both the amount for planning appeals and the sum to be set aside for the Core Strategy. In relation to robustness of the estimates and balances and reserves, Committee were reminded that it was 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 council balances and reserves. She also referred to the updated Medium Term Financial Strategy and the Council's three year budget forecast. She explained that if Committee agreed with the Budget Working Group's recommendations, the net budget for 2013/2014 would be £5,899,027 after taking £146,023 from balances. Finally, reference was made to earmarked reserves and the budget requirement and precept.

*** RESOLVED: That Committee ***

1. approve the revised budget for 2012/2013;

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 the report;

3. approve the Budget Working Group's recommendations and set a budget requirement and precept for 2013/2014 including parishes of:

- budget requirement 2013/2014 - £6,246,137
- precept for 2013/2014 - £3,309,057

4. recommend the budget and precept to Full Council meeting on 5 March 2013.

649 MEDIUM TERM FINANCIAL STRATEGY

Committee considered the report on the Council's Medium Term Financial Strategy. The Medium Term Financial Strategy was the Council's key financial planning document. It was aimed to provide the Council with an assurance that the Council's spending plans were affordable over the medium term (three years). It included a three year budget forecast and provided the financial foundation for the delivery of the Council's priorities. The Medium Term Financial Strategy included the following sections:

- Policy and service context
- Demographic context
- Financial context
- National context and other external factors
- Partnership working and external funding
- A three year projection of revenue expenditure
- Capital programme
- Balances and reserves
- Risk assessment and sensitivity
- Links to ambitions and priorities

RESOLVED: That Committee approve the Medium Term Financial Strategy 2013/2014 and 2015/2016.

The meeting closed at 8.02pm.

If you have any queries on these minutes please contact Jane Pearson (414430).