DECISION

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO SPECIAL POLICY AND FINANCE COMMITTEE

Agenda Item No 8

meeting date:	7 FEBRUARY 2017
title:	MEDIUM TERM FINANCIAL STRATEGY
submitted by:	DIRECTOR OF RESOURCES
principal author:	LAWSON ODDIE

1 PURPOSE

1.1 To approve the Council's Medium Term Financial Strategy 2017/18 to 2020/21.

2 BACKGROUND

2.1 The Council has a Medium Term Financial Strategy (MTFS) that is updated annually.

2.2 The MTFS is the Council's key financial planning document. It aims to provide the Council with an assurance that the Council's spending plans are affordable over the Medium Term (2017/18 plus 3 years).

2.3 It includes a budget forecast up to 2020/21 and provides the financial foundation for the delivery of the Council's policy priorities.

3 MEDIUM TERM FINANCIAL STRATEGY

3.1 The attached MTFS includes sections covering:

- Policy and Service Context
- Demographic Context
- Financial Context (including Balances and Reserves)
- National Context and Other External Factors
- Partnership Working and External Funding
- Initial Three Year Projections of Revenue Expenditure
- Capital Programme
- Risk Assessment and Sensitivity
- Links to Ambitions and Priorities

3.2 The MTFS reflects the proposed Revenue Budget for 2017/18 and the proposed Forward Capital Programme, which are covered in separate reports elsewhere on the agenda. It will be amended if either the Revenue Budget or Capital Programme are changed.

3.3 Finally and importantly the MTFS forms an integral part of the council's financial planning process and should be read in conjunction with the two reports mentioned above.

4 RECOMMENDED THAT COMMITTEE

4.1 Approve the Medium Term Financial Strategy for 2017/18 to 2020/21.

HEAD OF FINANCIAL SERVICES DIRECTOR OF RESOURCES

PF17-17/LO/AC
30 January 2017

Medium Term Financial Strategy

2017/18 to 2020/21

February 2017

Ribble Valley Borough Council

www.ribblevalley.gov.uk

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1 Introduction

1.1 The medium term financial strategy (MTFS) is the council's key financial planning document. It aims to provide the council with an assurance that the council's spending plans are affordable over the medium term (next financial year plus 3 years).

1.2 The main objectives of the medium term financial strategy are:

- to look to the longer term to help plan sustainable services and budgets and help ensure that the council's financial resources are sufficient to support delivery of Corporate Strategy priorities.
- to provide a single document to communicate the financial context, aims and objectives to staff and stakeholders and support working with partners.

1.3 The financial strategy includes a three-year budget forecast that is reviewed annually. The medium term financial forecast builds on previous medium term strategies to provide the financial foundation for delivery of the council's policy priorities and to meet the identified performance and resource issues.

1.4 This strategy covers the period 2017/18 to 2020/21 and sets out the resource issues and principles that shape the council's budget. The information on the capital programme also covers the period up to 2021/22, being based on a five-year programme.

2 Policy and Service Context

2.1 The council's Corporate Strategy provides the overall direction for the medium term financial strategy and the annual budget.

2.2 The Corporate Strategy sets out the strategic direction of the council, providing a focus to ensure that the services the council delivers meet the needs of its communities. It is one of the council's most important documents setting out those areas identified for focused improvement over future years.

2.3 The council's Vision continues to be that we aim to ensure that Ribble Valley will be:

Our Vision
An area with an exceptional environment and quality of life for all; sustained by vital and vibrant market towns and villages acting as thriving service centres meeting the needs of residents, businesses and visitors.

2.4 We believe that this Vision reflects our shared aim for the Borough, which has the highest quality of environment for those who live in and visit the area. It recognises that people must have a high quality of life; that suitable homes are available to meet their diverse needs and that they should be safe and feel safe. People should also be able to access the best services without having to travel long distances to receive them.

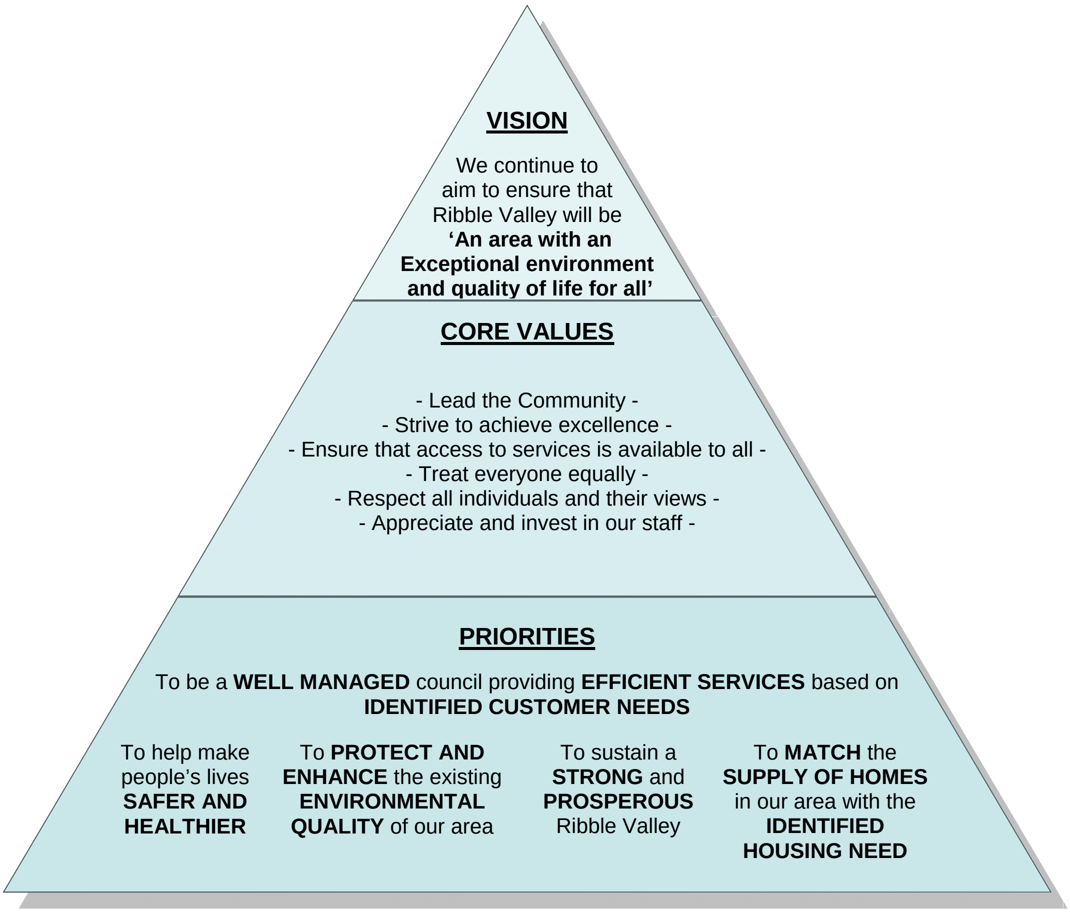
2.5 Key to the council's Corporate Strategy is the Mission Statement of the council. The council has adopted the following statement that sets out its role and responsibilities in relation to the communities it exists to serve:

Mission Statement
The council will provide high quality, affordable and responsive public services that develop the social and economic well being of the Borough whilst safeguarding the rural nature of the area.

2.6 The role of the council's financial planning process is to support the achievement of the council's Corporate Strategy.

2.7 In order to deliver its Vision and provide a focus for how it delivers services, the council has agreed a set of five corporate priorities. The council's priorities are deliberately limited to focus attention over the life of the Corporate Strategy. Each priority has a number of objectives, underlying actions, and key measures of success, which should allow progress towards the achievement of the priority to be monitored. They are expanded upon in the supporting Corporate Action Plan.

2.8 Above all ***'We aim to be a well-managed council providing efficient services based on identified customer needs'*** overarches all of our priorities, whilst recognising the importance of securing a diverse, sustainable economic base for the Borough. The priorities are driven by local needs with consideration to national priorities.



3 *Demographic Context*

Locality

3.1 Ribble Valley is in the County of Lancashire bordering neighbouring councils in Pennine Lancashire, Craven District Council in North Yorkshire, South Ribble, Preston, Wyre and Lancaster Borough Councils. The administrative centre for the district is the historic market town of Clitheroe. The industrial and commercial centre for the west of the borough is the town of Longridge.

3.2 The remaining area is mainly rural, ranging from large villages to small hamlets. Some settlements are accessible along the A59 corridor; others are more remote from services and public transport. Along with ancient woodland, biological heritage sites, conservation areas and sites of special scientific interest, two thirds of Ribble Valley is part of the Forest of Bowland Area of Outstanding Natural Beauty (AONB).

Local Economy

3.3 Unemployment is below the national and regional averages and the third lowest in the North West (at 2.5% compared with the national average of 4.9%)[1]. Earnings are above the national average.

3.4 Given the rural nature of the area, it is not surprising that agriculture and tourism are important employers. However, recent years have seen major restructuring, within the agricultural/land-based sector in particular. The tourism sector accounts for approximately 14% of employment, and it is estimated that day visits generated £113.2 million for the local economy of Ribble Valley in 2014. There are estimated to be around 3,700 jobs in tourism-related businesses.

3.5 One of the largest employment sectors in Ribble Valley is manufacturing, which accounts for 27.5%[2] of employment within the borough, and is represented by major national and multi-national companies such as Hanson Cement, Johnson Matthey, and BAe Systems. The relatively small number of large employers is complemented by an above average presence of micro enterprises employing 0-9 employees.

3.6 A survey undertaken in 2001 showed that Ribble Valley has the second most skilled population in the country after the City of London. However, the survey masks the fact that many of these well-qualified people in high-earning, senior positions commute daily out of the borough, and live in the area because of the high quality environment and the quality of life it offers. This has had the effect of forcing up the price of houses within the borough, putting them well out of the reach of young people and first time buyers. The ratio of lower quartile house price to lower quartile earnings is 7.45, which is the highest in Lancashire and one of the highest in the North. The mean house price sale in Ribble Valley as at July 2016 was £209,163[3]. In Lancashire the mean house price sale was £136,399 over the same period.

Resident Population and Projections

3.7 According to the ONS Census figures, the total resident population of the Borough reached 58,000[4] during 2014. Life expectancy within the Ribble Valley is currently 81.2 for males and 83.2 for females[5]. According to ONS projections, the resident population of the Borough is predicted to increase by an additional 1,900 people over the next few years to reach a total of 60,000 Borough residents by 2027.[6] Migration accounts for all of the population growth as projections show fewer births than deaths in the Borough.

3.8 In 2 wards there has been an increase in population of more than 15% since 2002 – Whalley (24.9%) and Billington and Old Langho (30.22%). Six wards have seen a population decrease over the same period – Chatburn (-1.64%), Chipping (-1.16%), Derby and Thornley (-0.85%), Edisford and Low Moor (-2.76%), Langho (-1.35%) and Littlemoor (-0.44%).[7]

3.9 Population density across the Borough as a whole averages 1 person per hectare. This is far lower than the overall England average of 4.1 persons per hectare and the North West average of 5 persons per hectare.[8]

3.10 From the 2011 Census 97.8% of the borough is recorded as White. There has been a small population increase in ethnic groups since 2001.[9] There are no geographical areas of the borough where there is a significant community of non-white ethnic groups.

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[1] ONS – NOMIS Labour Market Statistics January 2017 (Oct 2015 to Sept 2016)
[2] NOMIS - Business register and Employment Survey (BRES) 2014
[3] GOV.UK - Land Registry Data January 2016 – January 2017
[4] Office for National Statistics 2014 Population Estimate
[5] Ribble Valley 2016 Health Profile produced by the English Public Health Observatories
[6] Office for National Statistics interim 2012-based Subnational Population Projections (May 2014)
[7] Comparison of 2001 Census and 2007 mid year projected population – ward quinary (experimental stats)
[8] Office for National Statistics Census 2011 – Population density
[9] Office for National Statistics Census 2011 – Ethnicity

Ribble Valley	White		Mixed		Asian		Black		Other	
	2011	2001	2011	2001	2011	2001	2011	2001	2011	2001
	97.8	98.4	0.7	0.4	1.4	1.0	0.1	0.1	0.1	0.1

3.11 Between 2002/03 to 2005/06 the highest numbers of people registering for National Insurance in Lancashire were from Poland (around 3,500), India (almost 2,000) and Pakistan (1,800).[10] The 2011 Census confirms that the highest percentage of people with a country of birth not being the United Kingdom, were from Poland.[11]

Age Structure (Older Persons)

3.12 Within Ribble Valley 20.2%[12] of the population (11,531) has reached retirement age and 18% have retired (compared to 16.5% in 2001).[13] The retired population has increased since the Census in 2001. There are now significantly more retired people living in the borough compared with the number of children (10,580 aged 0-15 years)[14]. The 2011 Census shows that there are 1,479 people aged over 85 living in the borough, which is an increase of 21% since 2001 (1,168).

3.13 The highest proportion of people at retirement age (65+) can be seen in Clayton-le-Dale (26.71%), with 1 other ward having over 25% of the population at retirement age, being Waddington and West Bradford (26.07%).[15]

Age Structure (Young Persons)

3.14 There are 9,733 children (aged 0-14) living in the borough. This is 299 fewer than 11 years ago (10,032,)[16]. Within this age group the number of pre-school children (aged 0-4) fell by 1.5% between 2002 and 2013 and currently stands at 2,830. The number of primary school children (aged 5-9) fell by 6.5% over the same period and currently stands at 3,106 and the number of high school children (aged 10-15) also declined and now stands at 3,797.[17]

3.15 Within the borough several wards have seen large declines in the number of children (aged 0-15) – Chatburn (-18.3%), Chipping (-16.06%) and Derby and Thornley (-23.04%). However, some wards have seen substantial increases – Whalley (20.73%), Primrose (20.31%) and Billington and Old Langho (40.04%).[18]

Age Structure (Working Age)

3.16 There are currently 41,285 people in the working age population (age 16 to retirement age) of the Borough.[19]

3.17 Billington and Langho (20.72%) has seen the largest increase in the working age population (age 20 to retirement age) in the borough between 2002 and 2011. Two other wards have also seen substantial increases – Whalley (20.12%) and Gisburn (10.37%). Several wards have seen notable declines – Langho (-9.47%), Edisford and Low Moor (-6.2%) and Wiswell and Pendleton (-8.5%).

[10] Analysis of National Insurance Number Registrations by non-UK Nationals, by country of origin, in Lancashire County and the Districts: 2002/03 – 2005/06 – A report produced by LCC's Research and Intelligence Team
[11] Office for National Statistics Census 2011 – Country of birth detailed
[12] Office for National Statistics Census 2011 – Age Structure
[13] Office for National Statistics Census 2011 – Economic activity
[14] Office for National Statistics Census 2011 – Age structure
[15] Office for National Statistics 2011 mid-year projection - ward quinary
[16] Comparison of ONS mid 2002 and mid 2011 projected population – quinary age groups
[17] Comparison of ONS mid 2002 and mid 2011 projected population
[18] Comparison of ONS Census 2001 and mid 2007 projected population – ward quinary (experimental stats)
[19] ONS Census 2011 – Economic Activity

Housing and Households

3.18 In terms of housing tenure, 76.6% of dwellings are owner occupied, 13.7 % are privately rented and 7.6% are social rented. There are currently approximately 365 long-term vacant private dwellings, a figure that we are taking action to reduce.[20]

3.19 According to household projections there were 25,762[21] households within the Borough at the end of 2015. The number of borough households is expected to grow to 29,000 by 2028 at an estimated increase of 250[22] households per annum.

3.20 The average size of Borough households was 2.3 persons in 2011, compared to a projected figure of 2.18 persons per household by 2028. The declining household size is directly linked to the requirements for new dwellings.

Social Deprivation (Index of Multiple Deprivation)

3.21 The IMD 2015 provides measures of deprivation at local authority level, ranking the deprivation of 354 local authority districts in England, where 1 is the most deprived and 354 is the least deprived. The rankings for the Ribble Valley are summarised below:

	Rank out of 354
Average Rank	290
Average Score	292
Extent	302
Local Concentration	309
Income Scale (average rank)	325
Employment Scale (average rank)	300

Health

3.22 According to the Ribble Valley Health Profile 2015[23], the health of people in Ribble Valley is generally better than the England average. Life expectancy for men and women is higher than the England average. Over the last 10 years, all-cause mortality rates have fallen. The early death rate from heart disease and stroke has fallen and is better than the England average.

3.23 However, there are some significant health problems. Deprivation is lower than average, however about 600 children live in poverty. About 15.2% of Year 6 children are classified as obese, this is lower than the average for England. Levels of breast feeding initiation and smoking in pregnancy are worse than the England average with 17.8% of expectant mothers smoking during pregnancy.

3.24 The rate of road injuries and deaths of 66.0 per 100,000 population is significantly higher than the England average of 39.7 per 100,000 population.

[20] 2011 Census
[21] Valuation Office – Council Tax
[22] Core Strategy 2008-2028 – Submission Version
[23] Produced by the Association of Public Health Observatory on behalf of the Department of Health

4 Financial Context

Council Tax

4.1 The Government has for a number of years encouraged council's to freeze the level of council tax through the offer of various Council Tax Freeze Grants. However, in the four-year settlement figures released by the government our 'Spending Power' is shown building in an increase of £5 to our council tax level at Band D.

4.2 Whilst the setting of council tax levels is a local decision, not a central government decision, the inclusion of this increase and the lack of the offer of council tax freeze grant could be interpreted as a signal from central government.

4.3 As we have a council tax level in the bottom quartile the government have allowed us to increase our council tax by £5 (3.6%) – equating to more than the limit for other authorities, being up to 2%.

4.4 The budget forecast allows for no council tax increase in 2017/18 financial year, followed by a 2% increase in each year thereafter.

Localisation of Council Tax Support

4.5 Whilst the council has put in place a scheme for the Localisation of Council Tax Support, the longer term impact on the council's budget is unknown, largely due to unknown future case load. We have more recently seen a decrease in the level of localised council tax support awarded due to the slight upturn in the economic climate and rise in employment.

4.6 The scheme adopted by this council matches the previous Council Tax Benefit scheme but with a 12% reduction in entitlement for those of working age. The scheme costs continue to be closely monitored.

4.7 As the number of Council Tax Support cases have been falling, this means the cost of this which impacts on the council's taxbase has also been falling.

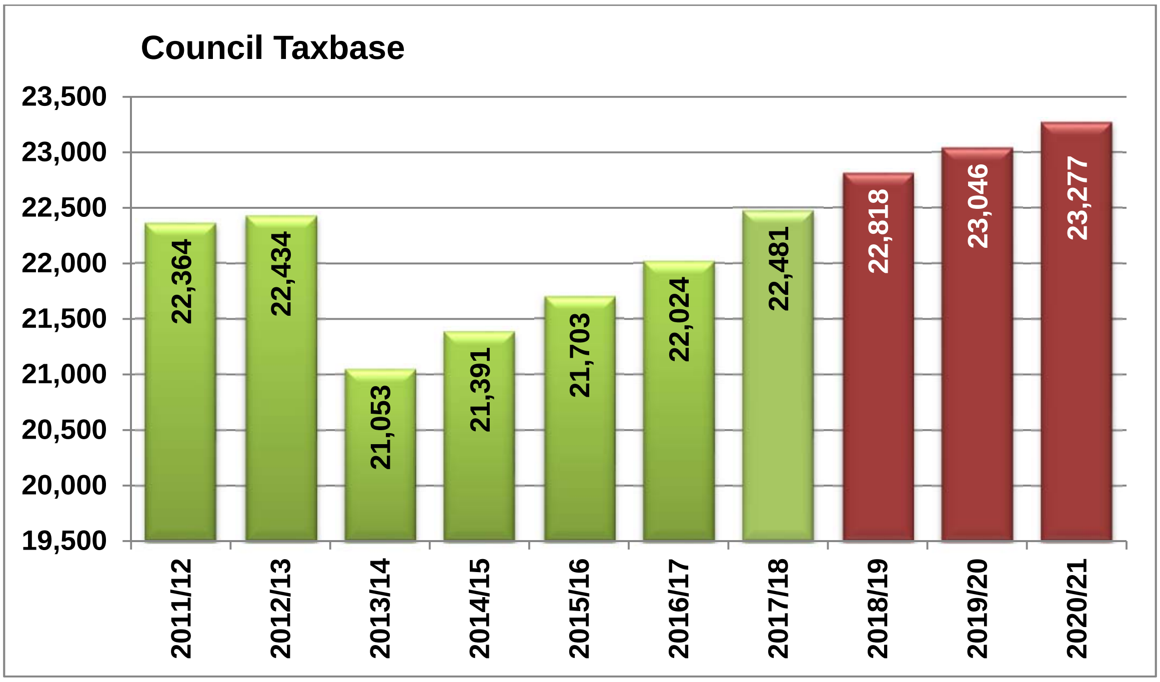
4.8 In more recent developments, the council undertook a consultation on its scheme for the Localisation of Council Tax Support. The now approved proposal is for alignment of the scheme with the Government's housing benefit changes. This will facilitate an efficient, streamlined scheme and mean the council will not have to find savings from other services to fund additional administration costs.

Council Taxbase

4.9 The level of the council taxbase impacts on the level of resources that the council can raise from council tax. Equated from the number of Band D equivalent properties there are in the borough, there is the added impact of property banding appeals and also the various discounts that are awarded, on its calculation.

4.10 For budget purposes the council taxbase is calculated at a snapshot point in October (subject to review) and all precepting bodies are informed of the taxbase in order to assist them in setting their precepts.

4.11 The council taxbase has seen a healthy increase over recent years, and the budget forecast has been produced on the assumption of a 1.5% increase in 2018/19 and a 1% increase per annum thereafter.



Columns in Green are Actuals and Columns in Red are Estimates

4.12 The decrease in the taxbase seen in 2013/14 is due to the introduction of the localisation of council tax support, and is a clear reflection of the impact of discounts on the taxbase calculation.

Business Rates Retention

4.13 Business Rates Retention forms an important element of the council's Settlement Funding Assessment. The level of baseline funding to be received through Business Rates in 2017/18 has been confirmed by the government as part of the multi-year finance settlement. The council also knows the corresponding level of business rates growth, above the baseline, that it is likely to receive in 2017/18, based on the completion of government return NNDR1.

4.14 Any further growth (or the impact of any decline) that occurs in the 2017/18 financial year, over and above that forecast in the government return NNDR1, will not be benefitted from/or felt until future years, through the distribution of any surplus or deficit on the collection fund relating to business rates. This is declared to the government and the major precepting bodies through the completion of government return NNDR3 at the end of the financial year.

4.15 As a result of the volatility around business rates, the council has an earmarked reserve in order to cushion the impact of future fluctuations in funding that we are to receive.

4.16 The council estimates that it will see business rates retention income of £1.063m in the 2017/18 financial year. Of this £275,514 is allowed for to support the revenue budget. The balance of £788k will be set aside in the business rates volatility earmarked reserve.

Lancashire Business Rates Pool

4.17 In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

4.18 The Lancashire Business Rates Pool has been designated by the Secretary of State for Communities and Local Government and the retained levy in Lancashire will be distributed each year as follows:

- The County Council is paid 10% of the overall retained levy;
- Each district within the pool retains 90% of their levy.

4.19 As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pool is Ribble Valley Borough Council. For this, a fee of £20,000 per annum is received i.e. £2,000 payable per pool member including ourselves.

4.20 With regard to this council, based on our NNDR 1 return for 2017/18 we estimate the retained levy would be £500,804, hence under pooling we would benefit by extra income of £450,724. The County Council will receive the remaining 10% of retained levies for all pool district members.

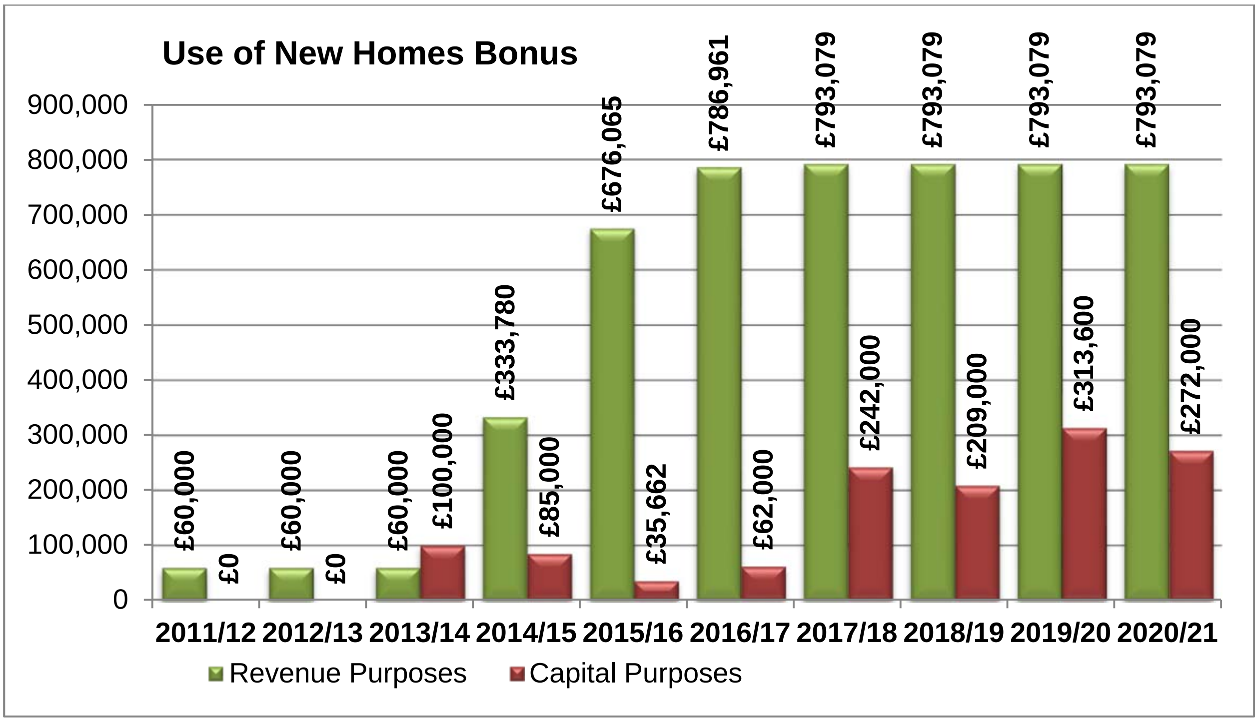
4.21 Whilst there have been changes to the membership of the Lancashire Business Rates Pool, the overall number of members has remained unchanged. This council will continue to be the lead authority for the pool in 2017/18.

New Homes Bonus

4.22 The New Homes Bonus commenced in April 2011 and is paid to the council by the Government for new homes and empty properties brought back in to use. The amount receivable is equivalent to the national average council tax for each property and is receivable every year for the following six years. The amount is also supplemented with an additional amount for affordable homes.

4.23 Our allocation for 2016/17 was £1,366,883 and for 2017/18 will be £1,576,964 (subject to approval regarding the impact of downbandings appeals). Annex 1 shows the level of New Homes Bonus that has been received in past years and forecast to be received in the coming years.

4.24 The table below shows the amount of New Homes Bonus that has been used to support the revenue budget and the capital programme, since the inception of New Homes Bonus in 2011/12. Any New Homes Bonus not used in a particular year is set aside in an earmarked reserve.



2011/12 to 2016/17 are Actuals whilst 2017/18 to 2020/21 are Estimates

4.25 There are now new added pressures on this resource following the significant changes that have been announced in the tapering of the grant over the coming years.

- In 2017/18 allocations paid will reduce from 6 years to 5.
- In 2018/19 allocations paid will reduce from 5 years to 4.
- A new growth baseline of 0.4% has been set for 2017/18 below which the bonus will not be paid. The Government will announce each year what the growth baseline will be.
- From 2018/19 the Government will consider withholding New Homes Bonus from local authorities that are not planning effectively ie making positive decisions on planning applications and delivering housing growth. They will also consider withholding payments from homes built following an appeal.

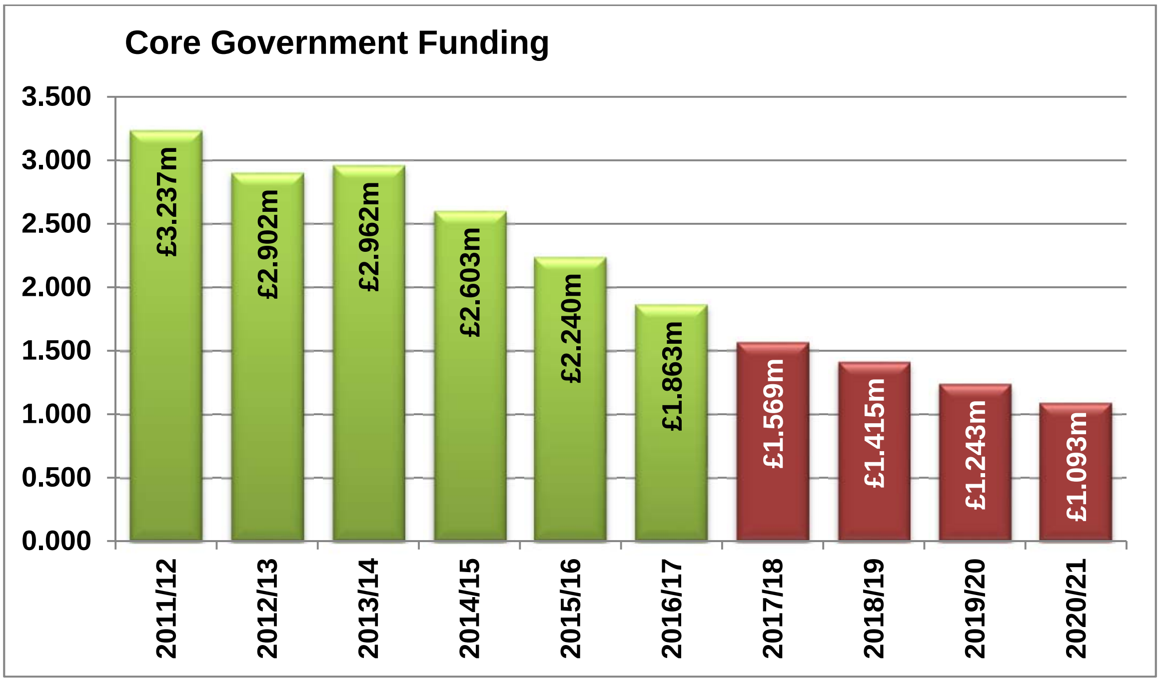
Core Government Funding

4.26 Over recent years the council has seen a substantial reduction to its core funding from the government. Since the decreases in our core funding were first seen in 2011/12, there has been a 62% decrease from £4.141m in 2010/11 to the £1.569m to be received in 2017/18.

4.27 In October 2016 this Council submitted an Efficiency Plan to the Government in order to secure a multi-year finance settlement. We were notified in November 2016 that we were formally on the multi-year settlement and could expect to receive the allocations published as part of the 2016/17 local government finance settlement in 2017/18, 2018/19 and 2019/20. The budget forecast has been prepared using these figures.

4.28 This 4 year settlement shows that our grant reductions will continue in future years. By 2019/20 not only will our Revenue Support Grant be eliminated but the Government propose to introduce a further reduction of £109,000 which will increase our tariff payable under the Business Rates Retention Scheme. We have forecast that this reduction will continue in to 2020/21, past the end of the multi-year settlement, at an estimated level of £250,000.

4.29 The table below shows the level of the reductions to our core funding experienced to date and the future levels indicated by the government in the latest Local Government Grant Settlement (up to 2019/20) and our estimate for 2020/21.



Columns in Green are Actuals and Columns in Red are Estimates

4.30 In order to secure the 4 year settlement referred to above, the council were required to produce an Efficiency Plan, which was submitted to the government in October 2016. The latest budget forecast at that time was supplied as part of the Efficiency Plan, which identified a potential budget gap for 2017/18, 2018/19 and 2019/20. It was highlighted that the Council's plan to meet this funding shortfall is:

- Encouraging growth in our taxbase
- Encouraging business expansion and enterprise in our area
- Continuing to deliver cost effective and efficient services
- Reviewing the major sources of income available to the Council

4.31 Past funding uncertainties have required a prudent approach to ensure financial stability going forward and this has been reflected through the management of our general and earmarked reserves.

4.32 This approach was well founded in light of the recent Local Government Grant Settlement and the future reductions to be experienced in our core government funding as shown above.

4.33 Reserves are important to local authorities as, unlike central government, we cannot borrow money over the medium-term, other than for investment in assets, and we are required to balance our budgets on an annual basis.

4.34 Reserves can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
- a means of building up funds, this is done through our earmarked reserves to meet known or predicted requirements; our earmarked reserves are accounted for separately but remain legally part of the General Fund.

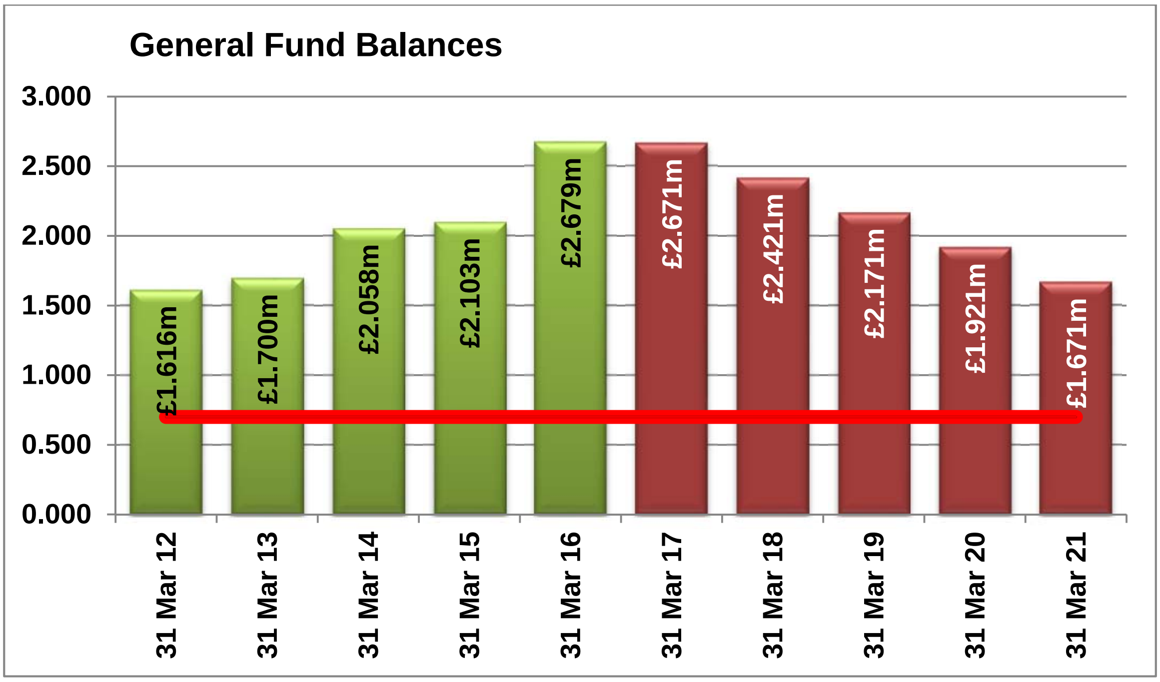
General Fund Balances

4.35 It is very important for the council to maintain a healthy level of balances to cover for unforeseen events and also provide a stable level of resources for future planning. This has been particularly important in more recent years with very general knowledge of likely continuing falls in local government core funding, but little knowledge of who will be affected and by how much.

4.36 Whilst we continue to make good use of earmarked reserves, which are set aside to meet known or predicted cost pressures in future years, general fund balances are not set aside for any specific known or anticipated purpose.

4.37 In our budget forecast shown in a later section of this document, we look to use an element of our general fund balances to help support the revenue budget. As we continue to use our general fund balances to finance the revenue budget it must be noted that it is recommended by the council's S151 Officer (the Director of Resources) that they should not be allowed to fall below £700,000. The setting of this threshold requires a considerable degree of professional judgement, and is tailored to local circumstances.

4.38 The table below shows the level of our general fund balances over the past few years at each financial year end, and the level of general fund balances anticipated at each year end over the next few years based on our budget forecast and the anticipated use of £250,000 of general fund balances each year from 2017/18.



Red line shows recommended minimum level of General Fund Balances at £700,000
Columns in Green are Actuals and Columns in Red are Estimates

4.39 Whilst the council forecasts use of £250,000 per annum in the medium term to help support the revenue budget, this is seen as a short term measure and cannot be sustained in the longer term. It would be just less than 8 years before the council reached its recommended minimum level of general fund balances of £700,000 if we continued to use £250,000 per annum to support the revenue budget. This also assumes no other unforeseen cost pressures arising in the meantime that may require us to use our general fund balances.

Earmarked Reserves

4.40 The council's earmarked reserves can be categorised in to a number of specific purposes, and the balance of £6,005,502 of earmarked reserves held at the 31 March 2016 by the council is broken down in the table below, together with the forecast balances up to 31 March 2021.

Purpose	Balance held as at 31 March 2016 £	Forecast Balance as at 31 March 2017 £	Forecast Balance as at 31 March 2018 £	Forecast Balance as at 31 March 2019 £	Forecast Balance as at 31 March 2020 £	Forecast Balance as at 31 March 2021 £
Shorter Term Service Commitments	132,806	125,766	125,766	125,763	125,763	125,763
Reserves to smooth the revenue impact of longer term cyclical costs	22,276	42,106	66,706	91,675	25,344	51,067
Trading or business unit reserves	-105,007	-52,297	-46,807	-46,807	-46,807	-46,807
Sums set aside for major schemes such as capital projects	1,273,111	1,301,561	1,106,261	662,761	610,241	610,241

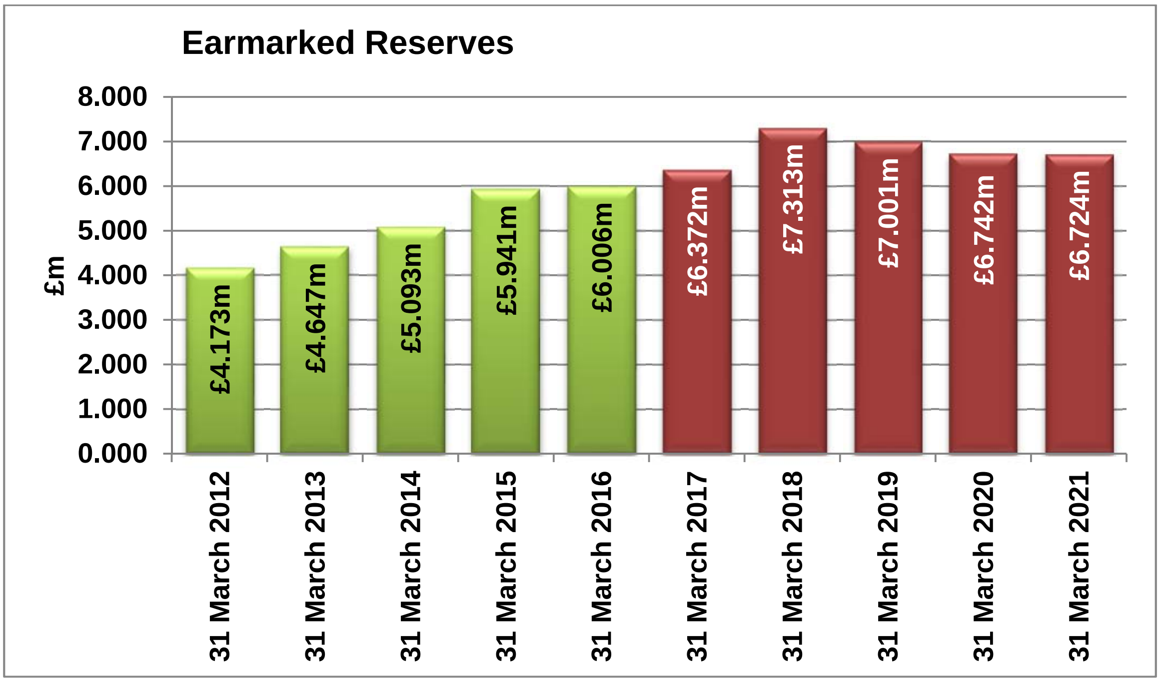
Purpose	Balance held as at 31 March 2016 £	Forecast Balance as at 31 March 2017 £	Forecast Balance as at 31 March 2018 £	Forecast Balance as at 31 March 2019 £	Forecast Balance as at 31 March 2020 £	Forecast Balance as at 31 March 2021 £
Longer term strategic or corporate reserves	4,200,754	4,539,498	5,713,739	5,820,669	5,680,647	5,636,555
External grant funding where expenditure has yet to be incurred	481,562	415,676	347,224	347,224	347,224	347,224
	6,005,502	**6,372,310**	**7,312,889**	**7,001,285**	**6,742,412**	**6,724,043**

4.41 As can be seen, there are wide ranging reasons for the holding of our earmarked reserves and increasingly risk and uncertainty have been key factors in the setting aside of resources in order to ensure that we can meet future pressures, safeguard against volatility and to equalise the pattern of some spend.

4.42 Earmarked reserves also allow us to build resources for future projects such as capital expenditure, which by its nature can peak in certain years. Earmarked reserves also allow us to set aside resources in any given year in order to resource a project in the future. This reduces the impact on the revenue budget and this method of financing removes the impact on the revenue budget that external (and internal) borrowing would have.

4.43 In general terms, the creation of earmarked reserves enables flexibility in approach to financial and service pressures, allowing the council to respond in a timely manner.

4.44 The table below shows the level of our earmarked reserves over the past few years at each financial year end, and the anticipated level of earmarked reserves anticipated at each year end over the next few years based on our budget forecast.



Columns in Green are Actuals and Columns in Red are Estimates

4.45 As can be seen, there has been an increase in the level of our earmarked reserves over the past few years. This is largely accounted for by:

- the earmarking of resources to help fund the **capital programme**, particularly in the creation of reserves such as the vehicle renewals reserve and the ICT renewals reserve
- the adding of **VAT shelter** monies since the transfer of the council's housing stock to Ribble Valley Homes. This resource is again largely linked to the capital programme as it is one of our limited resources. Whilst we do use some of this resource, it is in a measured manner as we are now on a 75% reimbursement rate, dropping to 40% in 2018/19 for the final 5 years of its life.
- The use and replenishing of the **planning** earmarked reserve, the level of which evolves on an annual basis.
- The balance of set aside **New Homes Bonus**. This has been a resource increasingly used to support the revenue budget, but has been a valuable funding stream for the capital programme, which is largely what the balance in earmarked reserves has been used for.
- the setting aside of resources to protect the council against the potential volatilities of the Business Rates Retention Scheme. We currently benefit from business rates growth and part of this is set aside in the **Business Rates Volatility Reserve** to help provide a buffer should this growth ever cease. This is particularly important with our membership of the Lancashire Business Rates Pool, and the risk presented by the loss of the protection of the authority level safety net, but which conversely offers the rewards of the retained levy.

4.46 Forecast use of our earmarked reserves, which is reflected in the chart above, is largely around the financing of the council's capital programme.

4.47 A full list of our earmarked reserves and their current and forecast balances can be seen at Annex 2.

<u>100% Business Rates Retention</u>

4.48 Following the consultation document 'Self-Sufficient Local Government: 100% Business Rates Retention' the move to 100% retention of business rates was made clear as being part of a wider reform package, being fiscally neutral with the main local government grants to be phased out and additional responsibilities to be devolved to match additional funding.

4.49 The consultation closed on 26 September 2016 and it is hoped that the proposals and their impact will soon become clearer. The 100% Business Rate Retention Consultation considered the following themes:

- The devolution of responsibilities
- The operation of the system, including how growth is rewarded and risk is shared
- Local tax flexibilities
- Assessment of councils' needs and distribution of resources
- Accountability and accounting in a reformed system

4.50 Furthermore the Fair Funding Review will establish the funding baselines for the introduction of 100% business rates retention. The Fair Funding Review will consider the distribution of funding for new responsibilities on a case by case basis once these responsibilities are confirmed. The Fair Funding Review will address:

- What is meant by relative 'need' and how it should be measured?
- What are the key factors that drive relative need?
- What should the approach be for doing needs assessments for different services?
- At what geographical level should the Government do a needs assessment?
- How should 'resets' of the needs assessment be done?
- How and what local government behaviours should be incentivised through the assessment of councils' relative needs?

4.51 It is currently anticipated that a more technical consultation on the specific workings of the reformed system will take place in early 2017, together with legislation being introduced to provide the framework for the reforms.

4.52 In April 2017 a number of business rates retention pilots will begin, with the new system due to be implemented by the end of the Parliament.

Combined Authority

4.53 For the past two years all the councils in Lancashire have been discussing the concept of a Lancashire Combined Authority and how it could work for the county.

4.54 In November 2015 all councils agreed to take a report to their full council meetings in the run up to Christmas updating progress so far and asking to go out to consultation in January 2016. All councils, except Wyre Council, agreed.

4.55 The majority of councils in Lancashire are in the final stages of agreeing with the Government the establishment of a Combined Authority for Lancashire.

4.56 If formed, the new Combined Authority will allow a formal, legal step to allow councils to work more closely together in a more structured way and will be a move to improve economic development, skills and transport to benefit the whole county.

4.57 The financial impacts are yet to be fully established for Ribble Valley, and as we are currently still at consultation stage, nothing has been reflected within the budget forecast.

Other Cost Pressures and Uncertainties

4.58 Whilst the council has seen increased levels of income from planning fees in the past, there continues to remain a risk of appeals/award of costs. However, our earmarked reserves allow us some flexibility within this budget area.

4.59 In 2015/16 Lancashire County Council withdrew the payment of recycling credits to the council. At that stage we moved to receiving a fixed payment of around £430,000 per annum under the cost sharing agreement. From 2018 Lancashire County Council have informed us that cost sharing will cease. This will result in lost income of around £430,000 per annum, part of which has been allowed for in the budget forecast with the reminder anticipated to be identified as part of the ongoing service review.

4.60 The level of net expenditure needed in future years will also be very sensitive to changing income levels from fees and charges. Certainly a number of discretionary service areas are sensitive to the levels of disposable income that residents and visitors may have to hand, most notably recreation and leisure services. It is hoped that recent investment in assets such as the Edisford synthetic pitch and also Ribblesdale Pool will help ensure a high level of usage.

4.61 Additionally, there is the inability to attract income from a number of services to support the provision of council services overall, as the government have indicated that they should be provided at cost only.

4.62 Future pressure on services is anticipated due to the expected increase in housing in the borough. This could impact on an array of services, however the actual level of housing growth can't be anticipated year by year, nor the timing of any major impact on the ability to continue providing services at the level of current resources.

4.63 The medium term financial strategy will need to remain flexible to respond to any opportunities or threats that are presented to the council.

4.64 All known financial implications that are likely to arise from published strategies and plans across the council and other plans agreed with partners and other stakeholders have been considered in preparing this strategy.

4.65 This strategy contains the most up to date information at the time of drafting but the council's financial position is dynamic. The council faces a number of financial uncertainties that could affect the council's financial position over the medium term, including:

- Central government policies;
- Impact of market forces on costs;
- Financial implications of technology;
- Community expectations, potentially leading to demand for new or improved services.

5 ***National Context and Other External Factors***

UK Economy

5.1 Based on projections by the Office for Budget Responsibility (OBR) the economy will grow more slowly than expected back in March 2016, with GDP growth in 2017 revised down from 2.2 to 1.4 per cent and cumulative growth over the whole forecast revised down by 1.4 percentage points. A weaker outlook for investment and therefore productivity growth is the main cause. Inflation is forecast to peak at 2.6 per cent and unemployment to rise modestly to 5.5 per cent during 2018. Subdued earnings growth and higher inflation mean that real income growth stalls in 2017

5.2 The budget deficit has been revised up by £12.7 billion this year, primarily due to weakness in income tax receipts that largely pre-date the referendum. The weaker growth outlook means that their 'pre-policy-measures' forecast revision rises to £18.1 billion by 2020-21. Again, weaker income tax receipts are the biggest factor, reflecting the downward revision they have made to productivity and earnings growth.

5.3 Autumn Statement policy decisions add to the deficit in every year of the forecast to 2021/22. Capital spending has been increased by rising amounts across the Spending Review years to 2020-21 and into 2021-22. The Government has also announced a small net tax increase. Tax rises include another increase in the insurance premium tax and more anti-avoidance measures. These outweigh the tax cuts, notably freezing fuel duty next year for the sixth year in a row.

5.4 Welfare spending is higher after the disability benefit cuts announced in the March Budget were abandoned and because of a decision to taper away universal credit awards less aggressively. Departmental resource spending plans have been increased in 2019-20 and 2020-21, but held flat in real terms in 2021-22. So in that year they fall in real per capita terms and as a share of GDP. Taking forecast changes, classification changes and policy measures into account, the OBR now forecast a deficit of £20.7 billion (0.9 per cent of GDP) in 2020-21, compared to an £11.0 billion surplus forecast in March 2016.

Interest Rates

5.5 In August 2016 the Bank of England cut interest rates from 0.5% to 0.25% - a record low and the first cut since 2009.

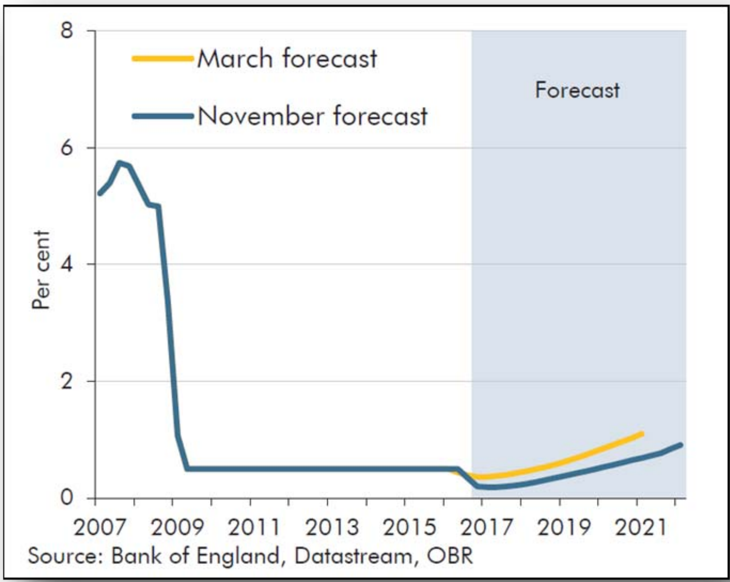
5.6 Market expectations of interest rates dropped sharply after the referendum. The assumptions underpinning the OBR forecast in November include Bank Rate averaging 0.6 per cent in 2020-21, down 0.2 percentage points from expectations ahead of the referendum.

5.7 Markets expect Bank Rate to remain very low over the next five years, reaching just 0.9 per cent by the end of 2021/22. The governor of the Bank of England has also ruled out any immediate rise in interest rates.

5.8 The current low interest rate has no effect on the interest payable on the council's long-term loan debt from Public Works Loan Board (PWLB), which is all at fixed interest rates. However, it has resulted in a continued low level of income from our temporary investments.

5.9 The table below shows the comparison of market expectations of Bank Rate in March 2016, to the expectations in November 2016.

OBR Bank Rate Forecast Comparison



Autumn Statement and Office of Budget Responsibility – Economic and Fiscal Outlook

5.10 The Chancellor of the Exchequer gave his Autumn Statement to Parliament on 23 November 2016. Alongside this, the Office of Budget Responsibility (OBR) released its latest Economic and Fiscal Outlook, containing the latest update on the economy and public finances.

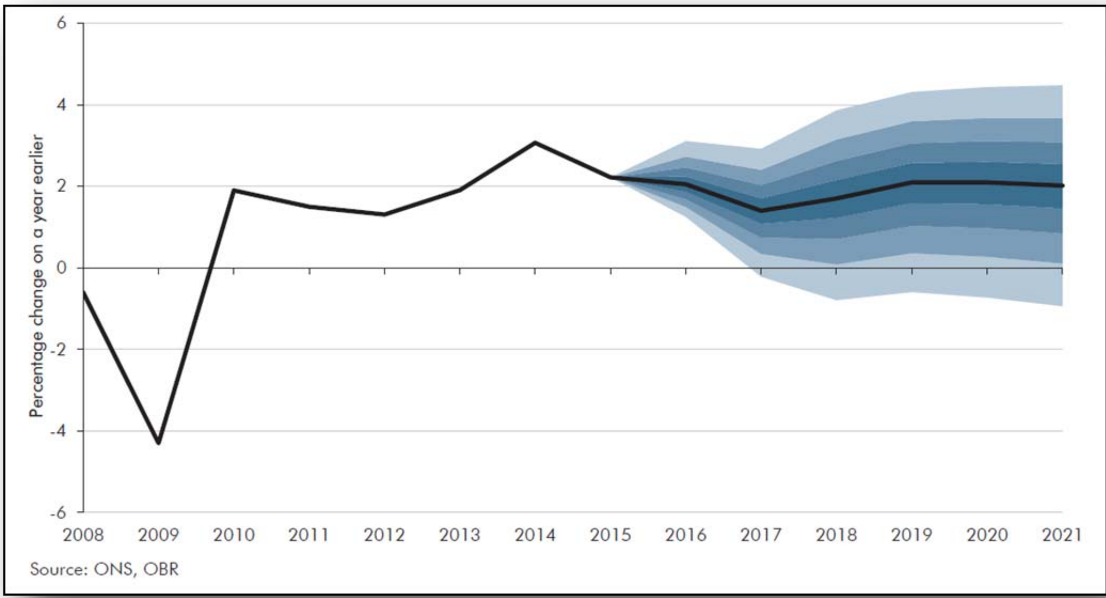
5.11 In the near term, as the negotiations get under way around Brexit, the OBR have assumed that GDP growth will continue to slow in 2017 as uncertainty leads firms to delay investment and as consumers are squeezed by higher import prices, thanks to the fall in the pound. The OBR have not assumed that firms shed jobs more aggressively or that consumers increase precautionary saving, both of which are downside risks if the path to Brexit is bumpy.

5.12 The OBR forecasts are currently somewhat less pessimistic than those in the Bank of England's November *Inflation Report* and the Treasury's published pre-referendum analysis, but in current circumstances the uncertainty around them is even greater than it would be in normal times.

5.13 In their forecast to 2021/22, the OBR show GDP growth in 2017 revised down from 2.2 to 1.4 per cent and cumulative growth over the whole forecast revised down by 1.4 percentage points.

5.14 The chart below presents the government's central growth forecast with a fan showing the range of possible different outcomes based purely on past official forecasting errors. The solid black line shows their median forecast, with successive pairs of lighter shaded areas around it representing 20 per cent probability bands.

Gross Domestic Product (GDP) Fan Chart

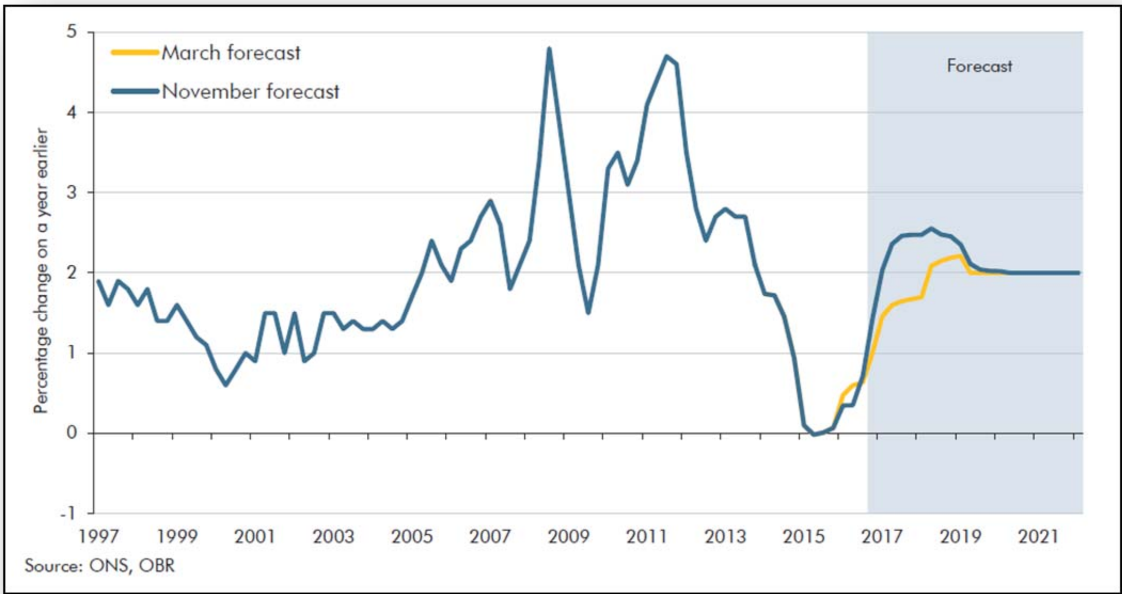


5.15 CPI inflation is expected to move above the Bank of England's 2 per cent target early 2017 and to peak at 2.6 per cent in the second quarter of 2018. The OBR forecast that CPI inflation will remain above target until the third quarter of 2019. It is assumed to remain at target thereafter.

5.16 After having stripped out the effect of higher dollar oil prices, the OBR assume that most of the remaining upward revision to inflation in their forecast is predominantly referendum-related via the weaker pound.

5.17 CPI inflation was 0.9 per cent in October, slightly down from September. It has been below the Bank of England's 2 per cent target for almost three years, but the OBR and most other forecasters now expect it to move above target during 2017 as the effects of the weaker pound feed through to import prices and on to consumer prices.

Consumer Price Increase (CPI) Inflation Forecast



Strength/weakness of the pound

5.18 Since the referendum, the value of the pound has fallen significantly. While it has recovered to some extent from the multi-year lows seen in October 2016, the assumption that underpins the OBR forecast is around 13 per cent weaker than that used in their March 2016 forecast.

5.19 This fall is expected to boost net trade over the next two years, with UK exports more competitive in overseas markets and imports to the UK less attractive relative to domestically produced goods and services. That will provide a temporary boost to GDP growth. Net trade will also be boosted as weaker domestic demand reduces imports growth.

5.20 The more recent fall in the pound following the UK Supreme Court ruling that the Government must hold a parliamentary vote to trigger the start of official negotiations to exit the European Union was one of numerous fluctuations experienced since the referendum, and which will most certainly continue in the short to medium term.

6 *Partnership Working and External Funding*

6.1 The council is focused on working with partners in order to benefit the local communities and investigates opportunities for joint working with a wide range of partners.

6.2 Specific partner funding or grant income is generally not assumed within the budget unless its allocation has been confirmed.

6.3 Key areas of partnership working within the borough at the time of producing this medium term financial strategy are noted below. However, the council remains keen to further the potential of working with other partners.

Partnership Working	Purpose
Community Safety Partnership	A partnership plan to address anti-social behaviour, criminal activity, neighbourhood policing and alcohol harm awareness. Action days are organised by this group.
Lancashire Waste Partnership	To promote a culture whereby waste is recognised as a resource and there is acceptance of responsibility of minimising its production and maximising its recovery.
Lancashire Enterprise Zone Partnership	A vehicle for supporting the delivery of the Lancashire Enterprise Zone. Comprising Ribble Valley, South Ribble and Fylde Borough Councils, Lancashire County Council and British Aerospace. The group meets fortnightly to coordinate putting in place statutory measures for delivering the project, maintaining close liaison between partners, co-ordinating links with the community and the Lancashire Economic Partnership.
Mid Lancashire Partnership	This group meets to co-ordinate activity in relation to Economic Development, Strategic Housing and Planning activities across the Mid Lancashire grouping of authorities, including South Ribble, Chorley, Preston, Lancaster, Ribble Valley and Lancashire County Council.
Health and Wellbeing Partnerships	Health and Wellbeing Partnerships created within local government in an attempt to coordinate commissioning of NHS services, social care and health improvement.

6.4 Aside from the financial support from the Government in the form of Settlement Funding Assessment, the council also receives grant funding for the provision of housing benefit payments to claimants within the borough. Payments are funded by grant from the government. The council has budgeted to pay approximately £6.7m in housing benefit payments to claimants in 2017/18.

6.5 The council also receives an administration grant to help support the provision of housing benefit and local council tax support service costs, which in 2017/18 will be approximately £133,000. This is a reduction of approximately £10,000 from that received in 2016/17.

6.6 Further financial support is received from the Government towards the administration of business rates and in 2017/18 the council has budgeted to receive approximately £91,850.

6.7 The Council undertook a tendering exercise along with 4 leisure trusts within East Lancashire (Hyndburn, Pendle, Burnley & Rossendale) for the Up and Active Contract. The contract was awarded by LCC with Pendle Leisure Trust acting as the lead body. The contract commenced 01 April 2016 and runs for a period of 3 years. RVBC delivers the Up and Active service within the Ribble Valley on behalf of Pendle Leisure Trust. In 2016/17 the Council budgeted to receive £93,420 for provision of this service.

6.8 Following extensive lobbying from SPARSE and RSN prior to the 2016/17 financial year, the Government announced a small amount of grant funding for some authorities in rural areas. This was later increased at the time of announcing the final settlement. A Rural Areas Delivery Grant of £86,603 will be received in 2017/18 (£107,254 in 2016/17).

6.9 Government support of the capital programme comes in the form of Disabled Facilities Grant. The grant is received with very specific conditions and is used to fully fund the Disabled Facilities Grants that the council award as part of the capital programme. The funding is provided by the Government and is paid to the council via the Lancashire Better Care Fund. Our funding for Disabled Facility Grants has been included in the capital budget at £161,000 per annum, and is subject to confirmation in each financial year.

6.10 All other external capital finance support is scheme specific and dependant on schemes included within the capital programme. There is currently one scheme in the 2017/18 to 2021/22 capital programme where we look to receive third party funding.

7 *Projections of Revenue Expenditure – 2017/18 to 2020/21*

7.1 The key aim of the MTFS is to develop a financial projection to determine the achievability and sustainability of the council's planned service delivery over the next year plus the following 3 years.

7.2 The council has made a forecast of a three-year revenue budget based upon known commitments, inflationary pressures and including any significant expenditure and income items that are likely to arise. This forecast also includes estimates of resources from government grants and shows an indicative level of council tax.

7.3 The minimum amount of general fund balances has in the past been agreed at £700,000. The forecast within this Medium Term Financial Strategy keeps balances above this minimum, with a closing balance at 31 March 2021 anticipated of £1.671m. Council tax increases have been forecast at nil for 2017/18 and 2% for 2018/19 to 2020/21.

7.4 In October 2016 this Council submitted an Efficiency Plan to the Government in order to secure a multi-year finance settlement. We were notified in November 2016 that we were formally on the multi-year settlement and could expect to receive the allocations published as part of the 2016/17 local government finance settlement in 2017/18, 2018/19 and 2019/20. The budget forecast has been prepared using these figures.

7.5 A summary of the assumptions made in the forecast is shown below:

- By 2019/20 our Revenue Support Grant be eliminated and the Government propose to introduce a further reduction of £109,000 which will increase our tariff payable under the Business Rates Retention Scheme. This trend is anticipated to continue with a reduction of £250,000 assumed in 2020/21.
- Inflation has been allowed for at 1.5% on employee costs and 2% on all other items for the years 2018/19 to 2020/21.
- Use of balances will be at £250,000 per annum.
- An increase in interest receipts to £30,000 in 2018/19, £50,000 in 2019/20 and £70,000 in 2020/21 based on an assumption that interest rates will see a minimal increase.
- No new growth items that cannot be funded from efficiency savings or existing earmarked reserves.
- A small council tax surplus has been allowed for in 2018/19 to 2020/21 in light of the surpluses that have been experienced in more recent years
- Increase in the council taxbase in 2018/19 of 1.5% and 1% per annum thereafter.
- Council tax increase of nil in 2017/18 and an **illustrative** likely maximum allowable increase (subject to government guidance in each year) of £5 per annum thereafter.

	2016/17 Forecast £	2017/18 Forecast £	2018/19 Forecast £	2019/20 Forecast £	2020/21 Forecast £
Net Expenditure	6,362,308	6,381,670	6,743,911	6,892,367	7,043,865
Interest Receipts	-21,070	-15,660	-30,000	-50,000	-70,000
Use of Superannuation Reserve	-36,512	-36,512	-36,512	-36,512	-36,512
Rural Services Grant	-107,254	-86,603	-66,618	-86,603	-86,603
Use of Business Rates Growth	-262,926	-275,514	-275,514	-275,514	-275,514
Use of New Homes Bonus	-786,961	-793,079	-793,079	-793,079	-793,079
(Use of)/Contribution to Balances	-8,070	-250,000	-250,000	-250,000	-250,000
Savings Required	0	0	-414,046	-544,478	-674,027
Budget Requirement	5,139,515	4,924,302	4,878,142	4,856,181	4,858,130
Government Funding	-1,883,029	-1,589,488	-1,414,666	-1,243,088	-1,092,771
Collection Fund Deficit/(Surplus)	-47,809	-59,557	-25,000	-25,000	-25,000
Precept	3,208,677	3,275,257	3,438,476	3,588,093	3,740,359
Taxbase	22,024	22,481	22,818	23,046	23,277
Band D Council Tax	£145.69	£145.69	£150.69	£155.69	£160.69
Projected Council Tax increase	£5 (3.6%)	0%	£5 max	£5 max	£5 max

7.6 The main reasons for the increase in net expenditure between years are shown below:

	2016/17 to 2017/18 £	2017/18 to 2018/19 £	2018/19 to 2019/20 £	2019/20 to 2020/21 £
Movement in cost of services	19,362	362,241	148,456	151,498
Movement in Interest Receipts	5,410	-14,340	-20,000	-20,000
Rural Services Grant	20,651	19,985	-19,985	0
Increased Use of Business Rates Growth	-12,588	0	0	0
Increased Use of New Homes Bonus	-6,118	0	0	0
Increased Use of Balances	-241,930	0	0	0
Increased Savings Required	0	-414,046	-130,432	-129,549
Total Change in Budget Requirement	-215,213	-46,160	-21,961	1,949

7.7 The level of savings needed over the life of the budget forecast will be addressed through service committees and particularly through the work of the Budget Working Group.

8 *Capital Programme 2017/18 – 2021/22*

8.1 The Capital Programme is an important element of the Medium Term Financial Strategy and as such the main elements are shown below.

8.2 The Prudential Code requires the council to make a reasonable estimate of the total capital expenditure that it intends to incur during the forthcoming financial year and at least the following two financial years.

8.3 The Prudential Code plays a key role in capital finance in local authorities. Councils determine their own programmes for capital investment in fixed assets that are central to the delivery of quality public services. The Prudential Code was developed by CIPFA, the Chartered Institute of Public Finance and Accountancy, as a professional code of practice to support councils in making their decisions. Local authorities are required by Regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003.

8.4 A sound capital programme must be driven by the desire to provide high quality, value for money public services. The Prudential Code recognises that in making its capital investment decisions the council must have explicit regard to option appraisal, asset management planning, strategic planning for the council and achievability of the capital programme.

8.5 The Prudential Code does not specify how the council should have regard to these factors. Instead it concentrates on the means by which the council will demonstrate that its proposals are affordable, prudent and sustainable.

8.6 The council has always sought to maximise funding for capital, including any from revenue sources, within a prudential framework.

8.7 The council's funding policy has been to set programmes which address its key priorities and to fund these by utilising prudential borrowing, capital receipts (both in hand and anticipated in year) and earmarked reserves such as the capital reserve, VAT shelter and New Homes Bonus, in a corporate approach, thus providing the maximum investment position.

8.8 The council's proposed capital programme at the time of producing this medium term financial strategy is reproduced at Annex 3. The table below shows a summary of the proposed capital programme and details of how it will be financed.

Committee	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
Community Services	447,610	648,500	1,969,320	344,120	272,000	3,681,550
Health and Housing	386,000	211,000	211,000	224,500	224,500	1,257,000
Planning and Development			14,500			14,500
Policy and Finance	294,700	46,500	45,000			386,200
TOTAL SCHEMES	**1,128,310**	**906,000**	**2,239,820**	**568,620**	**496,500**	**5,339,250**

Financing	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
Disabled Facility Grants	-161,000	-161,000	-161,000	-161,000	-161,000	**-805,000**
Potential External Funding for Castle Keep Repointing			-222,240			**-222,240**
New Homes Bonus Earmarked Reserve	-242,000	-209,000	-313,600	-272,000	-272,000	**-1,308,600**
VAT Shelter Earmarked Reserve	-234,000	-69,500	-127,880	-122,120	-50,000	**-603,500**

Financing	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
Other Earmarked Reserves	-241,300	-466,500	-96,020			**-803,820**
Usable Capital Receipts			-89,080	-13,500	-13,500	**-116,080**
Borrowing	-250,010		-1,230,000			**-1,480,010**
TOTAL FINANCING	**-1,128,310**	**-906,000**	**-2,239,820**	**-568,620**	**-496,500**	**-5,339,250**

8.9 The council's policy is to maintain the capital reserve at a level above the minimum recommended balance of £350,000. The table shows that the balance of the capital reserve will remain above this level for the life of the capital programme.

Capital Reserve	2017/18	2018/19	2019/20	2020/21	2021/22
Forecast Opening Balance	**-731,362**	**-490,062**	**-490,062**	**-482,542**	**-482,542**
Taken from Reserve	241,300	0	7,520	0	0
Forecast Closing Balance	**-490,062**	**-490,062**	**-482,542**	**-482,542**	**-482,542**
Recommended Minimum Balance	**-350,000**	**-350,000**	**-350,000**	**-350,000**	**-350,000**

8.10 Whilst a balance above the minimum of £350,000 remains on the Capital Reserve over the programme's life, this allows some contingency for any urgent schemes which may need approval outside the normal bidding rounds, particularly where alternative or external resources may not be available.

8.11 Furthermore, there are a number of funding streams for the capital programme that rely on savings or asset sales being achieved over the life of the programme. As there is a degree of uncertainty around these being achieved at this stage, the balance on the Capital Reserve gives some flexibility to meet any potential shortfall.

9 *Risk Assessment and Sensitivity*

9.1 There are a number of risks with the medium term financial strategy as fluctuations in some of the underlying assumptions can produce significant changes to the forecast.

9.2 The table below shows some of the areas of sensitivity and the potential impact on the strategy, based on the original estimate for 2017/18.

Area of Sensitivity	Percentage Fluctuation	Annual Impact on Budget
Pay Award (Impact on Direct Employee Costs)	1.00%	£62,810
Energy Costs	5.00%	£7,160
Vehicle Fuel	5.00%	£11,740
Short Term Investment Interest Rates	0.25%	£24,450
Customer and Client Receipts	1.00%	£29,430
Service Specific Government Grants	1.00%	£69,640
Other Grants and Contributions	1.00%	£6,720
Settlement Funding Assessment	1.00%	£15,690
New Homes Bonus (Received in Year)	1.00%	£15,770
Retained Business Rates Levy	5.00%	£22,540

9.3 In terms of impact on the council tax, each budget adjustment of £100,000 – if fully funded from Council Tax - would have the effect of changing council tax at Band D equivalent by £4.45 or 3.05% (based on an assumed Band D council tax charge of £145.69 for 2017/18).

9.4 On the other hand, for every 1% increase in the level of 2016/17 council tax charge, an additional £32,750 council tax revenue would be raised and therefore, for every 1% decrease in the level of council tax revenue £32,750 savings would need to be identified or alternative funding such as use of balances would need to be found (based on an assumed Band D council tax charge of £145.69 for 2017/18).

9.5 In terms of the Settlement Funding Assessment that is to be received for 2017/18, this will support approximately 32% of the council's budget requirement and so any variation has a major impact. A variation of 1% in this funding (before anticipated growth) would amount to £15,690.

9.6 The table below provides a summary of the main financial risks facing the council, and their potential impact and our mitigating actions.

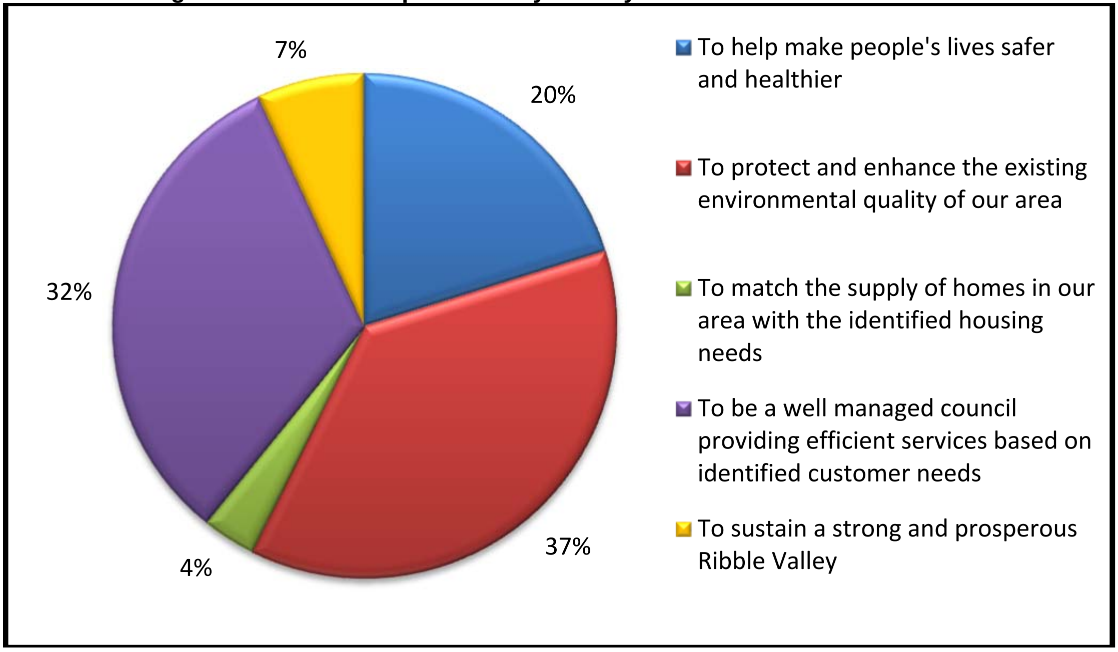
Risk	Level	Mitigation
Past savings that have been identified by Heads of Service do not continue to be achieved	Medium	Regular monitoring of budgets and meetings with Heads of Service where savings have been identified in order to enable early corrective action if required.
A financial institution that has been invested in is unable to repay the principal sum to the council	Medium	This risk is managed through the Treasury Management Strategy. The markets are regularly monitored and discussions held with the Director of Resources, Head of Financial Services and Senior Accountant daily.

Risk	Level	Mitigation
Identified savings required are not achieved	Medium	Through stringent budget monitoring and sound working practices in the review of savings needed and through the work of the Budget Working Group the required savings/funding will be found and will also be met in year.
Business Rates Growth Retention	High	There is a high level of uncertainty around the future level of business rates growth, or downturn. With our membership of the Lancashire Business Rates Pool, we continue to maintain a Business Rate Volatility earmarked reserve in order to cushion future fluctuations.
Expenditure is not contained within the approved budgets	Low	The council has a well-developed budget monitoring process which enables early identification of variances and allows corrective action to be taken.
Further Reductions to New Homes Bonus receipts in future years	High	A substantial reduction in our New Homes Bonus funding, further to that which has already been announced, would have a major impact on the council, particularly due to its reliance on this valuable funding stream, which was previously ‘top sliced’ from core government funding.

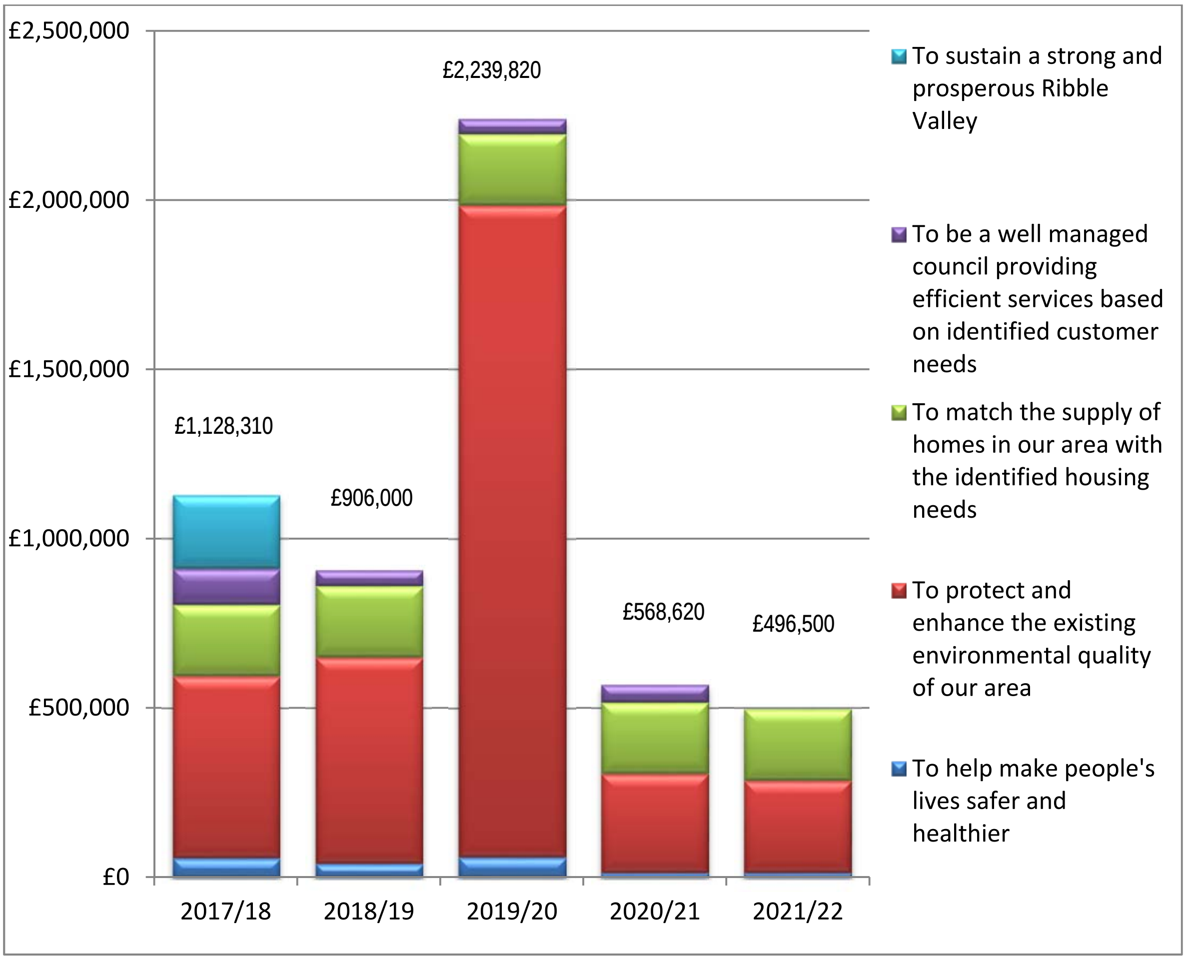
10 *Links to Ambitions and Priorities*

10.1 The table below shows our 2017/18 revenue budget broken down over the council's priorities. The approval of the council's reviewed Corporate Strategy 2015-2019 in January 2017 reaffirmed the council's priorities, as set out in the tables below.

Revenue Budget 2017/18 – Net Expenditure by Priority

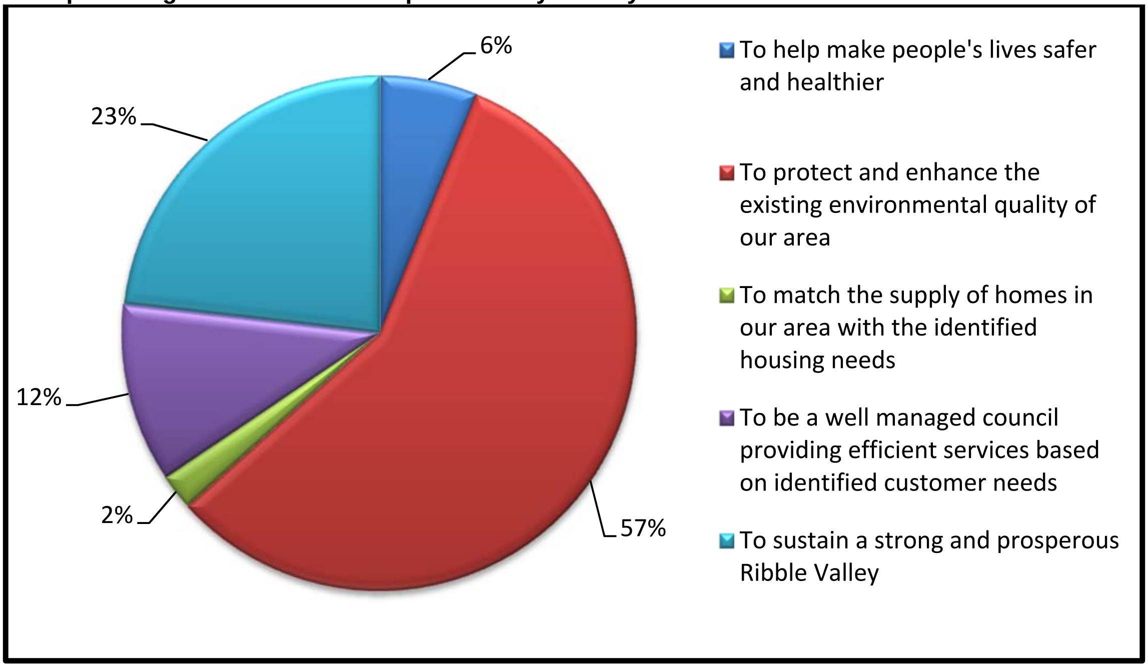


10.2 As with revenue budgets, all proposed capital schemes are linked to the council's priorities. The table below shows the breakdown of the five-year capital programme over the council's priorities.



10.3 The table below shows our planned capital programme for 2017/18 broken down over the council priorities.

Capital Programme 2017/18 – Expenditure by Priority



ANNEX 1

New Homes Bonus

Year of Award	Received 2011/12 £	Received 2012/13 £	Received 2013/14 £	Received 2014/15 £	Received 2015/16 £	Received 2016/17 £	Estimated 2017/18 £	Estimated 2018/19 £	Estimated 2019/20 £	Estimated 2020/21 £
Granted 2011/12	62,046	62,046	62,046	62,046	62,046	62,046				
Granted 2012/13		117,599	117,599	117,599	117,599	117,599				
Granted 2013/14			188,053	188,053	188,053	188,053	188,053			
Granted 2014/15				227,108	227,108	227,108	227,108			
Granted 2015/16					373,810	373,810	373,810	373,810		
Granted 2016/17						398,268	398,268	398,268	398,268	
Provisional 2017/18							389,725	389,725	389,725	389,725
Estimated 2018/19								?	?	?
Total	**62,046**	**179,645**	**367,698**	**594,806**	**968,616**	**1,366,884**	**1,576,964**	**1,161,803**	**787,993**	**389,725**
New Homes Bonus Commitments[1]	**2011/12 £**	**2012/13 £**	**2013/14 £**	**2014/15 £**	**2015/16 £**	**2016/17 £**	**2017/18 £**	**2018/19 £**	**2019/20 £**	**2020/21 £**
Revenue Base	-60,000	-60,000	-60,000	-333,780	-676,065	-786,961	-793,079	-793,079	-793,079	-793,079
Revenue In-Year Use						-6,000				
Capital	0	0	-100,000	-85,000	-35,662	-62,000	-242,000	-209,000	-313,600	-272,000
Total	**-60,000**	**-60,000**	**-160,000**	**-418,780**	**-711,727**	**-854,961**	**-1,035,079**	**-1,002,079**	**-1,106,679**	**-1,065,079**
Unallocated in Year	2,046	119,645	207,698	176,026	256,889	511,923	541,885	159,724	-318,686	-675,354
Unallocated Cumulative	**2,046**	**121,691**	**329,389**	**505,415**	**762,304**	**1,274,227**	**1,816,112**	**1,975,836**	**1,657,150**	**981,796**

ANNEX 2

Actual and Forecast Earmarked Reserves 2015/16 to 2020/21

General Fund	Balance at 31 March 2016 £	Balance at 31 March 2017 £	Balance at 31 March 2018 £	Balance at 31 March 2019 £	Balance at 31 March 2020 £	Balance at 31 March 2021 £
Shorter term service commitments						
Local Recreation Grants Fund *Used to fund recreation grants*	28,926	42,416	42,416	42,416	42,416	42,416
Audit Reserve Fund *Used for computer audit*	12,335	12,335	12,335	12,335	12,335	12,335
Christmas Lights/RV in Bloom *Available to fund contributions towards Christmas Lights and Ribble Valley in Bloom*	836	836	836	836	836	836
Refuse Collection *To fund refuse collection costs of bin replacements and other cost pressures*	50,319	50,319	50,319	50,319	50,319	50,319
Core Strategy Reserve *To fund the production of the Core Strategy*	20,533	3	3	0	0	0
Clitheroe Food Festival *Resources set aside to help support the costs associated with the Clitheroe Food Festival*	19,857	19,857	19,857	19,857	19,857	19,857
Sub total	**132,806**	**125,766**	**125,766**	**125,763**	**125,763**	**125,763**
Reserves to smooth the revenue impact of longer term cyclical costs						
Elections Fund *Used to fund borough elections held once every four years*	19,076	36,876	59,416	82,294	23,221	46,790

ANNEX 2

Actual and Forecast Earmarked Reserves 2015/16 to 2020/21

General Fund	**Balance at 31 March 2016** £	**Balance at 31 March 2017** £	**Balance at 31 March 2018** £	**Balance at 31 March 2019** £	**Balance at 31 March 2020** £	**Balance at 31 March 2021** £
Revaluation of Assets Reserve *To contribute towards the revaluation of the Council's assets every five years.*	3,200	5,230	7,290	9,381	2,122	4,276
Sub total	**22,276**	**42,106**	**66,706**	**91,675**	**25,344**	**51,067**
Trading or business unit reserves						
Building Control Fund *Available to equalise net expenditure over a three year period*	-105,007	-52,297	-46,807	-46,807	-46,807	-46,807
Sub total	**-105,007**	**-52,297**	**-46,807**	**-46,807**	**-46,807**	**-46,807**
Sums set aside for major schemes such as capital projects						
Capital *Used to fund the capital programme*	764,822	731,362	490,062	490,062	482,542	482,542
ICT Repairs and Renewals *To fund future software and hardware upgrades*	162,289	178,199	178,199	154,699	109,699	109,699
Vehicle & Plant Repairs and Renewals Reserve Resources set aside to fund a repairs and renewals fund for the replacement of Vehicles and Plant	346,000	392,000	438,000	18,000	18,000	18,000
Sub total	**1,273,111**	**1,301,561**	**1,106,261**	**662,761**	**610,241**	**610,241**

ANNEX 2

Actual and Forecast Earmarked Reserves 2015/16 to 2020/21

General Fund	Balance at 31 March 2016 £	Balance at 31 March 2017 £	Balance at 31 March 2018 £	Balance at 31 March 2019 £	Balance at 31 March 2020 £	Balance at 31 March 2021 £
Longer term strategic or corporate reserves						
Insurance *Available to meet any costs following demise of Municipal Mutual Insurance Company*	14,581	14,581	14,581	14,581	14,581	14,581
Fleming VAT Claim *VAT recovered from 'Fleming' claim challenge to HMRC*	195,797	68,372	68,372	68,372	39,372	39,372
Repairs and Maintenance *To fund emergency repairs and maintenance items, including legionella and asbestos abatement*	37,869	29,299	29,299	29,299	29,299	29,299
Post LSVT *To fund any costs post LSVT which may arise, such as pension fund liabilities*	292,100	255,588	219,076	182,564	146,052	109,540
Restructuring Reserve *To fund costs resulting from restructuring reviews*	227,541	227,541	227,541	227,541	227,541	227,541
VAT Shelter Reserve *Funds received from the post LSVT VAT Shelter arrangements, partly used to contribute towards the future financing of the capital programme*	1,376,280	1,257,750	1,181,750	1,149,340	1,051,130	952,750
Equipment Reserve *To fund essential and urgent equipment requirements*	122,750	105,000	104,882	104,882	93,882	93,882

ANNEX 2

Actual and Forecast Earmarked Reserves 2015/16 to 2020/21

General Fund	Balance at 31 March 2016 £	Balance at 31 March 2017 £	Balance at 31 March 2018 £	Balance at 31 March 2019 £	Balance at 31 March 2020 £	Balance at 31 March 2021 £
Invest to Save Fund *To fund future invest to save projects*	250,000	250,000	250,000	227,000	230,600	234,200
Planning Reserve *To fund any future potential planning issues*	156,738	136,258	93,358	93,358	78,858	78,858
Housing Benefit Reserve *To help meet the challenges facing the service in the coming years*	100,000	100,000	100,000	100,000	100,000	100,000
New Homes Bonus Reserve *To help finance future economic development capital schemes*	762,304	1,274,227	1,816,112	2,014,964	2,060,564	2,147,764
Business Rates Volatility Reserve *To provide some protection against business rates volatilities*	664,794	820,882	1,608,768	1,608,768	1,608,768	1,608,768
Sub total	**4,200,754**	**4,539,498**	**5,713,739**	**5,820,669**	**5,680,647**	**5,636,555**
External grant funding where expenditure has yet to be incurred						
Performance Reward Grant *Performance Reward Grant received and yet to be distributed to successful schemes*	75,117	71,347	55,467	55,467	55,467	55,467
Land Charges Reserve *To fund any potential restitution claims for personal search fees*	48,559	41,839	41,839	41,839	41,839	41,839
Pendle Hill User Reserve *To fund improvement schemes on Pendle Hill*	32,519	32,719	32,719	32,719	32,719	32,719

ANNEX 2

Actual and Forecast Earmarked Reserves 2015/16 to 2020/21

General Fund	Balance at 31 March 2016 £	Balance at 31 March 2017 £	Balance at 31 March 2018 £	Balance at 31 March 2019 £	Balance at 31 March 2020 £	Balance at 31 March 2021 £
Crime Reduction Partnership Reserve *To fund cost of crime reduction initiatives*	24,175	19,635	6,115	6,115	6,115	6,115
Exercise Referral Reserve *To fund potential residual staffing costs*	16,401	14,141	14,141	14,141	14,141	14,141
Housing Related Grants Reserve *Residual grant received, to be committed to future grant schemes*	58,010	28,250	28,120	28,120	28,120	28,120
Community Right to Bid/Challenge *To fund any future costs under the Community Right to Bid and Community Right to Challenge Regulations*	46,224	46,224	46,224	46,224	46,224	46,224
Grant Funded Sports Development *To finance future Sports Development grant funded expenditure*	5,510	4,600	4,600	4,600	4,600	4,600
Whalley Moor Reserve *Grant received towards work at Whalley Moor Woodland*	4,520	4,520	4,520	4,520	4,520	4,520
Individual Electoral Registration Reserve *Grant received for the implementation of Individual Electoral Registration which will be used to fund this work*	17,902	1,302	0	0	0	0
Repossession Prevention Fund Reserve *Ring-fenced DCLG funded reserve to help prevent repossessions and homelessness.*	28,491	28,491	28,491	28,491	28,491	28,491

ANNEX 2

Actual and Forecast Earmarked Reserves 2015/16 to 2020/21

General Fund	**Balance at 31 March 2016** £	**Balance at 31 March 2017** £	**Balance at 31 March 2018** £	**Balance at 31 March 2019** £	**Balance at 31 March 2020** £	**Balance at 31 March 2021** £
Neighbourhood Planning Reserve *DCLG Neighbourhood Planning Grant received to fund future related expenditure*	15,000	10,000	10,000	10,000	10,000	10,000
Parish Grant Reserve *PRG Resources set aside to fund the Parish Grant Scheme*	109,134	92,184	54,564	54,564	54,564	54,564
Transition Grant *To set aside the Transition Grant, paid by the government to ease the reductions in RSG*	0	20,424	20,424	20,424	20,424	20,424
Sub total	**481,562**	**415,676**	**347,224**	**347,224**	**347,224**	**347,224**
TOTAL	**6,005,502**	**6,372,310**	**7,312,889**	**7,001,285**	**6,742,412**	**6,724,043**

ANNEX 3

Forward Capital Programme – 2017/18 to 2021/22

COMMUNTY SERVICES COMMITTEE	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	TOTAL £
Play Area Improvements	40,000	40,000	40,000	40,000	40,000	**200,000**
Ribble Valley off-street car parks – upgrade of payment systems	14,550					**14,550**
Castle Museum - Refurbishment of Windows	62,560					**62,560**
Renewal of sections of floor to residual waste transfer station	19,500	23,500				**43,000**
Replacement of Twin-bodied refuse collection vehicle (VU59 JJK)	218,000					**218,000**
Replacement of Works Iveco Tipper with Iveco Daily Long Wheelbase high top van	23,500					**23,500**
Replacement mower (Kubota) PN09 SWO	15,500					**15,500**
Replacement mower (Scag 4x4) rvbc 016 - plus Replacement of Scag Mower (rvbc014) with equivalent spec vehicle	13,000					**13,000**
Replacement pick up vehicles (Ford Ranger S/C 4WD x 2) – PK07 LSY and PK07 TZG	41,000					**41,000**
Replacement of Paper Collection Vehicle VX55 KXD		49,000				**49,000**
Replacement of Refuse Collection Vehicle VU60 HNX		222,500				**222,500**

ANNEX 3

Forward Capital Programme – 2017/18 to 2021/22

	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	TOTAL £
Replacement of Works Iveco Tipper (PO60 AYK)		37,500				**37,500**
Replacement of Car Parking Van - Fiat Doblo PN09 MHY with an equivalent spec		13,000				**13,000**
Replacement of Garwood (12 Tonne GVW) single bodied RCV & Cage Truck with single multi-use vehicle - PN05 PWL		120,000				**120,000**
Replacement mower (Haytor) PN07 MVG		36,500				**36,500**
Replacement mower (Kubota) PN09 SWO		16,000				**16,000**
Replacement Mini Tractor and Trailer (John Deere) - PN06 TSZ		12,000				**12,000**
Replacement Truck (Ford) c/w Tail Lift		37,500				**37,500**
Tour of Britain Legacy		10,000				**10,000**
All Weather Pitch Lighting		31,000				**31,000**
Castle Keep Lime Repointing Works and Repairs (Subject to External Funding)			311,320			**311,320**
Replacement of Clitheroe CCTV System			60,000			**60,000**
Replacement of Refuse Collection Vehicle VN12 KYK				232,000		**232,000**

ANNEX 3

Forward Capital Programme – 2017/18 to 2021/22

	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	TOTAL £
Replacement of Refuse Collection Vehicle VU62 HXK					232,000	**232,000**
Replacement of Refuse Collection Vehicle PO60 YEK			227,000			**227,000**
Replacement of Paper Collection Vehicle VU06 TKN			50,000			**50,000**
Replacement of JCB Gravemaster Digger				32,000		**32,000**
Replacement of Pickup Ford Ranger PK60 HKN				20,120		**20,120**
Installation of a Second Parking Deck on Chester Avenue Car Park			1,230,000			**1,230,000**
Replacement Gang Mower (rvbc 009)			29,000			**29,000**
Replacement Mini Tractor with Bucket for PN05 BYS			22,000			**22,000**
Replacement High Top Transit Van for PJ63 WUC				20,000		**20,000**
Total Community Services Committee	**447,610**	**648,500**	**1,969,320**	**344,120**	**272,000**	**3,681,550**
HEALTH AND HOUSING COMMITTEE						
Clitheroe Market Improvements (moved from 2016/17)	175,000					**175,000**

ANNEX 3

Forward Capital Programme – 2017/18 to 2021/22

	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	TOTAL £
Disabled Facilities Grants	161,000	161,000	161,000	161,000	161,000	**805,000**
Landlord/Tenant Grants	50,000	50,000	50,000	50,000	50,000	**250,000**
Replacement of Pest Control Van (PK13 FJP)				13,500		**13,500**
Replacement of Dog Warden Van (PE64 EYC)					13,500	**13,500**
Total Health and Housing Committee	**386,000**	**211,000**	**211,000**	**224,500**	**224,500**	**1,257,000**
PLANNING AND DEVELOPMENT COMMITTEE						
Replacement of Plotter/Copier in the Planning Section			14,500			**14,500**
Total Planning and Development Committee	**0**	**0**	**14,500**	**0**	**0**	**14,500**
POLICY AND FINANCE COMMITTEE						
Council Offices Reroofing Retention (moved from 2016/17)	7,910					**7,910**
Council Offices Replacement Windows and Rooflights Retention (moved from 2016/17)	4,540					**4,540**

ANNEX 3

Forward Capital Programme – 2017/18 to 2021/22

	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	TOTAL £
Clitheroe Townscape Scheme (moved from 2016/17)	55,000					**55,000**
Economic Development Initiatives (moved from 2016/17)	100,000					**100,000**
Replacement server for Revenues & Benefits	13,500					**13,500**
Printing section equipment upgrade	12,500					**12,500**
Council chamber – Seating renewal scheme	11,250					**11,250**
Windows Server Upgrade		23,500				**23,500**
New council telephone system	45,000					**45,000**
Civic Suite Upgrade	45,000					**45,000**
Queensway Garages - Replace roof covering and repairs		23,000				**23,000**
Redesign of the Corporate Website			30,000			**30,000**
Corporate Firewall			15,000			**15,000**
Total Policy and Finance Committee	**294,700**	**46,500**	**45,000**	**0**	**0**	**386,200**

TOTAL CAPITAL PROGRAMME 2017/18 TO 2021/22	**1,128,310**	**906,000**	**2,239,820**	**568,620**	**496,500**	**5,339,250**

ANNEX 3

Forward Capital Programme – 2017/18 to 2021/22

FINANCING	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	TOTAL £
Disabled Facility Grants	-161,000	-161,000	-161,000	-161,000	-161,000	**-805,000**
Potential External Funding for Castle Keep Repointing			-222,240			**-222,240**
New Homes Bonus Earmarked Reserve	-242,000	-209,000	-313,600	-272,000	-272,000	**-1,308,600**
VAT Shelter Earmarked Reserve	-234,000	-69,500	-127,880	-122,120	-50,000	**-603,500**
Other Earmarked Reserves	-241,300	-466,500	-96,020			**-803,820**
Usable Capital Receipts			-89,080	-13,500	-13,500	**-116,080**
Borrowing	-250,010		-1,230,000			**-1,480,010**
TOTAL FINANCING 2017/18 TO 2021/22	**-1,128,310**	**-906,000**	**-2,239,820**	**-568,620**	**-496,500**	**-5,339,250**