

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO SPECIAL POLICY AND FINANCE COMMITTEE

Agenda Item No 8

meeting date: 11 FEBRUARY 2014
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 2014/15 to 2017/18.

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 (2014/15 plus 3 years).

2.3 It includes a three year budget forecast 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
- 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

3.2 The MTFS reflects the proposed Revenue Budget for 2014/15 and the suggested 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

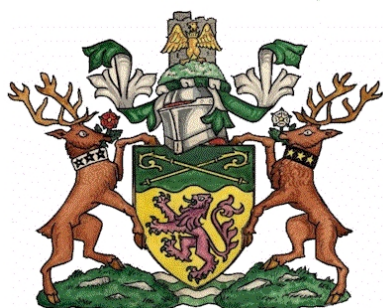
4.1 Approve the Medium Term Financial Strategy for 2014/15 to 2017/18.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

PF15-14/LO/AC
4 February 2014

February 2014



Ribble Valley Borough Council

Medium term financial strategy

2014/15 to 2017/18

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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 (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 Council Plan 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 2014/15 to 2017/18 and sets out the resource issues and principles that shape the council budget.

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

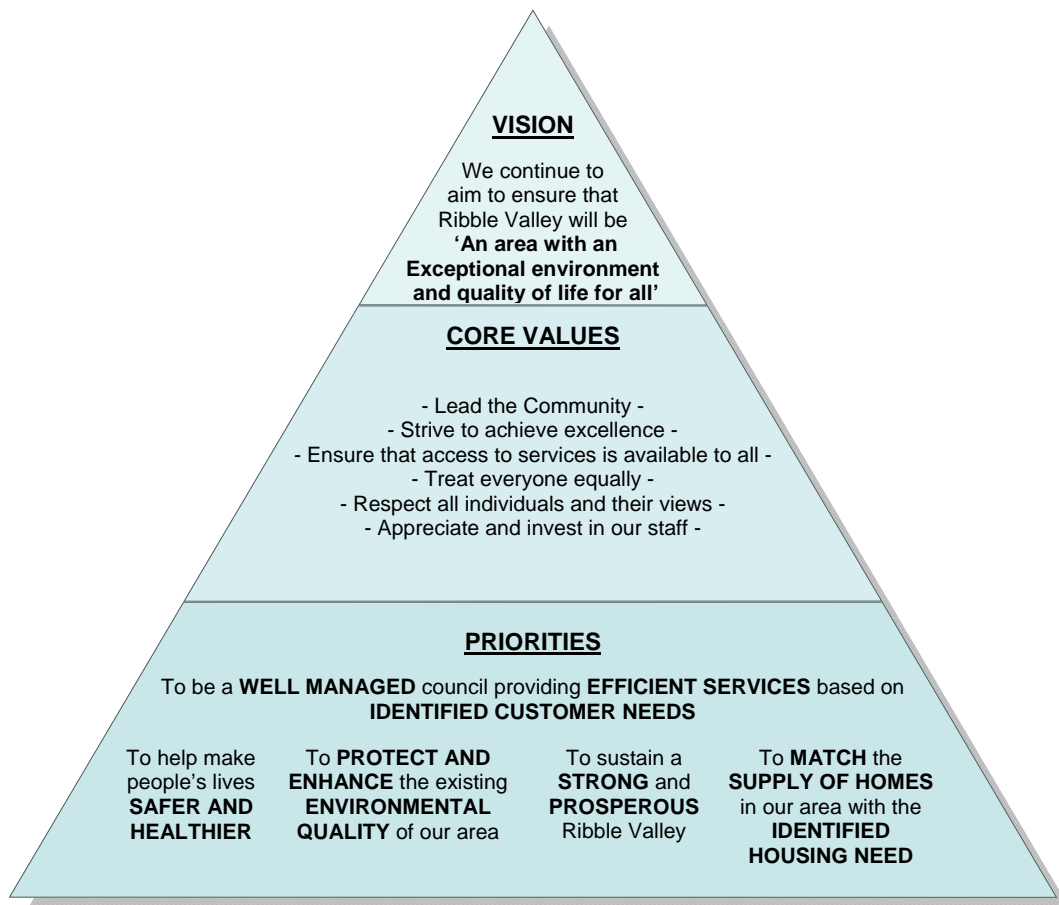
An area with an exceptional environment and quality of life for all; sustained by vital and vibrant market towns and villages acting as thriving service centres meeting the needs of residents, businesses and visitors.

- 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 strategic goals, 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 3.4% compared with the national average of 7.7%)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 over 10% of employment, and it is estimated that the total spent by tourists in Ribble Valley each year is in excess of £19.5 million. Additionally there are estimated to be around 2,500 jobs in tourism-related businesses.
- 3.5 One of the largest employment sectors in Ribble Valley is manufacturing, which accounts for 26.2%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 small companies employing 1-4 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 mean house price sale in Ribble Valley as at April – June 2013 was £223,384, with an average terrace house price sale of £146,277.³ The annual change in house prices grew by 10.8%. Regionally the mean house price sale was £154,825 (+0.9%) over the same period.

Resident Population and Projections

- 3.7 According to the ONS Census figures, the total resident population of the Borough reached 57,600⁴ during 2012. Life expectancy within the Ribble Valley is currently 79.3 for males and 83.2 for females⁵. According to ONS projections, the resident population of the Borough is predicted to increase by an additional 2,400 people over the next few years to reach a total of 60,000 Borough residents by 2021.⁶ 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.

¹ ONS – NOMIS Labour Market Statistics September 2013 (October 2012 to September 2013)

² NOMIS - ONS annual business inquiry employee analysis 2008

³ Land Registry Data – April – June 2013

⁴ Office for National Statistics 2012 Population Estimate

⁵ Ribble Valley 2013 Health Profile produced by the English Public Health Observatories

⁶ Office for National Statistics interim 2011-based Subnational Population Projections (Sept. 2012)

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 25,011²¹ households within the Borough at the end of 2012. The number of borough households is expected to grow to 29,000 by 2028 at an estimated increase of 250²² 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 2010 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 Score	290
Extent	294
Local Concentration	312
Income Scale	323
Employment Scale	305

Health

- 3.22 According to the Ribble Valley Health Profile 2013²³, 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 significant health problems. Deprivation is lower than average, however about 610 children live in poverty. About 15.3% 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 20.7% of expectant mothers smoke during pregnancy.
- 3.24 When looking at alcohol consumption in the borough 24.3% of people aged 16 or over are classified as having 'increasing and higher risk drinking' compared to the England average of 22.3%. The rate of road injuries and deaths of 66.4 per 100,000 population is significantly higher than the England average of 41.9 per 100,000 population.

4 Financial Context

- 4.1 More so now than ever, 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. The creation of earmarked reserves enables flexibility in approach to financial and service pressures, allowing the council to respond in a timely manner.
- 4.2 At the end of the 2012/13 financial year the Council further built its financial resilience by strengthening the level of earmarked reserves to meet the challenging and uncertain period that it continues to work through, and also to meet known shorter term commitments

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

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- 4.3 The level of General Fund Balances and Earmarked Reserves at the 31 March 2013 totalled just over £6.347 million.
- General Fund Balances: £1.7m
 - Earmarked Reserves: £4.647m
- 4.4 The level of reserves and balances has been reviewed and found to be more than adequate to meet the Council's projected revenue expenditure. As we continue to work through this period of financial uncertainty, there is increasing pressure on the use of our general fund balances and earmarked reserves. Whilst the Government continue to reduce their funding for local government, they also continue to encourage authorities to freeze their council tax levels. As we continue to use our general fund balances to finance the revenue budget it must be noted that it is recommended that they are not allowed to fall below £700,000.
- 4.5 The level of the Council's net expenditure (expenditure net of fees and charges, interest and movements in balances) continues to fall as a result of the reducing level of support from the Government. With council tax levels frozen, alternative sources of financial support for council services is limited.
- 4.6 The level of net expenditure needed in future years will also be very sensitive to changing income levels from investment returns and fees and charges, both of which have been affected substantially by the poor economic climate over the past few years.
- 4.7 A service review was completed in 2011 which achieved substantial savings of £635,160 in 2012/13 and onward. This was the second phase of the review of the Council structure, the first of which was completed in 2010 and was the review of senior management. The first phase of the structure review achieved savings averaging £108,000 per annum over five years.
- 4.8 The council will continue to use General Fund balances prudently to subsidise the revenue budget over the medium-term, however longer-term it is important that the council looks to set its revenue budget with minimum support from its general fund balances. In the medium term we look to use approximately £150,000 per annum from General Fund balances to support the revenue budget.
- 4.9 Whilst the level of government support is known to continue to reduce in to 2015/16, following receipt of provisional figures, the level of future government support for 2016/17 onwards remains uncertain. This uncertainty reinforces the need for the council to maintain a healthy level of general fund balances, and indeed the potential volatility around the new business rates retention scheme has added to the uncertainties that we face and the need to use earmarked reserves in order to cushion future fluctuations and pressures.
- 4.10 The level of overall capital reserves has been a matter of concern over recent years. These have been somewhat depleted. At the 31 March 2014 it is estimated that the capital reserve earmarked reserve will be above the minimum recommended level of £350,000 and will remain so over the life of the forward capital programme.

5 **National Context and Other External Factors**

The Local Government Finance Settlement (2014/15 – 2015/16)

- 5.1 On 18th December 2013, the Secretary of State for Communities and Local Government finally announced a two-year settlement for local government covering 2014/15 and 2015/16.
- 5.2 The headline for this council was that provisional “spending power” (as defined by the Government) would reduce by 2.25% in 2014/15 and by a further 3.6% in 2015/16. However, when we compare the figures on a like for like cash basis the council will see a reduction of £358,000 in 2013/14 (12.1%) and a further £399,000 (15.3%) the year after.

Local Government Finance Settlement – Settlement Funding Assessment

Financial Year	£'000	Percentage Decrease from 2013/14
2014/15 – Confirmed	2,603	-12.1%
2015/16 – Provisional	2,204	-25.6%

- 5.3 The 2014/15 settlement is the second year of a new style settlement incorporating the retention of business rates.
- 5.4 The Settlement Funding Assessment consists of the local share of business rates, and Revenue Support Grant. The first Settlement Funding Assessment in 2013/14, which formed the starting point for setting Revenue Support Grant until 2020, was called the Start-Up Funding Assessment. This is broadly the same as our former Formula Grant.

Business Rates Retention

- 5.5 As referred to above, business rates retention forms an important element of the council's Settlement Funding Assessment. The level of funding to be received through Business Rates Retention in 2013/14 has been confirmed by the government as part of the Settlement Funding Assessment. The council also knows the corresponding level of funding that we will likely receive in 2014/15, based on the completion of government return NNDR1.
- 5.6 However, there is great uncertainty around the final level of funding that the council will receive from the Government in 2013/14 due to compensation due to council's for the Government's extension of Small Business Rate Relief (SBRR) and Empty Property Rate Relief (EPRR). This uncertainty is unlikely to dissipate until the 2013/14 financial year is closed and the final government return for that year, NNDR3, is completed. However, the uncertainty continues in 2014/15 with an extension of these reliefs having been previously announced by the government.
- 5.7 Added to this uncertainty is the distribution of growth from the 2013/14 financial year, above and beyond our original forecast of growth. This additional growth is not distributed until the following financial year (2014/15) and we will not know what additional growth, or potentially loss, will be distributed between ourselves and the major precepting bodies until the final government return for that year, NNDR3, is completed.
- 5.8 This uncertainty will therefore continue year to year, however once the first year of the new business rates retention scheme is completed, forecasting on some material elements such as appeals and the treatment of the levy on any additional growth should be eased.

- 5.9 As a result of this volatility, the council has an earmarked reserve in order to cushion the impact of future fluctuations in funding that we are to receive. Forecast additional growth and any compensation for the future extension of Small Business Rate Relief (SBRR) and Empty Property Rate Relief (EPRR) will be set aside in this earmarked reserve.

New Homes Bonus

- 5.10 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.
- 5.11 The Government have announced the provisional amounts for the New Homes Bonus for 2014/15 (£916m) and 2015/16 (£1,150m). The Government will also not be going ahead with the transfer of £330m of New Homs Bonus to Local Enterprise Partnerships in 2015/16.
- 5.12 Our allocation for 2013/14 was £367,698 and for 2014/15 will be £594,807. The table below shows the amounts we have already received and also the amounts forecast for the coming years. Also shown are our commitments to using this funding.

Year of Award¹	Received 2011/12 £	Received 2012/13 £	Received 2013/14 £	Provisional 2014/15 £	Potential 2015/16 £	Potential 2016/17 £	Potential 2017/18 £
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	117,599
Granted 2013/14			188,053	188,053	188,053	188,053	188,053
Provisional 2014/15				227,109	227,109	227,109	227,109
Estimated 2015/16					200,000	200,000	200,000
Estimated 2016/17						200,000	200,000
Estimated 2017/18							200,000
Total	62,046	179,645	367,698	594,807	794,807	994,807	1,132,761
New Homes Bonus Commitments²	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
Revenue	-60,000	-60,000	-60,000	-333,780	-333,780	-333,780	-333,780
Capital	0	0	-100,000	-122,000	-48,000	0	0
Total	-60,000	-60,000	-160,000	-455,780	-381,780	-333,780	-333,780
Unallocated in Year	2,046	119,645	207,698	139,027	413,027	661,027	798,981
Unallocated Cumulative	2,046	121,691	329,389	468,416	881,443	1,542,470	2,341,451
¹ The above uses current average council tax levels and assumes a level of growth for future years of £200,000 per annum							
² The Commitments section of the above table assumes continued use of New Homes Bonus at the level agreed for 2014/15							

- 5.13 The unallocated cumulative totals as shown above are added to an earmarked reserve and will be used to meet future revenue and capital pressures; however, at this stage it is anticipated that it is more likely to be used to meet the pressures anticipated on the revenue budget.

Interest Rates

- 5.14 Nationally, bank base interest rates have remained static at 0.5% in the period. This low interest rate has had no immediate 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.
- 5.15 Interest rates are not anticipated to increase until 2016/17, and even then at a modest rate.

Localisation of Council Tax Support

- 5.16 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. This is largely due to unknown future case load in the current downturn, which could conversely improve our position should the economy recover. Any future changes to the governments support for localised council tax support is also unknown, as the funding element that was made known to the council for 2013/14 will in future be rolled-in to the main Settlement Funding Assessment.
- 5.17 The scheme adopted by this council matched the previous Council Tax Benefit scheme but with an 8.5% reduction in entitlement for those of working age, changing to a 12% reduction in 2014/15.

Council Tax

- 5.18 The Government has again encouraged council's to freeze the level of council tax for 2014/15 through the offer of a further Council Tax Freeze Grant. In order to help facilitate this the Government have announced a Freeze Grant worth 1% for both 2014/15 and 2015/16 for those councils who decide to freeze their council tax. For Ribble Valley this would be a grant of approximately £32,000.
- 5.19 The budget proposals show a council tax freeze for Ribble Valley Borough Council in 2014/15 and a further freeze in 2015/16, followed by a 2% increase in 2016/17. It must be recognised that these are medium term forecasts, and such proposals may change as part of the regular review of the medium term financial strategy.
- 5.20 The Government intend that the council tax freeze funding for 2014/15 and 2015/16 should be built into the baseline for subsequent years. This 1% grant within the baseline would mean that if the ceiling for any council tax referendum was set at 1.5% by the government, then this council would have 'forfeited' 0.5% future council tax income for each year going forward. It is proposed that this 'lost' 0.5% council tax income is instead supplemented through the use of New Homes Bonus each year going forward, and this is reflected in the table above on the receipt and use of New Homes Bonus.

Other Specific Growth Pressures

- 5.21 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.
- 5.22 Whilst the council has seen increased levels of income from planning fees in recent years, it is anticipated that the council is likely to see a fall in future levels of planning fee income.

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- 5.23 Employee costs have remained relatively stable following recent pay freezes. The current year saw a pay award of 1% and the 2014/15 budget allows for a further 1% increase. The budget forecast for 2015/16 and 2016/17 allows for a potential 2% increase in overall employee costs.
- 5.24 The actuarial triennial review of the pension scheme has recently been carried out. This has resulted in net increased employer pension contributions of £73,560 for 2014/15.
- 5.25 With regard to waste recycling, we continue to experience uncertainty regarding recycling credits and income from the sale of paper and card. This will be kept under review in monitoring the medium term forecast going forward.

The Local Government Finance Act 2012

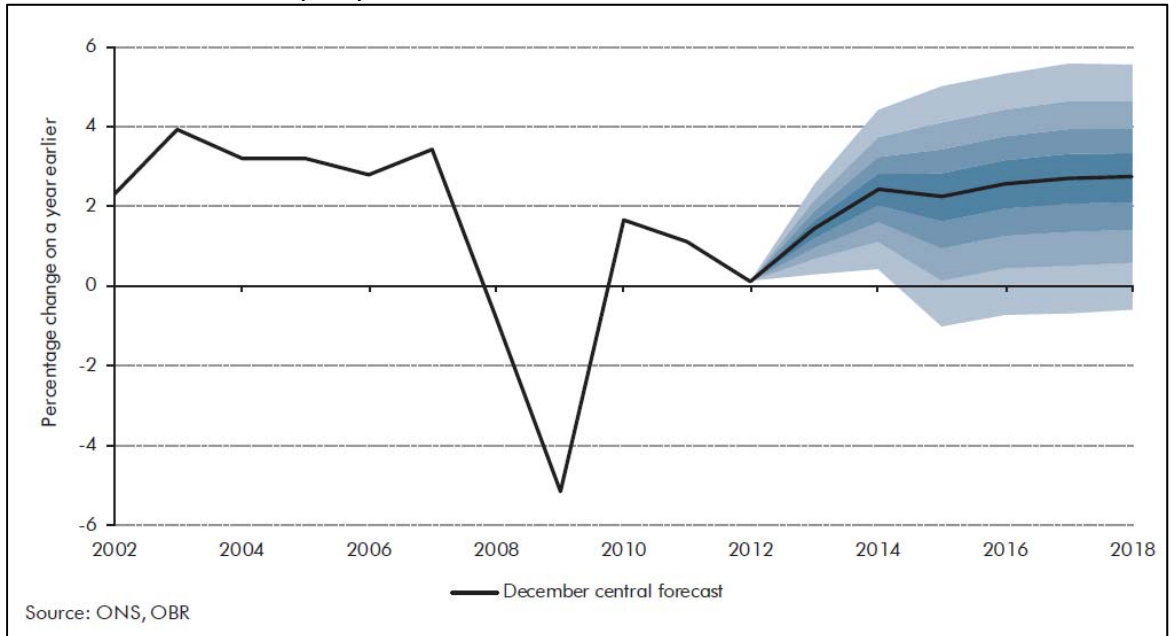
- 5.26 The *Local Government Finance Act 2012* allowed changes to the discounts on council tax for second homes and empty properties. From 1 April 2013, second homes may be charged 100% of their normal rate of council tax, instead of the previous maximum of 90%. "Unoccupied and substantially unfurnished" properties are subject to a discount of anything between 0% and 100% of their council tax, at the discretion of the billing authority. Properties undergoing "major repair work" or "structural alteration", which are vacant, can be subject to a discount of any amount between 0% and 100%, for a maximum of 12 months.
- 5.27 The full 50% discount must be retained on a second home where the liable person is required as part of his/her employment to live in job-related accommodation.
- 5.28 From 1 April 2013, local authorities can also set an 'empty homes premium' for long-term empty properties. Properties which have been unoccupied and substantially unfurnished for over two years may be charged up to 150% of the normal liability.
- 5.29 The Council decided when setting the 2013/14 tax base to leave the rates of our current discounts/exemptions unchanged mainly because of the introduction of the local council tax support scheme and the impact this would have on our tax base calculation.
- 5.30 However, having further considered the new flexibilities we will implement the following with effect from 1 April 2014:
- For long term empty properties (empty from 6 months up to 2 years) remove the current 50% discount which will mean owners are liable for the full 100% council tax due
 - Implement an empty homes premium of a further 50% for those properties still empty after a 2 year period

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

- 5.31 The Autumn Statement was presented to Parliament on 5 December 2013. Alongside the Autumn Statement, the Office of Budget Responsibility (OBR) released its latest Economic and Fiscal Outlook, containing the latest update on the economy and public finances.
- 5.32 The OBR has revised its forecast for GDP growth up from 0.6% to 1.4% in 2013 and from 1.8% to 2.4% in 2014. The OBR has forecast GDP growth of 2.2% in 2015, 2.6% in 2016 and 2.7% in 2017 and 2018. From 2012 to 2018, the OBR has revised up cumulative real GDP growth by 1.4 percentage points.

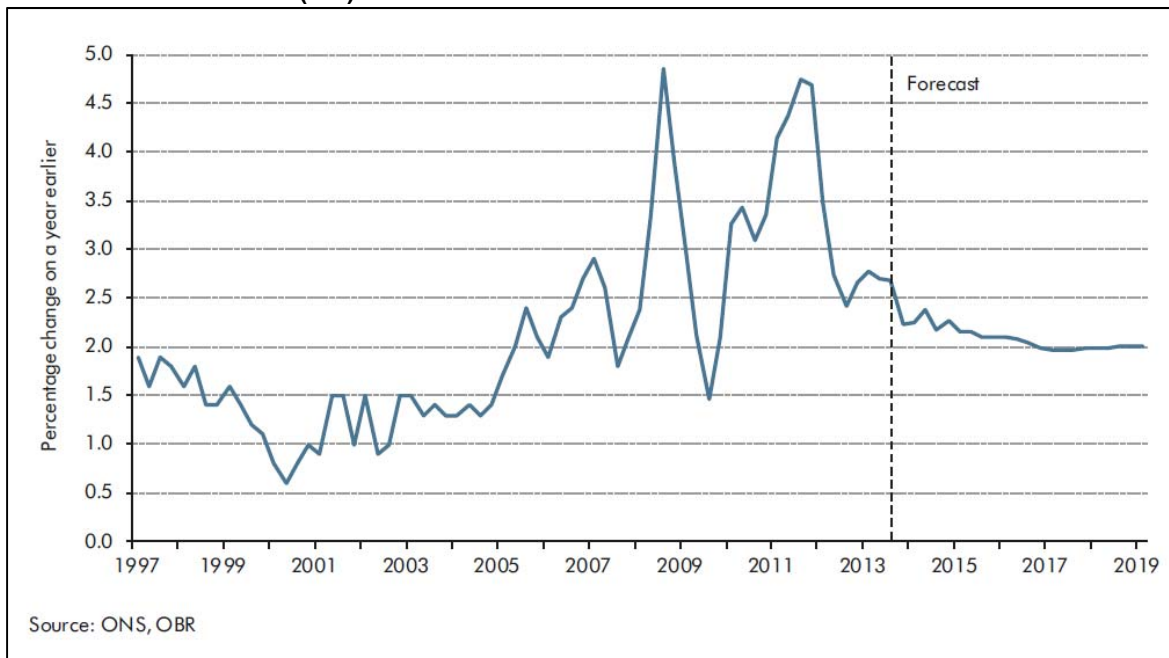
- 5.33 The chart below presents the government's central growth forecast with a fan showing the range of possible different outcomes based purely on past official forecasting errors. The solid black line shows their median forecast, with successive pairs of lighter shaded areas around it representing 20 per cent probability bands. It suggests that there is a roughly 20 per cent chance that the economy will shrink again in 2013, judging from past forecasting errors.

Gross Domestic Produce (GDP) Fan Chart



- 5.34 The OBR expects the rate of inflation to slow between 2013 and 2016, returning to the 2.0% target in the second half of 2016.

Consumer Price Increase (CPI) Inflation Forecast



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- 5.35 Inflation is expected to fall in the final quarter of 2013, as large rises in food prices in the final quarter of 2012 drop out of the calculation and as increases in tuition fees have less impact on the CPI. Also, petrol prices have fallen significantly over the start of the quarter, whereas they rose in the final quarter of 2012.
- 5.36 CPI inflation is then held above the Bank of England's 2 per cent target in 2014, partly as a result of recently-announced utility price increases. Inflation then slowly falls towards the Bank's target over 2015 and 2016, as utility prices are expected to increase at a lower rate and as the impact of tuition fee increases fade. Food price inflation is assumed to ease from its current elevated rate.

Other Factors

- 5.37 The continuing uncertainty surrounding the current economic downturn has substantially impacted on the council's resources, not least in the form of sustained reductions in returns on short-term investments. Additionally the council has seen reduced income levels from the fees and charges that the council sets, with the downturn mostly affecting income streams such as building regulations and land charges.
- 5.38 As the uncertainty of the economic climate continues such reduced income streams continue to impact on the council. The medium term financial strategy will therefore need to remain flexible to respond to any opportunities or threats that this external environment presents.
- 5.39 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.
- 5.40 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.

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 The Council was a partner in the Lancashire Local Area Agreement (LAA), which was a process of agreeing community priorities for the county area based on district level community strategies and local priorities. Government reward funding was allocated to the LAA following achievement of the agreed performance targets. The community continues to benefit from the Performance Reward Grant that was previously received under the former LAA.
- 6.3 Specific partner funding or grant income is generally not assumed within the budget unless its allocation has been confirmed.
- 6.4 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.
CRACS (Collaborative Research and Consultation Service)	A centralised research and consultation service to be utilised at partners convenience. Services include training to give colleagues skills and confidence to deliver research and consultation projects.
Ribble Valley Homes	The Council works with Ribble Valley Homes to provide housing services in the borough. Ribble Valley Homes is the largest registered social landlord operating in the borough and is the major provider of social housing.
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.
Children's Trust	Children's Trust has been established to take the strategic lead in the future development of services for children and young people. Within Lancashire, the structure includes a county-wide trust, cascading down to trust arrangements based on each district footprint.
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.
Street Scene and Public Realm Agreement	The Engineering Services section works in partnership with Lancashire County Council to deliver locally a number of services under the Street Scene and Public Realm Agreement.

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- 6.5 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 fully funded by grant from the government. The Council has budgeted to pay approximately £7m in housing benefit payments to claimants per annum.
 - 6.6 In the years prior to 2013/14 the council also received 100% grant from the government towards the payment of Council Tax Benefit. This was replaced in 2013/14 with a council tax discount, which is operated within the Collection Fund. From 1 April 2013 funding from the government was reduced by 10%, with the burden of this reduction falling on each precepting body. In February 2013 it was anticipated that for this council the cost of this reduction in funding would equate to approximately £21,760.
 - 6.7 This was to be funded through Second Homes monies and a reduction in the benefit, or discount in future years, for working age claimants of 12% in 2013/14, falling to 8.5% in subsequent years. The latest forecast for 2013/14 shows that the recovery of this reduced funding should be covered by the payments made by working age claimants.
 - 6.8 The council also receives an administration grant to help support the provision of service costs, which in 2014/15 will be approximately £187,880. This is a reduction of approximately £25,600 from that received in 2013/14.
 - 6.9 Further financial support is received from the Government towards the administration of business rates and in 2014/15 the council has budgeted to receive approximately £87,900.
 - 6.10 Substantial funding is received from Public Health Lancashire (PHL) and East Lancashire Clinical Commissioning Group (ELCCG) towards the provision of healthy lifestyle services and the Exercise Referral Scheme service. In 2014/15 the council has budgeted to receive £91,170 towards the provision of this service. At the moment funding is guaranteed until 31 March 2016, with uncertainty around future funding.
 - 6.11 Following extensive lobbying from SPARSE and RSN, the Government announced a small amount of grant funding for some authorities in rural areas. This council received £9,901 as a separate grant in 2013/14. For 2014/15 and 2015/16 the Government have announced that this grant will be £12,657. However, this will not be paid as a separate grant, but will instead be included within our Revenue Support Grant.
 - 6.12 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.
 - 6.13 All other external capital finance support is scheme specific and dependant on schemes included within the capital programme. There are currently two schemes in the 2014/17 capital programme where we look to receive third party funding contributions. Further additional approvals for other third party funded schemes may also take place over the coming period.

7 Initial Three Year Projections of Revenue Expenditure

- 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 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 2017 anticipated of £1.081m. Council tax increases have been forecast at 0% for 2014/15 and 2015/16, with a 2.5% increase per annum thereafter.
- 7.4 The substantial uncertainty that surrounds future Government financial support for local government must be kept to the fore when reviewing the three year forecast shown below. The forecast below has been prepared with the assumption of inflation of 2% overall on employee costs and 2.5% on all other items. Government grant is assumed to fall by 10% in 2016/17 and by 5% in 2017/18.
- 7.5 A summary of the assumptions made in the forecast is shown below:
- Government grant is assumed to fall by 10% in 2016/17 and by 5% in 2017/18
 - Inflation has been allowed for at 2% on employee costs and 2.5% on all other items
 - Use of balances will be at approximately £150,000 p.a. from 2014/15 onwards
 - An increase in interest receipts to £60,000 in 2015/16 and £80,000 in 2016/17 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.
 - No council tax surplus of deficit has been allowed for, based on current experience.
 - Increase in the council taxbase each of 1% based on current indications.
 - Council tax freeze in 2015/16 and an increase of 2.5% in 2016/17 and 2017/18

	2014/15 Forecast £	2015/16 Forecast £	2016/17 Forecast £	2017/18 Forecast £
Net Expenditure	6,456,374	6,696,000	6,995,000	7,213,399
Interest Receipts	-28,790	-30,000	-60,000	-80,000
Use of Superannuation Reserve	-36,175	-36,175	-36,175	-36,175
Council Tax Freeze Grant re 2014/15	-31,560	-31,560	-31,560	-31,560
Council Tax Freeze Grant re 2015/16	0	-31,560	-31,560	-31,560
Use of New Homes Bonus	-333,780	-333,780	-333,780	-333,780
(Use of)/Contribution to Balances	-150,000	-150,000	-150,000	-150,000
Savings Required		-576,392	-958,648	-1,145,305
Budget Requirement	5,876,069	5,506,533	5,393,277	5,405,019
Government Funding	-2,603,415	-2,204,012	-1,983,611	-1,884,430
Business Rate Growth	-262,926	-262,926	-262,926	-262,926
Collection Fund Deficit	0	0	0	0
Precept	3,009,728	3,039,595	3,146,740	3,257,663
Taxbase	21,391	21,605	21,821	22,039
Band D Council Tax	£140.69	£140.69	£144.21	£147.81
Projected Council Tax increase	0.00%	0.00%	2.50%	2.50%

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

	2014/15 to 2015/16	2015/16 to 2016/17	2016/17 to 2017/18
	£	£	£
Movement in cost of services	239,626	299,000	218,399
Increased Interest Receipts	-1,210	-30,000	-20,000
Council Tax Freeze Grant re 2015/16	-31,560	0	0
Increased Savings Required	-576,392	-382,256	-186,657
Total Change in Budget Requirement	-369,536	-113,256	11,742

8 **General Fund Balance and Earmarked Reserves**

8.1 The impact of the forecast on the council's general fund balances is summarised in the table below. It is important to note that whilst the government funding has been indicated for the next two years, there remains uncertainty around 2016/17 and around any level of business rates growth that is retained.

8.2 The information provided below is based on an assumption of inflation at 2% on employee costs and 2.5% on all other items, and Government grant falling by 10% in 2016/17 and by 5% in 2017/18.

8.3 The impact of the above on council general fund balances is shown below. The minimum recommended level of balances is £700,000.

	2013/14	2014/15	2015/16	2016/17	2017/18
	£	£	£		£
Brought Forward	1,699,748	1,800,946	1,650,946	1,500,946	1,350,946
(Use of)/Contribution to Balances	101,198	-150,000	-150,000	-150,000	-150,000
Carried Forward	1,800,946	1,650,946	1,500,946	1,350,946	1,200,946

8.4 As with any plan spanning a number of years it is only prudent to consider the associated risks. As previously stated, although the Government has provided details of what the council will receive in 2014/15 and provisional details for 2015/16 it is still unknown what the council will receive in 2016/17 and onward, particularly around the future level of business rates growth retention that the council will see. To protect against the potential volatility around business rates retention, an earmarked reserve was created at 31 March 2013, and the level of this will continue to be reviewed closely.

8.5 Other service pressures that are currently impacting on the council's budget focus around the planning service. Earmarked reserves are playing a vital role in this area in allowing the council flexibility in its approach to meeting these demands in a timely manner.

8.6 The Council have a number of earmarked reserves that have been set up voluntarily in order to provide for future spending plans. The table below shows the expected movement in these reserves over the life of this medium term financial strategy.

Earmarked Reserves	Balance at 31 March 2013 £	Balance at 31 March 2014 £	Balance at 31 March 2015 £	Balance at 31 March 2016 £	Balance at 31 March 2017 £
<u>Local Recreation Grants Fund</u> <i>Used to fund recreation grants</i>	26,661	4,901	4,901	0	0
<u>Elections Fund</u> <i>Used to fund borough elections held once every four years</i>	40,059	56,249	77,699	99,689	122,229
<u>Audit Reserve Fund</u> <i>Used for computer audit</i>	12,335	12,335	12,335	12,335	12,335
<u>Building Control Fund</u> <i>Available to equalise net expenditure over a three year period</i>	-119,421	-112,741	-110,971	0	0
<u>Rural Development Reserve</u> <i>Used to fund consultation work on rural housing</i>	1,631	1,631	1,631	1,631	1,631
<u>Capital</u> <i>Used to fund the capital programme</i>	399,358	457,865	515,865	500,865	500,865
<u>Insurance</u> <i>Available to meet any costs following demise of Municipal Mutual Insurance Company</i>	16,748	16,748	16,748	16,748	16,748
<u>Christmas Lights/RV in Bloom</u> <i>Available to fund contributions towards Christmas Lights and Ribble Valley in Bloom</i>	1,286	626	626	0	0
<u>Community Enhancement</u> <i>Used to fund grants to local organisations</i>	11,419	11,419	11,419	11,419	11,419
<u>Rent Deposit Reserve</u> <i>Set aside for homeless rent deposits</i>	7,837	7,837	7,837	7,837	7,837
<u>LALPAC Licensing System</u> <i>To fund costs of LALPAC licensing system</i>	1,424	1,424	1,424	1,424	1,424
<u>IT Equipment</u> <i>To fund future software and hardware upgrades</i>	48,393	48,393	48,393	48,393	48,393
<u>Conservation Reserve</u> <i>To fund conservation schemes completed after the financial year end</i>	6,210	6,210	6,210	6,210	6,210
<u>Concessionary Travel</u> <i>To fund the transfer of the administration of the scheme to upper tier local authorities</i>	40,026	40,026	40,026	40,026	40,026
<u>Fleming VAT Claim</u> <i>VAT recovered from 'Fleming' claim challenge to HMRC</i>	239,926	239,926	239,926	239,926	239,926
<u>Repairs and Maintenance</u> <i>To fund emergency repairs and maintenance items, including legionella and asbestos abatement</i>	29,299	29,299	29,299	29,299	29,299

Earmarked Reserves	Balance at 31 March 2013 £	Balance at 31 March 2014 £	Balance at 31 March 2015 £	Balance at 31 March 2016 £	Balance at 31 March 2017 £
<u>Post LSVT</u> <i>To fund any costs post LSVT which may arise, such as pension fund liabilities</i>	401,637	365,462	329,287	293,112	256,937
<u>Market Town Enhancement</u> <i>To fund grants under Market Towns Enhancement Scheme</i>	6,643	6,643	6,643	6,643	6,643
<u>Performance Reward Grant</u> <i>Performance Reward Grant received and yet to be distributed to successful schemes</i>	373,832	259,742	209,042	123,457	123,457
<u>Refuse Collection</u> <i>To fund refuse collection costs of bin replacements</i>	18,000	18,000	18,000	18,000	18,000
<u>Restructuring Reserve</u> <i>To fund costs resulting from restructuring reviews</i>	227,541	227,541	227,541	227,541	227,541
<u>VAT Shelter Reserve</u> <i>Funds received from the post LSVT VAT Shelter arrangements, partly used to contribute towards the future financing of the capital programme</i>	1,498,434	1,577,055	1,770,355	1,626,355	1,681,355
<u>Revaluation of Assets Reserve</u> <i>To contribute towards the revaluation of the Council's assets every five years.</i>	6,000	8,000	0	2,000	4,000
<u>Clean Air Reserve</u> <i>To fund clean air survey work</i>	3,641	3,161	2,681	2,201	1,721
<u>Equipment Reserve</u> <i>To fund essential and urgent equipment requirements</i>	43,170	34,560	34,560	34,560	34,560
<u>Forest of Bowland Reserve</u> <i>To fund access improvement schemes within the Ribble Valley section of the Forest of Bowland</i>	34,646	29,646	29,646	29,646	29,646
<u>Invest to Save Fund</u> <i>To fund future invest to save projects</i>	250,000	250,000	250,000	250,000	250,000
<u>Land Charges Reserve</u> <i>To fund any potential restitution claims for personal search fees</i>	34,356	33,346	33,346	33,346	33,346
<u>Pendle Hill User Reserve</u> <i>To fund improvement schemes on Pendle Hill</i>	13,512	13,702	13,702	13,702	13,702
<u>Planning Reserve</u> <i>To fund any future potential planning issues</i>	309,071	155,191	155,191	155,191	155,191
<u>Crime Reduction Partnership Reserve</u> <i>To fund cost of crime reduction initiatives</i>	29,475	25,805	225	0	0

Earmarked Reserves	Balance at 31 March 2013 £	Balance at 31 March 2014 £	Balance at 31 March 2015 £	Balance at 31 March 2016 £	Balance at 31 March 2017 £
<u>Housing Benefit Reserve</u> <i>To help meet the challenges facing the service in the coming years</i>	100,000	100,000	100,000	100,000	100,000
<u>Wellbeing and Health Equality</u> <i>To fund expenditure on Wellbeing and Health</i>	47,428	42,428	42,428	0	0
<u>Exercise Referral Reserve</u> <i>To fund potential residual staffing costs</i>	6,157	13,707	6,157	6,157	0
<u>Clitheroe Cemetery Reserve</u> <i>To finance any future liabilities from the cemetery extension</i>	3,640	3,640	3,640	3,640	3,640
<u>New Homes Bonus Reserve</u> <i>To help support both the revenue and capital budgets</i>	121,691	339,420	478,447	891,474	1,552,501
<u>Core Strategy Reserve</u> <i>To fund the production of the Core Strategy</i>	160,097	0	0	0	0
<u>Emergency Planning Reserve</u> <i>To fund the production of District Emergency and Business Continuity Plans</i>	1,270	0	0	0	0
<u>CCTV Reserve</u> <i>To fund purchase of additional CCTV Equipment</i>	1,000	1,000	1,000	0	0
<u>Warm Homes Healthy People Reserve</u> <i>Residual grant received, to be committed to future grant schemes</i>	29,931	0	0	0	0
<u>Business Rates Volatility Reserve</u> <i>To provide some protection against business rates volatilities</i>	135,904	135,904	259,981	259,981	259,981
<u>Community Right to Bid/Challenge</u> <i>To fund any future costs under the Community Right to Bid and Community Right to Challenge Regulations</i>	13,420	29,820	46,220	46,220	46,220
<u>Voluntary Organisation Grant Reserve</u> <i>To fund schemes carried out by the Voluntary Sector</i>	3,720	0	0	0	0
<u>Grant Funded Sports Development</u> <i>To finance future Sports Development grant funded expenditure</i>	6,283	0	0	0	0
<u>Human Resource Development</u> <i>To provide for staff training commitments</i>	3,100	0	0	0	0
	4,646,790	4,495,921	4,921,460	5,139,028	5,836,783

9 Capital Programme 2013/14 – 2015/16

- 9.1 The Capital Programme is an important element of the Medium Term Financial Strategy and as such the main elements are shown below.
- 9.2 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.
- 9.3 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.
- 9.4 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.
- 9.5 The Council has always sought to maximise funding for capital, including any from revenue sources, within a prudential framework.
- 9.6 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 and VAT shelter in a corporate approach, thus providing the maximum investment position.
- 9.7 The Council's proposed capital programme at the time of producing this medium term financial strategy is reproduced at Annex 1. The table below shows a summary of the proposed capital programme. 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.

	2014/15	2015/16	2015/16	Total
	£	£	£	£
Total of all Proposed Schemes	372,560	922,500	638,000	1,933,060
Resources Available in the year	-372,560	-922,500	-623,000	-1,918,060
Balance of Resources Brought Forward	-484,462	-484,462	-484,462	-484,462
Balance Remaining	-484,462	-484,462	-469,462	-469,462

10 Risk Assessment and Sensitivity

- 10.1 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.
- 10.2 The table below shows some of the areas of sensitivity and the potential impact on the strategy, based on the original estimate for 2014/15.

Area of Sensitivity	Percentage Fluctuation	Annual Impact on Budget
Pay Award	0.50%	£18,630
Energy Costs	5.00%	£7,130
Short Term Investment Interest Rates	0.25%	£14,400
Fees and Charges	1.00%	£22,140
Service Specific Government Grants	1.00%	£77,610
Other Grants and Contributions	1.00%	£11,320
Settlement Funding Assessment	1.00%	£26,030

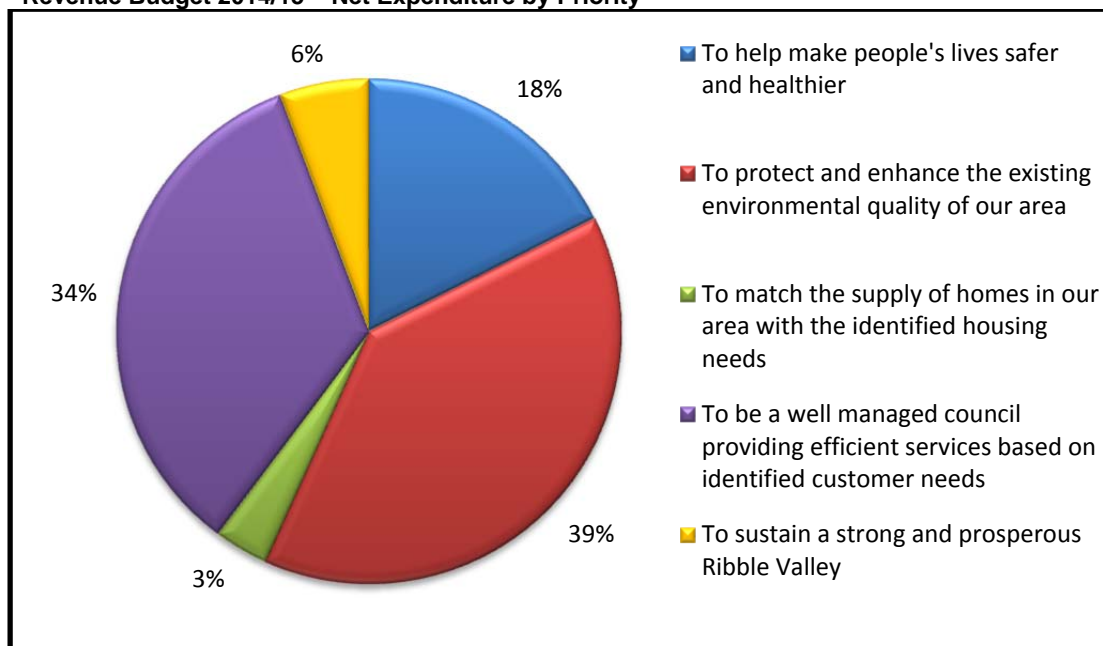
- 10.3 In terms of impact on the council tax, each budget adjustment of £100,000 has the effect of changing council tax at Band D equivalent by £4.67 or 3.3%.
- 10.4 On the other hand, for every 1% increase in the level of 2014/15 council tax charge, an additional £30,100 council tax revenue would be raised and therefore, for every 1% decrease in the level of council tax revenue £30,100 savings would need to be identified or alternative funding such as use of balances would need to be found.
- 10.5 In terms of the Settlement Funding Assessment that is received for 2014/15 (including anticipated growth), this will support approximately 46% 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 £26,030.

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 principle 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.
Future Settlement Funding Assessment for 2016/17 and onwards sees further substantial reduction	High	Further service savings would need to be identified or there would need to be an increased use of balances. The forecast anticipates a fall of 10% in 2016/17 and 5% in 2017/18
Business Rates Growth Retention	High	There is a high level of uncertainty around the future level of business rates growth, or downturn. Whilst the council is protected to an extent by the government setting a Safety Net Threshold, we will 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.

11 Links to Ambitions and Priorities

11.1 All budgets are linked to the Council's priorities and these links were identified throughout the budget setting process. The table below shows our planned net revenue budget for 2014/15 broken down over the Council priorities.

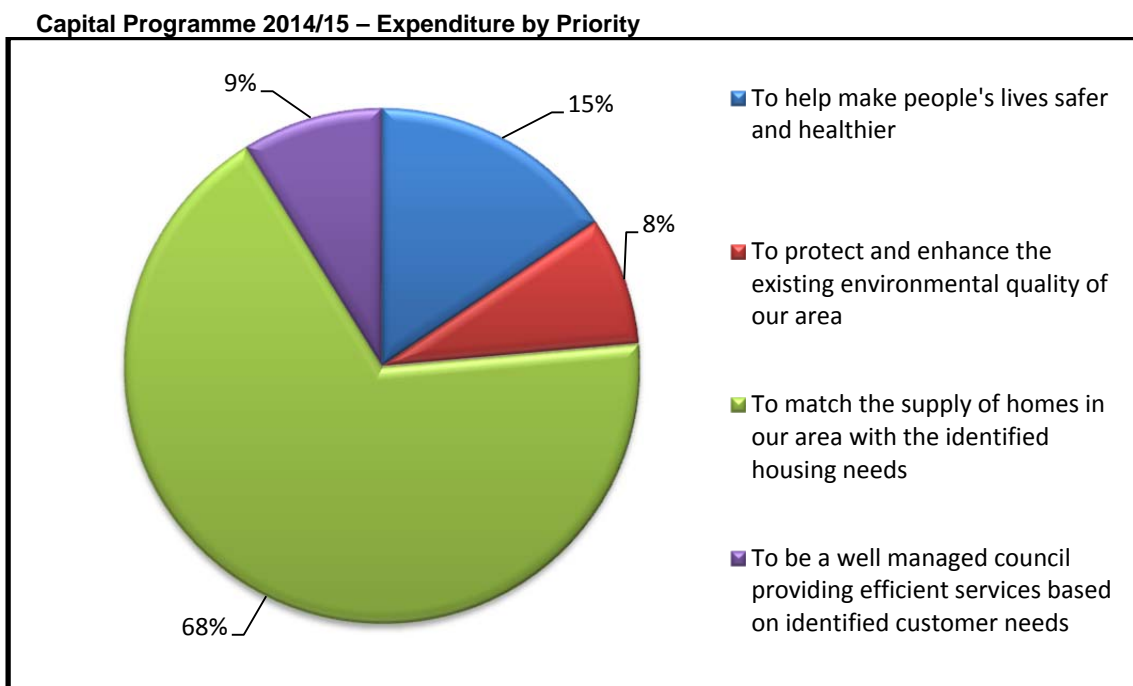
Revenue Budget 2014/15 – Net Expenditure by Priority



11.2 As with revenue budgets, all proposed capital schemes are linked to the Council's priorities. The evaluation process also required Heads of Service to submit detailed bid forms for new capital schemes. These included such information as:

- Link to priorities
- Statutory or legal obligations
- Performance management
- Efficiency and Value for Money
- Consultation
- Start Date and Milestones
- Useful Economic Life
- Environmental Impact
- Capital and Revenue Implications
- Whole Life Cost
- Risk Assessment
- Consequences of Delay or Deletion

11.3 The table below shows our planned capital programme for 2014/15 broken down over the Council priorities.



Forward Capital Programme – 2014/15 to 2016/17

Schemes	2014/15 £	Budget Moved from 2013/14 £	Total for 2014/15 £	2015/16 £	2016/17 £
<u>Community Services Committee</u>					
Play Area Improvements	30,000		30,000	40,000	40,000
Castlefield Toilets Refurbishment Scheme	33,000		33,000		
Installation of 3G Artificial Pitch Surface	47,000		47,000		
Replacement of Geesink 26t RP HGV Refuse Collection Vehicle				210,000	
Replacement of 4 x 4 Tractor/Mower (PNO4 NPZ)				17,000	
Replacement of Kubota Mower PN05 PLO				19,000	
Replace Scag Mower				9,000	
Two Heavy Goods Trailers				6,000	
Replacement of 2 Tri Star Mowers				16,000	
Replacement of Waste Transfer Station Loader Shovel				75,000	
Replacement of multi use panel van (currently Vauxhall Vivaro)				12,000	
All Weather Pitch Lighting					15,000
Replacement of Scag Mower with equivalent spec vehicle					10,000
Replacement of John Deere Gang Mower Tractor (PN05 UKE)					45,000

Forward Capital Programme – 2014/15 to 2016/17

Schemes	2014/15 £	Budget Moved from 2013/14 £	Total for 2014/15 £	2015/16 £	2016/17 £
Replacement of 2 x Open Backed Single Bodied Paper Collection Vehicle (VX55 KXD & VU06 TKN)					30,000
Replacement of MAN 7.7 RO-RO Truck (PN06 FRV) with equivalent spec vehicle					38,000
Replacement of Salthill Depot Multi Use Fork Lift Truck					25,000
Replacement of Works Section Small Van -Ford Transit PF09 DHX (Toilet Van)					12,000
Replacement of Works Section Panel Van PK06 HKA (currently Vauxhall Vivaro) with a smaller van					12,000
Total Community Services Committee	110,000	0	110,000	404,000	227,000
<u>Policy and Finance Committee</u>					
Clitheroe Townscape Scheme				115,000	
Council Offices - Re-roofing Scheme				167,500	
Total Community Services Committee	0	0	0	282,500	0
<u>Health and Housing Committee</u>					
Replacement of Pest Control Vehicle PO07 WPB	11,000		11,000		
Disabled Facilities Grants	119,540	10,000	129,540	161,000	161,000
Landlord/Tenant Grants	75,000	20,000	95,000	75,000	75,000
Repossession Prevention Fund		27,020	27,020		

Forward Capital Programme – 2014/15 to 2016/17

Schemes	2014/15 £	Budget Moved from 2013/14 £	Total for 2014/15 £	2015/16 £	2016/17 £
Clitheroe Market Improvements					175,000
Total Community Services Committee	205,540	57,020	262,560	236,000	411,000
Total for all Committees	315,540	57,020	372,560	922,500	638,000