

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO SPECIAL POLICY AND FINANCE COMMITTEE

Agenda Item No 8

meeting date: 9 FEBRUARY 2016
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 2016/17 to 2018/19.

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 (2016/17 plus 2 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 (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 2016/17 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 2016/17 to 2018/19.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

PF20-16/LO/AC
2 February 2016

090216
Medium
Term
Financial
Strategy

2016/17 to 2018/19



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 (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 2016/17 to 2018/19 and sets out the resource issues and principles that shape the council's 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

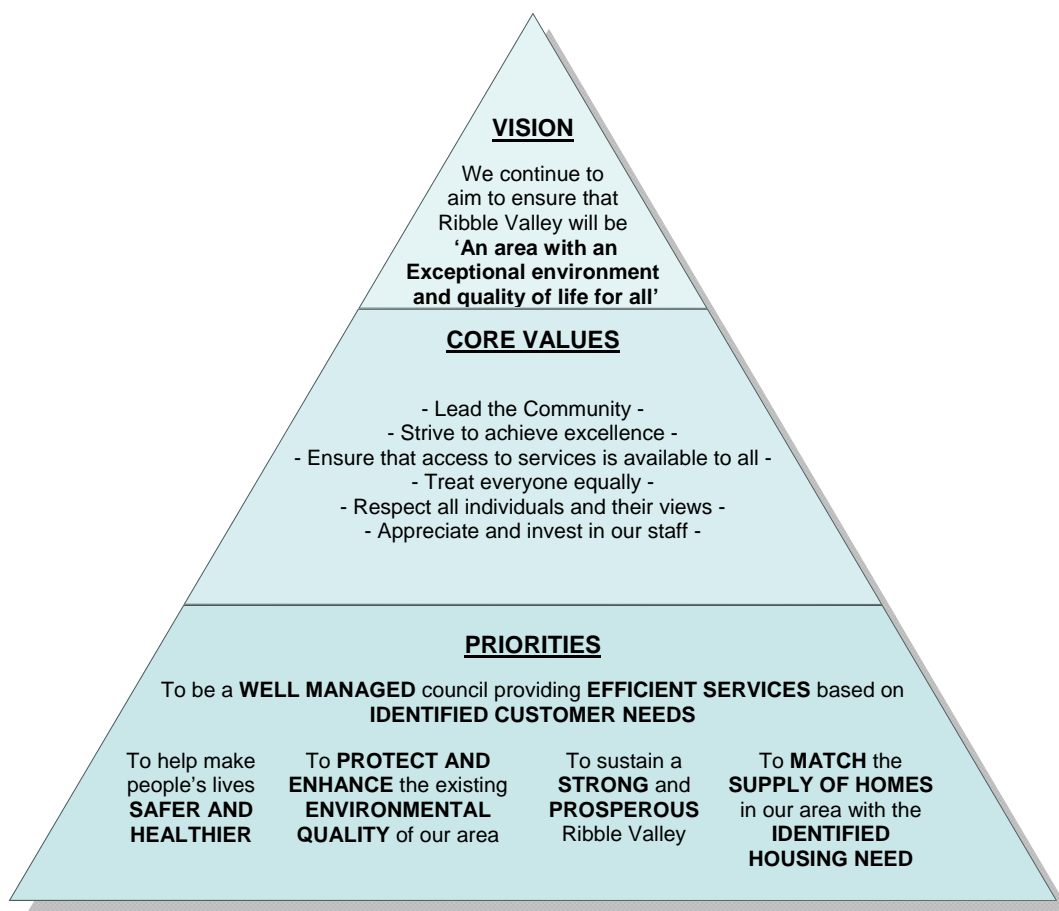
An area with an exceptional environment and quality of life for all; sustained by vital and vibrant market towns and villages acting as thriving service centres meeting the needs of residents, businesses and visitors.

- 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 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 3.3% compared with the national average of 5.7%)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 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 April – June 2013 was £222,968³. In Lancashire the mean house price sale was £151,012 over the same period.

Resident Population and Projections

- 3.7 According to the ONS Census figures, the total resident population of the Borough reached 58,000⁴ during 2014. Life expectancy within the Ribble Valley is currently 81.2 for males and 83.9 for females⁵. 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.

¹ ONS – NOMIS Labour Market Statistics September 2013 (July 2014 to June 2015)

² NOMIS - Business register and Employment Survey (BRES) 2014

³ GOV.UK - Land Registry Data April – June 2013

⁴ Office for National Statistics 2014 Population Estimate

⁵ Ribble Valley 2015 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 25,762²¹ 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 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 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 2015²³, 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
20-16pf

4 Financial Context

Council Tax

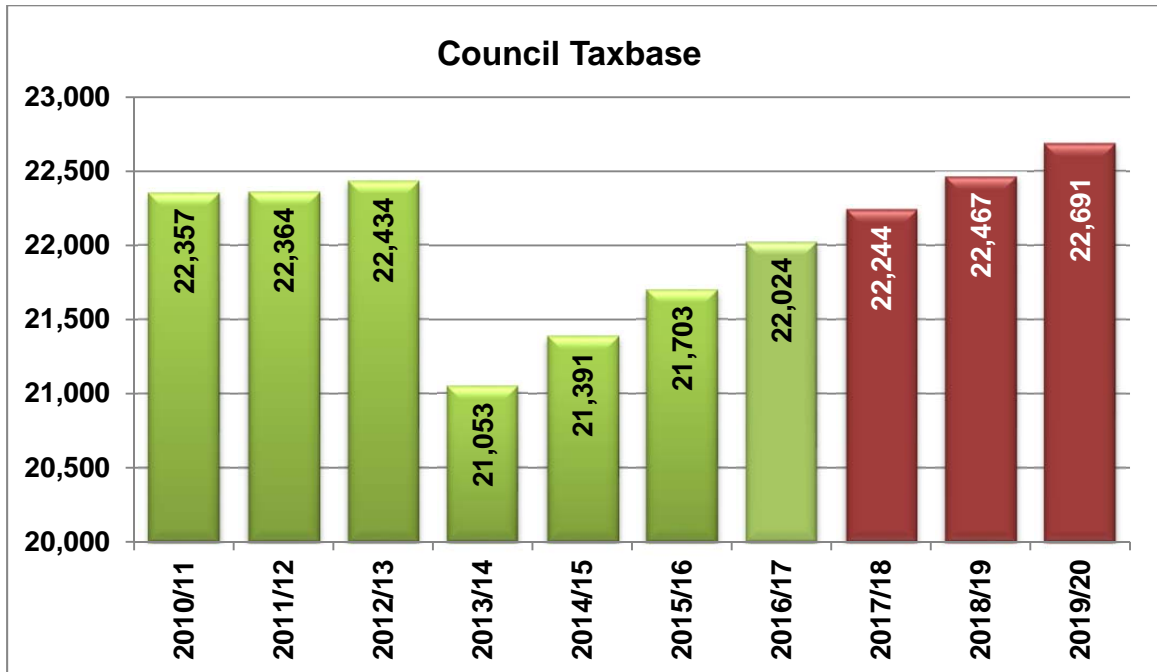
- 4.1 The Government has for a number of years encouraged council's to freeze the level of council tax through the offer of various Council Tax Freeze Grants. However, the latest figures released by the government showing our 'Spending Power' builds in an increase of £5 to our council tax level at Band 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 a council tax increase of £5 in the 2016/17 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.

Council Taxbase

- 4.8 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.
- 4.9 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.
- 4.10 The council taxbase has been increasing steadily over more recent years, and the budget forecast has been produced on the assumption of a 1% increase per annum after 2016/17.



Columns in Green are Actuals and Columns in Red are Estimates

- 4.11 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

- 4.12 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 2016/17 has been confirmed by the government as part of the Settlement Funding Assessment. The council also knows the corresponding level of business rates growth, above the baseline, that it is likely to receive in 2016/17, based on the completion of government return NNDR1.
- 4.13 Any further growth (or the impact of any decline) that occurs in the 2016/17 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.
- 4.14 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. Forecast additional growth and any compensation from Section 31 grant will be set aside in this earmarked reserve.
- 4.15 The council relies on business rates retention of £292,930 per annum in the budget forecast.

Lancashire Business Rates Pool

- 4.16 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.

4.17 The Lancashire Business Rates Pool has now 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.

4.18 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 will be received i.e. £2,000 payable per pool member including ourselves.

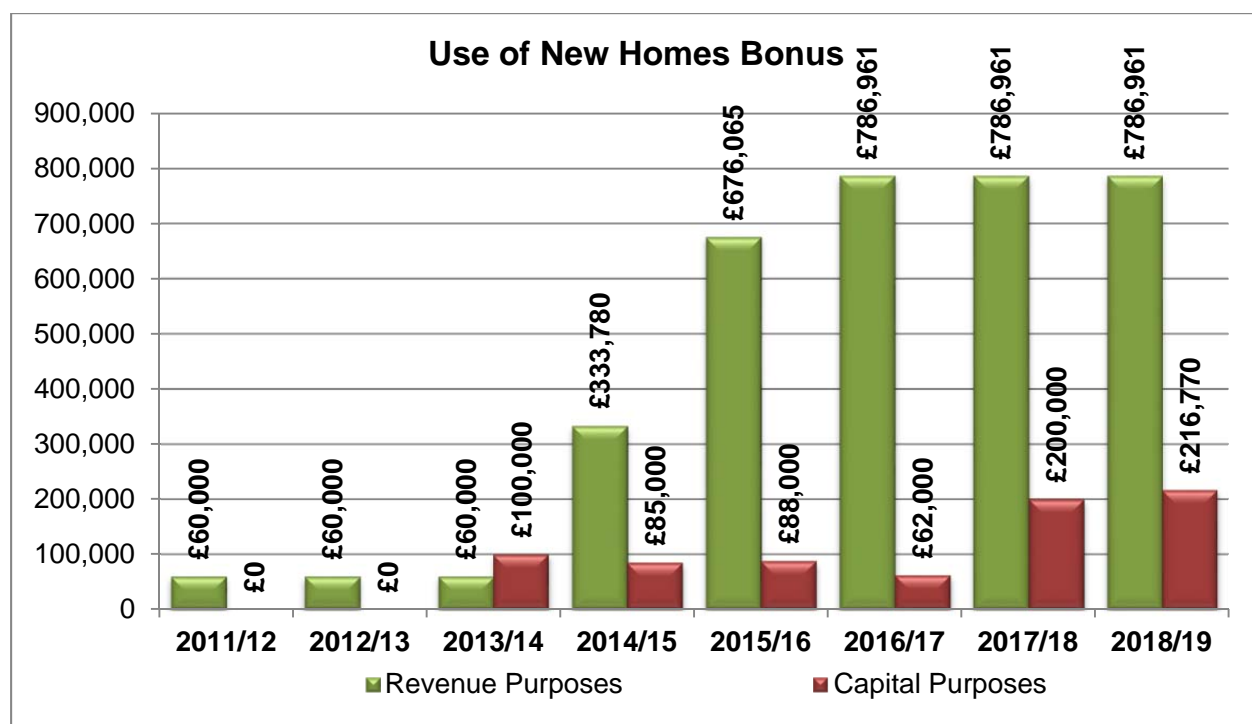
4.19 With regard to this council, based on our NNDR 1 return for 2016/17 we estimate the retained levy would be £364,340, hence under pooling we would benefit by extra income of £328,000. The County Council will receive the remaining 10% of retained levies for all pool district members.

New Homes Bonus

4.20 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.

4.21 Our allocation for 2015/16 was £968,616 and for 2016/17 will be £1,366,883. 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.

4.22 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.



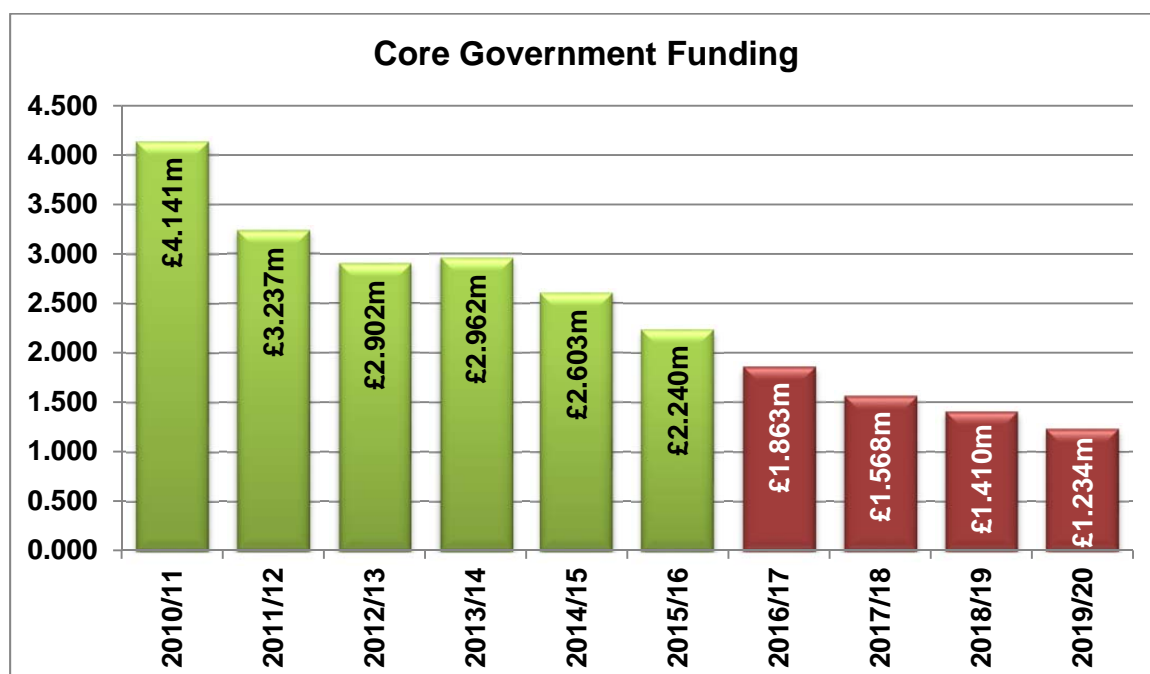
2011/12 to 2014/15 are Actuals whilst 2015/16 to 2018/19 are Estimates

4.23 A consultation paper entitled New Homes Bonus: Sharpening the Incentive was issued on 17 December 2015 alongside the provisional local government finance settlement, with a deadline for the consultation of 10 March 2016.

- 4.24 The consultation poses a number of important proposals including:
- Reducing the number of years of payments under the scheme from 6 down to 4 or even further down to 3 or 2 years.
 - Withholding New Homes Bonus where no local plan is in place
 - Reducing payments for homes built on appeal
 - Only making payments for delivery above a baseline representing 'deadweight'.
- 4.25 Any outcome from the consultation could materially impact on the level of New Homes Bonus that the council may receive in future years and the amounts we are forecasting to use to support our revenue and capital budgets.

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 54% decrease from £4.141m in 2010/11 to £2.240m received in 2015/16.
- 4.27 In the recent Local Government Grant Settlement we were told that the past trend of falling core funding was to continue, with an option for a guaranteed grant settlement for every council for the 4 year period 2016/17 to 2019/20.
- 4.28 This 4 year settlement showed that our grant reductions in future years will be more severe than anticipated. 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.
- 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.



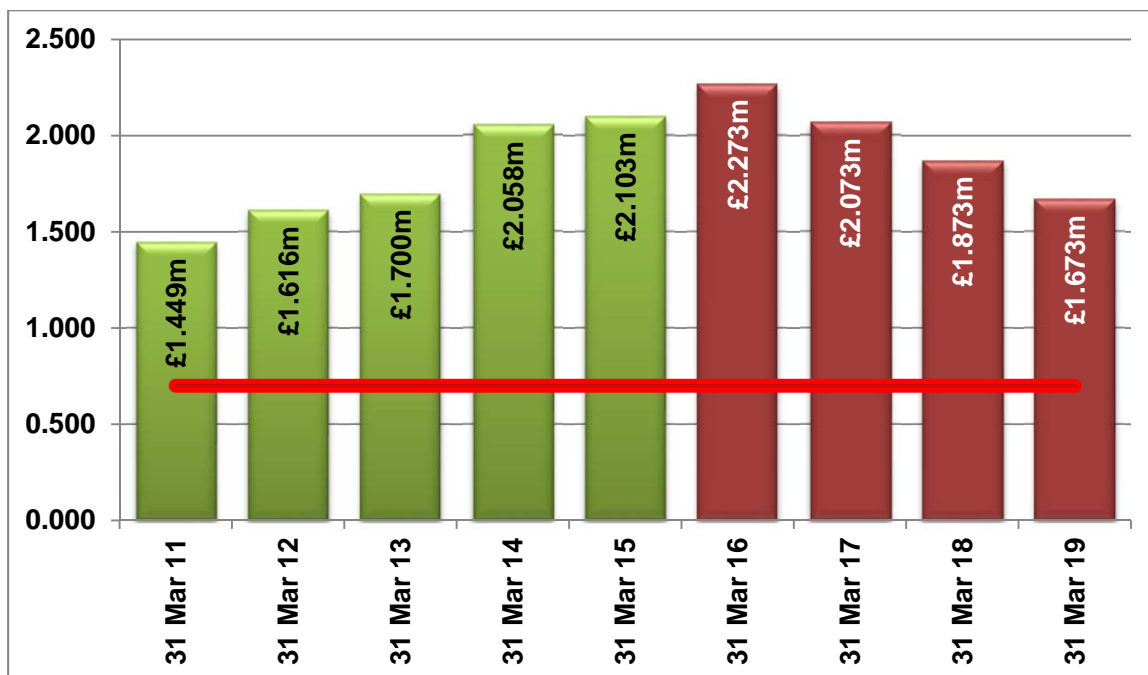
Columns in Green are Actuals and Columns in Red are Estimates

- 4.30 In past years the Local Government Grant Settlements have been short term announcements, with a great deal of uncertainty remaining around medium to long term funding. Whilst the longer term announcement made this year allows for some level of certainty around future funding, the levels of reductions are markedly worse than those we had previously predicted.

-
- 4.31 Past funding uncertainties have produced 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 £200,000 of general fund balances each year from 2016/17.



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 £200,000 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 only 7 years before the council reached its recommended minimum level of general fund balances of £700,000 if we continued to use £200,000 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.

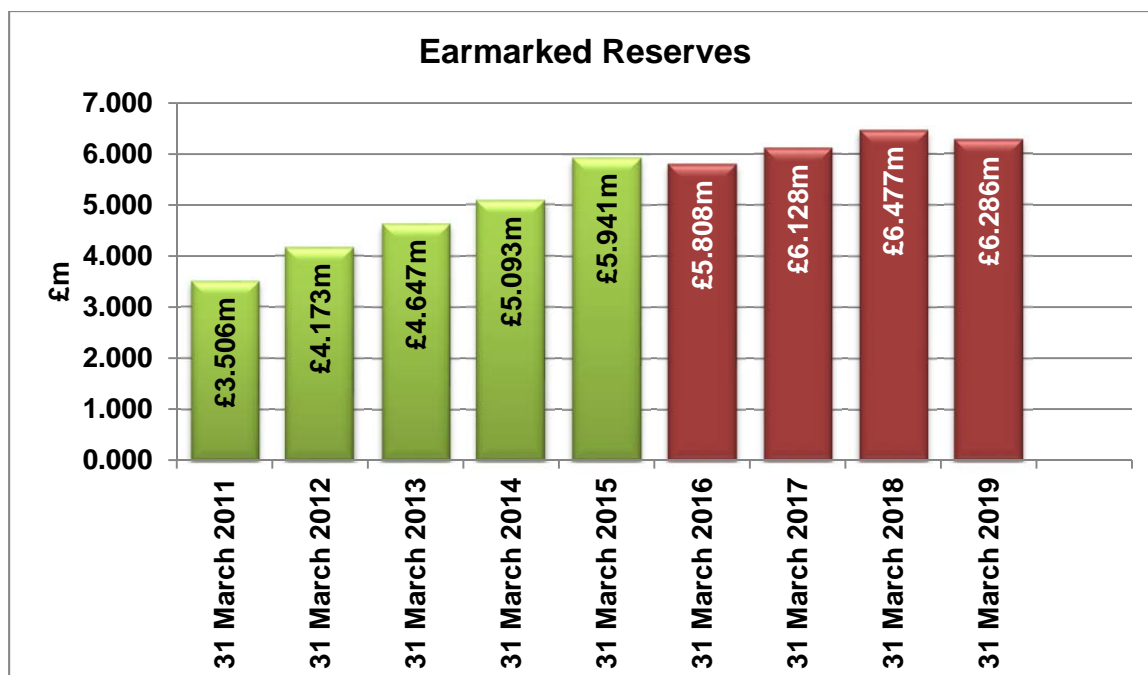
Earmarked Reserves

4.40 The council's earmarked reserves can be categorised in to a number of specific purposes, and the balance of £5,941,467 of earmarked reserves held at the 31 March 2015 by the council is broken down in the table below, together with the forecast balances up to 31 March 2019.

Purpose	Balance held at 31 March 2015 £	Balance held at 31 March 2016 £	Balance held at 31 March 2017 £	Balance held at 31 March 2018 £	Balance held at 31 March 2019 £
Shorter Term Service Commitments	357,335	126,109	125,629	125,146	124,666
Reserves to smooth the revenue impact of longer term cyclical costs	79,889	23,409	47,649	71,889	96,129
Trading or business unit reserves	-103,006	-103,466	-111,526	-111,526	-111,526
Sums set aside for major schemes such as capital projects	1,177,586	1,092,006	1,061,806	1,012,756	558,006

Longer term strategic or corporate reserves	3,931,825	4,189,374	4,622,534	5,001,945	5,242,086
External grant funding where expenditure has yet to be incurred	497,838	480,474	381,644	377,070	377,070
	5,941,467	5,807,906	6,127,736	6,477,280	6,286,431

- 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, which is a relatively recent funding stream from the government and has seen a number of restrictions and then relaxations on its use. 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 will be particularly important as we join the Lancashire Business Rates Pool.

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.

New Responsibilities (Spending Review/Autumn Statement)

4.48 Within the Spending Review/Autumn Statement the government made further reference to the full devolution of business rates. However, there was also reference to 'new responsibilities so local areas have the tools to drive local growth'.

4.49 It is unclear at this stage what such new responsibilities would be, the likely cost, or any associated funding.

4.50 Some examples were given within the Spending Review/Autumn Statement, which are shown below:

For example, the government will consider transferring responsibility for funding the administration of Housing Benefit for pensioners and Transport for London's capital projects to local government and will also consult on options to transfer responsibility for funding public health. The government will consult on these and other additional responsibilities in 2016.

4.51 It is hoped that the proposals and their impact will become clearer over the next financial year.

Combined Authority

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

4.53 In November last year 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.

4.54 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.

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- 4.55 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

- 4.56 Whilst the council has seen increased levels of income from planning fees in the recent past, it was previously anticipated that we may see a fall in income levels from planning fees in 2015/16. This has not materialised and income level projections have now been revised upwards for both the current and coming years. There are a number of appeals/award of costs outstanding and we cannot estimate at this stage how much these may cost to defend, however our earmarked reserves allow us some flexibility within this budget area.
- 4.57 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 indicated that cost sharing will cease. This would result in further lost income of around £430,000 per annum.
- 4.58 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. Additionally, there is the inability to attract income from other services to support the provision of council services overall, as the government have indicated that they should be provided at cost only.
- 4.59 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.
- 4.60 Employee costs have remained relatively stable following recent pay freezes. The budget forecast for the next three years allows for a potential 1.5% increase in overall employee costs.
- 4.61 The medium term financial strategy will need to remain flexible to respond to any opportunities or threats that are presented to the council.
- 4.62 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.
- 4.63 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***

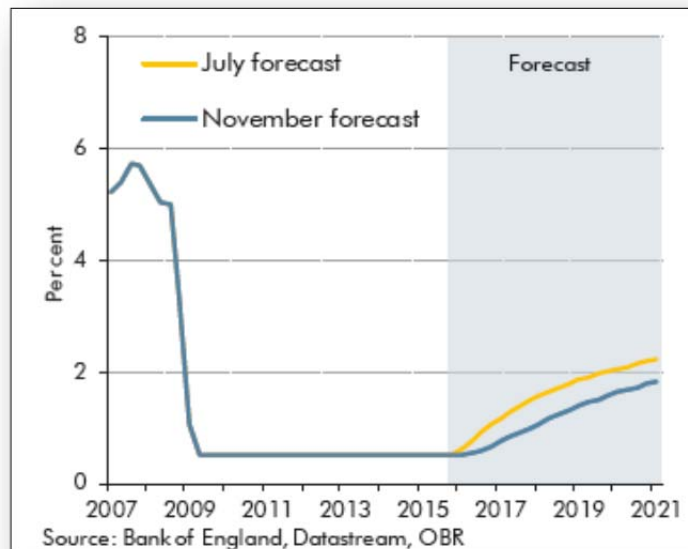
UK Economy

- 5.1 Latest population projections show slightly faster population growth, being driven by higher net inward migration than previous projections, but with slightly higher mortality rates among older people. This is expected to boost employment in the shorter term, but then this will be offset by the forecast higher mortality rates in the ageing population in the longer term.
- 5.2 Looking at CPI, oil prices have fallen further, but the value of the pound has also fallen which has had a negating effect. Labour costs have been increasing and are forecast to increase further, but the policies of the government to bring in lower energy bills are anticipated to help CPI fall slightly in 2017. The effect of this is forecast to be negated when looking at RPI due to the government's decision to make it easier for some local authorities to raise council tax.
- 5.3 Employment growth is expected to slow from that recently experienced to a level closer to the historical average. Whilst wage growth has increased of late, the forecast by the Office of Budget Responsibility (OBR) revises previously predicted growth to a lower level. This is due to the anticipated impacts of autoenrolment and also the introduction of an apprentice levy.
- 5.4 House price inflation is forecast to average around 5 per cent per annum over the forecast period to 2020. However, it is forecast that actual property transaction levels will fall, which reflects the rising proportion of housing owned by landlords combined with the impact of the Government's decision to introduce an additional stamp duty land tax charge of 3 per cent on purchases of properties as a second home or as a buy-to-let.

Interest Rates

- 5.5 The Bank of England cut interest rates to 0.5% in 2009, where they have remained since.
- 5.6 The Governor of the Bank of England has said that three factors would be the strongest guide to when interest rates might rise:
- First, that economic growth in the UK would be higher than the average trend. He said that growth at an average quarterly rate of 0.5% in 2015 had 'disappointed'
 - Second, that wage growth strengthens and productivity improves
 - Third, that core inflation starts to approach the target rate of 2%.
- 5.7 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.
- 5.8 Interest rates are not anticipated to increase until early 2017, and even then at a modest rate. Based on information provided by the Office of Budget Responsibility (OBR) in November 2015, since their July forecast medium-term interest rate expectations have fallen so that the first increase in Bank Rate is now not expected until the first quarter of 2017.
- 5.9 The table below shows the comparison of market expectations of Bank Rate in July 2015, to the expectations in November 2015.

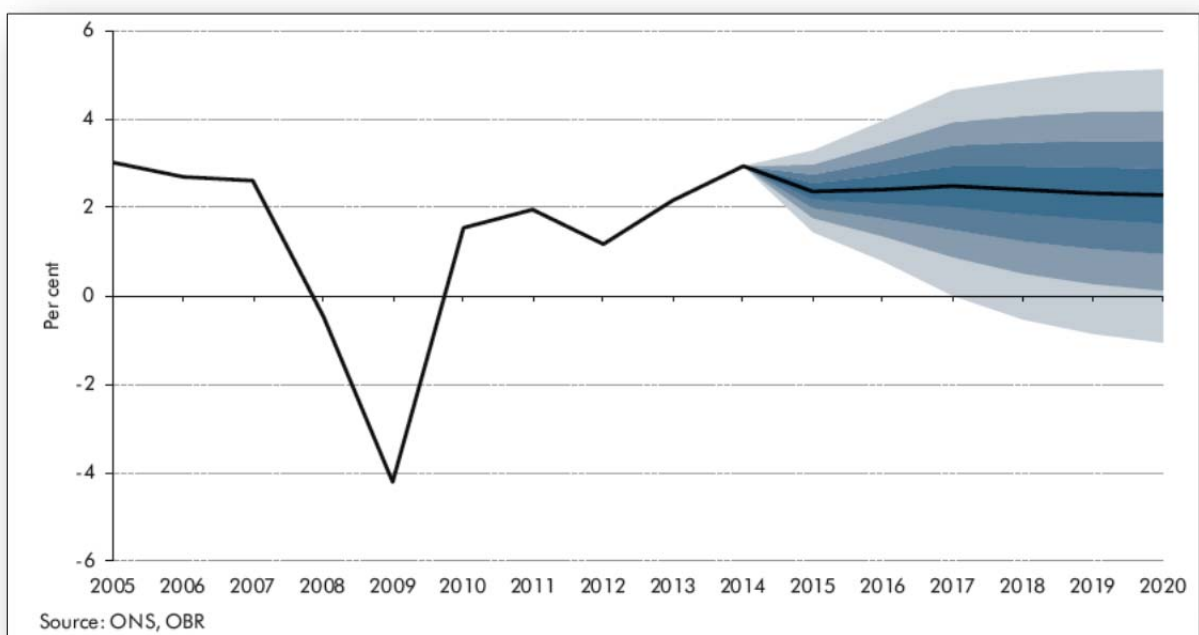
OBR Bank Rate Forecast Comparison



Spending Review/Autumn Statement and Office of Budget Responsibility – Economic and Fiscal Outlook

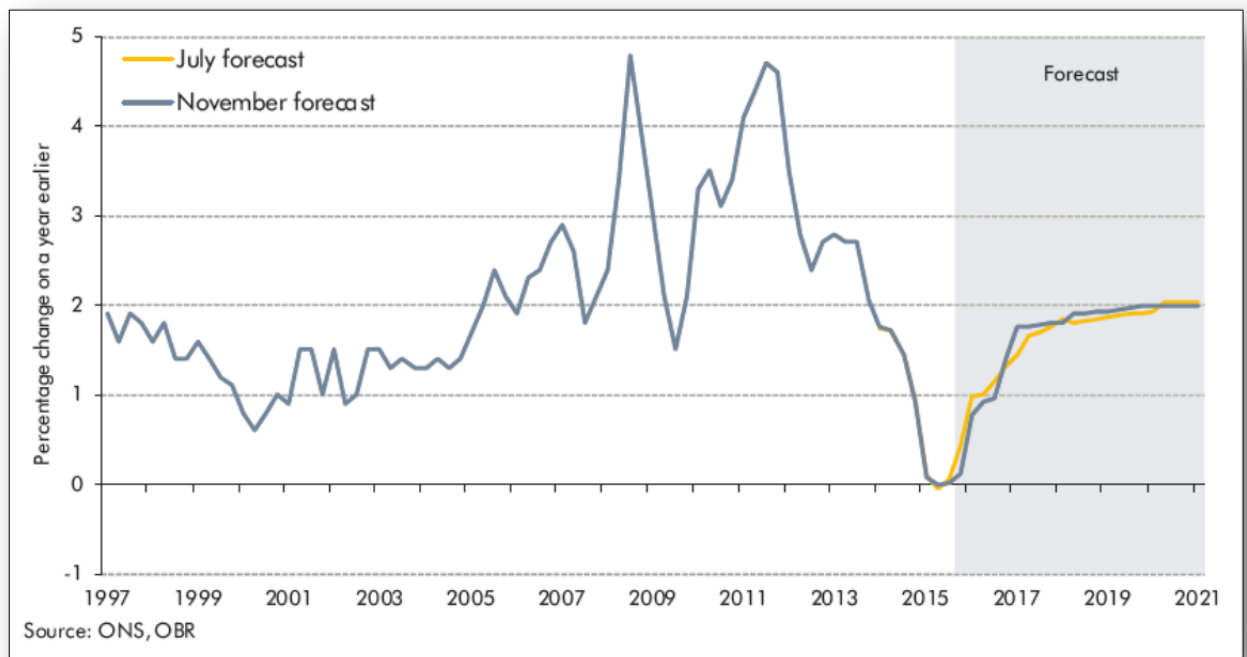
- 5.10 The government published a joint Spending Review and Autumn Statement on 25 November 2015. Alongside this, the Office of Budget Responsibility (OBR) released its latest Economic and Fiscal Outlook, containing the latest update on the economy and public finances.
- 5.11 The OBR has revised its forecast for GDP growth to 2.4% in 2015 and 2.4% in 2016. The OBR has forecast GDP growth of 2.5% in 2017, 2.4% in 2018 and 2.3% in 2019 and 2020. The OBR expect nominal GDP to grow by a cumulative 28.9 per cent between the start of 2015 and the start of 2021 – revised down slightly from the cumulative growth of 29.1 per cent they expected in the July forecasts.
- 5.12 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



- 5.13 Inflation was expected to rise slightly in the final quarter of 2015, driven partly by unit labour cost driven rises in the prices of goods and services, and some of last year's petrol price falls dropping out of the annual inflation comparison. It is then forecast to rise more significantly in the first quarter of 2016, with similar factors at work. Inflation is forecast to reach 1.8 per cent by the second half of 2017.

Consumer Price Increase (CPI) Inflation Forecast



Strength/weakness of the pound

- 5.14 The US Federal Reserve's decision to raise interest rates in December has highlighted the differences between the US and UK economies. Last year there had been an expectation that when the Fed rate rise eventually came, the Bank of England would quickly follow suit. The predicted timing of the next UK interest rate rise has now moved to late 2016 or early 2017.
- 5.15 With the current low interest rate of 0.5% making holding sterling less attractive, traders have been selling the currency. Furthermore, inflation has been continuously below the Bank of England's 2% target and earnings growth has been slowing down.
- 5.16 Further ahead, there have been concerns about the outcome of a referendum on the UK's continued membership of the EU and traders are also generally more risk-averse in the light of the global turmoil caused by Chinese market problems and falling oil prices.
- 5.17 If the pound continues to be weak, imported goods will become more expensive when priced in pounds, which could fuel domestic inflation.

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 £7.0m in housing benefit payments to claimants in 2016/17.
- 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 2016/17 will be approximately £134,000. This is a reduction of approximately £31,000 from that received in 2015/16.
- 6.6 Further financial support is received from the Government towards the administration of business rates and in 2016/17 the council has budgeted to receive approximately £90,490.
- 6.7 Substantial funding is received from Public Health Lancashire (PHL) and East Lancashire Clinical Commissioning Group (ELCCG) (via Lancashire County Council) towards the provision of healthy lifestyle services and the Exercise Referral Scheme service. In 2015/16 the council has budgeted to receive £90,360 towards the provision of this service. At the moment funding is guaranteed until 31 March 2016, with uncertainty around future funding. Provision of the service in 2016/17 will be awarded through a tendering process for which the council has tendered. A prudent approach has been applied in 2016/17 and no budget provisions (income or expenditure) have been included for the Healthy Lifestyles Programmes. This will be reviewed once the outcome of the tendering process is known.

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- 6.8 Following extensive lobbying from SPARSE and RSN, the Government announced a small amount of grant funding for some authorities in rural areas. A Rural Areas Delivery Grant of £26,647 will be received in 2016/17 and an associated expenditure budget has been included.
- 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 are currently two schemes in the 2016/19 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 2019 anticipated of £1.673m. Council tax increases have been forecast at £5.00 (3.6%) for 2016/17 and 2% for 2017/18 and 2018/19.
- 7.4 In the recent Local Government Grant Settlement we were told that the past trend of falling core funding was to continue, with an option for a guaranteed grant settlement for every council for the 4 year period 2016/17 to 2019/20. The budget forecast has been prepared using the figures provided by the government.
- 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.
 - Inflation has been allowed for at 1.5% on employee costs and 1.5% on all other items in 2017/18, and 2% on all other items in 2018/19.
 - Use of balances will be at £200,000 per annum.
 - An increase in interest receipts to £50,000 in 2017/18 and £75,000 in 2018/19 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 or deficit has been allowed for after 2017/18.
 - Increase in the council taxbase each year of 1% based.
 - Council tax increase of £5.00 (3.6%) for 2016/17 and 2% for 2017/18 and 2018/19.

	2015/16 Forecast £	2016/17 Forecast £	2017/18 Forecast £	2018/19 Forecast £
Net Expenditure	6,183,408	6,460,867	6,651,992	7,011,766
Interest Receipts	-29,400	-28,730	-50,000	-75,000
Use of Superannuation Reserve	-36,512	-36,512	-36,512	-36,512
Council Tax Freeze Grant (2015/16)	-32,380	0	0	0
Rural Services Grant	0	-26,647	-46,632	-66,618
Use of Business Rates Growth	-262,926	-262,926	-262,926	-262,926
Use of New Homes Bonus	-676,065	-786,961	-786,961	-786,961
(Use of)/Contribution to Balances	169,869	-200,000	-200,000	-200,000
Savings Required	0	0	-395,251	-768,142
Budget Requirement	5,315,994	5,119,091	4,873,710	4,815,607
Government Funding	-2,240,595	-1,862,605	-1,568,216	-1,410,332
Collection Fund (Deficit)/Surplus	-22,004	-47,809	0	0
Precept	3,053,395	3,208,677	3,305,494	3,405,275
Taxbase	21,703	22,024	22,244	22,467
Band D Council Tax	£140.69	£145.69	£148.60	£151.57
Projected Council Tax increase	0%	£5 (3.6%)	2%	2%

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

	2015/16 to 2016/17 £	2016/17 to 2017/18 £	2017/18 to 2018/19 £
Movement in cost of services	277,459	191,125	359,774
Increased Interest Receipts	670	-21,270	-25,000
Council Tax Freeze Grant re 2015/16	32,380	0	0
Rural Services Grant	-26,647	-19,985	-19,986
Increased Use of New Homes Bonus	-110,896	0	0
Increased Use of Balances	-369,869	0	0
Increased Savings Required	0	-395,251	-372,891
Total Change in Budget Requirement	-196,903	-245,381	-58,103

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 2016/17 – 2018/19**

- 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.

	2016/17 £	2017/18 £	2018/19 £
CAPITAL PROGRAMME BY COMMITTEE			
Community Services	374,500	453,610	679,600
Policy and Finance	100,000	26,000	147,750
Planning and Development	30,200	0	0
Health and Housing	411,000	211,000	211,000
TOTAL OF ALL SCHEMES	915,700	690,610	1,038,350
RESOURCES			
Disabled Facilities Grant Funding	-161,000	-161,000	-161,000
VAT Shelter	-278,500	-144,000	-159,500
Capital Reserve		-69,990	
New Homes Bonus	-62,000	-200,000	-216,770

	2016/17 £	2017/18 £	2018/19 £
Borrowing	-175,000	-62,560	
Earmarked Cost of Democracy Savings			-11,250
Vehicle Residual Values (Capital Reserve)		-28,060	
Earmarked S31 New Burdens Funding (Capital Reserve)		-25,000	
Earmarked Additional Trade Waste Income			-120,000
Earmarked Planning Fee Income (Capital Reserve)	-30,200		
Earmarked Fleming VAT Income	-59,000		
Vehicle Renewals Fund Earmarked Reserve			-300,000
ICT Renewals Fund Earmarked Reserve			-23,500
Invest to Save Earmarked Reserve			-23,000
External Funding: towards Ribblesdale Pool - Improvement Work	-150,000		
External Funding: towards Electric Vehicle Charging Point			-23,330
TOTAL OF ALL RESOURCES	-915,700	-690,610	-1,038,350

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	2016/17 £	2017/18 £	2018/19 £
Opening Balance	-568,653	-538,453	-415,403
Taken from Reserve	30,200	123,050	0
Closing Balance	-538,453	-415,403	-415,403

Recommended Minimum Balance	-350,000	-350,000	-350,000
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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 2016/17.

Area of Sensitivity	Percentage Fluctuation	Annual Impact on Budget
Pay Award (Impact on Direct Employee Costs)	1.00%	£60,820
Energy Costs	5.00%	£7,190
Vehicle Fuel	5.00%	£12,680
Short Term Investment Interest Rates	0.25%	£20,500
Customer and Client Receipts	1.00%	£27,080
Service Specific Government Grants	1.00%	£72,750
Other Grants and Contributions	1.00%	£6,680
Settlement Funding Assessment	1.00%	£18,630
New Homes Bonus (Received in Year)	1.00%	£13,670
Retained Business Rates Levy	5.00%	£17,400

9.3 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 £4.54 or 3.1% (based on the increased Band D council tax charge of £145.69 for 2016/17).

9.4 On the other hand, for every 1% increase in the level of 2016/17 council tax charge, an additional £32,090 council tax revenue would be raised and therefore, for every 1% decrease in the level of council tax revenue £32,090 savings would need to be identified or alternative funding such as use of balances would need to be found (based on the increased Band D council tax charge of £145.69 for 2016/17).

9.5 In terms of the Settlement Funding Assessment that is received for 2016/17, this will support approximately 36% 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 £18,630.

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

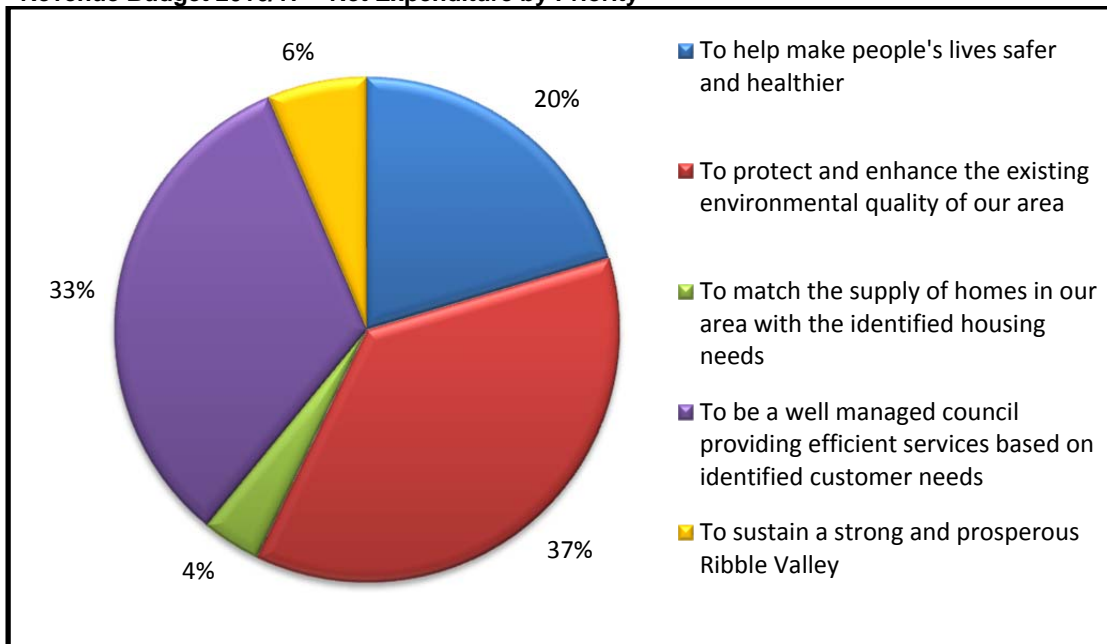
Risk	Level	Mitigation
Past savings that have been identified by Heads of Service do not continue to be achieved	Medium	Regular monitoring of budgets and meetings with Heads of Service where savings have been identified in order to enable early corrective action if required.
A financial institution that 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 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.
Business Rates Growth Retention	High	There is a high level of uncertainty around the future level of business rates growth, or downturn. As we enter the Lancashire Business Rates Pool, 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.
New Homes Bonus Consultation	High	<p>A substantial reduction in our New Homes Bonus funding 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.</p> <p>We will ensure that we contribute to the consultation process.</p>

10 **Links to Ambitions and Priorities**

10.1 The table below shows our 2016/17 revenue budget broken down over the council's priorities.

Revenue Budget 2016/17 – Net Expenditure by Priority

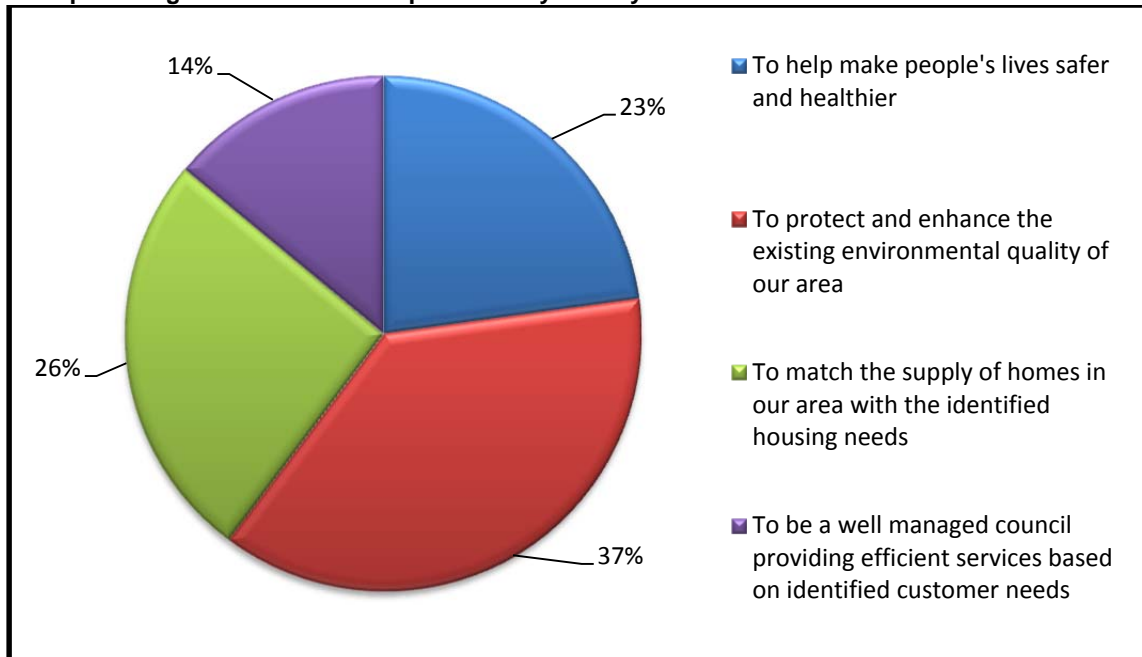


10.2 As with revenue budgets, all proposed capital schemes are linked to the council's priorities. The evaluation process also required Heads of Service to submit detailed bid forms for new capital schemes. These included such information as:

- 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

10.3 The table below shows our planned capital programme for 2016/17 broken down over the council priorities.

Capital Programme 2016/17 – Expenditure by Priority



New Homes Bonus

Year of Award	Received 2011/12 £	Received 2012/13 £	Received 2013/14 £	Received 2014/15 £	Received 2015/16 £	Provisional 2016/17 £	Estimated 2017/18 £	Estimated 2018/19 £
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	188,053
Granted 2014/15				227,109	227,109	227,109	227,109	227,109
Granted 2015/16					373,809	373,809	373,809	373,809
Provisional 2016/17						398,267	398,267	398,267
Estimated 2017/18							?	?
Estimated 2018/19								?
Total	62,046	179,645	367,698	594,807	968,616	1,366,883	1,304,837	1,187,238
New Homes Bonus Commitments¹	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2017/18 £
Revenue	-60,000	-60,000	-60,000	-333,780	-676,065	-786,961	-786,961	-786,961
Capital	0	0	-100,000	-85,000	-88,000	-62,000	-200,000	-216,770
Total	-60,000	-60,000	-160,000	-418,780	-764,065	-848,961	-986,961	-1,003,731
Unallocated in Year	2,046	119,645	207,698	176,027	204,551	517,922	317,876	183,507
Unallocated Cumulative	2,046	121,691	329,389	505,416	709,967	1,227,889	1,545,765	1,729,272

¹ The Commitments section of the above table assumes continued use of New Homes Bonus at the level agreed for 2016/17

Actual and Forecast Earmarked Reserves 2014/15 to 2018/19

General Fund	Balance at 31 March 2015	Balance at 31 March 2016	Balance at 31 March 2017	Balance at 31 March 2018	Balance at 31 March 2019
	£	£	£	£	£
Shorter term service commitments					
<u>Local Recreation Grants Fund</u> <i>Used to fund recreation grants</i>	12,686	22,676	22,676	22,676	22,676
<u>Audit Reserve Fund</u> <i>Used for computer audit</i>	12,335	12,335	12,335	12,335	12,335
<u>Christmas Lights/RV in Bloom</u> <i>Available to fund contributions towards Christmas Lights and Ribble Valley in Bloom</i>	1,186	1,186	1,186	1,186	1,186
<u>Community Enhancement</u> <i>Used to fund grants to local organisations</i>	11,419	11,419	11,419	11,419	11,419
<u>Conservation Reserve</u> <i>To fund conservation schemes completed after the financial year end</i>	6,210	580	580	580	580
<u>Market Town Enhancement</u> <i>To fund grants under Market Towns Enhancement Scheme</i>	8,372	7,002	7,002	7,002	7,002
<u>Clean Air Reserve</u> <i>To fund clean air survey work</i>	2,681	2,201	1,721	1,241	761
<u>Promotional Activities Reserve</u> <i>To fund planned publicity and promotional activities</i>	9,260	0	0	0	0
<u>Human Resource Development</u> <i>To provide for staff training commitments</i>	27,500	27,500	27,500	27,500	27,500
<u>Refuse Collection</u> <i>To fund refuse collection costs of bin replacements and other cost pressures</i>	147,203	35,003	35,003	35,003	35,003
<u>Core Strategy Reserve</u> <i>To fund the production of the Core Strategy</i>	22,453	3	3	0	0
<u>Clitheroe Food Festival</u> <i>Resources set aside to help support the costs associated with the Clitheroe Food Festival</i>	6,204	6,204	6,204	6,204	6,204
<u>Tour of Britain Reserve</u> <i>To fund the potential cost of hosting a stage of the Tour of Britain Cycle Race</i>	89,826	0	0	0	0
Sub total	357,335	126,109	125,629	125,146	124,666
Reserves to smooth the revenue impact of longer term cyclical costs					
<u>Elections Fund</u> <i>Used to fund borough elections held once every four years</i>	78,689	20,209	42,419	64,629	86,839
<u>Revaluation of Assets Reserve</u> <i>To contribute towards the revaluation of the council's assets every five years.</i>	1,200	3,200	5,230	7,260	9,290

General Fund	Balance at 31 March 2015	Balance at 31 March 2016	Balance at 31 March 2017	Balance at 31 March 2018	Balance at 31 March 2019
	£	£	£	£	£
Sub total	79,889	23,409	47,649	71,889	96,129
Trading or business unit reserves					
Building Control Fund					
<i>Available to equalise net expenditure over a three year period</i>	-103,006	-103,466	-111,526	-111,526	-111,526
Sub total	-103,006	-103,466	-111,526	-111,526	-111,526
Sums set aside for major schemes such as capital projects					
Capital					
<i>Used to fund the capital programme</i>	692,623	568,653	538,453	415,403	415,403
ICT Repairs and Renewals					
<i>To fund future software and hardware upgrades</i>	169,903	162,293	162,293	162,293	138,793
Clitheroe Cemetery Reserve					
<i>To finance any future liabilities from the cemetery extension</i>	3,640	3,640	3,640	3,640	3,640
Vehicle & Plant Repairs and Renewals Reserve					
<i>Resources set aside to fund a repairs and renewals fund for the replacement of Vehicles and Plant</i>	300,000	346,000	346,000	420,000	0
Civic Suite Reserve					
<i>Resources set aside to fund future capital spend on the council chamber.</i>	11,420	11,420	11,420	11,420	170
Sub total	1,177,586	1,092,006	1,061,806	1,012,756	558,006
Longer term strategic or corporate reserves					
Insurance					
<i>Available to meet any costs following demise of Municipal Mutual Insurance Company</i>	16,748	16,748	16,748	16,748	16,748
Fleming VAT Claim					
<i>VAT recovered from 'Fleming' claim challenge to HMRC</i>	234,903	195,313	136,313	136,313	136,313
Repairs and Maintenance					
<i>To fund emergency repairs and maintenance items, including legionella and asbestos abatement</i>	34,299	34,299	34,299	34,299	34,299
Post LSVT					
<i>To fund any costs post LSVT which may arise, such as pension fund liabilities</i>	328,613	292,101	255,589	219,077	182,565
Restructuring Reserve					
<i>To fund costs resulting from restructuring reviews</i>	227,541	227,541	227,541	227,541	227,541
VAT Shelter Reserve					
<i>Funds received from the post LSVT VAT Shelter arrangements, partly used to contribute towards the future financing of the capital programme</i>	1,610,053	1,397,843	1,299,343	1,335,343	1,271,843

General Fund	Balance at 31 March 2015	Balance at 31 March 2016	Balance at 31 March 2017	Balance at 31 March 2018	Balance at 31 March 2019
	£	£	£	£	£
<u>Equipment Reserve</u> <i>To fund essential and urgent equipment requirements</i>	93,560	100,480	100,480	100,480	100,480
<u>Invest to Save Fund</u> <i>To fund future invest to save projects</i>	250,000	250,000	250,000	250,000	227,000
<u>Planning Reserve</u> <i>To fund any future potential planning issues</i>	215,942	145,862	109,862	109,862	109,862
<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>New Homes Bonus Reserve</u> <i>To help finance future economic development capital schemes</i>	505,415	709,966	1,227,889	1,607,812	1,970,965
<u>Business Rates Volatility Reserve</u> <i>To provide some protection against business rates volatilities</i>	314,751	719,221	864,470	864,470	864,470
Sub total	3,931,825	4,189,374	4,622,534	5,001,945	5,242,086
External grant funding where expenditure has yet to be incurred					
<u>Performance Reward Grant</u> <i>Performance Reward Grant received and yet to be distributed to successful schemes</i>	214,682	187,108	127,328	127,328	127,328
<u>Forest of Bowland Reserve</u> <i>To fund access improvement schemes within the Ribble Valley section of the Forest of Bowland</i>	29,646	6	6	0	0
<u>Land Charges Reserve</u> <i>To fund any potential restitution claims for personal search fees</i>	4,474	22,424	22,424	22,424	22,424
<u>Pendle Hill User Reserve</u> <i>To fund improvement schemes on Pendle Hill</i>	13,647	42,317	42,317	42,317	42,317
<u>Crime Reduction Partnership Reserve</u> <i>To fund cost of crime reduction initiatives</i>	19,105	15,985	2,665	2,665	2,665
<u>Wellbeing and Health Equality</u> <i>To fund expenditure on Wellbeing and Health</i>	47,428	47,428	47,428	47,428	47,428
<u>Exercise Referral Reserve</u> <i>To fund potential residual staffing costs</i>	20,183	6,433	6,433	6,433	6,433
<u>Housing Related Grants Reserve</u> <i>Residual grant received, to be committed to future grant schemes</i>	26,480	49,480	35,290	35,290	35,290
<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>	46,224	46,224	46,224	46,224	46,224
<u>Grant Funded Sports Development</u> <i>To finance future Sports Development grant funded expenditure</i>	3,500	3,500	3,500	3,500	3,500

General Fund	Balance at 31 March 2015	Balance at 31 March 2016	Balance at 31 March 2017	Balance at 31 March 2018	Balance at 31 March 2019
	£	£	£	£	£
<u>Whalley Moor Reserve</u>					
<i>Grant received towards work at Whalley Moor Woodland</i>	4,970	4,970	4,970	4,970	4,970
<u>Individual Electoral Registration Reserve</u>					
<i>Grant received for the implementation of Individual Electoral Registration which will be used to fund this work</i>	23,288	16,108	4,568	0	0
<u>Repossession Prevention Fund Reserve</u>					
<i>Ring-fenced DCLG funded reserve to help prevent repossessions and homelessness.</i>	34,211	28,491	28,491	28,491	28,491
<u>Neighbourhood Planning Reserve</u>					
<i>DCLG Neighbourhood Planning Grant received to fund future related expenditure</i>	10,000	10,000	10,000	10,000	10,000
Sub total	497,838	480,474	381,644	377,070	377,070
TOTAL	5,941,467	5,807,906	6,127,736	6,477,280	6,286,431

Forward Capital Programme – 2016/17 to 2018/19

SCHEMES	2016/17	2017/18	2018/19	TOTAL
	£	£	£	£
COMMUNTY SERVICES COMMITTEE				
Ribblesdale Pool - Improvement Work <i>(Subject to securing external funding)</i>	209,000			209,000
Replacement of Works Section Small Van - Ford Transit PF09 DHX (Toilet Van)	12,000			12,000
Replacement of Salthill Depot Multi Use Fork Lift Truck	16,000			16,000
Replacement of John Deere Gang Mower Tractor (PN05 UKE)	46,000			46,000
Replacement of MAN 7.7 RO-RO Truck (PN06 FRV) with equivalent spec vehicle	51,500			51,500
Play Area Improvements	40,000	40,000	40,000	120,000
Ribble Valley off-street car parks – upgrade of payment systems		20,550		20,550
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

ANNEX 3

Forward Capital Programme – 2016/17 to 2018/19

SCHEMES	2016/17	2017/18	2018/19	TOTAL
	£	£	£	£
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 1 x Open Backed Single Bodied Paper Collection Vehicles (VX55 KXD <u>OR</u> VU06 TKN)			49,000	49,000
Replacement of a Twin Bodied Refuse Collection Vehicle (VU60 HNX <u>OR</u> PO60 YEK)			222,500	222,500
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
Rapid Charge Electric Vehicle Charging Point			31,100	31,100
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

ANNEX 3

Forward Capital Programme – 2016/17 to 2018/19

SCHEMES	2016/17	2017/18	2018/19	TOTAL
	£	£	£	£
Tour of Britain Legacy			10,000	10,000
All Weather Pitch Lighting			31,000	31,000
Total Community Services Committee	374,500	453,610	679,600	1,507,710

HEALTH AND HOUSING COMMITTEE				
Clitheroe Market Improvements	175,000			175,000
Disabled Facilities Grants	161,000	161,000	161,000	483,000
Landlord/Tenant Grants	75,000	50,000	50,000	175,000
Total Health and Housing Committee	411,000	211,000	211,000	833,000

PLANNING AND DEVELOPMENT COMMITTEE				
Introduction of Planning Portal Link to the Planning Application System and Planning System Update	30,200			30,200
Total Planning and Development Committee	30,200	0	0	30,200

ANNEX 3

Forward Capital Programme – 2016/17 to 2018/19

SCHEMES	2016/17 £	2017/18 £	2018/19 £	TOTAL £
POLICY AND FINANCE COMMITTEE				
ICT Infrastructure refresh (Storage Area Network (SAN) and also Network & Server Replacement)	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
Total Policy and Finance Committee	100,000	26,000	147,750	273,750
TOTAL CAPITAL PROGRAMME 2016/17 TO 2018/19	915,700	690,610	1,038,350	2,644,660