

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO COUNCIL

DECISION

Agenda Item No

meeting date: 1 MARCH 2016

title: REVENUE BUDGET 2016/17 AND CAPITAL PROGRAMME 2016/19 AND  
SETTING THE COUNCIL TAX FOR EACH CATEGORY OF DWELLING IN  
THE COUNCIL'S AREA FOR 2016/17

submitted by: DIRECTOR OF RESOURCES

principal author: JANE PEARSON

## 1. PURPOSE

- 1.1. To set the budget for 2016/17 and to set the different amounts of council tax for different parts of the area where special items apply (Parish precepts).

## 2. THE PRUDENTIAL CODE FOR CAPITAL FINANCE IN LOCAL AUTHORITIES

- 2.1. The Prudential Code for Capital Finance and the prudential indicators are set out in Annex 1.
- 2.2. The Code and the indicators are intended to inform the Council, in setting the capital programme, that the programme is both affordable and sustainable. The indicators also include the maximum and operational borrowing levels for the Council.

## 3. CAPITAL PROGRAMME

- 3.1. At their meeting on 9 February 2016, Policy and Finance Committee considered the capital programme for 2016/19.
- 3.2. The Budget Working Group have reviewed the Council's forward capital plans in order to produce an achievable and affordable programme. Heads of Services were asked to submit new bids which were considered by service committees. The Council's Corporate Management Team considered the draft programme and made recommendations to the Budget Working Group.
- 3.3. The result of their deliberations is a capital programme for the years 2016/19 totalling £2,644,660 which is set out in the summary budget book on pages 79 to 82.

## 4. MINIMUM REVENUE PROVISION

- 4.1. The Council is required each year to agree a Minimum Revenue Provision (MRP) Policy Statement setting out how the Council will make a charge to revenue in respect of previous capital expenditure. This Policy Statement is also set out in Annex 1.

## 5. REVENUE BUDGET

### ***2015/16 Revised***

- 5.1. We originally budgeted to spend £5.466 million (before use of balances). The revised estimate is that net expenditure will be lower at £5.146 million. Details are set out in the budget book with a summary on pages 8 and 9. The revised budget for 2015/16 is:

	<b>Revised Estimate 2015/16 £</b>
Net Committee Budget	6,987
<b>Capital Adjustments</b>	
Less Depreciation (included in above)	-841
Add Minimum Revenue Provision (MRP)	<u>133</u>
<b>Total Expenditure</b>	<b>6,279</b>
<b>Other Items</b>	
External Interest Payable	11
Interest Earned	-29
Council Tax Freeze Grant	-32
Localisation of Council Tax Support – grant paid to parishes	11
Rural Areas Delivery Grant – Additional funding	0
New Homes Bonus	-969
New Homes Bonus Returned Funding to LA's	-4
Income from Business Rates after levy	-667
<b>Earmarked Reserves</b>	
Transfer From/To Various Funds	546
<b>Net Expenditure</b>	<b>5,146</b>
Adjustment to Balances to Get to Agreed Budget	170
<b>Agreed budget for year</b>	<b>5,316</b>

5.2. We estimate this will leave general fund balances at 31 March 2016 of £2,273,000.

#### **Final Grant Settlement**

5.3. The Local Government Finance Settlement was announced on 8 February 2016. A full report detailing the provisional settlement was submitted to the Special Policy and Finance Committee meeting on 9 February 2016 and an update was circulated outlining the final settlement changes.

<b>Settlement Funding Assessment</b>	<b>£1,862,605</b>
Consists of:	
Revenue Support Grant	623,087
Business Rates Baseline (Target)	1,239,518

#### **Forecast Budget 2016/17**

5.4. Special Policy and Finance Committee have recommended a net budget of £5,119,091. Details are shown in the budget book with a summary on pages 8 and 9. This results in the following budget requirement:

	£
Borough Requirement	5,119,091
Parish Council Requirements	376,779
<b>Total Borough and Parish Requirements</b>	<b>5,495,870</b>

## 6. ROBUSTNESS OF THE ESTIMATES AND BALANCES AND RESERVES

### ***Robustness of the Estimates***

- 6.1. It is a specific requirement of section 25 of the Local Government Act 2003 for the chief financial officer to report on the robustness of the budget and the adequacy of the Council's balances and reserves.
- 6.2. I can confirm that throughout the budget process all practical steps have been taken to identify and make budgetary provision for all likely commitments facing the Council in 2016/17. The preparation of the base committee estimates remains a vital part of ensuring the robustness and financial integrity of the budget and ensures that all service committees are aware of the resource allocation and budgetary pressures facing their service areas. My report to Special Policy and Finance Committee set out the various processes followed to ensure the Council's estimates are robust.

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

- 6.3. A reasonable level of balances is needed to provide funds to:
- ❖ Finance levels of inflation in excess of those provided in the budget
  - ❖ Provide for unforeseen expenditure
  - ❖ Finance expenditure in advance of income
  - ❖ Allow flexibility as the year progresses
- 6.4. The availability of balances has increased in importance since the Local Government Finance Act 1982 revoked local authorities' power to issue supplementary precepts.

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

- 6.5. At this stage general fund balances are estimated as follows:

	£000
Opening Balance 1 April 2015	2,103
Estimated Amount to be added to Balances in 2015/16	170
<b>Estimated Balances in Hand 31 March 2016</b>	<b>2,273</b>
Estimated Amount to be taken from Balances in 2016/17	-200
<b>Estimated Balances in Hand 31 March 2017</b>	<b>2,073</b>

- 6.6. The level of balances to retain is a matter of professional judgement but should be set in the context of the authority's medium term financial strategy and the risks facing the authority.
- 6.7. When the medium term financial strategy was recently reviewed the minimum level of balances to retain was confirmed to be £700,000 bearing in mind our record of strong budgetary control.

- 6.8. In 2016/17 we estimate that £200,000 will be taken from balances to support the budget.

***Earmarked Reserves***

- 6.9. The Council holds a number of reserves earmarked for specific purposes. The movements in these reserves forecast for 2015/16 and 2016/17 were reported to Special Policy and Finance Committee.
- 6.10. The earmarked reserves are also judged to be adequate to meet the commitments and forecast expenditure facing the Council.

7. **COLLECTION FUND**

***Collection Fund surplus/deficit***

- 7.1. The position on the collection fund has been estimated and details are set out in the summary budget book on page 68/69.
- 7.2. I forecast that there will be a surplus on the collection fund for Council Tax at 31 March 2016 of £458,823 and a deficit of £1,051,731 for Business Rates. The equivalent shares will be paid to/recovered from the appropriate major precepting authorities in 2016/17.

8. **RECOMMENDED THAT COUNCIL**

- 8.1. Approve the following submitted by the Policy and Finance Committee:
- a) The revised revenue estimates for 2015/16 and the revenue estimates for 2016/17.
  - b) The revised capital programme for 2015/16 and the forward capital programme for 2016/19.
- 8.2. Approve the prudential indicators, borrowing limits and MRP Policy Statement as set out in Annex 1.
- 8.3. Note that, under delegated powers in accordance with section 84 of the Local Government Act 2003, the Council has determined the following amounts for 2016/17, in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended), as its council tax base for the year.
- a) 22,024 being the amount of its council tax base for the whole district [item T in the formula in section 31B of the Local Government Finance Act 1992, as amended (the "Act")]; and
  - b)

<b>Parish Area</b>	<b>Tax base</b>
Aughton, Bailey & Chaigley	443
Balderstone	193
Barrow	353
Bashall Eaves, Great Mitton & Little Mitton	202
Billington & Langho	2,032
Bolton by Bowland, Gisburn Forest & Sawley	477
Bowland Forest (High)	73

Bowland Forest (Low)	77
Bowland with Leagram	83
Chatburn	374
Chipping	481
Clayton le Dale	495
Clitheroe	4,961
Dinckley	44
Downham	49
Dutton	104
Gisburn	197
Grindleton	345
Horton	46
Hothersall	73
Longridge	2,657
Mearley	8
Mellor	991
Newsholme	20
Newton	145
Osbaldeston	110
Paythorne	44
Pendleton	106
Ramsgreave	281
Read	552
Ribchester	650
Rimington & Middop	221
Sabden	515
Salesbury	186
Simonstone	490
Slaidburn & Easington	154
Thornley with Wheatley	160
Twiston	37
Waddington	455
West Bradford	360
Whalley	1,496
Wilpshire	1,065
Wiswell	176
Worston	43
	<b>22,024</b>

being the amounts calculated by the Council, in accordance with Regulation 6 of the regulations, as the amounts of its council tax base for the year for dwellings in those parts of its area to which one or more special items relate.

- 8.4. Calculate that the Council Tax requirement for the Council's own purposes for 2016/17 (excluding Parish precepts) is £3,208,677.
- 8.5. Calculate the following amounts for 2016/17, in accordance with Sections 31 to 36 of the Act:
- a) £26,519,479 Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
  - b) £22,934,023 Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
  - c) £3,585,456 Being the amount by which the aggregate at 8.5(a) above exceeds the aggregate at 8.5(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).
  - d) £162.80 Being the amount at 8.5(c) above (Item R), all divided by Item T (8.3(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
  - e) £376,779 Being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
  - f) £145.69 Being the amount at 8.5(d) above less the result given by dividing the amount at 8.5(e) above by Item T (8.3(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.
  - g) Aggregate of the basic amount of council tax for Ribble Valley Borough Council and Parish precept for Band D properties:

Parts of the Council's area	£
Aighton, Bailey & Chaigley	156.86
Balderstone	152.11
Barrow	167.01
Bashall Eaves, Great Mitton & Little Mitton	151.64
Billington & Langho	153.72
Bolton by Bowland, Gisburn Forest & Sawley	156.08
Bowland Forest Higher	175.22
Bowland Forest Lower	161.27
Bowland with Leagram	148.10

<b>Parts of the Council's area</b>	<b>£</b>
Chatburn	176.10
Chipping	161.49
Clayton le Dale	151.53
Clitheroe	165.10
Dinckley	145.69
Downham	145.69
Dutton	150.50
Gisburn	165.70
Grindleton	167.43
Horton	145.69
Hothersall	155.96
Longridge	169.78
Mearley	145.69
Mellor	160.12
Newsholme	145.69
Newton	162.77
Osbaldeston	152.05
Paythorne	145.69
Pendleton	157.85
Ramsgreave	151.57
Read	160.28
Ribchester	157.32
Rimington & Middop	163.62
Sabden	173.80
Salesbury	171.50
Simonstone	162.42
Slaidburn & Easington	157.05
Thornley with Wheatley	155.24
Twiston	145.69
Waddington	175.36
West Bradford	163.73
Whalley	167.11
Wilpshire	160.60
Wiswell	165.63
Worston	145.69

Being the amount given by adding to the amount at 8.5(f) above to the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount contained in 8.3(b), calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of

its council tax for the year for dwellings in those parts of its area to which one or more special items relate.

h) Aggregate of the basic amount of council tax for Ribble Valley Borough Council and Parish precept for Band D properties by valuation band:

	VALUATION BANDS							
	A £	B £	C £	D £	E £	F £	G £	H £
Aughton, Bailey & Chaigley	104.58	122.00	139.43	156.86	191.72	226.57	261.44	313.72
Balderstone	101.41	118.30	135.21	152.11	185.92	219.71	253.52	304.22
Barrow	111.34	129.89	148.45	167.01	204.13	241.24	278.35	334.02
Bashall Eaves, Great Mitton & Little Mitton	101.10	117.94	134.79	151.64	185.34	219.03	252.74	303.28
Billington & Langho	102.48	119.56	136.64	153.72	187.88	222.04	256.20	307.44
Bolton by Bowland, Gisburn Forest & Sawley	104.06	121.39	138.74	156.08	190.77	225.45	260.14	312.16
Bowland Forest Higher	116.82	136.28	155.75	175.22	214.16	253.09	292.04	350.44
Bowland Forest Lower	107.52	125.43	143.35	161.27	197.11	232.94	268.79	322.54
Bowland with Leagram	98.74	115.18	131.64	148.10	181.02	213.92	246.84	296.20
Chatburn	117.40	136.96	156.53	176.10	215.24	254.37	293.50	352.20
Chipping	107.66	125.60	143.54	161.49	197.38	233.26	269.15	322.98
Clayton le Dale	101.02	117.85	134.69	151.53	185.21	218.88	252.55	303.06
Clitheroe	110.07	128.41	146.75	165.10	201.79	238.48	275.17	330.20
Dinckley	97.13	113.31	129.50	145.69	178.07	210.44	242.82	291.38
Downham	97.13	113.31	129.50	145.69	178.07	210.44	242.82	291.38
Dutton	100.34	117.05	133.78	150.50	183.95	217.39	250.84	301.00
Gisburn	110.47	128.87	147.29	165.70	202.53	239.34	276.17	331.40
Grindleton	111.62	130.22	148.82	167.43	204.64	241.84	279.05	334.86
Horton	97.13	113.31	129.50	145.69	178.07	210.44	242.82	291.38
Hothersall	103.98	121.30	138.63	155.96	190.62	225.27	259.94	311.92
Longridge	113.19	132.05	150.91	169.78	207.51	245.24	282.97	339.56
Mearley	97.13	113.31	129.50	145.69	178.07	210.44	242.82	291.38
Mellor	106.75	124.53	142.33	160.12	195.71	231.28	266.87	320.24
Newsholme	97.13	113.31	129.50	145.69	178.07	210.44	242.82	291.38
Newton	108.52	126.59	144.68	162.77	198.95	235.11	271.29	325.54
Osbaldeston	101.37	118.26	135.15	152.05	185.84	219.63	253.42	304.10
Paythorne	97.13	113.31	129.50	145.69	178.07	210.44	242.82	291.38
Pendleton	105.24	122.77	140.31	157.85	192.93	228.00	263.09	315.70
Ramsgreave	101.05	117.88	134.73	151.57	185.26	218.93	252.62	303.14
Read	106.86	124.66	142.47	160.28	195.90	231.51	267.14	320.56
Ribchester	104.88	122.36	139.84	157.32	192.28	227.24	262.20	314.64
Rimington & Middop	109.08	127.26	145.44	163.62	199.98	236.34	272.70	327.24



VALUATION BANDS								
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Sabden	115.87	135.17	154.49	173.80	212.43	251.04	289.67	347.60
Salesbury	114.34	133.38	152.44	171.50	209.62	247.72	285.84	343.00
Simonstone	108.28	126.32	144.37	162.42	198.52	234.61	270.70	324.84
Slaidburn & Easington	104.70	122.15	139.60	157.05	191.95	226.85	261.75	314.10
Thornley with Wheatley	103.50	120.74	137.99	155.24	189.74	224.23	258.74	310.48
Twiston	97.13	113.31	129.50	145.69	178.07	210.44	242.82	291.38
Waddington	116.91	136.39	155.87	175.36	214.33	253.30	292.27	350.72
West Bradford	109.16	127.34	145.54	163.73	200.12	236.50	272.89	327.46
Whalley	111.41	129.97	148.54	167.11	204.25	241.38	278.52	334.22
Wilpshire	107.07	124.91	142.75	160.60	196.29	231.98	267.67	321.20
Wiswell	110.42	128.82	147.22	165.63	202.44	239.24	276.05	331.26
Worston	97.13	113.31	129.50	145.69	178.07	210.44	242.82	291.38

being the amounts given by multiplying (as appropriate) the amounts at 8.5(f) or 8.5(g) by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

- 8.6. Note, that for 2016/17 Lancashire County Council has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below.

Valuation Bands							
A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
783.24	913.78	1,044.32	1,174.86	1,435.94	1,697.02	1,958.10	2,349.72

- 8.7. Note, that for 2016/17 the Police and Crime Commissioner for Lancashire has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below.

Valuation Bands							
A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
108.15	126.17	144.20	162.22	198.27	234.32	270.37	324.44

- 8.8. Note, that for 2016/17 Lancashire Combined Fire Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below.

Valuation Bands							
A £	B £	C £	D £	E £	F £	G £	H £
43.67	50.94	58.22	65.50	80.06	94.61	109.17	131.00

- 8.9. Having calculated the aggregate in each case of the amounts at 8.5(h), 8.6, 8.7 and 8.8 above, the Council, in accordance with Section 30(2) of the Act, hereby sets the following amounts as the amounts of council tax for 2016/17 for each of the categories of dwellings shown below:

VALUATION BANDS								
	A £	B £	C £	D £	E £	F £	G £	H £
Aighton, Bailey & Chaigley	1,039.64	1,212.89	1,386.17	1,559.44	1,905.99	2,252.52	2,599.08	3,118.88
Balderstone	1,036.47	1,209.19	1,381.95	1,554.69	1,900.19	2,245.66	2,591.16	3,109.38
Barrow	1,046.40	1,220.78	1,395.19	1,569.59	1,918.40	2,267.19	2,615.99	3,139.18
Bashall Eaves, Great Mitton & Little Mitton	1,036.16	1,208.83	1,381.53	1,554.22	1,899.61	2,244.98	2,590.38	3,108.44
Billington & Langho	1,037.54	1,210.45	1,383.38	1,556.30	1,902.15	2,247.99	2,593.84	3,112.60
Bolton by Bowland, Gisburn Forest & Sawley	1,039.12	1,212.28	1,385.48	1,558.66	1,905.04	2,251.40	2,597.78	3,117.32
Bowland Forest (High)	1,051.88	1,227.17	1,402.49	1,577.80	1,928.43	2,279.04	2,629.68	3,155.60
Bowland Forest (Low)	1,042.58	1,216.32	1,390.09	1,563.85	1,911.38	2,258.89	2,606.43	3,127.70
Bowland with Leagram	1,033.80	1,206.07	1,378.38	1,550.68	1,895.29	2,239.87	2,584.48	3,101.36
Chatburn	1,052.46	1,227.85	1,403.27	1,578.68	1,929.51	2,280.32	2,631.14	3,157.36
Chipping	1,042.72	1,216.49	1,390.28	1,564.07	1,911.65	2,259.21	2,606.79	3,128.14
Clayton le Dale	1,036.08	1,208.74	1,381.43	1,554.11	1,899.48	2,244.83	2,590.19	3,108.22
Clitheroe	1,045.13	1,219.30	1,393.49	1,567.68	1,916.06	2,264.43	2,612.81	3,135.36
Dinckley	1,032.19	1,204.20	1,376.24	1,548.27	1,892.34	2,236.39	2,580.46	3,096.54
Downham	1,032.19	1,204.20	1,376.24	1,548.27	1,892.34	2,236.39	2,580.46	3,096.54
Dutton	1,035.40	1,207.94	1,380.52	1,553.08	1,898.22	2,243.34	2,588.48	3,106.16
Gisburn	1,045.53	1,219.76	1,394.03	1,568.28	1,916.80	2,265.29	2,613.81	3,136.56
Grindleton	1,046.68	1,221.11	1,395.56	1,570.01	1,918.91	2,267.79	2,616.69	3,140.02
Horton	1,032.19	1,204.20	1,376.24	1,548.27	1,892.34	2,236.39	2,580.46	3,096.54

VALUATION BANDS								
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Hothersall	1,039.04	1,212.19	1,385.37	1,558.54	1,904.89	2,251.22	2,597.58	3,117.08
Longridge	1,048.25	1,222.94	1,397.65	1,572.36	1,921.78	2,271.19	2,620.61	3,144.72
Mearley	1,032.19	1,204.20	1,376.24	1,548.27	1,892.34	2,236.39	2,580.46	3,096.54
Mellor	1,041.81	1,215.42	1,389.07	1,562.70	1,909.98	2,257.23	2,604.51	3,125.40
Newsholme	1,032.19	1,204.20	1,376.24	1,548.27	1,892.34	2,236.39	2,580.46	3,096.54
Newton	1,043.58	1,217.48	1,391.42	1,565.35	1,913.22	2,261.06	2,608.93	3,130.70
Osbaldeston	1,036.43	1,209.15	1,381.89	1,554.63	1,900.11	2,245.58	2,591.06	3,109.26
Paythorne	1,032.19	1,204.20	1,376.24	1,548.27	1,892.34	2,236.39	2,580.46	3,096.54
Pendleton	1,040.30	1,213.66	1,387.05	1,560.43	1,907.20	2,253.95	2,600.73	3,120.86
Ramsgreave	1,036.11	1,208.77	1,381.47	1,554.15	1,899.53	2,244.88	2,590.26	3,108.30
Read	1,041.92	1,215.55	1,389.21	1,562.86	1,910.17	2,257.46	2,604.78	3,125.72
Ribchester	1,039.94	1,213.25	1,386.58	1,559.90	1,906.55	2,253.19	2,599.84	3,119.80
Rimington & Middop	1,044.14	1,218.15	1,392.18	1,566.20	1,914.25	2,262.29	2,610.34	3,132.40
Sabden	1,050.93	1,226.06	1,401.23	1,576.38	1,926.70	2,276.99	2,627.31	3,152.76
Salesbury	1,049.40	1,224.27	1,399.18	1,574.08	1,923.89	2,273.67	2,623.48	3,148.16
Simonstone	1,043.34	1,217.21	1,391.11	1,565.00	1,912.79	2,260.56	2,608.34	3,130.00
Slaidburn & Easington	1,039.76	1,213.04	1,386.34	1,559.63	1,906.22	2,252.80	2,599.39	3,119.26
Thornley with Wheatley	1,038.56	1,211.63	1,384.73	1,557.82	1,904.01	2,250.18	2,596.38	3,115.64
Twiston	1,032.19	1,204.20	1,376.24	1,548.27	1,892.34	2,236.39	2,580.46	3,096.54
Waddington	1,051.97	1,227.28	1,402.61	1,577.94	1,928.60	2,279.25	2,629.91	3,155.88
West Bradford	1,044.22	1,218.23	1,392.28	1,566.31	1,914.39	2,262.45	2,610.53	3,132.62
Whalley	1,046.47	1,220.86	1,395.28	1,569.69	1,918.52	2,267.33	2,616.16	3,139.38
Wilpshire	1,042.13	1,215.80	1,389.49	1,563.18	1,910.56	2,257.93	2,605.31	3,126.36
Wiswell	1,045.48	1,219.71	1,393.96	1,568.21	1,916.71	2,265.19	2,613.69	3,136.42
Worston	1,032.19	1,204.20	1,376.24	1,548.27	1,892.34	2,236.39	2,580.46	3,096.54

DIRECTOR OF RESOURCES

C1-16/JP/AC  
22 FEBRUARY 2016

## COUNCIL

## PRUDENTIAL CODE FOR CAPITAL FINANCE

## CAPITAL EXPENDITURE

1. The actual capital expenditure that was incurred in 2014/15 is shown alongside the current and future years that are recommended for approval:

<b>Capital Expenditure</b>					
	<b>2014/15 Actual</b>	<b>2015/16 Revised Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>
	£	£	£	£	£
Community	88,671	442,270	374,500	453,610	679,600
Planning & Development	0	0	30,200	0	0
Policy & Finance	53,828	471,400	100,000	26,000	147,750
Health & Housing	238,312	267,330	411,000	211,000	211,000
<b>Total</b>	<b>380,811</b>	<b>1,181,000</b>	<b>915,700</b>	<b>690,610</b>	<b>1,038,350</b>

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2014/15 are:

<b>Ratio of Financing Costs to Revenue Stream</b>				
<b>2014/15 Actual</b>	<b>2015/16 Revised Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>
2.14%	2.15%	2.26%	1.92%	1.37%

The estimates of financing costs include current commitments and the proposals in the Council's recommended revenue and capital budgets.

3. Estimates of the end of year capital financial requirement for the authority for the current and future years and the actual capital financing requirements at 31 March 2015 are:

<b>Capital Financing Requirement</b>				
<b>31/03/15 Actual £'000</b>	<b>31/03/16 Revised Estimate £'000</b>	<b>31/03/17 Estimate £'000</b>	<b>31/03/18 Estimate £'000</b>	<b>31/03/19 Estimate £'000</b>
3,603	3,727	3,767	3,694	3,560

4. The capital financing requirement measures the authority's underlying need to borrow for a capital purpose. In accordance with best professional practice, the Council does not associate borrowing with particular items or types of expenditure. The authority has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. We have, at any point in time, a number of cash flows, both positive and negative, and manage our treasury position in terms of our borrowings and investments in accordance with our approved treasury management strategy and practices. In day-to-day cash management we make no distinction between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast, the capital financing requirements reflects the authority's underlying need to borrow for a capital purpose.
5. CIPFA's Prudential Code for Capital Finance in local Authorities includes the following as a key indicator of prudence:

"In order to ensure that over the medium term net debt will only be for a capital purpose, the local authority should ensure that net external debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

I can report that the authority had no difficulty meeting this requirement in 2014/15, nor are any difficulties envisaged for the current or next year. This view takes into account current commitments, existing plans and the proposals in the Council's budget report.

## EXTERNAL DEBT

6. In respect of our external debt, it is recommended that the Council approves the following authorised limits for our total external debt, gross of investments, for the next three financial years and agrees the continuation of the previously agreed limit for the current year since no change to this is necessary. These limits separately identify borrowing from other long-term liabilities such as finance leases. The Council is asked to approve these limits and to delegate authority to me, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Council at its next meeting following the change.

<b>Authorised Limit for External Debt</b>			
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowing	31,258	31,037	31,290
Other Long-Term Liabilities	0	0	0
<b>Total</b>	<b>31,258</b>	<b>31,037</b>	<b>31,290</b>

7. The authorised limit for external debt is the upper limit on the level of gross external indebtedness, which must not be breached without council approval. It is the **worst-case scenario**. It reflects the level of borrowing, which while not desired, could be afforded but may not be sustainable. Any breach must be reported to Council, indicating the reason for the breach and the corrective action undertaken or required to be taken.
8. This limit is substantially increased over previous approvals due to now factoring the worst-case scenario implications around this council being the lead authority of the Lancashire Business Rates Pool.
9. The Council is also asked to approve the following operational boundary for external debt for the same time period. The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly my estimate of the most likely prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate. The operational boundary represents a key management tool for in year monitoring by my staff and me. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified. The Council is also asked to delegate authority to me, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long term liabilities, in a similar fashion to the authorised limit. Any such changes will be reported to the Council at its next meeting following the change.
10. Unlike the Authorised Limit, the council's role as the lead authority of the Lancashire Business Rates Pool does not impact on the setting of the Operational Boundary.

<b>Operational Boundary for External Debt</b>			
	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>
Borrowing	6,764	6,653	6,956
Other Long Term Liabilities	0	0	0
<b>Total</b>	<b>6,764</b>	<b>6,653</b>	<b>6,956</b>

11. The Council's actual external debt at 31 March 2015 was £240,450, comprising £240,450 borrowing and £0 other long-term liabilities. It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary since the actual external debt reflects the position at one point in time.
12. In taking its decisions on this budget report the Council is asked to note that the authorised limit determined for 2016/17 (see paragraph 6 above) will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

### Consideration of Options for the Capital Programme

13. In considering its programme for capital investment the Council is required, within the Prudential Code, to have regard to:
- Service objectives, e.g. strategic planning for the authority
  - Stewardship of assets, e.g. asset management planning
  - Value for money, e.g. option appraisal
  - Prudence and sustainability, e.g. implications for external debt and whole life costing
  - Affordability, e.g. implications for council tax
  - Practicality, e.g. achievability of the forward plan.
14. The Prudential Code requires the estimated revenue impact of Capital investment decisions in Band D Council Tax. These are shown below:

	2016/17 £	2017/18 £	2018/19 £
For the Band D Council Tax	0.02	0.10	0.11

The above figures exclude the borrowing costs required to meet commitments from 2015/16 and earlier year's programmes. The focus is therefore on the cost of the 2016/17 to 2018/19 Capital Programme.

15. It is important to note that the figures above do not represent annual increases in Council Tax. Both the 2017/18 and 2018/19 figures will include the full year effects of decisions taken in 2016/17 and already included in the revenue budget.

#### **Minimum Revenue Provision**

16. The Council is required each year to pay off an element of its accumulated General Fund capital expenditure through a revenue charge, the Minimum Revenue Provision (MRP).
17. The Department of Communities and Local Government (DCLG) issued regulations which require Full Council to approve a MRP Policy Statement in advance of each financial year. The following MRP Policy Statement is recommended for 2015/16.

#### **Minimum Revenue Provision Policy Statement**

- a) For capital expenditure incurred **before** 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP Policy will be to allow MRP equal to 4% of the capital financing requirement (the element of which relates to capital expenditure incurred before 1 April 2008) at the end of the previous financial year.
- b) For capital expenditure incurred **after** 1 April 2008, for all Unsupported Borrowing the MRP Policy will be to follow the Asset Life Method (Equal Instalment method), i.e. the MRP will be based upon the estimated life of the assets financed from borrowing.