

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO POLICY AND FINANCE COMMITTEE

Agenda Item No 12

meeting date: 25 OCTOBER 2016  
 title: EFFICIENCY PLAN – 4 YEAR SETTLEMENT GUARANTEE  
 submitted by: DIRECTOR OF RESOURCES  
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## 1 PURPOSE

- 1.1 To inform members of the Government's 4 year funding offer and the submission of an Efficiency Plan for Ribble Valley Borough Council in order to achieve this.

## 2 BACKGROUND

- 2.1 The local government grant settlement announced in December gave councils indicative figures for a four year period up to 2019/20 ie a 4 year funding deal; these being part of an offer to councils conditional on publishing an efficiency plan.
- 2.2 The DCLG did not prescribe a format or approval process for the plans which had to be submitted by 14 October 2016.

## 3 OFFER TO RIBBLE VALLEY

- 3.1 For illustration purposes the provisional four year figures offered to Ribble Valley are shown below. You will see not only would our Revenue Support Grant become zero by 2019/20 but we will also be charged a tariff adjustment of £109k.

|                               | 2016/17<br>£ | 2017/18<br>£ | 2018/19<br>£ | 2019/20<br>£ |
|-------------------------------|--------------|--------------|--------------|--------------|
| Settlement Funding Assessment | 1.862606     | 1.568216     | 1.410332     | 1.342771     |
| of which:                     |              |              |              |              |
| Revenue Support Grant         | 0.623087     | 0.304319     | 0.109149     | 0.000000     |
| Baseline Funding Level        | 1.239518     | 1.263897     | 1.301183     | 1.342771     |
| Tariff/Top-Up                 | -4.361493    | -4.447276    | -4.578474    | -4.724810    |
| Tariff/Top-Up adjustment      | 0.000000     | 0.000000     | 0.000000     | -0.108866    |
| Safety Net Threshold          | 1.146554     | 1.169105     | 1.203595     | 1.242064     |

- 3.2 At this stage the Government have not confirmed whether the above figures could be subject to further cuts.
- 3.3 At the Budget Working Group meeting on 14 September 2016 next steps were considered and it was agreed officers should draft an Efficiency Plan for further consideration in order to submit to DCLG to take up the multiyear settlement offer.

## **5 BUDGET WORKING GROUP MEETING ON 12 OCTOBER 2016**

- 5.1 The Budget Working Group agreed the Efficiency Plan which had been prepared for submission. This is attached at Annex 1.
- 5.2 The plan was sent to the Government on 13 October 2016. We have received confirmation of receipt and they have informed us that they will be in contact after the deadline has passed. If we have any further updates we will inform you of them at your meeting.

## **6 CONCLUSION**

- 6.1 An Efficiency Plan has been submitted to DCLG in order to take up the Government's offer of a 4 year finance settlement.

DIRECTOR OF RESOURCES

PF58-16/JP/AC  
14 October 2016

*RIBBLE VALLEY  
BOROUGH COUNCIL*

*EFFICIENCY PLAN  
2016/17 TO 2019/20*



Ribble Valley  
Borough Council

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## 1 INTRODUCTION

- 1.1 The purpose of this report is to set out an Efficiency Plan for Ribble Valley Borough Council.
- 1.2 In December 2015, the previous Secretary of State for Communities and Local Government announced an option for Local Authorities to access four year finance settlements. This was intended to offer more financial certainty in order to encourage Councils to plan more effectively and deliver efficiency savings. This “guaranteed” minimum grant funding will be available for each year of the current four year spending review period (2016/17 to 2019/20), and includes:
  - ❖ Revenue Support Grant (RSG)
  - ❖ Transitional funding (for the first 2 years)
  - ❖ Rural Services Delivery Grant.
- 1.3 It should be noted that the offer excludes other significant elements of the annual local government finance settlement, for example Business Rates and New Homes Bonus funding.
- 1.4 To secure a four year settlement, Authorities are required to submit their Efficiency Plan by no later than 14th October 2016.

## **2 EXECUTIVE SUMMARY**

- 2.1 This efficiency plan supports the Council's medium term financial planning process. Essentially the strategy is designed to set out the Council's plans for delivering the efficiencies required to provide a stable financial base in a period of unprecedented financial turbulence within the public sector.
- 2.2 The Council has a Medium Term Financial Strategy (MTFS) for the period 2016/17 to 2018/19. This strategy is attached and includes the following;
- ❖ 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
- 2.3 More specifically, during the period of this medium term financial strategy (MTFS), the Council expects:
- ❖ Continuing downward pressure on the funding available through government grants;
  - ❖ Uncertainties surrounding New Homes Bonus and the new 100% Business Rate Retention scheme;
  - ❖ Increasing demand for services (for instance due to cuts made by the upper tier authority).
- 2.4 The Council also prepares a Budget Forecast each year which sets out a projection of the estimated financial position of the authority. The latest forecast is shown below and covers the period 2016/17 to 2019/20.

**LATEST BUDGET FORECAST 2016/17 TO 2019/20**

|   |        | 2016/17 OE |        | 2017/18         |        | 2018/19         |        | 2019/20         |
|---|--------|------------|--------|-----------------|--------|-----------------|--------|-----------------|
|   |        | £          |        | £               |        | £               |        | £               |
| Net Budgeted Expenditure                                  |        | 6,496,656  |        | 6,595,130       |        | 6,951,399       |        | 7,099,855       |
| <b>Core Funding that can be relied upon</b>               |        |            |        |                 |        |                 |        |                 |
| Council Tax Income:                                       |        | 3,208,677  |        | 3,305,494       |        | 3,405,275       |        | 3,508,083       |
| Band D Tax (increasing by 2% pa)                          | 145.69 |            | 148.60 |                 | 151.57 |                 | 154.60 |                 |
| Taxbase (increasing by 1% pa)                             | 22,024 |            | 22,244 |                 | 22,467 |                 | 22,691 |                 |
| Business Rates baseline                                   |        | 1,239,518  |        | 1,263,897       |        | 1,301,183       |        | 1,342,771       |
| Revenue Support Grant                                     |        | 623,087    |        | 304,319         |        | 109,149         |        | -108,866        |
| Collection Fund Surplus                                   |        | 47,809     |        | 0               |        | 0               |        | 0               |
| Rural Areas Delivery Grant                                |        | 107,254    |        | 86,603          |        | 66,618          |        | 86,603          |
| Transition Grant  |        | 20,424     |        | 20,345          |        | 0               |        | 0               |
| Use of General Fund Balances                              |        | 200,000    |        | 300,000         |        | 300,000         |        | 300,000         |
| <b>Total Funding that can be relied upon</b>              |        | 5,446,769  |        | 5,280,658       |        | 5,182,225       |        | 5,128,591       |
| <b>Funding on which less reliance can be placed</b>       |        |            |        |                 |        |                 |        |                 |
| Use of New Homes Bonus                                    |        | 786,961    |        | 786,961         |        | 786,961         |        | 786,961         |
| Business Rate Growth                                      |        | 262,926    |        | 262,926         |        | 262,926         |        | 262,926         |
| <b>Total Funding on which less reliance can be placed</b> |        | 1,049,887  |        | 1,049,887       |        | 1,049,887       |        | 1,049,887       |
| <b>Total Funding to be used</b>                           |        | 6,496,656  |        | 6,330,545       |        | 6,232,112       |        | 6,178,478       |
| <b>Budget Gap</b>   |        | <b>0</b>   |        | <b>-264,585</b> |        | <b>-719,287</b> |        | <b>-921,378</b> |

2.5 This shows a potential budget gap of £264k (2017/18). £719k (2018/19), and £921k (2019/20).

2.6 The Council's plan to meet this funding shortfall is:

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

### 3 BACKGROUND

3.1 Ribble Valley Borough Council has a strong and robust financial track record built up over an extended period of time. The Council's external auditor, Grant Thornton, commented in their 'Audit Findings' report on the 2015/16 accounts that:-

- ❖ *Informed decision making* – The Council has sound arrangements in place to support decision making. Budget information is taken to the Council on an annual basis, with the 2016/17 budget updating the likely outturn for the 2015/16 year. The report gives Council members sufficient detail to make decisions about the budget for the year. The well established budget working group also reviews the budget setting for the year ahead of budget proposals being taken to the full council
- ❖ The Council has a good understanding of its financial position and has historically been able to deliver savings as required.
- ❖ *Working with partners* - The floods in the area at Christmas were a demonstration of how the Council worked with these partners to respond to the flooding that impacted on residents and businesses in December 2015. The Council was heavily involved in providing an emergency response at the time of the flood and then in helping with the recovery over the following weeks and months. The Council has successfully secured central government funding through the Bellwin scheme to cover the unplanned costs associated with this. The other two key areas where the Council is working with other partners in the area is in the establishment of the business rates pool and the move towards a combined authority for Lancashire. The business rated pool has been set up with Lancashire County Council and some of the Lancashire districts and will be in place for 2016/17 onwards. The Council has agreed to take on the lead role in administering this pool on behalf of the participating authorities.
- ❖ The Council has proper arrangements in all significant respects to ensure it delivered value for money in its use of resources
- ❖ The Medium Term Financial Strategy (MTFS) clearly sets out the assumptions that have been made about future levels of income and expenditure and is clear if there are risks to them

3.2 That said, national economic circumstances and the public sector funding position set out in the 2015 Spending Review and the latest local government financial settlement mean that local authorities will continue to be placed under considerable financial strain over the course of this planning period and beyond.

3.3 The sector experienced considerable reductions in government grant between 2010 and 2015 and the government has now confirmed that revenue support grant will be phased out entirely over the course of this Parliament. Local government will instead be allowed to retain 100% of business rate receipts by 2020, with detailed proposals for how this will work still awaited from government.

3.4 Nationally, the government has acknowledged that demographic changes are leading to growing demand for adult social care services, placing increasing pressure on council budgets. In recognition of these pressures, the government is increasing the funding provided to local authorities through the Better Care Fund and allowing



councils with adult social care responsibilities additional flexibility to increase council tax by up to 2% above the referendum threshold.

3.5 The MTFS supports the medium term policy and financial planning process at the heart of setting revenue and capital budgets. The main objectives for the strategy are:

- ❖ To provide a stable financial base from which to deliver the Council's priorities
- ❖ To set out how the Council intends to continue to achieve significant efficiency savings over the medium term; and
- ❖ To set a sound financial planning framework to underpin the effective financial management of the Council.

## **4 CONTEXT**

### **The economy**

- 4.1 The 2015 Spending Review identified net savings to departmental resource spending of £12 billion by 2019/20. This is made up of £21.5 billion of savings from unprotected departments, of which £9.5 billion will be reinvested in the government's priorities. The element of departmental resource spending that relates to local government will be cut by £6.1 billion by 2019/20. This has a significant impact on the Council's financial position which is considered in more detail in the sections below.

### **Local government funding**

- 4.2 Local government is now funded from four main sources, council tax, revenue support grant, new homes bonus and a share of business rates income. In line with government expectations, Ribble Valley BC has increased its share of the council tax in 2016/17 for the first time since 2010/11 from £140.69 for a band d property to £145.69 which is the lowest in Lancashire.

### **Business rates retention**

- 4.3 2016/17 represents the fourth year of the business rates retention scheme, whereby local authorities are able to retain a proportion of the growth in their business rates income. Under the current scheme, local government keeps 50% of business rates income while the remainder is used by central government to fund revenue support grant and other specific grants. As part of the spending review in November 2015, the government confirmed its intention to allow the sector to keep 100% of business rate receipts, while phasing out revenue support grant entirely. The Government has recently consulted on the detail of how this will work, particularly how the government will adjust the distribution of business rates income across local authorities to reflect need. This uncertainty remains a significant risk to the Council's MTFs assumptions.
- 4.4 Ribble Valley is the lead member of the Lancashire Business Rate Pool. The relative size of Lancashire County Council, as the largest member of the pool, means that the entire pool becomes a top-up pool and will not be liable to pay a levy. The amount that would otherwise have been payable by an individual authority as a levy to central government will be retained by the pool members with 10% payable to the County Council.
- 4.5 The introduction of business rate retention, whilst welcomed, has transferred significant risk to local authorities, in particular, backdated appeals have had a considerable effect on our in-year projections of business rates income. In recognition of the shortcomings of the current appeals system, the government intends to make various changes which it is hoped will provide greater certainty in forecasting business rates income. However, the issue of appeals remains a concern for the Council and we look forward to the government's proposals on how the risk of appeals can be managed, possibly on a regional or sector wide basis, within a 100% rates retention scheme.

### **Council tax support**

- 4.6 Since the replacement of council tax benefit with localised council tax support in April 2013, the Council has implemented a local scheme based on the one previously in operation nationally. The cost of providing this support is reflected in a reduction in

the tax base. The funding transferred by the government to local authorities in 2013/14 in support of this responsibility represented a 10% reduction against the previous year's costs and now, as part of the revenue support grant, this funding continues to reduce each year.

- 4.7 The Council is currently consulting on proposals for a revised scheme which would be effective from April 2017.

#### **New Homes Bonus**

- 4.8 The New Homes Bonus (NHB) scheme provides local authorities with an unringfenced grant, equal to the national average for the council tax band on each additional property built in its area, or on each long-term empty property that is brought back into use. Under the current scheme, the grant is then paid for the following six years. The amount Ribble Valley expects to receive in 2016/17, for the years from 2011/12 to 2016/17, is £1.367m.
- 4.9 As part of the spending review, the government announced that the cost of the scheme was to be reduced by £800 million by 2019/20, with the saving diverted to fund pressures in adult social care. The government's options for achieving this saving include reducing the number of years for which payments are made from six to four or even further and introducing a baseline of expected growth, below which growth is discounted for the purpose of calculating NHB entitlements.
- 4.10 The final outcome of the consultation regarding changes to the NHB is not yet known.

## **5 MEDIM TERM FINANCIAL STRATEGY AND LATEST BUDGET FORECAST**

- 5.1 The Council's medium term financial strategy is shaped by the particular financial circumstances facing Ribble Valley, which in turn result mainly from the national context.
- 5.2 Ribble Valley is in a good position to withstand these challenges. We have seen steady increases in our council tax base over recent years and via prudent financial management are becoming increasingly independent of central sources of funding.
- 5.3 The Council continues to strive to achieve greater value for money across all services and the achievement of significant efficiency savings over the plan period will be the key component of this financial strategy.
- 5.4 The core principles underlying this medium term strategy are as follows:
- ❖ The Council will seek to maintain a sustainable financial position over the course of the planning period;
  - ❖ The Council will strive to keep council tax at a low level with an increase of £5 per band d property in 2016/17 and increases of no more than 2% thereafter;
  - ❖ The Council will continue to focus on the on-going need to deliver significant efficiency savings each year.
- 5.5 The current funding position for the public sector requires local authorities to innovate and do things differently, which includes working collaboratively with other public sector partners. In Ribble Valley we are working with the Department for Works and Pensions to enable co-location of the Clitheroe Job Centre into our main offices.
- 5.6 In terms of how the expenditure expectations of the Council are met, the following financial planning assumptions have been made:
- ❖ The maintenance of a balanced budget over the medium term, with detailed savings proposals for all years to achieve this position and no funding gaps;
  - ❖ Providing the same level of services as we do currently eg a weekly refuse collection service;
  - ❖ A financial planning assumption of a council tax increase of £5 per Band D property in 2016/17 and a 2% increase in future years;
  - ❖ Annual increases of 1% in the tax base, subject to council tax support;
  - ❖ Council tax collection rates of 99.25%;
  - ❖ Revenue support grant (RSG) figures as published in the final local government finance settlement for 2016/17 with illustrative figures to 2019/20;
  - ❖ Estimated retained business rates income for 2016/17 of £408k (net of the tariff and levy payments but including section 31 grant) and forecast growth for 2017/18 and 2018/19 based on government assumptions for inflation and known or anticipated business developments;

- ❖ An annual increase to the pay budget of 1.0%, plus increases for lower pay bands in 2016/17 and 2017/18 in line with the latest pay offer, and further funding to meet the estimated costs of the national living wage;
  - ❖ Inflationary increases modelled in line with forecast RPI. Indexation of 1.5% has been assumed for 2017/18 and 2.0% thereafter.
  - ❖ In line with the Council's fees and charges policy, opportunities to optimise income will be considered as part of the annual budget setting process. Income inflation of 1.5% was assumed as a minimum increase for planning purposes for 2016/17, with increases for future years aligned with inflation assumptions;
  - ❖ Funding for some specific areas is provided in line with the Council's priorities.
- 5.7 These assumptions result in a budget for 2016/17 of £6.497 million, funded 50% from council tax, 24% from government grant (including use of new homes bonus), 23% from business rates (net of tariff and levy payments and transfer to volatility reserve) and 3% from use of the Council's general balances..

## **6 ADDRESSING THE BUDGET GAP**

- 6.1 The latest forecast shows a budget gap of £264k (2017/18), £719k (2018/19), and £921k (2019/20). The Council is confident that this gap can be funded both in the short and medium term. Longer term the Council's strategic response is to become more self sufficient. This is set out in more detail below.

### **Encouraging growth in our tax base**

- ❖ The Council has an adopted local plan which assumes an additional 5,600 houses over the 20 year plan period 2008-2028. At the present time planning permission has been granted for over 4,000 properties and whilst construction has been somewhat slow to date we are starting to see more building work taking place. Our current forecast assumes a steady 1% in our council tax base. However we are confident this will be exceeded. The benefit of this growth should also be reflected in our future NHB allocations.

### **Encouraging business expansion and enterprise in our area**

- ❖ The Council has worked hard over the last few years to develop Ribble Valley as a tourism destination. This has paid dividends with steady business rate growth which we have been able to utilise to fund our base budget. The Council is also working with a number of developers to bring forward enterprising schemes, including the Lancashire Enterprise Zone, during our plan period. We anticipate that business rate growth will significantly be in excess of the amount relied upon currently to fund our base budget, subject to any major changes in the current Business Rate Retention scheme.

### **Continuing to deliver cost effective and efficient services**

- ❖ As outlined above the Council has a strong record of delivering cost effective and efficient services. We have a culture of low spending, prudent financial management and yet have a reputation for providing good services at the same time as having a very high council tax collection rate and low band d council tax. We have a history of making budget savings year on year and we anticipate this to continue.

### **Reviewing the major sources of income available to the Council**

- ❖ The Council recognises that the Government intend that local authorities become more self-sufficient and less reliant on core Government funding. We welcome this and are confident that our approach to growing the tax base and local economy in the Ribble Valley will result in higher business rate growth and NHB funding.