

# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO ECONOMIC DEVELOPMENT COMMITTEE

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Agenda Item No 7

meeting date: 24 JANUARY 2019  
title: ORIGINAL REVENUE BUDGET 2019/20  
submitted by: DIRECTOR OF RESOURCES  
principal author: AMY JOHNSON

### 1 PURPOSE

- 1.1 To agree the draft revenue budget for 2019/20, for consideration at Special Policy and Finance Committee.

### 2 BACKGROUND - COUNCIL'S OVERALL FINANCIAL POSITION

- 2.1 In September we updated the Council's four year Budget Forecast which predicted budget gaps as follows: £101k in 2019/20, £225k in 2020/21, £426k in 2021/22.
- 2.2 2019/20 is the final year of multi-year grant settlement which we signed up to and as such we would not expect our allocations to change from those previously announced. You may recall we were anticipating negative Revenue Support Grant (RSG) for 2019/20 of £108,866.
- 2.3 In October the Government consulted on proposals to eliminate negative RSG. We were advised at the same time that the New Homes Bonus (NHB) threshold may increase from its current national level of 0.4% which would reduce the amount of NHB we would receive.
- 2.4 In addition this Council along with 14 other authorities in Lancashire submitted a bid to be a Pilot for 75% Business Rate Retention.
- 2.5 None of these potential changes were included in the September budget forecast.

### 3 2019/20 PROVISIONAL LOCAL GOVERNMENT SETTLEMENT

- 3.1 On 13 December 2018 the Government announced the provisional finance settlement. The announcement had been delayed by a week due to the BREXIT debate.
- 3.2 The headlines for Ribble Valley are:
- Negative RSG has been eliminated gaining us £109k.
  - Rural Services Delivery Grant has been increased back to the same level as 2018/19 gaining us £21k.
  - NHB threshold remains at 0.4%.

- Our Business Rates Pilot bid has been successful. How much we gain from this will depend on our actual Business Rate growth in 2019/20 but estimates suggest this could be in the region of £400k. Some of this will be set aside to fund losses and also to fund Lancashire wide strategic economic growth projects.
- The Government are returning to local authorities the levy account surplus. Ribble Valley will gain by £20k

3.3 The Government also announced consultations on the future of Business Rate Retention and the Fair Funding Review which may have a significant impact on our financial position beyond 2019/20. These will be considered by the Budget Working Group.

3.4 In summary the 2019/20 provisional settlement has improved the council's financial position compared with the budget forecast in September.

#### 4 BUDGET PROCESS

4.1 Presented to committee for decision in October were the proposed fees and charges for 2019/20. The consequential impact of these approved fees and charges have been incorporated in to the service budgets shown within this report.

4.2 Following a great deal of in-depth service analysis and meetings with regard to this committees budgets by the council's accountants, budget holders, heads of service and management team, a proposed draft budget is now presented to members. This budget is agreed as that which best reflects the services of this committee for the next financial year.

4.3 When all committees have approved their detailed estimates the overall position will be considered by Budget Working Group.

4.4 The Budget Working Group will then make recommendations in order to produce a balanced budget for consideration at the Special meeting of Policy and Finance Committee. The final budget report will then be presented to Full Council, at which point the Council Tax for 2019/20 will also be approved.

#### 5 2019/20 DRAFT REVENUE BUDGET

5.1 As far as your budget is concerned, the estimates have been prepared on the current levels of service, and they allow for pay increases at 3% and price increases at 2%.

5.2 Within this report the budget is shown in the same manner in which they are reviewed. Each costs centre within the report is shown individually. Behind each costs centre is a great deal more subjective level detailed budgets, but for the purposes of this report they are summarised in to the standard local government CIPFA Service Reporting Code of Practice basis.

- **Employee Related:** this group includes the cost of employees, both direct and indirect to the council.

- **Premises Related:** this group includes expenses directly related to the running of premises and land.
- **Transport Related:** this group includes all costs associated with the provision, hire or use of transport, including travelling allowances.
- **Supplies and Services:** this group includes all direct supplies and service expenses to the council.
- **Third Party Payments:** a third party payment is a payment to an external provider which is operating independently, in return for the provision of a service.
- **Transfer Payments:** this includes the cost of payments to individuals for which no goods or services are received in return by the local authority. A key item here would be the payment of housing benefits.
- **Support Services:** charges for services that support the provision of services to the public. At this council the main support service cost is the support from staff based at the council offices building and the building's associated cost.
- **Depreciation and Impairment:** this is the revenue impact of capital items shown in the service revenue accounts of the council.
- **Income:** this includes income from fees and charges, grants, donations and contributions. Also shown here is the associated 'income' to a support service from the redistribution of its costs to those providing services to the public

5.3 As you will see, the draft proposed budget for 2018/19 for each service area is also built up looking at a number of stages. The starting point is the base budget, being the Original Estimate for the current financial year. A summary of the various elements is given below.

- **Original Estimate 2018/19:** This represents the base budget for the council and assumes no change in service level from that set for the previous year's original estimate.
- **Savings:** Here any savings or additional income that is identified from past service experience or trends would be brought in to the budget to adjust the base budget.
- **Inflation at 3% Pay and 2% Other:** The budget forecast allows for inflation on pay at 3% and prices at 2% (with some exceptions such as grants). This is where that general allowance for inflation is brought in to the individual budget areas. This is the second year of a two year pay award that has already been settled.
- **Variation to Standard Budgeted Inflation %:** Inevitably, as we undertake detailed work on the budget it becomes evident that there are some items of income or spend that experience a greater or lower level of inflation. This is where we adjusted for those differing levels of inflation. An example is energy costs.
- **Unavoidable Changes to Service Costs:** This relates to changes to a service, for example where costs are demand driven.
- **Support Services:** Any changes that relate to the recharging of support service costs are included in this column.

- **Capital:** Any changes relating to depreciation and impairment are included in this column
- **DRAFT Original Estimate 2019/20:** The final column is the total of all preceding columns and is constructed from the base budget and any necessary changes to the base that are needed. If approved this will then form the base budget in next year's budget process.

5.4 Detailed in the following section of the report are the individual budget areas under this committee. Shown are the movements from the 2018/19 Original Estimate, to the DRAFT Original Estimate for 2019/20. Comments are also provided on the main variances.

6 COMMITTEE SERVICE ESTIMATES

6.1 **Cost Centre and Description** ALBNM: Albion Mill

The Council leases industrial units at Albion Mill, Clitheroe and sublets these to tenants

	<b>Original Estimate 2018/19</b>	<b>Savings</b>	<b>Inflation at 3% Pay and 2% Other</b>	<b>Variation to Standard Budgeted Inflation %</b>	<b>Unavoidable Changes to Service Costs</b>	<b>Support Services</b>	<b>Capital</b>	<b>DRAFT Original Estimate 2019/20</b>
<b>Premises Related Expenditure</b>	32,160		640	-190				32,610
<b>Supplies &amp; Services</b>	1,790		40					1,830
<b>Support Services</b>	3,970		0			120		4,090
<b>Total Expenditure</b>	<b>37,920</b>	<b>0</b>	<b>680</b>	<b>-190</b>	<b>0</b>	<b>120</b>	<b>0</b>	<b>38,530</b>
<b>Customer &amp; Client Receipts</b>	-38,330		-770	700				-38,400
<b>Total Income</b>	<b>-38,330</b>	<b>0</b>	<b>-770</b>	<b>700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-38,400</b>
<b>Net Expenditure</b>	<b>-410</b>	<b>0</b>	<b>-90</b>	<b>510</b>	<b>0</b>	<b>120</b>	<b>0</b>	<b>130</b>

6.3 **Cost Centre and Description** INDDV: Economic Development

This budget covers costs for economic development and regeneration works, including projects, partnership work and joint working, to support, maintain and enhance the local community.

	<b>Original Estimate 2018/19</b>	<b>Savings</b>	<b>Inflation at 3% Pay and 2% Other</b>	<b>Variation to Standard Budgeted Inflation %</b>	<b>Unavoidable Changes to Service Costs</b>	<b>Support Services</b>	<b>Capital</b>	<b>DRAFT Original Estimate 2019/20</b>
<b>Supplies &amp; Services</b>	20,520		410					20,930
<b>Support Services</b>	143,470		0			7,590		151,060
<b>Total Expenditure</b>	<b>163,990</b>	<b>0</b>	<b>410</b>	<b>0</b>	<b>0</b>	<b>7,590</b>	<b>0</b>	<b>171,990</b>
<b>Net Expenditure</b>	<b>163,990</b>	<b>0</b>	<b>410</b>	<b>0</b>	<b>0</b>	<b>7,590</b>	<b>0</b>	<b>171,990</b>

**INDDV: Economic Development**

**Commentary on Substantial Budget Changes**

**Support Services**

Increase in support service costs in part due to an increase in time spent on economic development activities by members of Community Services and also due to the movements in staffing from the Chief Executive's Department to the Economic Development and Planning Department.

6.5 **Cost Centre and Description**      TURSM: Tourism and Events

The budget covers marketing the Ribble Valley as a visitor destination by promoting the borough at various trade fairs and events, for example wedding fairs and travel shows. The production of key publications (both online and in print) such as the visitors guide and Ribble Valley Wedding Heaven also fall within this service area.

	Original Estimate 2018/19	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2019/20
Premises Related Expenditure	2,010		40		20			2,070
Transport Related Expenditure	70		0					70
Supplies & Services	29,910		600	140	-90			30,560
Support Services	77,890		0			9,560		87,450
<b>Total Expenditure</b>	<b>109,880</b>	<b>0</b>	<b>640</b>	<b>140</b>	<b>-70</b>	<b>9,560</b>	<b>0</b>	<b>120,150</b>
Customer & Client Receipts	-3,220		-60					-3,280
<b>Total Income</b>	<b>-3,220</b>	<b>0</b>	<b>-60</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3,280</b>
<b>Net Expenditure</b>	<b>106,660</b>	<b>0</b>	<b>580</b>	<b>140</b>	<b>-70</b>	<b>9,560</b>	<b>0</b>	<b>116,870</b>

**TURSM: Tourism and Events**

**Commentary on Substantial Budget Changes**

**Support Services**

Increased support service costs mainly due to the movements in staffing from Chief Executive's Department to the Economic Development and Planning Department. Additionally, there has been some movement in time charged to Tourism & Events due to increased time (5%) being charged to this service area by the Economic Development & Planning Department.

7 SUMMARIES

7.1 The draft budget is summarised in two ways. One over the cost of the service provided by the committee (objective). The other is over the type of expenditure and income (subjective)

<b>Cost Centre and Description</b>	<b>Original Estimate 2018/19</b>	<b>Savings</b>	<b>Inflation at 3% Pay and 2% Other</b>	<b>Variation to Standard Budgeted Inflation %</b>	<b>Unavoidable Changes to Service Costs</b>	<b>Support Services</b>	<b>Capital</b>	<b>DRAFT Original Estimate 2019/20</b>
ALBNM: Albion Mill	-410		-90	510		120		130
INDDV: Economic Development	163,990		410			7,590		171,990
TURSM: Tourism and Events	106,660		580	140	-70	9,560		116,870
<b>Grand Total</b>	<b>270,240</b>		<b>900</b>	<b>650</b>	<b>-70</b>	<b>17,270</b>		<b>288,990</b>



**b) Type of Expenditure/Income (Subjective)**

	<b>Original Estimate 2018/19</b>	<b>Savings</b>	<b>Inflation at 3% Pay and 2% Other</b>	<b>Variation to Standard Budgeted Inflation %</b>	<b>Unavoidable Changes to Service Costs</b>	<b>Support Services</b>	<b>Capital</b>	<b>DRAFT Original Estimate 2019/20</b>
<b>Premises Related Expenditure</b>	34,170		680	-190	20			34,680
<b>Transport Related Expenditure</b>	70		0					70
<b>Supplies &amp; Services</b>	52,220		1,050	140	-90			53,320
<b>Support Services</b>	225,330		0			17,270		242,600
<b>Total Expenditure</b>	<b>311,790</b>	<b>0</b>	<b>1,730</b>	<b>-50</b>	<b>-70</b>	<b>17,270</b>	<b>0</b>	<b>330,670</b>
<b>Customer &amp; Client Receipts</b>	-41,550		-830	700				-41,680
<b>Total Income</b>	<b>-41,550</b>	<b>0</b>	<b>-830</b>	<b>700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-41,680</b>
<b>Net Expenditure</b>	<b>270,240</b>	<b>0</b>	<b>900</b>	<b>650</b>	<b>-70</b>	<b>17,270</b>	<b>0</b>	<b>288,990</b>

## 8 KEY VARIATIONS

- 8.1 The net expenditure for this committee has increased by £18,750. The main reasons for this net increase are summarised in the table below.

Description	Variance Original Estimate 2018/19 to DRAFT Original Estimate 2019/20
<b>INDDV - Economic Development</b> Increase in support service costs in part due to an increase in time spent on economic development activities by members of Community Services and also due to the movements in staffing from the Chief Executive's Department to the Economic Development and Planning Department.	7,590
<b>TURSM - Tourism &amp; Events</b> Increased support service costs mainly due to the movements in staffing from Chief Executive's Department to the Economic Development and Planning Department. Additionally, there has been some movement in time charged to Tourism & Events due to increased time (5%) being charged to this service area by the Economic Development & Planning Department.	9,560

## 9 RISK ASSESSMENT

- 9.1 The approval of this report may have the following implications

- Resources: Approval of the original budget for 2019/20 would see an increase in net expenditure of £18,750 compared with the original budget for 2018/19.
- Technical, Environmental and Legal: none identified
- Political: none identified
- Reputation: sound financial planning safeguards the reputation of the Council
- Equality and Diversity – Equality and diversity issues are considered in the provision of all Council services.

## 10 RECOMMENDED THAT COMMITTEE

- 10.1 Approve the revenue original estimate for 2019/20 and to submit this to the Special Policy and Finance Committee.

SENIOR ACCOUNTANT

DIRECTOR OF RESOURCES

ED3-19/AJ/AC  
9 January 2019

For further background information please ask for Amy Johnson  
BACKGROUND PAPERS - None