

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ECONOMIC DEVELOPMENT COMMITTEE

Agenda Item No 7

meeting date: 23 JANUARY 2020
title: ORIGINAL REVENUE BUDGET 2020/21
submitted by: DIRECTOR OF RESOURCES
principal author: HELEN SEEDALL

1 PURPOSE

- 1.1 To agree the draft revenue budget for 2020/21, for consideration at Special Policy and Finance Committee.

2 BACKGROUND

3 Year Budget Forecast

- 2.1 The Council's three year budget forecast was presented to Policy & Finance Committee in September. Whilst every year it is extremely challenging to predict funding, nearly all of our major income streams are currently very difficult to forecast in the present climate. Our forecast in September predicted the following budget gaps; £0k in 2020/21, £372k in 2021/22, £410k in 2022/23, after allowing for the use of general fund balances.

- 2.2 2019/20 is the last year of the Government's 4 year multi settlement. From 2020/21 we were expecting substantial local government finance reforms. However in September the Government wrote to all councils announcing that a decision has been taken to delay the implementation of 75% business rates retention and the Fair Funding Review until April 2021. They also announced that 75% business rates pilots will come to an end at the end of March 2020 with no new pilots planned for 2020/21.

- 2.3 Policy and Finance Committee recommend that service committees;
- budget based on the current levels of service provision
 - increase their fees and charges by inflation (2%) where possible
 - only consider growth items which can be funded by identified savings

Spending Round 2019

- 2.4 The Spending Round 2019 was announced on 4 September 2019 and whilst it is for one year only it does provide Councils with some certainty as to next year's funding.
- The Chancellor announced some extra funding for adult and children's social care. He also announced that key grants to local government will continue next year.
 - The future of the New Homes Bonus scheme remains uncertain. Legacy payments will be honoured but the scheme for 2020/21 is still for discussion with ministers. We currently rely on £1.105m to fund our revenue budget each year and also use some of our allocation to fund the capital programme
 - Funding to remove negative RSG will continue for 2020/21.

- A 2% maximum council tax increase and a further 2% increase for Adult Social Care Precept for illustrative purposes. As is customary however, the government will consult on Council Tax Referendum Principles as part of the Local Government Finance Settlement.

General Election

- 2.5 The General Election has resulted in the announcement of the Provisional Local Government Finance Settlement being put back until after the election.
- 2.6 There is also considerable uncertainty with further Local Government Funding as all the major parties set out quite different spending priorities. Hopefully by the time of your meeting the position will be clearer.
- 2.7 Given all of these uncertainties the service committee budgets have been prepared based on the current level of service plus inflation. Where unavoidable service costs have arisen, these are highlighted.

3 BUDGET PROCESS

- 3.1 Presented to committee for decision in October were the proposed fees and charges for 2020/21. The consequential impact of these approved fees and charges have been incorporated in to the service budgets shown within this report.
- 3.2 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.
- 3.3 When all committees have approved their detailed estimates the overall position will be considered by Budget Working Group.
- 3.4 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 2020/21 will also be approved.

4 2020/21 DRAFT REVENUE BUDGET

- 4.1 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%.
- 4.2 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.

4.3 As you will see, the draft proposed budget for 2020/21 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 2019/20:** 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.
- **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 2020/21:** 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.

4.4 Detailed in the following section of the report are the individual budget areas under this committee. Shown are the movements from the 2019/20 Original Estimate, to the DRAFT Original Estimate for 2020/21. Comments are also provided on the main variances.

5 COMMITTEE SERVICE ESTIMATES

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

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

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Premises Related Expenditure	32,610		650	-650	-20			32,590
Supplies & Services	1,830		40					1,870
Support Services	4,090		0			40		4,130
Total Expenditure	38,530	0	690	-650	-20	40	0	38,590
Customer & Client Receipts	-38,400		-770	770				-38,400
Total Income	-38,400	0	-770	770	0	0	0	-38,400
Net Expenditure	130	0	-80	120	-20	40	0	190

5.2 **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.

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Supplies & Services	20,930		420					21,350
Support Services	151,060		0			13,220		164,280
Depreciation and Impairment	0		0				6,670	6,670
Total Expenditure	171,990	0	420	0	0	13,220	6,670	192,300
Net Expenditure	171,990	0	420	0	0	13,220	6,670	192,300

INDDV: Economic Development

Commentary on Substantial Budget Changes

Support Services

Increase in support service costs mainly due to an increase in estimated time to be spent on economic development activities by officers of the Economic Development and Planning Services.

Depreciation and Impairment

Depreciation charge on the planned expenditure for gateway signs at Whalley, Longridge and Clitheroe.

5.3 **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 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Premises Related Expenditure	2,070		40					2,110
Transport Related Expenditure	70		0					70
Supplies & Services	30,560		610					31,170
Support Services	87,450		0			1,420		88,870
Total Expenditure	120,150	0	650	0	0	1,420	0	122,220
Customer & Client Receipts	-3,280		-70					-3,350
Total Income	-3,280	0	-70	0	0	0	0	-3,350
Net Expenditure	116,870	0	580	0	0	1,420	0	118,870

TURSM: Tourism and Events

Commentary on Substantial Budget Changes

Support Services

Increased support service costs mainly due to an increase in costs of Economic Development & Planning staff charged to this area along with an expected increase in time to be spent in this service area by the Community Services staff.

6 SUMMARIES

6.1 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)

Cost Centre and Description	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
ALBNM: Albion Mill	130		-80	120	-20	40		190
INDDV: Economic Development	171,990		420			13,220	6,670	192,300
TURSM: Tourism and Events	116,870		580			1,420		118,870
Grand Total	288,990		920	120	-20	14,680	6,670	311,360

b) Type of Expenditure/Income (Subjective)

	Original Estimate 2019/20	Savings	Inflation at 3% Pay and 2% Other	Variation to Standard Budgeted Inflation %	Unavoidable Changes to Service Costs	Support Services	Capital	DRAFT Original Estimate 2020/21
Premises Related Expenditure	34,680		690	-650	-20			34,700
Transport Related Expenditure	70		0					70
Supplies & Services	53,320		1,070					54,390
Support Services	242,600		0			14,680		257,280
Depreciation and Impairment	0		0				6,670	6,670
Total Expenditure	330,670	0	1,760	-650	-20	14,680	6,670	353,110
Customer & Client Receipts	-41,680		-840	770				-41,750
Total Income	-41,680	0	-840	770	0	0	0	-41,750
Net Expenditure	288,990	0	920	120	-20	14,680	6,670	311,360

7 KEY VARIATIONS

- 7.1 The net expenditure for this committee has increased by £22,370. The main reasons for this net increase are summarised in the table below.

Description	Variance Original Estimate 2019/20 to DRAFT Original Estimate 2020/21
INDDV - Economic Development Increase in support service costs mainly due to an increase in estimated time to be spent on economic development activities by officers of the Economic Development and Planning Services.	13,220
INDDV - Economic Development Depreciation charge on the planned expenditure for gateway signs at Whalley, Longridge and Clitheroe.	6,670

8 RISK ASSESSMENT

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

- Resources: Approval of the original budget for 2020/21 would see an increase in net expenditure of £22,370 compared with the original budget for 2019/20.
- 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.

9 RECOMMENDED THAT COMMITTEE

- 9.1 Approve the revenue original estimate for 2020/21 and to submit this to the Special Policy and Finance Committee.

SENIOR ACCOUNTANT

DIRECTOR OF RESOURCES

ED3-20/HS/AC
9 January 2020

For further background information please ask for Helen Seedall
BACKGROUND PAPERS - None