

REPORT TO	DATE OF MEETING
Cabinet	6 February 2013

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SUBJECT	PORTFOLIO	AUTHOR	ITEM
Financial Strategy, Budget and Council Tax 2013/14	Finance & Resources	Susan Guinness	4(b)

SUMMARY AND LINK TO CORPORATE PRIORITIES

This report provides background information that will need to be taken into consideration in determining the Council's forward financial strategy and, specifically, budget and council tax setting for 2013/14. The Medium Term Financial Strategy (MTFS) recognises the priorities set out in the Corporate Plan and risks identified through the corporate risk assessment processes – both the subject of accompanying reports elsewhere on the agenda for this meeting. The MTFS recognises the continued and significant uncertainty surrounding core government grant funding as a result of the new funding regimes that have come into effect in the last couple of years.

RECOMMENDATIONS

Revenue Estimates

1. Cabinet consider for approval the council's projected out-turn estimates for 2012/13, the original estimate for 2013/14 and indicative original estimates for 2014/15 through to 2016/17, summarised at Appendix A to this report.
2. Cabinet consider Appendix E and the proposals designed to further improve efficiency/increase income and reduce the forecast budget deficit.
3. Cabinet recommend to Council that the forecast residual revenue funding deficit in 2013/14 (£0.635 million) be addressed through making appropriate contributions from the General Fund Reserve, whilst recognising that this figure may need to be revised when the Government announces the final Revenue Support Grant figures for 2013/14 in advance of the Council meeting on 6th March.
4. Subject to any amendments proposed in considering recommendations 1 – 3 above, Cabinet recommend a Borough Council Net Expenditure requirement for 2013/14 (including parish/town council precepts) for approval at the Council meeting on 6 March adequate to support the delivery of the MTFS.
5. The Chief Executive be authorised to deal with all staffing issues arising from the report within the agreed budget and in accordance with council's human resources policies. This will be done in consultation with the Leader, and in her absence the Deputy Leader, and the Cabinet member with responsibility for Finance and Resources and other relevant Cabinet Members.

Council Tax

6. Recognising the Government's changes to Council Tax Support will reduce the council tax base for parish/town councils, and that this Government announcement was only made very late in the budget setting process, Cabinet recommended that a one-off grant in the sum of £20,998 be paid to the parish/town councils in 2013/14 only, as detailed in the table on page 15 of this report.
7. Subject to consideration of recommendations 1-6 above, Cabinet recommend the Borough Council's Band D equivalent Council Tax for 2013/14, for approval at the council meeting on 6 March 2013, remains at the same level as for 2012/13 being £208.38. This will entitle the Council to receive an estimated Council Tax Freezing Grant in the sum of £72,000. This amount will be received in 2013/14 and 2014/15 making a total receipt of £144,000 over the two years only.

Capital Programme/Budget

8. Cabinet approve the Capital Programme as set out at Appendix F along with the proposed funding.

DETAILS AND REASONING

Revenue Budget Out-turn 2012/13

The budget for the current year was set at £12.953 million (excluding parish precepts). It incorporated substantial proposals to improve efficiency, reduce expenditure and generate additional income totalling £0.644 million. It was therefore anticipated that a budgeted contribution of £0.437 million would also be required from the General Reserve to balance the overall forecast budget gap of £1.081 million.

The projected out-turn estimate for 2012/13, summarised at Appendix A, provides the latest position following extensive discussion with both Cabinet Members and the Council's Senior Management Team. Significant oversight and challenge to the compilation of the budget has been provided especially by the Cabinet Member for Finance & Resources.

As set out in Appendix A the projected out-turn for the current year is forecasting a lower than expected year end net expenditure position of £12.764 million (excluding parish precepts). This will result in a forecast contribution to the General Fund reserve of £0.242 million. This represents an improvement of £0.679 million (with £0.636 million arising from one-off in year variations) and will place the Council in a stronger financial position than was originally anticipated by the end of the current financial year. A summary analysis of the reasons for this improved financial position, highlighting the significant budget variations, can be found at Appendix C.

Members will note from Appendix D that the specific budget saving targets totalling £0.644 million (comprising of both additional income and reduced expenditure) is now forecast to be delivered by the end of the financial year. This includes:

- A reduction in recurring staffing costs of £0.293 million achieved by reviewing staffing structures managing vacancies but without the need for compulsory redundancies.
- Recurring savings of £0.122m identified and achieved following a detailed baseline review of a variety of non-staff related budgets.
- A review of the vehicle fleet requirements to significantly improve operational efficiency and reduce transport costs by £0.089 million.

It is proposed that the underspend of £0.679 million brought about by this improved position is set aside within general reserve to assist in covering the increased forecast revenue budget deficit in 2013/14 largely brought about by the recently announced further reductions in core government grant funding.

Key to ensuring we remain on top of the performance of the Council, both in financial terms and more generally, is the Council's performance management framework. This provides the basis through which the overall performance of the Council is regularly monitored, managed and reviewed. Financial performance reporting is specifically considered by Cabinet Members and officers alongside key performance indicator data on a monthly basis. The Governance Committee provides member oversight and scrutiny of the Council's financial arrangements and performance. The Committee has received financial monitoring reports on a quarterly basis during 2012/13.

It is probably worth noting at this point that the Council has a considerable and consistent track record in meeting its financial targets. This was acknowledged by the External Auditor as part of the most recent Annual Governance report when they commented that

"The Council has again achieved significant efficiency savings whilst delivering well against its performance targets. The Council exceeded its savings target for 2011/12 and is making good progress in securing the required levels of savings for 2012/13. In line with others, the Council faces considerable uncertainty over the next few years from the impact of economic conditions on the demand for the services it provides and centrally driven changes around welfare reform and NNDR changes. In this context, the key challenge for the Council is to ensure the continued identification and delivery of significant financial savings whilst also meeting local needs for the services it provides. Its response to the current financial climate together with its track record, indicate it is well placed to meet this challenge."

Future Years - Revenue Budget 2013/14 – 2016/17

REVENUE BUDGET FORECAST

The Revenue Budget forecasts for 2013/14 and beyond are set out in Appendices A and B. The Council's budget and the forecasted budget deficit contained in the previous MTFs has been updated for the information published as part of the Provisional Local Government Finance Settlement on 19th December 2012. The subsequent additional reductions and changes to core grant funding have resulted in an increased forecast budget deficit position as set out below:-

	2013/14	2014/15	2015/16	2016/17
Total Budget Requirement	14,027	14,693	15,172	15,474
Total Funding	(12,877)	(12,351)	(12,138)	(12,246)
Forecast Budget Shortfall	1,150	2,342	3,034	3,228
Contribution from General Reserves	(635)	0	0	0
Proposed Budget Savings	(515)	(515)	(515)	(515)
Forecast Budget Deficit	0	1,827	2,519	2,713

The Council has annually been faced with significant challenges over recent years in ensuring it is able to balance its budget in both the short and medium term due to a number of national external influencing factors:

- A continued pressured economic climate, both in terms of increased demand on services and reductions in income.
- Substantial reductions in Formula Grant as the Coalition Government addresses the national public spending deficit.
- Increased uncertainty in Core Funding from Central Government in terms of both a reduced settlement period and also the new funding regimes that introduce the risk of in year variations and fluctuations.
- Universal Credit, Housing benefit reforms; Planning reforms; Pension scheme review; Governance reforms, Public services white paper; Local authority resources review; Welfare reform

The Medium Term Financial forecasts make no assumptions about the possible impact of the initiatives referred to in the final point (above). This is because there is currently a high amount of uncertainty as the Government explores various implementation scenarios. These areas will be kept under review as further information on their impact becomes available.

As in previous years, the need to deliver substantial year on year efficiencies will need to be a continuing feature of the Medium Term Financial Strategy. As mentioned earlier, the Council has consistently risen to the financial challenges presented with, in the last four years alone, savings and additional income generated amounting to some £6.5m via a mixture of one-off and recurring items. This has been achieved whilst protecting frontline services and minimising the need for compulsory redundancies.

For 2013/14, further efficiency savings and additional income are proposed in the sum of £0.515 million (Appendix E) with a forecast contribution of £0.635 million being required from the General Fund Reserve to help support and sustain service delivery standards in the transition towards a balanced budget in the medium term. This strategy is expected to continue to be used to address the forecast budget gap in 2014/15 and beyond, albeit, based on current forecasts, it becomes even more challenging. On a positive note there is the potential for additional government grant funding, through New Homes Bonus and sharing in the growth of business rates income, if the increase in planning applications seen in the current year bring development to fruition along with the various initiatives aimed at stimulating the wider economy (e.g. Local Development Framework, Enterprise Zone; City Deal; LCC Central Lancashire Transport Masterplan). In this respect the updated MTFs takes a cautious approach and recommends that this is something that is closely monitored throughout the coming year.

The budget requirement forecasts shown in Appendix A include deductions for the recurring efficiencies proposed and show the required contributions from reserves in future years.

In compiling the budget forecasts, a number of specific and key issues have been considered, as follows:

- Impact of known budget decisions taken by partner organisations;
- Issues identified through the preparation of the draft risk register;
- Provisional Revenue Support Grant Settlement – 2013/14;
- Provisional New Homes Bonus grant 2013/14;
- Pension Fund Revaluation;
- Key assumptions made in preparing the estimates as set out at Appendix G;
- The Capital Programme and revenue implications
- Nationally set budget and council tax increase rules/guidelines; and
- The need to maintain an adequate level of reserves.

Provisional Local Government Finance Settlement

The Government announced the provisional figures for the third and fourth year's settlement within the most recent Comprehensive Spending Review (CSR) period on 19th December 2012. The Formula Grant received in 2011/12 was £5.387 million which reduces to £4.647 million in 2012/13 and then to £4.117m in 2013/14. On a like for like basis, this represents year on year grant reductions of £1.041 million (16.19%) and £0.699 million (13.08%) and £0.530 million (11.4%) in each of the three years 2011/12, 2012/13 and 2013/14 respectively. The reductions in each of the three years being the maximum grant reduction for a district council permitted within the parameters set by the Government. Notification has also been received that the overall grant will reduce again in 2014/15 by a further £0.649 million (12.6% on a like for like basis), however due to the changes in how grants are merged and rolled up together this prevents a straight forward illustrative like for like comparison.

Over the four years of the Comprehensive Spending Review the Council will have seen core Formula Grant funding reduce by approximately £3 million (46%).

No further details are known with regard to the futures years covered in the Medium term Financial Strategy as these will be published following the next Comprehensive Spending Review. That said, further reductions in public finance are likely. Due to uncertainty, however, no further estimates of grant reduction are contained in the MTFS budget forecasts after 2014/15 (also refer to Appendix G – Key Budget Assumptions).

In addition, Council Tax Referendum thresholds for 2013/14 have been announced and set at 2.0% with the exception made for those shire districts, Police and Crime Commissioners and fire and rescue authorities whose Council Tax in 2012/13 was in the lower quartile of their category of authority. In these authorities, a referendum only has to be held if the authority increases its relevant basic amount of Council Tax for 2013/14 by more than 2% plus if the resulting cash increase of this rise exceeds £5 in the relevant basic amount. As this exception does not apply to the Council the 2% threshold will apply for the coming year.

The Government has not indicated exactly when the Revenue Support Grant Settlement for 2013/14 will be confirmed, albeit in previous years it has generally been towards the end of January or early February. Subject to this final announcement the proposed contribution from the General Reserve (£0.635million) may require adjustment before the budget is agreed at the Council meeting on 6 March.

Business Rates Retention

2013/14 is the first year of implementation for the new funding regime whereby local authorities are allowed to retain a proportion of additional income generated from growing the tax base for businesses in their area. This new system is one of two large scale changes to the way in which authorities are funded bringing with it significant uncertainty and year on year annual fluctuations to core funding levels in addition to the Formula Grant reductions set out above. Within these new arrangements it is important to note that, although we will continue to collect the business rates for this area (circa £36million), the Government will still continue to determine the annual rate poundage and the Valuation Office Agency will remain responsible for setting the rateable value for business premises.

As part of this new grant regime the Government has determined our Start Up Funding Assessment level with reference to previous actual performance. This being £5.131m comprising of Revenue Support Grant - £3.081m and Baseline Funding Level - £2.050m. As an incentive to local authorities any additional income generated as a result of net growth in business rates will be retained according to the proportionate shares of the precepting authorities (with the exception of Police and Crime Commissioners) and by reference to the Baseline Funding Level. The Government would receive 50% of any net business rates growth with the Council receiving 40%; County Council 9% and Fire & Rescue Service 1%.

Although this new scheme means that some of the financial benefit of net tax base growth is realised by the authority it also results in some of the risks of collection also transferring to local authorities. There are three variable factors that can arise during the year which will directly impact on core funding being, (a) net movement in the tax base, (b) losses on collection (write-offs etc.), and (c) reductions due to appeals. As mentioned above, it should be noted that, due to the uncertainty of achieving any such additional income no funding via this income stream has currently been factored into the budget for 2013/14 nor in the future years covered by this MTFs. This new regime will require us to establish a system of continual monitoring throughout the year to assess the likely financial outcome for future years.

Council Tax Support Scheme

The second large scale change to core funding is the introduction of the Council Tax Support Scheme to replace Council Tax Benefit. In October 2010 the Government published its white paper on welfare reform in which it announced its intention to replace Council Tax Benefit with a localised Council Tax Support scheme.

South Ribble Borough Council pays around £6m in Council Tax Benefit to circa 8,000 claimants; circa 50% are of pensionable age, the remainder being of working age.

Government changes will see the £6m Government Grant, which covers the cost of the current Council Tax Benefit scheme, benefit award being reduced by around 10%. The current Government Grant is sufficiently flexible to cover the costs of this demand-led service. The Government's 10% reduction leaves a shortfall of just over £600,000. South Ribble Borough Council's exposure is circa £84,000 (14%) with the remainder falling to other preceptors, mainly LCC.

A further change is to restrict what is currently a demand-led Grant to a cash limited award that will be "rolled-up" within the Government's annual Formula Grant allocation to the Council in the future. The ramifications of this are perhaps speculative, but as the pensioner population in the area increases, the budget funding gap will inevitably grow.

With regard to the budget setting process the new scheme impacts in two significant areas, these being:-

- Conversion of benefits paid into Council Tax discounts serves to reduce the Council Tax base within the borough. This directly reduces the amount of Council Tax that can be raised as total Council Tax received is calculated by multiplying the Council Tax rate by the Council Tax base. Despite keeping Council Tax at the same rates as the previous year a reduction in the base will invariably reduce the amount of income that can be generated.
- Central Government will now, instead of refunding Council Tax benefit paid, provide the authority with a grant. For 2013/14 this will be £767,199. This grant distribution methodology changes again in 2014/15 when this grant is rolled up into the Formula Grant and no longer separately identifiable. The combined total of which is reducing by £649,000 in that year.

A consequence of the first point above is that the parish and town councils will also see their respective tax bases reduce. This was not anticipated when the Government published its consultation proposals to introduce Council Tax Support and only transpired when the final legislation/guidance was published just before Christmas, after many of the parish/town councils had set their budgets. In recognition of this, and to ensure that parish/town councils are not adversely affected by this late change to the Council Tax Support legislation, it is proposed that the Council approves a one-off grant to each of the parish/town councils to neutralise the financial impact of the tax base reduction in 2013/14 only. The total grant payable would amount to £20,998 and details of the grants proposed for each of the parish/town councils is set out in the table on

page 15 of this report. In future years the parish/town councils will be expected to take account of the revised basis of calculating the council tax base during their budget setting processes.

The Council agreed its council tax support scheme, to take effect from 2013/14, at the meeting on 23 January. Taking into consideration the consultation responses received, the scheme has been designed to recover the 10% reduction in Government grant funding whilst protecting pensioner claimants.

Council Tax "Freeze" Grant

A grant has been available since 2011/12 to authorities who "freeze" their Council Tax at the same level as the previous year. For 2011/12, the Government paid each local authority a grant equivalent to the money that would have been generated by a 2.5% council tax increase. This grant is being paid annually and is guaranteed until 2014/15. In 2012/13 the Council approved an increase of 2.5% to its Council Tax level. This was to build in future resilience within the budget at a time when the far reaching amendments to local authority funding were clearly significant yet largely unknown therefore posing a significant financial risk.

With regard to 2013/14 it is proposed that the Council Tax level is frozen and not increased from that set in 2012/13. This will qualify the council to receive the Council Tax "Freeze" grant available. This equates to a 1% increase in total Council Tax income, circa £72,000, and will be paid for a period of two years in 2013/14 and also 2014/15. Acceptance of this funding does not prevent local authorities from approving council tax increases for futures years after 2013/14.

New Homes Bonus (NHB) Grant

The Government introduced this grant system in 2011/12 as an incentive for house building across the country. NHB is based on the average national Band D council tax for each new property built, with an additional top-up payable for affordable properties constructed. The funding is not ring-fenced and therefore can be used for wider service provision or specific amenities needed to support any new development.

The New Homes Bonus allocation for 2011/12 was £0.165 million and increased by £0.170 million to £0.335 million in 2012/13. The allocation for 2012/13 incorporated the first affordable homes premium. It is important to note that, whilst the annual NHB allocations are made to councils as aggregated payments, the NHB allocations for each year are separate and discrete. This becomes important for financial planning as each discrete annual allocation is only payable for 6 years. The provisional NHB awarded for 2013/14 is £0.154m and has been built into the base budget funding in the current MTFS period up to and including 2016/17.

Pension Fund Revaluation

The Local Government Pension Scheme (LGPS), administered by the County Council in Lancashire, was last re-valued in 2010/11 with new employer contribution rates taking effect from April 2011. The revaluation exercise has produced a revised "target rate" of 21.3% to be achieved by 2013/14 through annual increments of 1%. A reduction in the number of South Ribble "pensionable" employees paying into the LGPS since the last revaluation has created some upward pressure on this headline percentage rate to maintain the recovery of the deficit on the fund. Another revaluation exercise will take place next year and at this point we will know if the increases made to our contribution rates to date have helped to offset the fund's deficit position. In the meantime it is assumed that pension contribution rates will have to continue to increase in the sum of 1% per annum.

This is a key budget assumption and any changes to this assumption will affect the budget deficit forecast going forward should the forthcoming revaluation exercise result in changes to this assumption either upwards or downwards.

Planning Fees

The Department of Communities and Local Government (DCLG) confirmed in November 2012 that planning fees in England will increase by 15%.

The new regulations consolidate fee legislation dating back to 1989 and introduce new levels of planning application fees which have been up-rated by 15% in line with inflation since 2008, as well as introducing a small number of new fees as a result of changes to primary legislation.

Waste Management – Cost Sharing Agreement

Along with other Lancashire district councils, the Council works in partnership with the County Council to deliver the countywide waste management strategy aimed at increasing recycling rates and reducing the volume of waste being disposed of in landfill sites. As part of the existing agreement, due to expire in March 2014, the County Council pays to the Council a cost sharing payment which generates additional income for the Council of around £1.023m per annum. As part of its budget reduction programme the County Council has been reviewing this arrangement in advance of its expiry next year and has tabled a proposal for consideration by the district councils. This proposal is still being discussed with the County Council and is explained in greater detail elsewhere on this Cabinet agenda.

Community Safety

This time last year, during the setting of the budget, there was a lack of clarity around what the future held for some community safety initiatives. Funding for the Community Safety Partnership was being reduced at a county level and there was uncertainty as to what the election of a new Police & Crime Commissioner may mean for future priorities and funding.

Last year, due to funding constraints, the Community Safety Partnership (CSP) was unable to prioritise funding to support both the CCTV system in South Ribble and the Independent Domestic Violence Advocacy Service (IDVA). Therefore the CSP approached the Council and South Ribble Partnership for support. In response the Council agreed to fund the IDVA contribution of £1,630, rising to an assumed £5,000 in 2013/14 to reflect the loss of the subsidy in the current year from funds held by the Safer Lancashire Board. In respect of CCTV the South Ribble Partnership agreed a one-off contribution of £10,000, which along with a grant from the now abolished Police Authority, was used to support the running of the system whilst a longer solution was explored.

For the coming year, the Council's expected contribution to the IDVA service (£5,000) has been built into the base budget going forward. The budget proposals also propose that the Council assumes responsibility for the maintenance of the CCTV system from the CSP at a cost of £15,000 p.a., with budget provision also being made for the repair and replacement of several of the cameras (£15,000).

The Police and Crime Commissioner (PCC) has given an assurance that he will maintain the funding for PCSOs in 2013/14 where match funding continues to be provided by local authorities and other partners. Therefore the budget proposals appended to this report include for the continuation of our funding (£44,000) at current levels to match the commitment given by the PCC. This supports 4 of the PCSOs deployed in the Borough.

Consultation Process

The priorities of the Council reflected in the Corporate Plan have been developed following substantial consultation with local people. The budget proposals included within this report are designed to support those corporate priorities and local area plans, prepared for each of the five My Neighbourhood Forums. These Forums were established by the Council to improve the engagement of communities in influencing what happens around them and how the Council and partners allocate resources. An update on these plans is also being considered on this Cabinet

agenda. The Council's plans and budget also acknowledge the work that has been undertaken through South Ribble Partnership to update the Sustainable Communities Strategy. The budget proposals do however recognise the financial constraints that have now been imposed on all local authorities. The budget proposals will be made available for local people and businesses to comment on and any feedback received will be taken into consideration before the budget is finalised at the Council meeting on 6 March 2013.

PRUDENTIAL CODE AND CAPITAL PROGRAMME/BUDGET

Prudential Code

Capital expenditure incurred by the Council is controlled and governed by guidance set out in the Prudential Code for Capital Finance in Local Authorities (the Code). The professional code of practice sets out a framework for self-regulation of capital spending, in effect, allowing councils to invest in capital projects without any limit as long as they are affordable, prudent and sustainable. The Code allows the council to determine the appropriate level of capital investment to properly deliver quality public services, subject to affordability.

Members' involvement in the decision making and monitoring process is considered essential in order that the Council can demonstrate that capital expenditure plans are affordable, external borrowing is prudent and sustainable and that treasury decisions are taken in accordance with good practice. The detail in this regard is the subject of a separate report on the Cabinet agenda in relation to the Council's Treasury Management Strategy.

Capital Budget 2012/13

Appendix F to this report summarises the projected expenditure and revised phasing of capital projects already committed in the council's capital programme. This is further detailed by Cabinet portfolio.

Capital Programme 2013/14 and future years

The need to support the Council's corporate plan to ensure the overall priorities of the Council are achieved means that an overview of the linkages between service specific strategies and plans must be taken in determining capital investment priorities. The proposals being brought together in the Capital Programme as shown at Appendix F fall into the following categories:

- Asset Management Plan requirements (*essential to service delivery*):
 - Land and Buildings;
 - Vehicles & Plant renewal and replacement;
 - Information Technology - schemes designed to continue the Council's investment in this area and replace/upgrade existing technology considered essential to support service delivery.
- Schemes that relate to regeneration projects and where funding has been identified.
- Housing capital programme (incl. disabled facilities grants).
- Playgrounds/Open Space (incl. schemes funded from s106 agreements).
- Schemes with health & safety implications.

That said, the capital programme priorities have needed to be considered against the back drop of the difficult financial climate generally facing all businesses and householders, from which the Council is not immune. The current financial constraints imposed on all local authorities as a consequence of the Comprehensive Spending Review has meant that the proposed Capital Programme has been critically reviewed to ensure it is realistic in terms of affordability and our

ability to deliver projects/scheme within the timescales indicated. Within this context the proposed Capital Programme is set out at Appendix F from 2013/14 to 2016/17. The programme will continue to be subjected to a fundamental annual review to ensure that expenditure plans remain relevant to corporate and service priorities prevailing at that time.

Housing Capital Allocations

Our Housing service is the only area in which we currently receive annual capital expenditure funding support from the Government.

Since 2011/12 there has been no Single Capital Pot for private sector renewal provided by the Government. The reason given for this was that the government wished to reduce the number of different funding streams and ring fencing, reduce the overall spending to tackle the national budget deficit and also let local authorities decide their own local priorities. Essentially this means that if the council feels that private sector renewal is a local priority it now needs to divert other resources for this purpose.

Disabled Facilities Grants (DFG's) funding continues to be provided and the ring-fencing of this grant was removed from 2011/12 onwards. This means that the Council could use this resource for other purposes but in setting the budget it has been assumed that it will continue to be used in full for DFG's in line with previous practice.

In December 2012, the Council received extra capital grant funding of £95,996 to support local authority expenditure on Disabled facilities Grant, increasing the total allocation for 2012/13 from £233,000 to £328,996. The indicative Housing capital programme is included in Appendix F.

Other Key Points

The proposed Capital Programme (Appendix F) is fully funded and the revenue implications have been incorporated within the Revenue Estimates summary at Appendix A.

The Capital programme includes the schemes emerging from the five My Neighbourhood Forums which are funded primarily from s106 developers' contributions as well as other sources of external funding. Two major schemes in the relevant My Neighbourhood Plans which require nominal allocation of capital are Longton Village Improvements and Leyland Regeneration. These schemes have similar aims, namely to improve the built environment and create a better sense of place whilst stimulating the local economy by investing in improvements to each business centre. Leyland is a continuation of the regeneration works which are guided by the Leyland Masterplan. The figures shown are nominal allocations and the actual finances of each of these schemes will be determined when the final designs are appraised and ratified by Council. As always the ability to link regeneration schemes with proposed developments will be considered where it makes sense to do so. It is planned to support regenerations schemes in Penwortham and further opportunities to do so will be worked upon during the course of the coming year.

A new annual allocation of £100,000 has been included in the Capital Programme to fund essential parks and open space capital works. This is supported by a prioritised programme of proposed infrastructure works.

Funding for the Disabled Facilities Grant programme from 2013/14 onwards is based on an estimate of the funding available, as no confirmation of future funding has been received from the Government yet. Typically this funding announcement is made around March each year, very late in the budget setting process. Should this year's Government announcement bring with it either a change in the level of funding or the way in which Disabled Facilities Grants are funded we will need to review the capital programme in this area.

Finally, the practice of including a budget allowance for professional/technical fees within Capital Programme project estimates has continued. This ensures we have the capacity (people and skills) and money to deliver a realistic programme of works.

Capital Reserves

The following table provides a detailed forecast of the capital receipts reserves for the period up to 31st March 2017. Capital receipts are used to support the Council's Capital Programme and the figures below have been adjusted to take into consideration the proposed funding of the Capital Programme in Appendix F.

Reserve	Projected Balance 31 March 2013 £000	Projected Balance 31 March 2014 £000	Projected Balance 31 March 2015 £000	Projected Balance 31 March 2016 £000	Projected Balance 31 March 2017 £000
Capital Receipts Reserve	704	704	702	702	702
Earmarked Receipts	596	488	118	118	118
Preserved Right to Buy Receipts	472	472	472	472	472
Total	1,772	1,664	1,292	1,292	1,292

Revenue Reserves

The requirement for financial reserves is acknowledged in statute. The Local Government Act 2003 requires billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating its budget requirement. These existing safeguards are further reinforced through the Audit Commission's audit and inspection processes, whereby the financial performance and standing of an authority is assessed and categorised. One aspect of the authority's financial standing that is assessed is the level of financial reserves. Given the financial challenges that are facing every local authority the Audit Commission has been paying particular attention to the financial resilience of local authorities as part of their audit. As previously referred to, the financial challenges to Councils are increasing with a new era of Local Government core grant funding whereby significant funding streams are increasingly uncertain as they are calculated using fluctuating and variable factors on an annual basis.

Balancing the annual budget by drawing on general reserves may be viewed as a short-term option but where reserves are deployed to finance recurrent expenditure this should be made explicit by the Council's Chief Financial Officer (Chief Executive). Members must note that the continued use of balances in this way is not sustainable.

As part of the budget setting process, the council is required to confirm the adequacy of reserves in the light of its final spending plans. The level of reserves held by the council, both general and those earmarked for specific purposes, is a decision for the council in the context of the financial risks facing it. There is no specific guidance on what constitutes a reasonable level of reserves as the circumstances facing each individual local authority will differ. It is important, however, that any decision in this regard is taken in the context of the Medium Term Financial Strategy and is not based on just a single one year view. In this regard, the council has a good track record of taking a medium to longer term view when assessing its financial position and therefore the required level of reserves. As outlined earlier in this report, this has led to consistently positive comments on the council's overall financial standing from the External Auditor.

The level and relevance of the reserves held by the council is the subject of an ongoing review. However, specifically, Members are reminded that a critical review of the level of reserves held by the Council is completed as part of the annual budget setting process and, at the end of each financial year, in preparing the Statement of Accounts. At each of these points the council is asked to approve the reserves being held. .

The Table below highlights the projected levels of revenue reserves, based upon *provisional* budget figures appended to this report. This is currently set out prior to Cabinet consideration and agreement of priorities. It assumes that the projected out-turn surplus for 2012/13 and the deficit forecast for 2013/14 are funded through making contributions from the General Fund Reserve.

Reserve	Projected Balance 31 March 2013 £'000	Projected Balance 31 March 2014 £'000	Projected Balance 31 March 2015 £'000	Projected Balance 31 March 2016 £'000	Projected Balance 31 March 2017 £'000
General Fund	4,379	3,744	3,744	3,744	3,744
ICT Strategy	1,637	1,471	1,316	1,046	836
Elections	74	104	134	44	44
Asset Management	1,960	1,462	795	1,053	964
Public Open Space Commuted Sums	1,771	1,712	1,653	1,594	1,535
Vehicles, Plant & Equipment	112	112	112	112	112
Local Plans	232	232	232	232	232
Building Control	0	0	0	0	0
Housing needs survey	29	15	35	55	75
Leisure Sites Repair and maintenance	198	198	198	198	198
Icelandic Impairment	120	120	120	120	120
Performance Reward Grant	253	199	144	89	33
Other	943	846	845	845	846
Total	11,708	10,215	9,328	9,132	8,739

General Reserve

This reserve is needed to deal with unplanned/unforeseen expenditure or losses in income. The level of General Reserves is kept under review as the council continues to introduce improvements to its performance monitoring and risk management systems.

In order to balance the budget in 2012/13, efficiency/additional income targets (£0.644 million) were set. Similarly, realistic but challenging targets have been included for the coming year (£0.515 million) with further efficiencies required in future years. As any underachievement against target, together with any one-off transitional costs arising from reviews and service restructuring, would need to be funded by the Council it is essential to maintain reserves at appropriate levels.

As the External Auditor previously *acknowledged* ".....the general fund balance of just over £4 million at 31/3/11 provides some contingency against the increased risks of delivering against such challenging efficiency savings targets giving the Council time to respond to under delivery or new spending pressures.....". This has particular relevance given the challenging economic climate and future uncertainty surrounding the Council's core grant funding as outlined throughout this report.

Earmarked Reserves

The council has established earmarked reserves to meet 'known or predicted liabilities' where the impact of the expenditure would otherwise cause a significant variation to the council's annual expenditure. The reserves are as set out in the table on the previous page.

Robustness of the Budget/Budget Sustainability

The Local Government Act 2003 requires the Chief Financial Officer (Chief Executive) to report upon the robustness of the estimates made for the purposes of the budget and council tax setting calculations. Spending plans ultimately impact on the level of council tax although, as explained below, the extent of any increase is also externally influenced by the provisions within the Localism Act (council tax referendum requirements). The Medium Term Financial Strategy assesses the affordability of revenue and capital plans and the adequacy of reserves. As with all plans the further the estimate is in the future there is a higher risk with regard to its accuracy. This is now additionally problematic given the variable factors introduced from this coming year when determining core grant funding together with the prospects of the next Comprehensive Spending Review impacting on Government Grant allocations beyond 2014/15.

As with previous years' budget reports, the council's financial strategy is now aimed at addressing the longer term sustainability issues surrounding capital investment and the contributions that may be required to earmarked reserves. To address the longer term sustainability of the council's finances the council considers appropriate asset disposals coupled with the fact that additional funds have been included in the revenue budget in recent years to address longer term maintenance issues and significant non-cyclical expenditure.

As explained above, the Capital Programme is fully funded. Any additional schemes currently being prioritised and approved by the My Neighbourhood Forums is brought forward as and when funding is identified.

On current financial forecasts, given the substantial reductions in government grant and future revenue budget funding remains a cause for concern - especially given that funding levels beyond 2014/15 are uncertain - it therefore remains vitally important for the council to continue addressing the future years' forecast funding gap by developing plans to seek further efficiencies in service delivery. This acknowledges the lead time often required to deliver substantial changes to services. As previously referred to, however, the council has a good track record of delivering efficiencies and the programme of continuous efficiency reviews has an important part to play in this respect. Additionally the retention and appropriate use of revenue reserves will help sustain

service standards and fund any one-off costs in the transition towards a balanced budget in the medium term.

At this stage, and subject to the on-going scrutiny processes, the Chief Financial Officer's opinion is that the continuation estimates process has taken all practical steps to identify and make provision for the commitments to which the council will be exposed in 2012/13 and 2013/14. This process remains a vital part of ensuring the robustness and financial integrity of the budget. It is important to continue to ensure that all decisions made regarding resource allocation are made with full knowledge of both current and future costs. Having assessed the significance and likelihood of the risks associated with the budget assumptions, the reserves detailed in this report are also considered adequate to support the delivery of the council's current Corporate Plan. The Chief Financial Officer will keep the position of balances and reserves under review during the budget process and provide further advice as appropriate.

Council Tax

The following table provides details of the Council Tax collected by the Borough Council, in its role as billing authority. The table also shows the component parts of the current year's council tax payable by the occupiers of a Band D property in the Borough together with the dates on which each of the precepting authorities are currently expected to agree their budgets and council tax for 2013/14.

Precepting Authority	2012/13 Band D Equivalent £	2013/14 Band D Equivalent £	Meeting Date
Police & Crime Commissioner	149.93	tba	1 st February 2013
Lancashire Combined Fire Authority	63.65	tba	11 th February 2013
Lancashire County Council	1,108.30	tba	21 st February 2013
South Ribble Borough Council	208.38	208.38	6 th March 2013
Total	1,530.26		

Residents living in a property located within the boundaries of a Parish/Town Council will have to pay an additional amount of council tax (i.e. added to the amounts in the previous table) to pay for the services of the respective Parish/Town Council. The Parish/Town Councils have each agreed and confirmed their precepts. The table below compares each of the precepts notified for 2013/14 with that for the current year. It also provides details of the one-off grant it is proposed that the Council pays to the parish/town councils in 2013/14 only to neutralise the impact that would have arisen from the Government's introduction of Council Tax Support.

Parish/ Town Council	2012/13		2013/14				
	Precept	Band D Equivalent	Precept	Grant from South Ribble Borough Council	Balance to be collected	Tax Base Band D Equivalent Properties	Band D Equivalent
	£	£	£	£	£		£
Farington	50,000	22.63	50,000	4,791	45,209	1,994.91	22.66
Hulton	16,000	17.57	21,000	663	20,337	871.45	23.34
Longton	21,100	6.76	21,100	1,202	19,898	2,949.30	6.75
Penwortham	127,600	15.71	127,600	12,775	114,825	7,298.79	15.73
Much Hoole	9,000	12.19	9,000	587	8,413	678.75	12.39
Little Hoole	9,000	11.65	16,000	767	15,233	714.73	21.31
Samlesbury & and Cuerdale	4,350	8.49	4,350	213	4,137	482.97	8.57
Total	237,050		249,050	20,998	228,052	14,990.90	

Council Tax - South Ribble Borough Council

The current Band D equivalent tax for the council, excluding parish/town council precepts is £208.38. Council tax increases in recent years have been held below inflation with no increase being applied in 2010/11 and 2011/12. Subject to Government rules regarding a Council Tax referendum (explained earlier in this report) the council has discretion over the level of Council Tax it needs to levy to deliver local services. Council Tax should not be levied, however, unnecessarily and be justifiable in terms of the services it is being used to fund. With these caveats in mind, the Cabinet is required to determine the 2013/14 Band D equivalent Council Tax that will be recommended to the Council meeting scheduled for 6 March 2013.

The net expenditure of the Borough Council, excluding parish/town Council precepts and after contributions to/from reserves has to be met from funding from the Formula Grant, with the balance being met by Council Tax. The *provisional* amounts of Formula Grant for 2013/14 have been announced by Central Government and are shown in the table below, along with the equivalent figures for the previous two years.

	2011/12	2012/13	2013/14	2014/15
Business Rates	4.115	4.555	New Business Rates Retention Scheme introduced	
Revenue Support Grant	1.272	0.092		
Formula Grant	0	0	4.117	4.482*
Council Tax Support Grant	0	0	0.767*	0
Total Formula Grant excl. Council Tax Freeze Compensation Grant	5.387	4.647	4.884	4.482
Council Tax Freeze Compensation Grant (temporary funding for 2011/12 & 2013/14)	0	0.189	0.261	0.072
Total Formula Grant	5.387	4.836	5.145	4.554

*The Council Tax Support Grant will be rolled into and included in the Formula Grant settlement in 2014/15

The Borough Council's Council Tax base for 2013/14 has been determined as 33,377.67 Band D equivalent properties (2012/13 - 37,305.48). This includes 29.12 Band D equivalent properties arising from the decision to reduce the discount on second homes from 50% to 10%. The reduction in the tax base is mainly as a result of the replacement of Council Tax Benefit with Localised Support for Council Tax, whereby the grant funding replaces 90% of the previous subsidy in respect of Council Tax benefit. The amount of grant to be received has to be expressed in terms of a Band D property and the tax base is reduced by the appropriate amount. In addition, further reductions are indicative of changes that have occurred such as the Valuation Office rebanding houses for Council Tax purposes.

Current in-year collection rates for Council Tax do not currently appear to have been adversely affected by the recession. However, in calculating the tax base applicable for 2013/14 the allowance for estimated losses on collection has been increased from 0.75% to 2.00%. This is to reflect the significant impact of continued rebandings of properties. That said, every effort will continue to be made to maximise collection rates and minimise any amounts that may ultimately prove to be irrecoverable.

In determining the Council Tax level legislation also requires the Council to take into account any surplus or deficit on the Collection Fund. The requisite calculations have been finalised and there is a forecast deficit on the collection fund of £478,063. The Council's share of this deficit amounts to £66,807, equivalent to £2.00 (approx. 1.0%) on a Band D property. This is offset by an equivalent residual adjustment for repaid transitional relief in relation to Community Charge. When Community Charge replaced Rates, there was a period giving transitional relief which was a revenue cost and when the relevant properties were subsequently revalued, the relief was cancelled and the income is transferred back to revenue.

Proposed Council Tax 2013/14

Following on from last year's increase of 2.5% the Council is proposing to freeze Council Tax (for the third time in the last four years) at the same amount as 2012/13 in 2013/14. This would enable the Council to receive the Council tax Freezing Grant that is available from Central Government which equates to a 1% increase in Council Tax. This income receipt would continue for two years and therefore will be received in 2013/14 and also 2014/15. It is estimated that the grant received will be £72,000 for each of the next two years making a total of £144,000 for the two years after which this grant will stop. Central Government have made Council Tax Freezing Grants available each year, at varying levels and terms since 2011/12, however, there is no indication that this arrangement will continue and therefore there have been no further receipts included in the budget forecast going forward other than those formally published and known about.

Council Tax Increase - Limitations

The Localism Act has introduced the power for the Secretary of State to set principles each year under which council tax increases are determined as excessive. This can apply to South Ribble Borough Council, Lancashire County Council, Fire, Police or Towns and Parishes. In all such cases, South Ribble Borough Council has to make arrangements to hold a local referendum for residents. Costs can be recovered from the relevant precepting authority. For 2013/14 the limits have been set at 2.0% with the exception made for those shire districts, Police and Crime Commissioners and fire and rescue authorities whose council tax in 2012/13 was in the lower quartile of their category of authority. In these authorities, a referendum must only be held where the authority increases its relevant basic amount of council tax for 2013/14 by more than 2% and there is a cash increase that is more than £5 in the relevant basic amount. No equivalent limits have been set for Town and Parish Councils for 2013-14, although the Government may determine such limits in future years.

Appendices attached to this report

Appendix	Title	Description
A	Budget projections	Latest projected outturn for the current year and future years' estimates.
B	Portfolio Revenue Summary Projections	Detail of Revenue budget projections by Activity for each portfolio.
C	Variance Analysis	Explanation of major variances 2011/12
D	2012/13 Efficiency Programme	Schedule of efficiency targets incorporated into budget forecasts
E	2013/14 Efficiency Programme	Proposed efficiency programme 2013/14 onwards
F1	Capital Programme & Financing	Summary of the projected expenditure and revised phasing of capital projects already committed in the council's capital programme.
F2	Capital Programme & Financing	Summary of the projected expenditure and revised phasing of capital projects already committed in the council's capital programme.
G	Revenue Budget – Key Assumptions	Key assumptions used in compiling the revenue budget forecasts.
H	Key Risks to the Medium Term Financial Strategy	Potential risks to the medium term financial strategy and the mitigating action(s)
I	Glossary of Terms	Glossary of the Financial and Budgetary Terms used in the report

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas shown below. A risk assessment has also been carried out. The table shows the implications in respect of each of these.

FINANCIAL	The financial implications relating to this report are set out in the body of this report.		
LEGAL	These are contained within the revenue and capital budgets.		
RISK	There are no implications resulting directly from this report.		
OTHER (see below)	<p>The budget proposals, if agreed, will result in a reduction in employee costs, which will be addressed in accordance with the Council's suite of human resource policies. As has been demonstrated in delivering this year's efficiency target, the need for any compulsory redundancies will be kept to a minimum and treated as a last resort. Close liaison with the Trade Unions and employees has been and will continue to be on-going.</p> <p>There are no legal implications at this stage.</p> <p>As explained in the report the Council has an excellent track record of delivering efficiencies to balance the budget exceeding Government targets. Progress against the current year's target is progressing well with efficiencies/budget savings expected to have been delivered by the end of the financial year</p> <p>An equality impact assessment has been carried out on the budget proposals contained in this report for 2013/14, taking into account the requirements of the Equality Act 2010, and the specific public sector provisions which come into being from 1 April 2011.</p>		
<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Efficiency Savings</i>	<i>Equality, Diversity and Community Cohesion</i>
<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>
<i>Respect Agenda</i>	<i>Staffing</i>	<i>Sustainability</i>	<i>Training and Development</i>

BACKGROUND DOCUMENTS

Treasury Management Strategy - Cabinet 6 February 2013

REVENUE ESTIMATES 2012/13 TO 2016/17						
GENERAL FUND SUMMARY						
	Original Estimate 2012/13 £000	Projected Outturn 2012/13 £000	Original Estimate 2013/14 £000	Forecast Original Estimate 2014/15 £000	Forecast Original Estimate 2015/16 £000	Forecast Original Estimate 2016/17 £000
Portfolio						
Finance & Resources	82	205	294	315	329	339
Shared Services & Corporate Support	3,211	2,793	3,260	3,387	3,554	3,485
Neighbourhoods & Street Scene Regeneration, Leisure & Healthy Communities	5,422	5,417	5,659	5,860	5,994	6,127
Strategic Planning & Housing	3,148	3,139	3,141	3,225	3,283	3,319
	1,780	1,652	1,631	1,670	1,645	1,673
Grand Total	13,643	13,206	13,985	14,457	14,805	14,943
External interest	(266)	(282)	(200)	(200)	(200)	(200)
Provision for Repayment of Debt	714	687	857	922	974	1,048
Interest Payable	126	126	121	120	119	119
Capital Expenditure Charged to General Fund	0	16	0	0	0	0
Depreciation	(1,396)	(1,396)	(1,391)	(1,391)	(1,391)	(1,391)
Cont'n (from)/to Reserves/ Provisions	569	407	406	536	616	706
Cont'n (from)/to General Fund Balances	(437)	242	(635)	0	0	0
BOROUGH COUNCIL BUDGET REQUIREMENT	12,953	13,006	13,143	14,444	14,923	15,225
Parish/Town Council Precepts	237	237	249	249	249	249
TOTAL BUDGET REQUIREMENT	13,190	13,243	13,392	14,693	15,172	15,474
Funded By						
New Homes Bonus	326	335	489	489	489	489
Council Tax freeze grant	189	189	261	261	0	0
Homelessness Prevention Grant	57	101	57	57	0	0
Revenue Support Grant	4,647	4,647	4,117	4,884	4,884	4,884
Provisional 14/15 grant reduction	0	0	0	(649)	(649)	(649)
Council Tax Support Grant	0	0	767	0	0	0
Parish/Town Council Precepts	237	237	230	249	249	249
Actual/Projected Borough Council Tax Income	7,734	7,734	6,956	7,060	7,165	7,273
TOTAL FUNDING	13,190	13,243	12,877	12,351	12,138	12,246
Forecast Budget deficit	0	0	515	2,342	3,034	3,228
Proposed Budget savings	0	0	(515)	(515)	(515)	(515)
Forecast Shortfall	0	0	0	1,827	2,519	2,713

**REVENUE ESTIMATES 2012/13 TO 2016/17
GENERAL FUND SUMMARY**

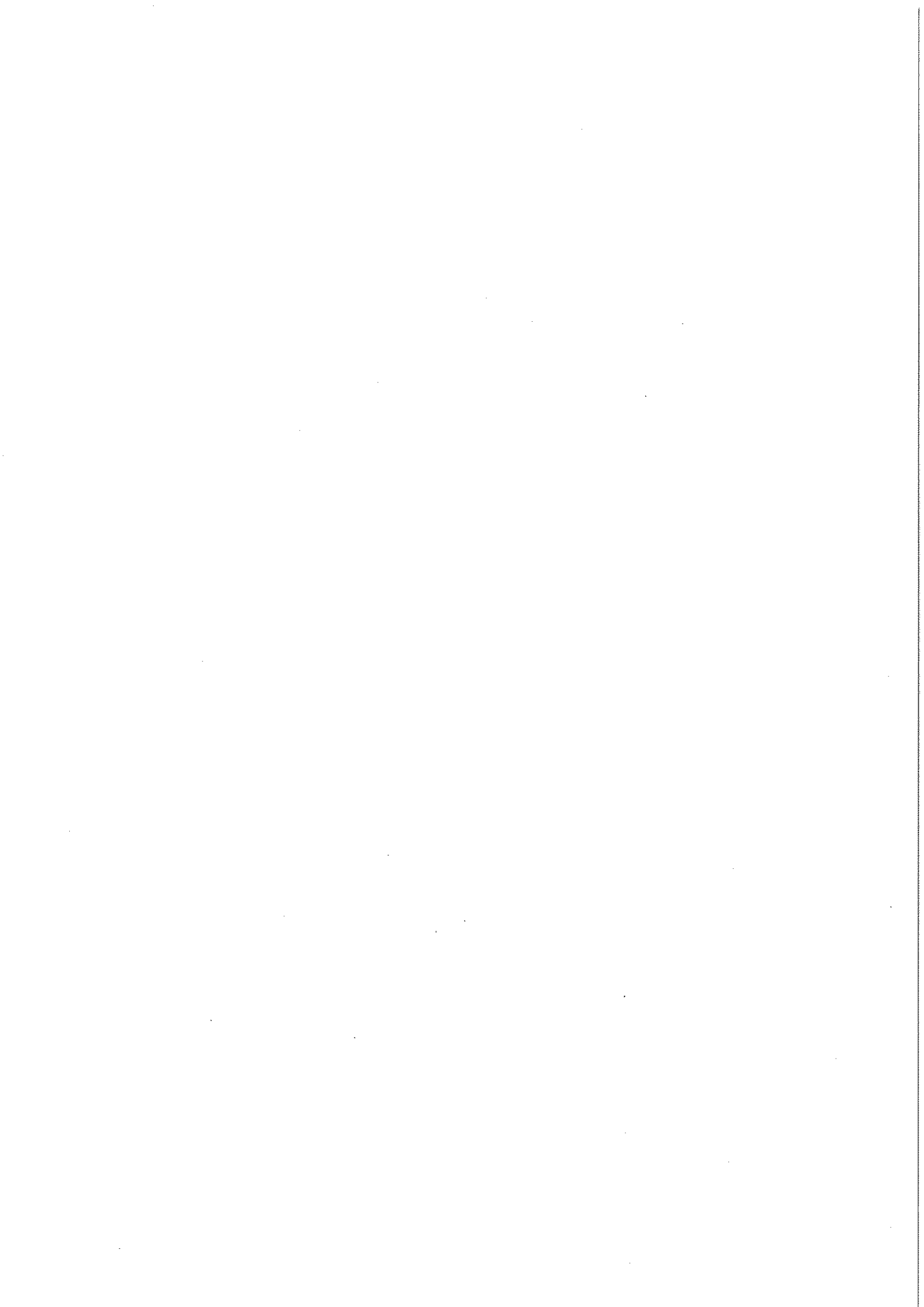
Portfolio	Service	12/13 Original £	12/13 Proj. Outturn £	13/14 Forecast £	14/15 Forecast £	15/16 Forecast £	16/17 Forecast £
Finance & Resources							
	Estates General	160,605	148,273	163,371	169,376	172,494	175,553
	Finance Dept-Miscellaneous	(32,217)	100,821	196,220	200,701	204,339	204,365
	Operational depots	26,371	35,822	41,340	43,654	45,565	47,491
	Market Operations	5,768	7,904	13,446	15,620	16,416	17,785
	Pensions To Former Employees	240,162	288,333	251,333	251,333	251,333	251,333
	Property Management/Investment Properties	(440,389)	(506,633)	(505,478)	(501,245)	(498,437)	(495,626)
	Public Conveniences	49,886	47,822	50,336	50,991	51,374	51,748
	Risk Management	19,760	19,505	20,395	20,395	20,732	21,046
	Treasury Management	51,931	63,181	63,863	64,583	64,994	65,044
	Finance & Resources Total	81,857	205,028	274,421	315,409	328,810	338,739
Shared Services & Corporate Support							
	Elections	92,527	100,559	101,898	105,020	217,999	107,482
	Cashier Services	130,250	129,584	131,652	136,062	138,048	139,202
	Citizens Advice Bureau	27,000	27,000	27,000	27,000	27,000	27,000
	Community Works	1,451	0	0	0	0	0
	Concessionary Travel/rail passes	4,090	2,545	2,659	2,810	2,880	2,882
	Corporate Management	782,394	727,630	742,747	769,124	779,548	788,610
	Cost Collection Council Tax	422,214	423,365	431,846	449,470	457,430	462,081
	Council & Committees	192,478	199,071	200,819	205,889	208,339	210,584
	Grants & Contributions	28,050	23,275	23,275	23,275	23,275	23,275
	Housing Benefits	720,354	371,701	779,410	827,074	844,499	858,447
	Joined Up Servs For Young People	6,534	6,438	6,498	6,543	6,566	6,587
	Land Charges	11,530	7,683	13,195	17,249	19,230	21,146
	Legal Fee Earning	1,400	(3,600)	2,900	2,900	2,900	2,900
	Licensing	(31,735)	(40,597)	(23,999)	(18,567)	(16,180)	(14,252)
	Mayoral & Civic Expenses	114,207	111,636	112,735	115,641	117,238	118,653
	Members Expenses	216,936	216,986	220,252	221,539	222,608	223,349
	Performance Related Grant	58,732	56,178	56,178	56,662	56,930	57,202
	Public Relations	122,941	122,539	124,803	128,214	129,814	131,164
	Registration Of Electors	151,425	152,304	153,607	157,085	158,760	160,055
	Scrutiny And Improvement Division	94,367	92,060	89,943	90,636	91,785	92,896
	South Ribble Partnership (Grant funded)	43,796	44,835	45,457	45,838	46,583	47,267
	Standards Committee	20,757	16,475	16,917	17,529	17,835	18,125
	Preston Guild	0	5,355	0	0	0	0
	Shared Services & Corporate Support Total	3,211,698	2,792,897	3,259,792	3,386,993	3,553,087	3,484,655

**REVENUE ESTIMATES 2012/13 TO 2016/17
GENERAL FUND SUMMARY**

Portfolio	Service	12/13	12/13	13/14	14/15	15/16	16/17
		Original £	Proj. Outturn £	Forecast £	Forecast £	Forecast £	Forecast £
Neighbourhoods & Streetscene							
	Car Parking	68,106	73,196	76,861	81,186	83,157	85,307
	Community Cleansing	1,088,893	1,093,538	1,100,840	1,135,875	1,155,384	1,174,539
	Community Safety	225,960	187,192	217,211	219,866	221,131	222,476
	Grounds Mfice	1,084,547	1,074,024	1,133,282	1,168,688	1,187,445	1,205,348
	Parks Development	775,276	784,672	818,304	828,556	833,599	838,384
	Stand By Arrangements	31,927	31,996	31,956	32,205	32,319	32,422
	Waste Management	1,906,097	1,947,318	2,041,335	2,145,462	2,229,112	2,313,188
	Moss Side Depot	27,488	20,877	24,389	25,640	26,667	27,529
	Highways Non-Agency	72,372	71,888	76,147	78,070	78,904	79,697
	Stores Operations	36,818	37,997	36,765	37,662	37,995	38,269
	Environmental Enforcement	103,460	93,893	102,301	106,616	108,376	109,985
	Neighbourhoods & Streetscene Total	5,420,944	5,416,590	5,659,390	5,859,825	5,994,089	6,127,143
Regeneration Leisure & Healthy Communities							
	Catering Operations	137,268	201,354	202,011	215,764	224,919	231,965
	Community Centres	34,804	37,983	37,319	37,424	37,502	37,574
	Community Coaching Project	42,502	41,743	42,553	42,920	44,423	46,411
	Community Involvement	605,135	588,816	598,630	611,772	614,621	621,288
	Contaminated Land & Air Quality	(15,782)	(22,500)	(22,500)	(22,500)	(22,500)	(22,500)
	Environmental Health Licensing	(11,633)	(13,824)	(13,653)	(12,968)	(12,634)	(12,315)
	Land Drainage	80,568	78,717	79,145	80,858	81,691	82,489
	Leisure Partnership	627,132	624,635	598,688	615,318	639,899	640,729
	Leisure Centres - Landlord Responsibilities	545,553	539,337	548,214	550,220	551,425	552,586
	Museum	70,542	70,375	71,743	73,192	73,822	74,691
	Pest Control	97,313	100,560	93,991	98,041	100,007	101,611
	Public Health Services	794,763	766,255	772,883	799,431	812,343	824,718
	Sports Development	70,191	69,774	70,428	71,863	72,590	73,423
	Worden Arts & Crafts Centre	70,178	55,958	61,655	63,580	65,359	66,532
	Regeneration Leisure & Healthy Communities Total	3,148,534	3,139,184	3,141,106	3,224,915	3,283,467	3,319,202

**REVENUE ESTIMATES 2012/13 TO 2016/17
GENERAL FUND SUMMARY**

Portfolio	Service	12/13	12/13	13/14	14/15	15/16	16/17
		Original £	Proj. Outturn £	Forecast £	Forecast £	Forecast £	Forecast £
Planning & Housing	Affordable Housing Partnership	12,031	11,926	11,972	12,426	12,644	12,828
	Bldg Control Secondary Functns	110,620	93,588	102,313	105,741	107,356	108,884
	Bldg Control-Street Naming & Numbering	15,111	11,210	12,003	12,550	12,790	13,012
	Building Control	92,836	62,399	73,057	81,971	86,127	89,921
	Choice Based Letting	55,677	55,238	44,182	45,731	46,452	46,605
	Conservation Areas	16,831	17,039	16,582	17,120	17,384	17,644
	Development Management	292,436	114,151	203,162	224,224	233,684	242,355
	Disabled Facilities Grant	25,341	25,111	25,306	26,259	26,715	27,041
	Energy Efficiency	66,704	66,047	67,087	69,579	70,756	71,250
	Homelessness (other)	55,626	55,024	56,273	58,284	59,224	59,450
	Homelessness (statutory)	163,260	175,706	176,221	179,924	181,714	183,223
	Homelessness Priority Needs	81,131	117,340	67,225	67,607	10,646	10,806
	Housing Act Advances	3,279	3,282	3,306	3,329	3,343	3,343
	Housing General	136,197	147,235	149,108	154,734	157,461	159,574
	Housing Needs Research	89,791	134,358	79,548	51,425	52,331	53,090
	Housing Strategy Costs	3,249	3,221	3,233	3,356	3,415	3,454
	Listed Buildings	25,961	25,523	26,000	26,895	27,327	27,749
	Local Plans	376,554	378,665	357,469	366,335	371,171	376,001
	Planning Implementation	76,745	75,150	76,196	78,634	79,917	81,151
	Private Sector Renewal	59,889	59,369	59,597	61,856	62,945	63,858
	Supporting People	14,665	14,538	14,593	15,146	15,413	15,637
	Tree Preservation Orders	5,999	5,878	6,100	6,325	6,433	6,473
Planning & Housing Total		1,779,933	1,651,997	1,630,534	1,669,450	1,645,247	1,673,403
General Fund Summary	Revenue Contribution to Capital	0	16,500	0	0	0	0
	Contribution to/(from) Earmarked Reserves	569,178	407,035	406,008	536,070	615,802	705,530
	Contributions to/(from) General Fund Balances	(436,901)	242,331	(634,979)	(468,952)	(416,625)	(343,370)
	Contribns (from) Capital Financing Acct	(682,197)	(709,717)	(533,885)	120,342	119,532	119,532
	Interest Payable	126,100	126,100	120,342	249,050	249,050	249,050
	Parish Precepts	237,050	237,050	249,050	(200,000)	(200,000)	(200,000)
	Investment Interest Receipts	(266,000)	(282,000)	(200,000)	236,510	367,759	530,742
General Fund Summary Total		(452,770)	37,299	(593,464)	236,510	367,759	530,742
Grand Total		13,190,196	13,242,996	13,371,778	14,693,102	15,172,460	15,473,884



**PROJECTED OUT-TURN 2012/13
SUMMARY OF KEY VARIANCES TO ORIGINAL ESTIMATE**

Details	(Under)/over spend £000's
Expenditure	
Premises	(20)
External Audit fees	(30)
Homelessness Temporary Accommodation	15
Reduced capital financing costs	(11)
Income	
Investment income increase	(16)
Other net movements	19
Underspend against the Council's budget	(43)
One off items	
Employee Costs reduction	(206)
Planning application fees increase	(175)
Housing/Council Tax Benefit (net) Over-recovery	(186)
Additional Benefits Administration Subsidy Grant	(69)
Total Projected outturn variation (underspending)	(679)
Effect on Reserves:-	
Transfer from General Reserves – Original Forecast	(437)
Transfer to General Reserve – Projected Outturn	242
Movement	679

BUDGET EFFICIENCY PROGRAMME 2012/13 and ONWARDS

Directorate	Scheme	Budget Savings 2012/13 £	Budget Savings 2013/14 onwards £	Recurring £
Neighbourhoods	Staffing Review	63,405	63,405	Yes
	Review of Vehicle Fleet	89,000	89,000	Yes
	Waste Management contract	15,000	15,000	Yes
	Partnership Income	15,000	15,000	Yes
	Trade Waste Income	15,000	15,000	Yes
	Sub-Total		197,405	197,405
Shared Financial Services	Budget Review (50% of Total Saving)	50,000	50,000	Yes
	Base Budget Review	122,000	124,000	Yes
	Sub-Total		174,000	
Regeneration & Healthy Communities	Review of Catering Services	42,920	42,920	Yes
	Sub-Total		42,920	

Directorate	Scheme	Budget Savings 2012/13 £	Budget Savings 2013/14 onwards £	Recurring £
Shared Assurance Services	Staffing Restructure	3,175	3,175	Yes
	Insurance Policy Renegotiation	10,000	10,000	Yes
	Sub-Total	13,175	13,175	
Business Transformation	Desktop Replacement	20,000	20,000	Yes
	Consultancy Budget	10,000	10,000	Yes
	Gateway Staffing - reduced contingency	43,515	43,515	Yes
	Overpayment Recovery	50,000	0	No
	Restructure proposals	62,240	62,240	Yes
	Sub-Total	185,755	135,755	
Corporate Governance	Staffing Restructure - Mayoral & Civic/Democratic Arrangements	27,345	27,345	Yes
	Procurement of Online Legal Material	5,000	5,000	Yes
	Sub-Total	32,345	32,345	
Totals		643,600	595,600	

Efficiency savings proposals 2013/14

Directorate	Service	Savings Target £000	Notes
Regeneration and Healthy Communities	Catering Services	110	Transformational review of the Catering service provided from the Civic Centre.
	Health & Safety Contract	34	External contract has expired and savings have been realised through delivering the service in-house on a partnership basis.
Chief Executive	Chief Finance Officer	110	Deletion of vacant post for a further two year period as the role is currently being covered by the Chief Executive as a combined role.
Neighbourhoods	Neighbourhoods Services	176	Full service review which will be phased to ensure front line service delivery is not impacted upon.
Planning and Housing	Property Services	20	Savings achieved by taking a shared service approach.
	Forward Planning	20	Savings achieved by taking a shared service approach.
Shared Services	Shared Financial Services	30	Transformational review to achieve efficiencies in service delivery.
	Shared Assurance Services	15	Transformational review to achieve efficiencies in service delivery.
Total		515	

CAPITAL EXPENDITURE FORECASTS - SUMMARY						
Portfolio	Proj. Outturn 12/13	Est 13/14	Est 14/15	Est 15/16	Est 16/17	
	£	£	£	£	£	£
SHARED SERVICES & CORPORATE SUPPORT	387,150	576,750	380,000	570,000	310,000	
FINANCE & RESOURCES	743,633	1,246,164	517,148	252,000	269,500	
REGENERATION, LEISURE & HEALTHY COMMUNITIES	111,954	107,500	370,000	0	0	
NEIGHBOURHOODS & STREETSCENE	1,343,553	650,000	533,500	1,123,500	140,000	
STRATEGIC PLANNING & HOUSING	1,407,453	328,996	233,000	233,000	233,000	
PERFORMANCE REWARD GRANT	41,500	115,274	0	0	0	
TOTAL	4,035,243	3,024,684	2,033,648	2,178,500	952,500	

CAPITAL EXPENDITURE FORECASTS

APPENDIX F2

Scheme	Description	PROGRAMME PHASING					FORECAST 5 year Total £
		2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £	
Finance and Resources							
Bamber Bridge	Resurface Courtyard	8,000	37,000				45,000
Bamber Bridge Pavilion	Refurbish Pavilion				28,000		28,000
Civic Centre	Photo Voltaic System	10,000	113,200				123,200
Civic Centre	Improvement work to roof	8,000	80,000				88,000
Civic Centre	Civic Centre - Roofing Works and heating system replacement	14,233					14,233
Civic Centre	Windows	460,000	15,000				475,000
Civic Centre	Electrical works	15,000	75,000				15,000
Civic Centre	Fire suppression system						75,000
Civic Centre	Suite Refurbishment			198,000			198,000
Civic Centre	Kitchen Equipment			59,400			59,400
Civic Centre	Kitchen Refurbishment			148,500			148,500
Civic Centre	Electrical services replacement		150,000				150,000
Civic Centre	New Lift					220,000	220,000
Gregson Lane	Replacement Pavilion		28,000				30,000
Hearn Avenue	Replacement Pavilion						28,000
Holme Bamber Bridge	Replacement Pavilion	25,600					25,600
Moss Side Depot	Yard Modifications	70,200	1,800				72,000
Moss Side Depot	Roofing and cladding works	1,850	165,000				166,850
Moss Side Pavilion	Refurbish Pavilion		28,000				28,000
Much Hoole	Replacement Pavilion	28,500					28,500
Bamber Bridge Leisure Centre	Glazing to pool hall			143,000			143,000
Penwortham Leisure Centre	Glazing to pool hall			104,500			104,500
Penwortham Pool	External Painting			38,500			38,500
Investment Properties	14 & 15 Boxer Place - doors & windows			16,500			16,500
Investment Properties	74/78 Towngate - asbestos removal & roof			39,000			39,000
Investment Properties	Brewhouse Worden refurbishment & PV			55,000			55,000
Investment Properties	Heaton St - roof refurbishment				61,000		61,000
Investment Properties	garages at Balcarres & Ryefield - asbestos				25,500		25,500
Investment Properties	Gardener's Cottage - PV panels				27,500		27,500
Investment Properties	Clydesdale Place - roof refurbishment					49,500	49,500
Investment Properties	Middleforth - redevelopment of unit 5					165,000	165,000
Investment Properties	Middleforth - asbestos demolition			109,148			109,148
Investment Properties	Worden Craft Units - infrastructure upgrade					55,000	55,000
Finance and Resources Total							2,907,431

CAPITAL EXPENDITURE FORECASTS

APPENDIX F2

Scheme	Description	PROGRAMME PHASING					FORECAST 5 year Total £
		2012/13	2013/14	2014/15	2015/16	2016/17	
Regeneration Leisure & Healthy Communities							
Business Signage/Industrial Estate Improvements	Continuation of industrial signage strategy & SR Industrial Estate improvements including signage, parking, public realm.	25,000	22,500				47,500
Design and Development	Feasibility/preparatory works	7,000	20,000	20,000			47,000
Regeneration Projects	Farrington Lodges	9,392					9,392
Regeneration Projects	Giant Veggie Patch	3,387					3,387
Regeneration Projects	Hope Gardens	15,965					15,965
Leyland Regeneration (Phase 3)	Further regeneration improvements to Leyland town centre	0	0	290,000			290,000
Longton Village Improvements	Village improvements to make centre more attractive, safer and with greater amenity	0	65,000	60,000			125,000
MyNeighbourhoods Projects (Note 1)	Schemes Approved in 2012/13						
MyNeighbourhoods Projects (Note 1)	Mill St - Farrington Feature Area	28,000					28,000
MyNeighbourhoods Projects (Note 1)	Walmer Bridge Bridge	6,600					6,600
MyNeighbourhoods Projects (Note 1)	Much Hoole Improvement Works	17,000					17,000
MyNeighbourhoods Projects (Note 1)	Garden of Remembrance	4,440					4,440
Regeneration, Leisure & Healthy Communities Total		116,784	107,500	370,000	0	0	594,284
Shared Services & Corporate Support							
ICT replacement programme	Academy Revs and Bens System	100,000		10,000	250,000		360,000
	Bank Wizard System			10,000			10,000
	Business Transformation - Customer Contact Centre (CRM)	30,000	75,000				105,000
	Business Transformation - Government Connect	32,000	30,000	30,000	30,000		152,000
	Business Transformation - Mobile Working Implementation	72,000	22,000				94,000
	Business Transformation - Web Structure/Internet		40,000				40,000
	CAPS ICT System Replacement		93,000		250,000		343,000
	COMINO - ED RMS Fraud Case Management			200,000			200,000
	Committee Management System	10,150	12,750				22,900
	Electoral Roll Server	6,000					6,000
	Flexi System	20,000					20,000
	IT services for Housing					40,000	40,000
	IT hardware replacement	20,000	34,000	40,000	40,000	40,000	174,000
	Licensing System		20,000				20,000
	New Financial Management Information Systems (FIMS)	20,000					20,000
	Paybase			10,000			10,000
	Replacement HR System			30,000			30,000

CAPITAL EXPENDITURE FORECASTS

APPENDIX F2

Scheme	Description	PROGRAMME PHASING					FORECAST 5 year Total £
		2012/13	2013/14	2014/15	2015/16	2016/17	
	Replacement of SAN Source - Intranet Telephony System Web Structure/Internet	50,000	50,000	50,000			100,000 200,000 200,000 17,000
	Shared Services & Corporate Support Total	377,150	376,750	380,000	570,000	510,000	2,213,900
	Strategic Planning and Housing						
Housing Strategy Disabled Facilities Grant Land Acquisition	Housing Strategy Disabled Facilities Grants New Schemes Approved in year Wesley Street	167,883 400,000 614,000	554,566	233,000	233,000	233,000	167,883 1,653,566 614,000
	Strategic Planning and Housing Total	1,181,883	554,566	233,000	233,000	233,000	2,435,449
	Neighbourhoods and Streetscene						
Vehicle Replacement Programme Community Safety Farington Park Worden Park Infrastructure works Worden Park Infrastructure works Worden Park Infrastructure works Worden Park Infrastructure works Farington Park Hutton Playing Fields Open Space capital works (Note 2)	Vehicle & Plant Replacement Programme CCTV equipment Infrastructure improvements Construction of Bridge & associated works Resurfacing of Paved Areas around Hall complex and courtyard Resurfacing Formal Garden Paths Resurfacing path from North Lodge to the Playground Farington Park Play Area - Phase 2 Programme of Capital Works for Parks & Public Open Spaces	1,035,200 160,000 25,000 76,500 included above 25,894 1,459	450,000 15,000 39,500 80,000	433,500	1,023,500	100,000	2,982,200 199,500 25,000 80,000 76,500 - 25,894 1,459 400,000
	Neighbourhoods and Streetscene Total	1,324,053	684,500	533,500	1,123,500	140,000	3,790,553
	Performance Reward Grant	41,500	115,274				156,774
	GRAND TOTAL	3,682,753	2,531,590	2,458,048	2,068,500	1,372,500	12,098,391

CAPITAL EXPENDITURE FORECASTS

APPENDIX F2

Scheme	Description	PROGRAMME PHASING					FORECAST 5 year Total £
		2012/13	2013/14	2014/15	2015/16	2016/17	
		FORECAST £	FORECAST £	FORECAST £	FORECAST £	FORECAST £	

Notes

(1) My Neighbourhoods projects

Future schemes are subject to approval through the Neighbourhoods Forums and the Capital approval procedure as set out in the Council's Financial Regulations. Schemes are funded from external sources (including s106) and My Neighbourhoods core funding budget allocations.

(2) Parks & Open Space Capital Works

£100,000 per annum has been allocated to fund open space capital works. This is supported by a prioritised programme of proposed infrastructure works.

FINANCING ASSUMPTIONS	2012/13	2013/14	2014/15	2015/16	2016/17	TOTAL
	£	£	£	£	£	£
Asset Management Reserve	576,383	873,000	1,041,548	242,000	589,500	3,322,431
Borrowing	1,035,200	450,000	433,500	1,023,500	40,000	2,982,200
Capital receipts - General	664,000	107,500	370,000			664,000
Capital receipts - Earmarked	32,000	487,883	233,000	233,000	233,000	509,500
Government Grant - Housing Grants & Contributions	102,057	180,000				1,741,449
Growth Point	180,000	377,150	380,000	570,000	510,000	2,228,900
IT reserve	41,500	115,274				156,774
PRG	16,500	4,270				16,500
Revenue	4,270					4,270
Revenue - MyNeighbourhoods Core funds s106	165,810	39,500				205,310
	3,682,753	2,531,590	2,458,048	2,058,500	1,372,500	12,113,391

Appendix G

REVENUE BUDGET – KEY BUDGET ASSUMPTIONS

	2013/14	2014/15	2015/16	2016/17
Start- Up Funding Assessment	£5.131m			
<i>Consists of:</i>				
Revenue Support Grant	£3.081m	£4.482m (Reduction of £0.649m)	No change from 2014/15 level pending further Comprehensive Spending Review (CSR)	No change from 2014/15 level pending further Comprehensive Spending Review (CSR)
Baseline Funding Level	£2.050m			
Specific Grants – rolled in	£1.014m	Total Reduction of £0.649m		
Reductions in Formula Grant Funding	£0.530m (11.4%)			
Council Tax Increases	0%	1.5%	1.5%	1.5%
Council Tax Freezing Grant 2013/14	72,000	72,000	0	0
New Homes Bonus Funding (NHB) 2012/13	334,459	334,459	334,459	334,459
New Homes Bonus Funding (NHB) 2013/14	154,365	154,365	154,365	154,365

	2013/14	2014/15	2015/16	2016/17
Council Tax Base		As at 2013/14	As at 2013/14	As at 2013/14
	Council tax Base has been reduced in 2013/14 due to the introduction of the new Council Tax Support Scheme			
Additional Business Rates Income Retained	0	0	0	0
Nationally agreed employee pay award	0%	1.5%	1%	1%
Employer's Pension Contribution Rates	21.3%	22.3%	23.3%	24.3%
	Triennial review of the pensions fund is due to be undertaken next year to impact on the budget in 2014/15. Although the outcome of the review is unknown 1.0% increase per annum has been included.			
Employer's National Insurance Increase	Based on current rates	Based on current rates	Based on current rates	Based on current rates
Investment returns (average)	1.1%	0.9%	0.9%	0.9%
Key Income estimates	Planning Fee Increase 15% due to new regulations – no volume changes	As at 2013/14 levels	As at 2013/14 levels	As at 2013/14 levels
Efficiencies	£0.515m Please refer to Appendix E	To be determined to balance the budget, current forecast budget deficit = £1.812m	To be determined to balance the budget, current forecast budget deficit = £0.692m	To be determined to balance the budget, current forecast budget deficit = £0.194m

Key Risks to the Medium Term Financial Strategy

Risk Area Identified	Potential Impact of Risk	Mitigation
Pay Inflation	Budget provision insufficient to cover actual pay settlements for years 2013/14 and beyond	<ul style="list-style-type: none"> • Maintain an adequate level of General Reserve
Pension increases	Budget provision insufficient to cover the costs of implementing the results of the next triennial review wef from 2014/15	<ul style="list-style-type: none"> • Maintain an adequate level of General Reserve • Ensure any decisions regarding early retirement/ill health retirement are in accordance with the Council's policies.
Planning fees income	Significant income budget which is demand led and significant fluctuations could lead to a shortfall in funding.	<ul style="list-style-type: none"> • The income estimate has been rigorously challenged during the budget process • Maintain an adequate level of General Reserve
Land Charges – Search fee income	Significant income budget which is demand led and significant fluctuations could lead to a shortfall in funding.	<ul style="list-style-type: none"> • The income estimate has been rigorously challenged during the budget process • Maintain an adequate level of General Reserve
Revenue Support Grant	Shortfall in actual grant funding compared with budget provision made for years 2015/16 and beyond. Volatility in retained business rate income as this will be determined by business expansion/contraction in the area.	<ul style="list-style-type: none"> • Increases of NIL assumed for 2014/15 and beyond • Adequate level of General Reserve • Deliver planned efficiencies
New Homes Bonus (NHB)	Shortfall in actual grant funding compared with budget provision.	<ul style="list-style-type: none"> • A cautious approach has been taken in anticipating additional funding from this source beyond 2013/14
Government council tax capping	Government consider that budget decisions taken by the Council should be subject to capping resulting in the costs of rebilling etc. Council Tax referendum required	<ul style="list-style-type: none"> • Council considers Government guidance when setting its budget and council tax. • The Council Tax freeze being proposed for 2013/14 will not present any issues in this
Efficiency targets	Failure to deliver efficiency targets leading to a funding shortfall	<ul style="list-style-type: none"> • Ensure that targets are realistic and deliverable within the timescales envisaged • Allocate ownership and develop an action plan(s) for delivering the efficiencies and monitor delivery • Maintain an adequate level of General Reserve
Interest Rates	Interest rate forecasts vary from the assumptions made in the financial forecasts resulting in a shortfall in investment interest and/or additional borrowing costs.	<ul style="list-style-type: none"> • Professional and specialist advice taken on interest rate forecasts • Cash flow modelled against anticipated financial forecasts and expenditure/income profiles • Treasury Management Strategy and Policies kept under review.

Risk Area Identified	Potential Impact of Risk	Mitigation
Financial Market Failure	Loss of investments and interest	<ul style="list-style-type: none"> • Professional and specialist advice taken to support decisions • Treasury Management Strategy and Policies kept under review
Recovery of Icelandic banking deposits differs from previous assumptions.	Should the recovery of the deposits in Heritable and Landsbanki prove to be lower than forecast there will be a requirement for an additional impairment charge.	<ul style="list-style-type: none"> • Maintain adequate reserves • Monitor recovery of deposits • Specialist Legal support secured via the LGA to maximise recovery through the courts
Capital programme	Funding shortfall due to overspending, unforeseen circumstances etc.	<ul style="list-style-type: none"> • Capital programme fully funded • More detailed estimates/appraisal required before schemes are approved/ progressed • Earmarked revenue and capital reserves maintained to at an adequate level

All the above risks will also be mitigated by rigorous and regular monitoring of the Council's financial position throughout the course of the year so that appropriate corrective can be taken as appropriate. The Governance Committee has a key role to play in this respect.

Glossary of Terms

The New System of Local Government Finance

The new system, which replaces the formula grant system, is being introduced from April 2013. It has two main funding streams: the business rates retention system and the new version of the Revenue Support Grant (RSG).

Revenue Support Grant (RSG)

Revenue Support Grant is a Government grant which can be used to finance revenue expenditure on any service.

Business Rates Retention System

These rates, called National Non-Domestic Rates, are the means by which local businesses contribute to the cost of providing local authority services. Prior to April 2013, Business rates were paid into a central pool and the pool was divided between all authorities. The new system aims to give local authorities an incentive to encourage economic development by allowing them to retain some of their business rates growth locally. A "funding baseline" is calculated for each authority. This represents the level of funding planned for each authority, taking into account formula grant and other grant funding. The new system assumes that authorities will receive their business rate baseline as income. However, if an authority collects a higher or lower figure than that, it will keep the surplus or have to deal with the deficit (subject to safety nets and levies). This is the incentive in the new system. If authorities can "grow" the business rate income in their area, their funding will increase.

Tariffs and Top-ups

So far we have an estimate of the funding needed by each authority from the business rate scheme (the funding baseline) and the amount it will receive from business rates (the business rate baseline).

To make sure that no authority is worse off at the point of transition from the old system to the new one, each authority needs to have funding to adjust its business rates baseline to the funding baseline. The adjustments are known as tariffs and top-ups. Thus if:

- business rates baseline is more than the funding baseline – the authority will pay a **tariff** to absorb the difference
- business rates baseline is less than the funding baseline – the authority will receive a **top-up** to compensate for the shortfall.

Tariffs and top-ups are both limited so at the national level, the total of tariffs is equal to the total of top-ups.

Safety Nets

The amount of business rates actually collected for an authority may be much less than is assumed by the business rate baseline figures. Actual funding may be a long way below the funding baseline as a result. A safety net system is being put in place to limit these losses.

An authority's actual funding is defined as the amount of business rate it actually receives, less any tariff paid (or plus any top-up received).

Levies

Levies are charges on authorities that experience business rate "growth" and pay a tariff. "Growth" for levy purposes broadly means growth above the business rate baseline (which will increase with RPI) for that authority. It can include the effects of other changes in rates collected, as specified by the regulations. One result of the levy scheme that is being proposed is that only authorities that pay a tariff will pay levies. Authorities that receive top-ups will not pay levies.

Billing authorities

These are the authorities that collect Council Tax - district councils, London boroughs, and unitary authorities.

Budget requirement

This is the amount each authority estimates as its planned spending, after deducting any funding from reserves and any income it expects to raise (other than from the Council Tax and general funding from the Government). The budget requirement is set before the beginning of the financial year.

Capital expenditure

Expenditure on the acquisition of fixed assets or expenditure, which adds to and does not merely maintain the value of existing fixed assets.

Capping

When the Government limits an authority's budget requirement, and hence the council tax it sets.

Council Tax

A local tax on domestic property set by local authorities in order to meet their budget requirement.

Council Tax base

The Council Tax base of an area is equal to the number of band D equivalent properties. To work this out, the Government counts the number of properties in each band and works out an equivalent number of band D properties. For example, one band H property is equivalent to two band D properties, because it pays twice as much tax. The amount of revenue which could be raised by Council Tax in an area is calculated allowing for discounts and exemptions

Council Tax bands

There are eight Council Tax bands. How much Council Tax each household pays depends on the value of the homes. The bands are set out below:

Council Tax Band	Property Value
Band A	Up to & including £40,000
Band B	£40,001 to £52,000
Band C	£52,001 to £68,000
Band D	£68,001 to £88,000
Band E	£88,001 to £120,000
Band F	£120,001 to £160,000
Band G	£160,001 to £320,000
Band H	More than £320,000

Council Tax Benefit Localisation from April 2013

A summary of the government's new arrangements for localising council tax support in England is set out below.

- Council tax benefit will be localised from April 2013. This means that the uniform national scheme will be replaced with local schemes that vary from place to place. Government funding for council tax benefit will be reduced across England and Wales by around 10% from that date.
- Rather than being funded on the basis of actual claims/caseloads via Department for Work and Pensions subsidy (i.e. demand led) as at present, the government will provide an unringfenced specific grant to each local administering authority and preceptors (shire county councils, police and fire authorities and the GLA in London) in proportion to its share of council tax.

Council Tax Freeze Grant

Government scheme to help local authorities freeze council tax. Grant funding is based on a percentage of Council Tax income.

Damping

'Damping' is used to describe the way limits are applied to the effect on grant funding of changes to the distribution formulae or data used. Minimum increases, floors, on Formula Grant changes from one year to the next are now the damping mechanism.

Floor damping

A method by which stability in funding is protected through limiting the effect of wide variations in grant increase. A floor guarantees a fixed level of increase in grant. The grant increases of authorities who receive more than the floor are scaled back by a fixed proportion to help pay for the floor.

The Local Government Finance Settlement

The Local Government Finance Settlement is the annual determination of formula grant distribution as made by the Government and debated by Parliament. It includes:

- the totals of formula grant;
- how that grant will be distributed between local authorities; and
- the support given to certain other local government bodies.

Net Revenue Expenditure (NRE)

This represents an authority's budget requirement and use of reserves.

New Homes Bonus

This is grant funding provided to match the council tax for each new home built or property brought back into use. The funding is equal to the national average for the council tax band on each additional property (measured according to the change in dwellings on council tax valuation lists), and is paid as an unringfenced grant. There is an enhancement per year for new affordable homes.

Precept

This is the amount of Council Tax income county councils, police authorities, parish councils and fire authorities need to provide their services. The amounts for all local authorities providing services in an area appear on one Council Tax bill, which comes from the billing authority.

Precepting authority

This is an authority which sets a precept to be collected by billing authorities through the Council Tax bill. County councils, police authorities, fire authorities and parish councils are all precepting authorities.

Reserves

This is a council's accumulated surplus income (in excess of expenditure) which can be used to finance future spending.

Revenue Expenditure

Expenditure financed by Government grants, council tax and use of reserves.

Ring-fenced grant

A grant paid to local authorities which has conditions attached to it, which restrict the purposes for which it may be spent.

Specific Grants

Grants paid under various specific powers, but excluding formula grant or area based grant. Some specific grants are ring-fenced.

