

REPORT TO	DATE OF MEETING
Cabinet	11 th February 2015

SUBJECT	PORTFOLIO	AUTHOR	ITEM
Financial Strategy, Budget and Council Tax 2015/16	Finance & Resources	Susan Guinness	6(b)

SUMMARY AND LINK TO CORPORATE PRIORITIES

This report sets out the Medium Term Financial Strategy and the information taken into consideration in determining the Council's financial planning detailing specifically the budget and council tax setting for 2015/16. The Medium Term Financial Strategy (MTFS) also 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 and other local authority funding regimes.

RECOMMENDATIONS

Revenue Estimates

1. Cabinet consider for approval the council's revised estimates for 2014/15, the original estimate for 2015/16 and indicative original estimates for 2016/17 through to 2018/19, summarised at Appendix A to this report.
2. Cabinet consider Appendix E and the proposed budget efficiency targets designed to further improve efficiency/increase income and reduce the forecast budget deficit.
3. Cabinet endorse the assessment on the level of reserves for 2015/16.
4. Cabinet recommend to Council that the forecast residual revenue funding deficit in 2015/16 (£0.185 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 Local Government Finance Settlement figures for 2015/16 in advance of the Council meeting on 4th March 2015.
5. Subject to any amendments proposed in considering recommendations 1 – 4 above, Cabinet recommend a Borough Council Net Expenditure requirement for 2015/16 (including parish/town council precepts) for approval at the Council meeting on 4th March adequate to support the delivery of the MTFS.
6. The Chief Executive be authorised to deal with all staffing issues arising from the report within the agreed budget and in accordance with the 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, as appropriate, other relevant Cabinet Members.

Council Tax

7. Subject to consideration of recommendations 1-6 above, Cabinet recommend the Borough Council's Band D equivalent Council Tax for 2015/16, for approval at the council meeting on 4th March 2015, remains at the same level as for 2014/15 being £208.38. This will entitle the Council to receive an estimated Council Tax Freezing Grant in the sum of £77,000.
8. That the Council determine the reduction in Council Tax support applicable to working age claimants with effect from 1 April 2015.

Capital Programme and Budget

9. Cabinet approve the Capital Programme as set out at Appendix F and its proposed funding.

DETAILS AND REASONING

This report sets out the Council's budget and Medium Term Financial Strategy (MTFS) to 2018/19 which includes the following:-

- A. The anticipated out-turn financial performance against the current year's approved budget (2014/15).
- B. Revenue Budget Forecasts 2015/16 through to 2018/19.
- C. Balancing the budget and Budget Efficiency Programme.
- D. Budget Consultation.
- E. Prudential Code and Capital Budget.
- F. Reserves.
- G. Council Tax.

A. Forecasted Out-turn Position 2014/15

The budget for the current year was set at £12.441 million (excluding parish precepts). As in previous years it incorporated substantial proposals to improve efficiency totalling £0.410m (Appendix D) to be achieved by reducing expenditure and generating additional income. It was therefore anticipated at the time the budget was approved that a budgeted contribution of £0.132 million would also be required from the General Reserve to balance the overall forecast budget gap of £0.542 million.

The projected out-turn for the current year is summarised in Appendix A. It is currently forecasted that the Council will achieve a net underspend against the 2014/15 budget in the sum of £0.249m. A summary of the key budget variations for 2014/15 is presented in Appendix C below and are in line with those reported throughout the year to the Governance Committee. The main variations in expenditure are in respect of premises and capital financing costs. The authority has experienced a reduction in the net cost of providing Housing Benefits and increases in planning application fees, offset by reductions in income predominantly in property rental (including the Civic Centre) and also Building Control which is a service that has been impacted upon nationally as a result of the general economic climate.

During the budget setting process, which updates the budget forecasts for the forthcoming year (2015/16) and the Medium Term Financial Strategy (MTFS) through to 2018/19, the impact on the forecasted level of reserves has been assessed. The Authority's MTFS forecasts an increasing budget deficit position caused by Central Government's continued austerity measures and local government funding cuts, whilst acknowledging the uncertainty surrounding future government funding beyond the General Election in 2015 and the current Spending Review period. At the same time economic growth in the Borough, through the building of additional business premises

and house building, will place additional demands on our services whilst generating extra income.

Managing financial performance against the approved budget is key to ensuring we remain on top of the overall performance of the Council, including both financial and operational matters. It is integral to the Council's performance management framework, which 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. The Governance Committee provides member oversight and scrutiny of the Council's financial arrangements and performance. The Committee has received financial monitoring reports during 2014/15.

It is worth noting that the Council has a considerable and consistent track record in meeting its financial targets. This was acknowledged by the External Auditor in The Annual Audit Letter that a key challenge facing the Council going forward is that ***"The need for robust governance and financial planning and management in local government is greater than ever."*** It stated that, ***"South Ribble Borough Council has robust arrangements in place to face these challenges."***

B. Future Years' – Revenue Budget 2015/16 to 2018/19

The Revenue Budget forecasts for 2015/16 and beyond are set out in Appendix A and at an operational level in Appendix B, the format including the Central and Support Services internal recharging regime. The Council's budget and forecasted budget deficit over the MTFs period has been updated for the information provided within the Provisional Local Government Finance Settlement published in December 2014. The reductions made to core funding by Central Government, as part of the national austerity measures, mean that the Council needs to address a continued and increasing budget gap from 2015/16 onwards with a forecasted overall budget gap in 2018/19 of £2.461m. A programme of budget efficiencies achieves a balanced budget for 2015/16 and 2016/17, however, adding in further forecasted Central Government funding reductions expected for 2016/17 the budget forecast returns to a deficit position.

Forecasted budget gap 2015/16 to 2018/19

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Total Budget Requirement	13,009	12,860	13,955	14,108
Total Funding	(12,419)	(12,199)	(12,144)	(12,086)
Sub Total - Net Budget Requirement (excl. further RSG reductions)	590	661	1,811	2,022
Central Government Funding Adjustments				
Forecasted Reduction in RSG in 2016/17	-	439	439	439
Forecasted Reduction in RSG in 2016/17	-	1,100	2,250	2,461
Budget Efficiency Programme	(590)	(1,100)	(1,175)	(1,200)
Forecast Budget Shortfall	0	0	1,075	1,261

On an annual basis the Council has been faced with significant financial challenges and budgetary pressures in ensuring it is able to balance its budget both in the short and longer term. This is due to a number of external influencing factors:

- A continued pressured economic climate and the national austerity measures implemented by Central Government resulting in substantial reductions in core grant as the Coalition Government addresses the national public spending deficit.
- Increased uncertainty and risk with regard to Core Funding levels received from Central Government. This is twofold as settlement periods have been reduced and also changes in the component funding regimes that transfers the risk of in-year variations and fluctuations in funding levels locally.

As in previous years, the need to deliver substantial year on year efficiencies is embedded into the Council's Medium Term Financial Strategy. For 2015/16, further efficiency savings are proposed in the sum of £0.590 million (Appendix E) with a forecast contribution of £0.185 million being required from the General Fund Reserve to help protect, support and sustain service delivery standards in the transition towards a balanced budget in the medium term. This strategy is expected to continue in order to address the forecast budget gap in 2016/17 and beyond. The Council is pursuing a phased and considered approach to reducing its net expenditure over time to match its forecasted level of income and so achieve a balanced budget position. The External Auditors supports this phased and considered approach adopted by the Council in delivering efficiencies whilst also making appropriate use of reserves. It stated: ***“Given the relatively healthy position of reserves and balances at the Council a more measured and considered approach to identifying efficiencies is undertaken.”***

On a positive note there is the potential and opportunity for generating additional funding, through New Homes Bonus and sharing in the growth of business rates income. The level of receipts of both of these core income streams are determined by local activity in providing new homes and also growth with regard to the business rates tax base. Future years budget forecasts include an estimate for the benefit to be received from growing the Business Rates tax base of £0.450m although this level of receipt will be subject to change depending on offsetting factors determined outwith the Council. The next 10 years will see the Council investing these receipts within the Borough via the City Deal arrangements to deliver significant capital scheme improvements.

It is also important to note that the budget forecasts contain a number of key budget assumptions. Estimates have been made taking into account the financial impact of future changes, for example, Central Government applied reductions to Revenue Support Grant (RSG), pay-wards and levels of fees and charges income. Key assumptions made in preparing the estimates are set out at Appendix G including:-

- Provisional Local Government Finance Settlement 2016/17.
- New Homes Bonus grant.
- The Capital Programme and its revenue implications.
- Nationally set budget and council tax increase rules/guidelines (availability of Council Tax freeze grant).
- The need to maintain an adequate level of reserves.
- Impact of known budget decisions taken by partner organisations.
- Issues identified through the preparation of the draft risk register.

Provisional Local Government Finance Settlement

Central Government's Comprehensive Spending Review (CSR) determines the Local Government Finance Settlements, since 2011/12 CSR has brought with it transformational change with regard to a number of key elements of core funding, being: (1) the frequency of funding announcements; (2) the funding regimes by which core grant is allocated between public sector organisations and local authorities; and (3) large scale reductions in the amounts received.

Such funding cuts have resulted in the Council's MTFS forecasting year on year continued significant budget deficit positions despite having a robust and successful budget efficiency and business transformation programme in place. The funding received over the four year period is set out below:-

Core funding received CSR 2010 onwards

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m
Business Rates	6.579	4.115	4.555	New Business Rates Retention Scheme introduced		
Revenue Support Grant	0.955	1.272	0.092			
Formula Grant	-	-	-	4.117	4.106	3.499
Council Tax Support Grant	-	-	-	*0.767	-	-
Re-basing of 2010/12 Grant	**(-1.106)					
Sub Total	6.428	5.387	4.647	4.884	4.106	3.499
Council Tax Freeze Compensation	-	0.189	0.189	0.268	0.343	0.419
Homelessness Prevention Grant	-	0.057	0.057	0.057	0.056	0.056
Total Formula Grant	6.428	5.633	4.893	5.209	4.505	3.974

* The Council Tax Support Grant is rolled into and included in the Formula Grant settlement in 2014/15. Therefore it cannot be separately identified and tracked in terms of value.

** 2010/11 formula grant re-based mainly due to transfer of Concessionary Travel to Lancashire County Council.

The total reduction of core grant over the period 2010/11 to 2015/16 is £2.929m which equates to a 46% reduction in core government grant funding (excluding council tax freeze compensation). As previously documented the change in funding regimes has also introduced year on year fluctuations which impacts greatly on the accuracy of budgetary forecasted and planning over the longer term.

Impact of Funding Changes on the MTFS

Business Rates Retention (BRR) – 2013/14 was the first year with regard to the implementation of the Business Rates Retention funding regime. Local authorities are now allowed to retain a proportion of any additional income generated from growing the tax base for businesses in their area. This fundamentally revised system has been just one of two large scale changes to the way in which authorities are funded bringing with it uncertainty and year on year annual fluctuations to core funding levels. Within these new arrangements it is important to note that, although we continue to collect the business rates for this area (circa £37million), the Government still continues to determine the annual rate poundage and the Valuation Office Agency (VOA) will remain responsible for setting the rateable value for business premises.

As part of this new grant regime the Government determined South Ribble Council's Start Up Funding Assessment level for 2015/16 with reference to previous actual performance. This being £3.897m comprising of Revenue Support Grant - £1.767m and Baseline Funding Level - £2.130m. 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.

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. Also due to the inflationary arrangements built into the baseline funding level calculation within the scheme the tax base needs to be developed on an annual basis to maintain existing funding levels. Growth over and above the incremental increase required as part of the Local Government Finance Settlement may result in additional income being generated; however, more than one of the variable factors may fluctuate during the year that can directly impact on the level of funding actually received. These are:-

- (a) net movement in the business rate yield (determined by central Government),
- (b) losses on collection (impacted upon by the national economic environment), and
- (c) reductions due to appeals (determined by the VOA).

Taking into account the current degree of uncertainty caused by these external factors, an estimate of £0.250m has been included in the forward estimates the budgetary forecasts in the proposed MTFS over the longer term to reflect the planned developments within the borough. This will be added to the BRR growth of £200,000 per annum, generated by developing the tax base in 2013/14. This forecast is very much based on budget assumptions with regard to the outcome of the variable factors listed above and is therefore subject to variation as progress against the Business Rates Retention budget targets are reviewed and revised by Central Government.

Council Tax Support Scheme. The second large scale change to core funding has been the introduction of the Council Tax Support Scheme which replaced Council Tax Benefit with a localised Council Tax Support charge in response to reductions in government grant subsidy. South Ribble Council resolved this time in 2012 to recover the reduction in funding by reducing the level of entitlement to Council Tax support for working age claimants. In 2014/15 this meant a reduction of £3.50 per week. The Council agreed its council tax support scheme, to take effect from 2015/16, at the meeting on 19th November 2014. Parish and Town councils are expected to take account of the revised basis of calculating the council tax base during their budget setting processes for 2015/16. Once the council tax levels for the other precepting authorities have been determined for 2015/16 the Council will be required to determine the reduction in Council Tax support applicable to working age claimants from 1st April 2015.

Council Tax “Freeze” Grant

This report proposes that the Council’s share of the Council Tax be frozen in 2015/16 at the same level set in 2014/15. This proposal entitles the authority to claim the Council Tax Freeze grant made available from Central Government. This will be the third consecutive year that the Council has frozen its Council Tax and similarly the fifth time in the last six years. The grant received will equate to a 1% increase in total Council Tax income of c. £77,000 in 2015/16. Acceptance of this funding does not prevent local authorities from approving council tax increases for future years after 2015/16.

New Homes Bonus (NHB) Grant

The Government introduced NHB in 2011/12 as an incentive for house building across the country. The DCLG reduced Revenue Support Grant allocations to pay for the New Homes Bonus Scheme. 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 which increased by £0.170 million in 2012/13. A further increase of £0.177m was achieved in 2013/14 with another £0.114m secured in 2014/15. The allocations from 2012/13 incorporated the 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 only and therefore introduces an element of risk in relying on this to fund recurring expenditure. The table below sets out all NHB receipts to be received to 2018/19 for our allocation up to including 2015/16. Allocations from 2016/17 are still to be notified as they are dependent on actual new homes provided in year within the borough. The total NHB receipts achieved for 2015/16 is £0.443m to be received, as according to the NHB regime, for a six year period, however £0.198m will be invested in the City Deal arrangements referred to within this report. The remaining balance of £0.245m will be retained by the Council, this is explained further later in this report.

New Homes Bonus in MTFS

	2011/12 Year 1 £000	2012/13 Year 2 £000	2013/14 Year 3 £000	2014/15 Year 4 £000	2015/16 Year 5 £000	2016/17 Year 6 £000	2017/18 Year 6 £000	2018/19 Year 7 £000
NHB 2011/12	165	165	165	165	165	165		
NHB 2012/13		170	170	170	170	170	170	
NHB 2013/14			177	177	177	177	177	177
NHB 2013/14 only			17					
NHB 2014/15				114	114	114	114	114
SRBC Base Budget Sub Total	165	335	529	626	626	626	460	291
NHB 2015/16					443	443	443	443
					With effect from 2015/16 a proportion of NHB will be invested into City Deal			
Total Receipts	165	335	529	626	1,069	1,069	904	734

Main Budget Features – Budget Investments and Growth

The section above provide an overview of the Council's current funding arrangements and the budget challenges that will place further pressure on the budget in the forthcoming years. The Council has been successful in proactively managing those challenges whilst maintaining front-line services and not having to implement any policy changing service cuts. In fact the main feature of this budget setting round is the investment that will be delivered within the borough over the next 10 years as a result of the Council investing in the City Deal arrangements in partnership with Lancashire County Council (LCC) and Preston City Council.

The Council has also been able to include two additional budget growth proposals to enhance the service provision to the borough's residents in respect of the continued Personal Budgeting Service and an Apprenticeship Scheme. These are the subject of separate reports elsewhere on the Cabinet Agenda and are in addition to the funding provided in order to continue the support given to our anti-fraud arrangements following the Department of Work and Pensions (DWP) grant reductions (reported to Cabinet 14th January 2015).

Preston, South Ribble and Lancashire City Deal

The Council is a partner to the Preston, South Ribble and Lancashire City Deal the principles of which were agreed by Government in September 2013. Since then work has been completed in respect of putting in place the robust governance and detailed arrangements to support the City Deal. The City Deal agreement will build on the strong economic performance of the area and will help to ensure that the area continues to grow by addressing strategic transport infrastructure and development challenges to deliver new jobs and housing.

This is achieved in a number of ways by:

- Accelerating the agreed Central Lancashire Site Allocation Local Development Framework.
- Major highway improvements.
- Town and district centre improvements for Penwortham, Leyland, Bamber Bridge and Tardy Gate.
- Support for green spaces and leisure.

The planned financial outcome of the City Deal agreement is that the Council's net income will increase taking into account the greater demand that more homes and businesses will put on services. Therefore the residents of South Ribble will benefit not only by the outcomes of the developments and improvement projects such as improved highway links and town centres but also by the fact that the planned financial benefit to the Council will help mitigate further the current risks facing front line services due to the forecasted budget deficit in future years.

With regard to the financial framework the benefits and opportunities presented by the City Deal agreement will be delivered via the New Homes Bonus (NHB), Business Rates Retention (BRR) and Community Infrastructure levy (CIL) funding regimes. This means that the receipt of income to the Council is only secured on completion of the planned developments. There are a number of separate expenditure and income streams due to be transacted with regard to BRR and NHB within the City Deal arrangements over the next 10 years, being:-

- Monies are due to be received by South Ribble from LCC (City Deal) on an annual basis for the next 10 years in the sum of £492,200 per annum.
- Conversely, payments are due to be paid into the City Deal arrangement for the additional BRR income generated by the development of sites in the borough in the aggregate sum of approximately £4.350m.
- Annual NHB receipts will be shared and distributed.

Whilst the overarching principals of the City Deal planned outcomes (investment and improvement within, and development of the borough) are paramount, due to the cash flow implications for the Council as a result of the technical accounting workings of BRR, it is very important that the short term financial resilience and security of the budget is maintained. An essential element of this is to ensure that the Council's monetary commitments to pay into City Deal fund are not timed to occur prior to actual income being received and the impact of negative shift (e.g. impact of Government levies, losses on collection and appeals) taken into account. The risk and extent of negative shift from the profile is a risk that should be mitigated and particularly in the early years whilst BRR is still being embedded and large infrastructure projects are in their early stages.

Therefore, over the short term, it is essential that resulting cash flow commitments are managed appropriately to protect the core budget and front-line service delivery of the Council. To this end it is proposed that for the coming year, 2015/16, the net income generated by City Deal (BRR/NHB) is protected and set aside in an equalisation account. This means that the effect on the revenue budget is currently neutral. That said, the governance and monitoring systems for City Deal are robust which allows this initial budgeting approach to be reviewed at regular intervals and amended in year where appropriate. The overall financial impact and budget treatment will be continually reviewed in year and within each annual budget setting round when cash flows are known following submission of each Central Government BRR return (known as NNDR1).

Personal Budgeting Support Service - Personal Budgeting Support was initially created in partnership with the Department for Work & Pensions and was designed to assist people migrating from a number of means-tested benefits to a single Universal Credit payment. This Council however extended the scheme to offer personal budgeting support to anyone facing financial difficulties. The service is provided in Gateway and people can either self-refer or organisations such as the Job Centre can and do refer people to us. The service has been extremely well received; this Council is committed to ensuring support for the most vulnerable people in ways that helps them manage their finances better.

Apprenticeship Scheme - The Council would offer four young people in the borough the opportunity to work for the Council to obtain a range of skills and formal training to equip them for a future career, possibly with the Council. The strategic purpose of the scheme will be to continue to develop a high quality, motivated and flexible workforce, however, at an operational level the roles would be involved in both job-specific posts in areas such as ICT and neighbourhood Services and also in more generic business administration roles. The post-holders would gain skills and experience in the work place as well as formal training leading to an NVQ with a local training provider.

Other Financial Planning Issues on the Horizon

Triennial Review of the Pension Fund

The most recent triennial review of the Pension Fund will impact on the budget with effect from 2014/15 until 2016/17. The impact is complex with two applicable factors within the review impacting on the budget. Firstly, the fund's valuation has suffered negatively due to the current valuation criteria meaning progress in making up the fund's deficit position has not been as effective as originally expected. Secondly the Employers' Contribution, which is a budgeted cost to the Council, is now calculated in a different way. Due to widespread reductions in public sector pay bills, deficit contributions have by default been eroded slowing down the deficit's rate of recovery. To overcome this issue the deficit element of the contribution will now be paid as a pre-determined cash amount that will not fluctuate in accordance with pension fund membership numbers and will total £1.933m over the next three years.

An opportunity arose at the outset of this current triennial review period to pay re-phase the pension fund deficit recovery contribution to a one-off payment in year one. By doing this a reduction to the total cost was secured. To this end the £1.933m amount due was reduced to

£1.778m and paid into the fund in April 2014. The payment that would have been due in 2015/16 and 2016/17 being funded temporarily from a contribution from the general reserve. This approved transaction is reflected in the 2014/15 out-turn position detailed within this report.

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, which was originally 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 £0.900m per annum. As part of its budget reduction programme the County Council has reviewed this arrangement. A new agreement is now in place until March 2018, however, the Council is planning to the future when the Cost Sharing Agreement will cease. The Council is in active discussions with the county council and other Lancashire district councils over the arrangements for 2018/19. At the current time, this issue represents a major risk to the council's MTFS.

Community Safety

The council remains committed to provide budget to fund community safety. This time last year the Council built £5,000 into the base budget on a recurring basis going forward to cover the expected contribution to the IDVA service. The County Council, through the Lancashire Community Safety Strategy Group has commissioned wider Domestic Abuse services which includes IDVA. The council has made a commitment to contribute £9,000 per annum for a three year period which includes the IDVA service.

The Police and Crime Commissioner (PCC) has given an assurance that he will maintain the funding for PCSOs in 2015/16 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.

C. Balancing the budget and Budget Efficiency Programme

The update of the MTFS to 2018/19 forecasted the following budget deficit position resulting from the total effect of the changes to core funding such as significant grants cuts:-

Summary of General Fund

Appendix A Summary	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Total Budget Requirement	13,009	12,860	13,955	14,108
Total Funding	(12,419)	(11,760)	(11,705)	(11,647)
Sub Total Net Budget Requirement	590	1,100	2,550	2,461
Budget Efficiency Programme	(590)	(1,100)	(1,175)	(1,200)
Forecast Budget Shortfall	0	0	1,075	1,261

The Council has a proven track record of being successful in implementing year on year budget efficiency programmes to bridge the budget gap and deliver a balanced budget. The efficiency programme undertaken in 2014/15 is summarised in Appendix D and has again reached its overall target. Further recurring budget efficiencies were also achieved throughout the year as summarised in Appendix C.

Delivering a Balanced Budget - Efficiency Targets

Delivering the priorities set in the Corporate Plan and protecting front line services continue to be key priorities for the Council and the measures described above allow a phased approach to be taken. The budget summary at Appendix A to this report suggests that over the next two years the Council will need to deliver recurring revenue budget savings of approximately £1.1 million, albeit contributions from the General Reserve will be required to balance the budget over this period. That said, there is still some uncertainty in predicting the impact of the new Business Rates Retention funding system. Forecasting Government grant income after 2015/16 is also challenging given it is beyond the next General Election and into the period of the next Spending Review.

Appendix E to this report summarises the revenue budget efficiencies required over the next three years, savings are anticipated as a consequence of the subsequent rationalisation and realignment of services, with efficiency targets included within these budget proposals. The renewal of contracts is always an opportunity to thoroughly assess efficiency savings opportunities. A re-tendering exercise for the Waste Collection services has recently been undertaken. It is expected that this exercise will realise significant cash savings for the Council whilst also maintaining the same level of services to residents.

Reductions in Government grant funding are expected to continue for the foreseeable future and it is therefore important that the Council continues to be proactive in developing proposals to deliver further efficiency and/or additional income. This proactive approach has served us well to date. Given the need to deliver savings of around £1.1 million over the next two years this budget includes the temporary resource (£50,000p.a.) for another year into 2015/16, as approved in the budget setting process in February 2014, to help deliver a series of structured service reviews (Business Transformation Programme).

The overall budget forecasts, including a balanced budget position for 2015/16 and 2016/17 are detailed in Appendix A and summarised below:-

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Forecast Budget Shortfall	775	1,298	2,250	2,461
Proposed Budget Efficiency Programme 2015/16	(590)	(700)	(775)	(800)
Proposed Budget Efficiency Programme 2016/17		(400)	(400)	(400)
Contribution from General Reserve	(185)	(198)	-	-
Updated Forecast Budget Shortfall – MTFS (Appendix A)	0	0	1,075	1,261

D. Budget Consultation

The Council's Corporate Plan was agreed by the Council in September 2011 following extensive engagement with councillors after the last council elections. On an annual basis the Corporate Plan is re-freshed to ensure it remains fit for purpose and includes all the key actions and measures to ensure the Council achieves its vision and priorities and continues to improve. Feedback from our residents, councillors, employees, Cabinet and the Scrutiny Committee has been used in re-freshing the Corporate Plan. 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 of the corporate plan and the My Neighbourhood plans is also being considered on this Cabinet agenda. 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 4th March 2015.

E. Prudential Code and Capital Programme

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 2014/15

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 2015/16 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*):
 1. Land and Buildings;
 2. Vehicles & Plant renewal and replacement;
 3. 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 My Neighbourhood Plans where funding has been identified.
- Housing capital programme (incl. disabled facilities grants).
- Parks/Open Space
- 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 2018/19. 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. Disabled Facilities Grants (DFGs) funding continues to be provided, although the ring-fencing of this grant was removed from 2011/12 onwards it has been assumed that it will continue to be used in full for DFG's in line with previous practice.

Disabled Facilities Grant is currently paid by the Department for Communities and Local Government (DCLG). However from 2015/16 this central government funding will be provided by the Department of Health (DH) with no capital spend on DFGs by DCLG. This DH funding is included in the new *Better Care Fund (BCF)*. This is a fund announced by the DH in the July 2013 spending review which aims to bring about integration of health and social care spending. Local housing authorities, social services, health and social housing providers have all been contributors to adaptations provision. Under this new regime, local authorities will still have to meet their legal obligations to provide DFGs but there is uncertainty about the precise mechanics of how the BCF will be allocated. It would appear that responsibility for the overall *Better Care Fund* will rest with Lancashire County Council.

In 2014/15 the Council has received Disabled Facilities Grant funding from the DCLG of £249,715. The BCF allocation for 2015/16 will be £334,000, an increase in funding of £84,215. The DFG expenditure forecasts assume that this level of capital funding will continue beyond 2015/16.

The indicative Housing capital programme is included in Appendix F.

Other Key Points

The proposed Capital Programme 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. 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.

F. Reserves

Capital Reserves

The following table provides a detailed forecast of the capital receipts reserves for the period up to 31st March 2019. 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 2015 £000	Projected Balance 31 March 2016 £000	Projected Balance 31 March 2017 £000	Projected Balance 31 March 2018 £000	Projected Balance 31 March 2019 £000
Capital Receipts Reserve	151	88	88	88	88
Earmarked Receipts	453	126	26	26	26
Preserved Right to Buy Receipts	1,056	1,056	1,056	1,056	1,056
Total	1,660	1,270	1,170	1,170	1,170

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 external auditor'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 external auditor 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.

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.

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.

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. In addition to the proposal to transfer funds between reserves it also assumes that the projected out-turn deficit in 2015/16 and also 2016/17 are funded through making contributions from the General Fund Reserve. The adjustments also include the contribution from General Reserve in respect of the upfront payment to the Pension Fund at the beginning of the 2014/15 financial year in order to secure budget savings of £0.155m.

Reserve	Projected Balance 31 March 2015 £'000	Projected Balance 31 March 2016 £'000	Projected Balance 31 March 2017 £'000	Projected Balance 31 March 2018 £'000	Projected Balance 31 March 2019 £'000
General Fund	3,148	3,607	3,924	3,924	3,924
ICT Strategy	1,886	1,786	1,731	1,631	1,641
Elections	134	44	74	104	134
Asset Management	2,186	1,788	1,431	1,231	1,681
Public Open Space Commuted Sums	1,653	1,594	1,535	1,475	1,417
Vehicles, Plant & Equipment	112	112	112	112	112
Local Plans	178	178	178	178	178
Housing needs survey	64	85	105	125	144
Leisure Sites Repair and maintenance	260	260	260	260	260
Performance Reward Grant	115	58	0	0	0
VAT	105	105	105	105	105
Organisational Restructure costs	368	368	368	368	368
Equalisation Reserve - City Deal incl. Business Rates Retention and New Homes Bonus	433	1,983	***	***	***
Other	931	885	831	775	775
Total	11,573	12,853	10,654	10,288	10,739

*** Future carrying balance will be determined when better information is available on business growth

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 and uncertainty when dealing with the current, variable funding regimes.

As with previous years' budget reports, the council's financial strategy continues to be 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 are 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 2016/17 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.

The Equalisation Account, including Business Rates Retention, has been set aside to deal with the volatility of the BRR funding regime and the cash flow implications of the forthcoming investment commitments to City Deal. Please note that the balance on the fund post 2015/16 cannot be quantified at this time given the unknown factors going forward. The collection fund performance cannot be predicted due to the level of unknowns and potential for in year variations against forecasts. To provide some scale to the matter the charge to the Council's revenue account for the collection fund deficit is £1.460m in 2014/15 with a contribution to the revenue account estimated at £1.622m in 2015/16. Given the degree of travel between the two years the required future carrying level on the account cannot be determined at this time but will be reviewed at quarterly intervals during 2015/16.

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. 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.

G. 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 2015/16.

Precepting Authority	2014/15 Band D Equivalent £	Meeting Date
Police & Crime Commissioner	155.96	tbc
Lancashire Combined Fire Authority	63.65	16 th February 2015
Lancashire County Council	1,107.74	12 th February 2015
South Ribble Borough Council	208.38	4 th March 2015
Total	1,535.73	

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 2015/16 with that for the current year.

Parish/ Town Council	2014/15		2015/16	
	Precept £	Band D Equivalent £	Precept £	Band D Equivalent £
Farington	50,000	24.70	50,000	23.94
Hutton	21,000	24.38	21,000	23.82
Longton	23,200	7.90	23,200	7.65
Penwortham	127,600	17.54	127,600	17.23
Much Hoole	9,000	13.18	11,237	16.26
Little Hoole	17,500	24.10	17,500	22.49
Samlesbury & Cuerdale	5,000	10.33	5,000	10.32
Total	253,300		255,537	

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, 2011/12, 2013/14, and 2014/15. 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 2015/16 Band D equivalent Council Tax that will be recommended to the Council meeting scheduled for 4th March 2015.

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 2015/16 have been announced by Central Government and are shown in the table below, along with the equivalent figures for the previous two years.

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m
Business Rates	6.579	4.115	4.555	New Business Rates Retention Scheme introduced		
Revenue Support Grant	0.955	1.272	0.092			
Formula Grant	-	-	-	4.117	4.106	3.499
Council Tax Support Grant	-	-	-	*0.767	-	-
Re-basing of 2010/12 Grant	** (1.106)					
Sub Total	6.428	5.387	4.647	4.884	4.106	3.499
Council Tax Freeze Compensation	-	0.189	0.189	0.268	0.343	0.419
Homelessness Prevention Grant	-	0.057	0.057	0.057	0.056	0.056
Total Formula Grant	6.428	5.633	4.893	5.209	4.505	3.974

* The Council Tax Support Grant is rolled into and included in the Formula Grant settlement from 2014/15. Therefore it cannot be separately identified and tracked in terms of value.

The Borough Council's Council Tax base for 2015/16 has been determined as 34,454.49 Band D equivalent properties (2014/15 - 33,560.5). The increase reflecting an increase in both newly occupied properties and empty homes being brought back into use.

In-year collection rates for Council Tax are continuing to hold up and do not appear to have been adversely affected beyond that predicted in previous years. Therefore in calculating the tax base applicable for 2014/15 the allowance for estimated losses on collection has been maintained at 2.00%. This is to reflect the significant impact of continued re-bandings 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 surplus on the collection fund of £1,349,275. The Council's share of this surplus amounts to £188,785, which has been taken into account in determining the revenue budget for 2015/16 detailed in Appendix A.

Proposed Council Tax 2015/16

Following on from last year's freeze the Council is proposing to keep the Council Tax for 2015/16 at the same amount as 2014/15 (for the fifth time in the last six years). 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 one year and therefore will be received in 2015/16 only. It is estimated that the grant received will be £77,000. 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. 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 being excessive. This can apply to South Ribble Borough Council, Lancashire County Council, Fire, the Police and Crime Commissioner or Towns and Parish councils. 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 2015/16 the limits continue to be set at 2.0%. No equivalent limits have been set for Town and Parish Councils for 2015-16, although the Government may determine such limits in future years. The actual referendum threshold for 2015/16 is still to be officially announced.

Appendices attached to this report		Description
Appendix	Title	
A	MTFS – General Fund Summary	Latest revised estimate for the current year and future years' estimates.
B	General Fund Summary – By Service	Detail of Revenue budget projections by activity for each portfolio.
C	Summary of Key Variances	Explanation of major variances to the original budget 2014/15
D	Budget Efficiency Programme 2014/15	Schedule of efficiency targets incorporated into budget forecasts
E	Budget Efficiency Targets 2015/16	Proposed budget efficiency targets 2015/16 onwards
F1	Capital Expenditure Forecasts - Summary	Summary of the projected expenditure and revised phasing of capital projects already committed in the council's capital programme.
F2	Capital Expenditure Forecasts & Financing	Summary of the projected expenditure and revised phasing of capital projects already committed in the council's capital programme.
G	Key Budget Assumptions	Key assumptions used in compiling the revenue budget forecasts within the MTFS.
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, may result in a reduction in employee costs, which will be addressed in accordance with the Council's suite of human resource policies. 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 2015/16, taking into account the requirements of the Equality Act 2010, and the specific public sector provisions which came into being from 1 April 2011.</p>
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<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

Provisional Local Government Finance Settlement – DCLG December 2014
 Financial Strategy, Budget and Council Tax 2014/15 - Cabinet 5th February 2014
 Treasury Management Strategy - Cabinet 5th February 2014

Appendix A

REVENUE ESTIMATES 2014/15 TO 2018/19

MTFS - GENERAL FUND SUMMARY

	Original Estimate 2014/15 £000	Revised Estimate 2014/15 £000	Original Estimate 2015/16 £000	Forecast Original Estimate 2016/17 £000	Forecast Original Estimate 2017/18 £000	Forecast Original Estimate 2018/19 £000
Portfolio						
Finance & Resources	120	1,836	115	102	808	815
Shared Services & Corporate Support	3,157	2,757	3,212	3,003	2,975	3,007
Neighbourhoods & Street Scene	5,681	5,348	5,349	5,433	5,487	5,551
Regeneration, Leisure & Healthy Communities	2,796	2,688	2,752	2,823	2,847	2,870
Strategic Planning & Housing	1,557	1,331	1,370	1,247	1,268	1,288
Grand Total	13,311	13,960	12,798	12,608	13,385	13,531
External interest	(100)	(100)	(100)	(100)	(100)	(100)
Provision for Repayment of Debt	899	847	784	970	951	901
Interest Payable	121	120	120	120	120	120
Depreciation	(1,391)	(1,391)	(1,391)	(1,391)	(1,391)	(1,391)
Cont'n (from)/to Earmarked Reserves	143	(364)	83	80	734	791
Cont'n (from)/to General Fund Balances for Pension Fund deficit payment	0	(1,159)	644	515	0	0
Cont'n (from)/to General Fund Balances	(132)	249	(185)	(198)	0	0
BOROUGH COUNCIL BUDGET REQUIREMENT	12,851	12,162	12,753	12,604	13,699	13,852
Parish/Town Council Precepts	253	253	256	256	256	256
TOTAL BUDGET REQUIREMENT	13,104	12,415	13,009	12,860	13,955	14,108
Funded By						
New Homes Bonus	625	625	625	625	460	291
Council Tax freeze grant 11/12 & 13/14	266	266	0	0	0	0
Council Tax freeze grant 14/15	70	77	0	0	0	0
Council Tax freeze grant 15/16	0	0	77			
Homelessness Prevention Grant	56	56	56	56	56	56
Revenue Support Grant (RSG) / NNDR	4,392	4,106	4,041	3,953	3,953	3,953
Estimated Reduction in RSG 2016/17				(439)	(439)	(439)
Parish/Town Council Precepts	253	253	256	256	256	256
Projected Borough Council Tax Income	7,032	7,032	7,364	7,309	7,419	7,530
TOTAL FUNDING	12,694	12,415	12,419	11,760	11,705	11,647
Sub-total Net Budget Requirement	410	0	590	1,100	2,250	2,461
Less Proposed Budget savings	(410)	0	(590)	(1,100)	(1,175)	(1,200)
Forecast Budget (Surplus)/Deficit	0	0	0	0	1,075	1,261

**REVENUE ESTIMATES 2014/15 TO 2018/19
GENERAL FUND SUMMARY - BY SERVICE**

Portfolio	Cost Code Description	Original Estimate 14/15	Revised Estimate 14/15	Estimate 15/16	Estimate 16/17	Estimate 17/18	Estimate 18/19
Finance & Resources							
	Finance / Risk Management	126,216	112,238	117,861	116,913	118,018	119,123
	Market Operations	(5,003)	(6,395)	1,428	2,293	3,265	4,251
	Pension Lump Sum Contributions	0	1,778,200	0	0	700,000	700,000
	Pensions To Former Employees	251,483	350,522	251,483	251,483	251,483	251,483
	Property Management	(348,293)	(495,826)	(354,306)	(367,906)	(363,621)	(359,232)
	Public Conveniences	39,947	41,894	42,355	42,469	42,616	42,766
	Treasury Management	55,537	55,110	56,036	56,273	56,322	56,372
Finance & Resources Total		119,887	1,835,743	114,857	101,526	808,083	814,763
Neighbourhoods & Streetscene							
	Cleansing	1,206,490	1,161,202	1,120,715	1,139,837	1,156,230	1,174,812
	Car Parking	51,645	26,462	3,531	4,513	5,579	6,669
	Community Safety	160,274	143,685	142,048	142,544	143,346	144,165
	Corporate Environmental Enforcement	98,522	89,368	64,654	65,167	65,777	66,416
	Depot Team	32,138	41,941	43,777	44,760	45,664	50,603
	Grounds and Tree Maintenance	1,113,402	1,015,237	993,423	1,012,254	1,030,555	1,050,659
	Highways Non-Agency	118,832	114,619	59,447	59,709	60,033	60,370
	Neighbourhood Park Attendants	46,246	43,195	42,373	43,397	44,295	44,992
	Parks Development	790,528	769,235	770,771	773,914	777,603	780,863
	Stand By Arrangements	35,936	41,165	35,379	35,418	35,477	35,539
	Waste Management	2,026,717	1,901,741	2,073,265	2,111,918	2,122,284	2,135,599
Neighbourhoods & Streetscene Total		5,680,730	5,347,851	5,349,383	5,433,431	5,486,842	5,550,688
Planning & Housing							
	Building Control	145,729	76,342	39,600	39,301	40,903	42,750
	Choice Based Letting	54,844	78,057	79,090	79,215	80,107	80,935
	City Deal	0	42,431	84,862	0	0	0
	Conservation Areas	18,769	18,789	19,415	19,522	19,710	19,949
	Development Control	258,481	193,040	240,619	244,209	251,274	259,571
	Disabled Facilities Grant	42,626	61,120	73,777	74,650	76,034	77,014
	Energy Efficiency	28,271	40,525	48,582	49,072	50,033	50,727
	Housing	529,188	430,688	457,700	415,054	420,464	424,679
	Listed Buildings	14,284	13,483	13,498	13,561	13,690	13,855
	Local Plans	290,631	209,147	138,279	137,826	138,512	139,343
	Planning Implementation	164,237	147,280	153,853	154,247	156,121	158,150
	Tree Preservation Orders	6,194	5,914	6,013	5,968	6,025	6,099
	Womens Refuge	3,548	14,411	14,558	14,621	14,756	14,885
Planning & Housing Total		1,556,802	1,331,227	1,369,844	1,247,247	1,267,628	1,287,958
Shared Services & Corporate Support							
	Apprentice Scheme	0	0	24,000	55,000	55,000	55,000
	Borough Elections	131,275	123,712	244,543	123,177	124,059	125,264
	Citizens Advice Bureau	27,782	27,758	27,839	27,845	27,855	27,865
	Civic Facilities	134,354	157,286	149,202	133,197	135,101	136,841
	Corporate Management	334,882	293,713	304,817	303,903	307,035	309,386
	Corporate Management Team	204,162	171,473	172,490	171,343	171,521	171,766
	Corporate Subscriptions	21,000	20,000	20,000	20,000	20,000	20,000
	Cost Collection Council Tax	633,992	562,310	593,446	593,451	601,863	609,767
	Council & Committees	136,675	130,084	130,058	127,331	127,050	128,096

Emergency Planning	1,200	1,200	1,200	1,200	1,200	1,200
Land Charges	2,717	(3,306)	(2,564)	(3,580)	(2,575)	(1,254)
Legal Fee Earning	1,400	(8,700)	(2,600)	(2,600)	(2,600)	(2,600)
Mayoral & Civic Expenses	75,081	72,910	72,930	71,386	71,857	72,436
Members Expenses	387,341	390,528	390,179	386,021	387,690	389,156
Public Relations	165,831	149,099	149,501	150,548	151,824	152,845
Rate Collection Ndr Rates	55,364	42,628	50,048	50,076	52,058	53,919
Registration Of Electors	178,820	177,998	180,156	177,807	178,701	179,959
Revenue Recovery Service	196,081	183,969	191,862	191,849	193,957	195,955
Scrutiny And Improvement Division	97,519	75,679	75,006	75,242	75,703	76,275
South Ribble Partnership	150,928	112,092	125,968	126,836	69,677	70,286
Standards Committee	27,120	14,600	14,763	14,494	14,649	14,820
Housing Benefit Administration	165,840	(4,675)	271,907	180,794	186,255	192,314
My Neighbourhoods Central	4,000	10,593	4,000	4,000	4,000	4,000
My Neighbourhoods Eastern	6,000	14,566	6,000	6,000	6,000	6,000
My Neighbourhoods Leyland	8,000	19,775	8,000	8,000	8,000	8,000
My Neighbourhoods Penwortham	6,000	12,447	6,000	6,000	6,000	6,000
My Neighbourhoods Western	3,500	9,339	3,500	3,500	3,500	3,500
Shared Services & Corporate Suppot Total	3,156,864	2,757,080	3,212,251	3,002,822	2,975,378	3,006,798
Regen Leisure & Healthy Communities						
Arts Development	9,379	8,643	8,481	8,533	8,593	8,645
Bamber Bridge Community Centre	9,994	9,969	10,259	10,231	10,275	10,317
Bamber Bridge Leisure Centre	114,680	114,521	114,877	114,804	114,838	114,865
Catering / Caretaking	9,310	28,761	21,340	21,340	21,340	21,340
Community Coaching Project	72,136	93,043	101,374	108,322	111,749	114,751
Community Involvement	246,822	222,396	218,886	220,713	222,886	224,877
Contaminated Land & Air Quality	31,629	35,952	38,500	38,780	39,142	39,750
Economic Development	83,871	119,112	150,991	152,849	155,033	157,140
Higher Walton Community Centre	9,624	9,541	9,802	9,815	9,847	9,879
Joined Up Servs For Young People	17,116	12,389	12,546	12,610	12,724	12,854
Land Drainage	75,968	79,631	75,556	75,786	76,245	76,733
Leisure Partnership	606,658	602,076	589,455	640,137	641,424	642,709
Leyland Leisure Centre	146,951	148,785	147,167	147,087	147,123	147,153
Licensing	65,229	(5,795)	5,399	7,985	10,205	12,337
Moss Side Community Centre	14,974	14,883	15,159	15,167	15,201	15,234
Museum	87,521	86,248	85,437	86,052	86,732	87,419
Penwortham Holme	9,165	12,119	9,238	9,233	9,246	9,259
Penwortham Leisure Centre	103,690	112,532	104,151	104,302	104,541	104,781
Penworthm Community Centre	12,179	12,003	12,543	12,564	12,630	12,695
Pest Control	97,239	109,139	113,471	114,050	115,628	117,319
Projects And Design	105,216	94,071	91,971	92,781	93,710	94,544
Public Health Services	524,159	398,736	417,515	419,580	423,714	428,102
Regeneration - Events	93,020	107,032	121,661	123,089	124,750	126,319
Sports Development	92,096	104,971	115,156	115,883	117,168	118,509
St Marys - Landlord Responsibilities	3,513	2,805	3,070	3,025	3,072	3,123
Tennis Centre -Landlord Responsibilities	115,507	115,297	115,788	115,676	115,722	115,758
Worden Arts Centre / Craft Units	38,748	39,284	42,380	42,845	43,307	43,791
Regen Leisure & Healthy Commun Total	2,796,394	2,688,144	2,752,173	2,823,241	2,846,844	2,870,202
General Fund Summary						
Contribn To/(from) Reserves	11,440	(1,274,996)	542,052	396,529	734,141	791,000
Contribns from Capital Financing Account	(491,506)	(543,681)	(606,669)	(419,893)	(439,019)	(488,701)
Interest Payable	120,342	120,342	119,532	119,532	119,532	119,532
Parish Precepts	253,300	253,300	255,537	255,537	255,537	255,537
Interest Receipts	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
General Fund Summary Total	(206,424)	(1,545,035)	210,452	251,705	570,191	577,368
Grand Total	13,104,253	12,415,010	13,008,960	12,859,971	13,954,966	14,107,777

REVISED ESTIMATE 2014/15 - SUMMARY OF KEY VARIANCES TO ORIGINAL ESTIMATE

Details	Under/(over) spend £000's
<i>Expenditure</i>	
Employee one-off pension costs	(24)
Capital financing costs re-phased	52
Premises repair & maintenance costs	100
<i>Income</i>	
Council Tax costs recovered	20
Planning application fees increase	75
Property rental income reduction (including Civic Centre)	(47)
Housing Benefit (net) over-recovery	160
Building Control fee income reduction	(50)
Cost Sharing income re-profiled	72
Other net movements	23
<i>BRR Income and City Deal Investment</i>	
Impact of Business Rates Retention Levy Accrual	(286)
Investment in City Deal	(42)
Less Transfer from Equalisation Account	328
	0
Total variation - underspend	381
Plus Pension lump sum payment funded from general reserves	(1,159)
Forecast increase in contribution from General Reserves	(778)
Effect on Reserves:-	
Transfer from General Reserve – Projected Outturn	910
LESS Transfer from General Reserves – Original Forecast	132
Forecast movement	778

BUDGET EFFICIENCY PROGRAMME 2014/15

Budget Efficiency Targets	2014/15		2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000
Proposed 2014/15					
Senior Management Review	(160)				
Neighbourhoods Management and technical officer support review	(100)				
Legal and Democratic	(50)				
Building Control vacancy freeze pending completion of service review (2014/15 only)	(50)				
Administrative Support	(50)				
ICT	(30)				
Housing and Planning	(50)				
Base Budget Review	(80)	(570)	(520)	(520)	(520)
Business Transformation – Temporary additional capacity to deliver efficiency programme		50	50		
Supplement to lower graded posts – subject to consideration of a Cabinet report		10	10	10	10
Contingency to address skills capacity following senior management review		100	100	100	100
Proposed 2015/16			(500)	(500)	(500)
Proposed 2016/17				(500)	(500)
Net Savings		(410)	(860)	(1,410)	(1,410)

BUDGET EFFICIENCY TARGETS 2015/16

Budget Efficiency Targets	Recurring Budget Efficiency Savings 2015/16	Recurring Budget Efficiency Savings 2016/17	Recurring Budget Efficiency Savings 2017/18	Recurring Budget Efficiency Savings 2018/19
	£000	£000	£000	£000
Review of Expenditure on Major Contracts	(390)	(500)	(575)	(600)
Proposed 2015/16 – Business Transformation Programme	(200)	(200)	(200)	(200)
Proposed 2016/17 – Business Transformation Programme		(400)	(400)	(400)
Total	(590)	(1,100)	(1,175)	(1,200)

CAPITAL EXPENDITURE FORECASTS AND FINANCING

Scheme	Description	2014/15	2015/16	2016/17	2017/18	2018/19
		REVISED FORECAST	REVISED FORECAST	REVISED FORECAST	REVISED FORECAST	FORECAST
		£	£	£	£	£
Finance and Resources						
Civic Centre	Civic Centre Improvement Works	67,500	23,676			
Civic Centre	Windows	20,000				
Civic Centre	Suite/Kitchen Refurbishment		20,000	80,000		
Civic Centre	New Lifts	5,000	70,000	5,000		
Civic Centre	Resurfacing of car park			50,000		
Civic Centre	Refurbishment of toilets		50,000			
Moss Side Depot	Roofing & cladding works	3,000				
Moss Side Depot	Fire suppression works			50,000		
Bamber Bridge Offices	Resurface Courtyard	2,000				
Gregson Lane	Replacement Pavilion		30,000			
St Cuthberts	Replacement Pavilion				50,000	
Moss Side Sports facilities	Contribution to improvement of facilities	28,000				
Penwortham Pool	External Painting	31,000	1,000			
Bamber Bridge Pavilion	Refurbish Pavilion		28,000			
Higher Walton Pavilion	Replacement Pavilion	34,230				
Closed Churchyards - wall repairs	St. Leonards, Walton-le-dale	2,000	57,000	2,000		
Closed Churchyards - wall repairs	St. Mary's Penwortham		30,000			
Worden Park	Refurbishment of vine house, walled garden		80,000			
Worden Park	Replacement conservatory/greenhouse at Worden			150,000		
Investment Properties	74/78 Towngate - asbestos removal & roof		15,000			
Investment Properties	Heaton St - roof refurbishment			20,000		
Investment Properties	Clydesdale Place - roof refurbishment			20,000		
Investment Properties	Middleforth - asbestos demolition				100,000	
Investment Properties	New roofs to 3 & 4 Farm yard cottages					50,000
Investment Properties	Redevelopment of units at Middleforth/Bison Place			5,000	495,000	
Investment Properties	Worden Craft Units - infrastructure upgrade				55,000	
Finance and Resources Total		192,730	404,676	382,000	700,000	50,000

Scheme	Description	2014/15	2015/16	2016/17	2017/18	2018/19
		REVISED FORECAST	REVISED FORECAST	REVISED FORECAST	REVISED FORECAST	FORECAST
		£	£	£	£	£
Regeneration,Leisure & Healthy Communities						
Design and Development	Feasibility/preparatory works	15,000	20,000			
Leyland Regeneration (Phase 3)	Further regeneration improvements to Leyland town centre		190,000	100,000		
Bamber Bridge Regeneration	Regeneration improvements	3,000	97,000			
Penwortham Regeneration	Regeneration improvements	90,000	20,000			
MyNeighbourhoods Projects (Note 1)	Longton Village Improvements	128,000				
MyNeighbourhoods Projects (Note 1)	Higher Walton Regeneration	2,022				
MyNeighbourhoods Projects (Note 1)	Much Hoole Off road Cycle Track	6,000				
MyNeighbourhoods Projects (Note 1)	Penwortham Greenbank	1,657				
MyNeighbourhoods Projects (Note 1)	Contribution to extension of multi-use track at Malt Kiln Fold, Moss Side		12,800			
MyNeighbourhoods Projects (Note 1)	Contribution to link path across Dob Lane Recreation Ground, Walmer Bridge		4,000			
Regeneration,Leisure & Healthy Communities Total		245,679	343,800	100,000	0	0
Shared Services & Corporate Support						
ICT replacement programme	Academy Revs and Bens System					250,000
	Bank Wizard System		10,000			
	CAPS System Replacement		100,000			
	Business Transformation - Customer Contact Centre (CRM)	30,000			60,000	
	Business Transformation - Mobile Working Implementation	22,726				
	Web Firmstep/Cloud based		10,000			
	Desktop replacement	185,000				
	Electoral Roll Server	1,500				
	Electronic Document Records Management System (EDRMS)	11,293			100,000	
	Financial Management Information Systems (FMIS)	10,000	10,000			
	Fraud System			50,000		
	HR System		10,000			
	IT Hardware Replacement	56,317	40,000	40,000	40,000	40,000
	IT services for Housing			40,000		
	Licensing System	20,000				
	Automated Payments Transfer (APT)		10,000			
	Pro-print		10,000			

Scheme	Description	2014/15	2015/16	2016/17	2017/18	2018/19
		REVISED FORECAST	REVISED FORECAST	REVISED FORECAST	REVISED FORECAST	FORECAST
		£	£	£	£	£
	Replacement of SAN	2,775	50,000			
	Source Intranet upgrade	25,000				
	Call Centre system upgrade	25,000				
	Telephony System replacement				200,000	
Shared Services & Corporate Support Total		389,611	250,000	130,000	400,000	290,000
Strategic Planning and Housing						
Housing Strategy	Housing Strategy/enforcement	77,696				
Disabled Facilities Grant	100% funded from subsidy in future years	555,616	334,000	334,000	334,000	334,000
Land Acquisition	Wesley Street		63,165			
Strategic Planning and Housing Total		633,312	397,165	334,000	334,000	334,000
Neighbourhoods and Streetscene						
Vehicle Replacement Programme	Vehicle & Plant Replacement Programme	146,254	1,451,000	158,000	910,000	118,000
Worden Park Infrastructure works	Resurfacing of Paved Areas around Hall complex and courtyard	10,900				
Farington Park	Farington Park Play Area - Phase 2	10,093	31,000			
Central Parks	Central Parks		200,000			
Open Space capital works (Note 2)	Programme of Capital Works for Public Open Space	237,030	242,800	100,000		
Neighbourhoods and Streetscene Total		404,277	1,924,800	258,000	910,000	118,000
Performance Reward Grant		37,157	46,000	46,023		
GRAND TOTAL		1,902,766	3,366,441	1,250,023	2,344,000	792,000

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)

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	2014/15	2015/16	2016/17	2017/18	2018/19	TOTAL
					£	£
Asset Management Reserve	429,760	647,476	482,000	700,000	50,000	2,309,236
Borrowing	146,254	1,451,000	158,000	910,000	118,000	2,783,254
Capital receipts - General	68,497	263,165				331,662
Capital receipts - Earmarked	108,000	327,000	100,000			535,000
Government Grant - Housing	564,815	334,000	334,000	334,000	334,000	1,900,815
Grants & Contributions						0
IT reserve	389,611	250,000	130,000	400,000	290,000	1,459,611
PRG	37,157	46,000	46,023			129,180
Revenue						0
Revenue - MyNeighbourhoods Core funds	3,000					3,000
s106	155,672	47,800				203,472
TOTAL	1,902,766	3,366,441	1,250,023	2,344,000	792,000	9,655,230

CAPITAL EXPENDITURE FORECASTS – SUMMARY					
Portfolio	Revised Estimate 14/15	Estimate 15/16	Estimate 16/17	Estimate 17/18	Estimate 18/19
	£	£	£	£	£
SHARED SERVICES & CORPORATE SUPPORT	389,611	250,000	130,000	400,000	290,000
FINANCE & RESOURCES	192,730	404,676	382,000	700,000	50,000
REGENERATION, LEISURE & HEALTHY COMMUNITIES	245,679	343,800	100,000	0	0
NEIGHBOURHOODS & STREETSCENE	404,277	1,924,800	258,000	910,000	118,000
STRATEGIC PLANNING & HOUSING	633,312	397,165	334,000	334,000	334,000
PERFORMANCE REWARD GRANT	37,157	46,000	46,023	0	0
TOTAL	1,902,766	3,366,441	1,250,023	2,344,000	792,000

REVENUE BUDGET – KEY BUDGET ASSUMPTIONS

	2015/16	2016/17	2017/18	2018/19
Start- Up Funding Assessment <i>Consists of:</i> Revenue Support Grant Baseline Funding Level Specific Grants – rolled in	£ 3.897m (provisional)	No change from 2015/16 level pending further Comprehensive Spending Review (CSR)	No change from 2015/16 level pending further Comprehensive Spending Review (CSR)	No change from 2015/16 level pending further Comprehensive Spending Review (CSR)
Council Tax Increases	0%	0%	1.5%	1.5%
Council Tax Freezing Grant 2014/15 & 2015/16	£147,000	£0	0	0
New Homes Bonus Funding (NHB) 2011/12 to 2013/14 allocations	£511,674	£511,674	£346,516	£177,215
New Homes Bonus Funding (NHB) 2014/15	£113,570	£113,570	£113,570	£113,570
New Homes Bonus Funding (NHB) 2015/16 (after City Deal contribution)	£245,025	£245,025	£245,025	£245,025
Council Tax Base	As at 2015/16	As at 2015/16	As at 2015/16	As at 2015/16

	2015/16	2016/17	2017/18	2018/19
Nationally agreed employee pay award	2.2% (from Jan 2015)	0%	1%	1%
Employer's Pension Contribution Rates	12.7%	12.7%	12.7%	12.7%
Employer's Pension Deficit Lump Sum	£1,778,200 (re 2014/15 to 2016/17)	Paid in 2014/15	Paid in 2014/15	£700,000
Employer's National Insurance Increase	Based on current rates	Based on current rates	Based on current rates	Based on current rates
Investment returns (average)	0.5%	0.5%	0.5%	0.5%
Key Income estimates	£75,000 forecast increase in planning fees, no other significant changes	As at 2015/16 levels	As at 2015/16 levels	As at 2015/16 levels
Efficiencies (cumulative)	Target savings £590,000.	Target savings £1,100,000.	Target savings £1,175,000.	Target savings £1,200,000.

Key Risks to the Medium Term Financial Strategy

Risk Area Identified	Potential Impact of Risk	Mitigation
Business Rates Retention	Multi-year impact of Business Rates Retention scheme. Business Rates tax base falls	<ul style="list-style-type: none"> Planned tax base growth to be delivered via City Deal Extensive modelling and scenario forward planning undertaken as part of budget process Adequate level of reserves Maintenance of Equalisation Account
Pay Inflation	Budget provision insufficient to cover actual pay settlements for years 2015/16 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	<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 2016/17 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"> Assumptions contained in MTFS 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 2015/16
Government council tax capping	Government consider that budget decisions taken by the Council should be subject to capping. Increases over the cap would require a Council Tax referendum	<ul style="list-style-type: none"> Council considers Government guidance when setting its budget and council tax. The Council Tax freeze being proposed for 2015/16 will not present any issues
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

Risk Area Identified	Potential Impact of Risk	Mitigation
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
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 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 Current System of Local Government Finance

A new system was introduced from April 2013 which replaced the formula grant system. 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

Business Rates or 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 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” was calculated for each authority. This represents the level of funding planned for each authority, taking into account formula grant and other grant funding. The system assumes that authorities will receive their business rate baseline as income. If an authority collects a higher or lower figure than that, however, it will keep a proportion of 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).

Levy

Levies are charges on authorities (that pay a tariff) if they experience business rate “growth.” “Growth” for levy purposes broadly means an increase above the business rate baseline (which will increase normally in accordance with RPI) for that authority. It can include the effects of other changes in rates collected, as specified by the regulations.

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

Localised Support for Council Tax

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

- Council tax support was localised from April 2013. This means that the uniform national scheme was replaced with local schemes that varied from place to place. Government funding for council tax support was reduced across England and Wales by around 10% and fixed 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) the government grant now provides a contribution to costs within the local government finance settlement. The amount awarded is not separately specified, it is rolled up into RSG.

Council Tax Freeze Grant

A Government scheme to help local authorities, on a temporary basis, keeps freeze council tax at existing levels. Grant funding is based on a percentage of Council Tax income.

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 for RSG and BRR;
- 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 un-ring-fenced grant. There is an enhancement per year for new affordable homes.

Precept

This is the amount of Council Tax income county councils, police and crime commissioners, parish councils and fire and rescue 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 and crime commissioners, fire and rescue 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. Some specific grants are ring-fenced.