REPORT TO	DATE OF MEETING
Cabinet	10th February 2016

SOUTH RIBBLE BOROUGH COUNCIL forward with South Ribble

SUBJECT	PORTFOLIO	AUTHOR	ITEM
Financial Strategy, Budget and Council Tax 2016/17	Finance & Resources	Susan Guinness	5

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 2016/17. 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 significant change and 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 2015/16, the original estimate for 2016/17 and indicative original estimates for 2017/18 through to 2018/19, summarised at **Appendix A** to this report.

2. Cabinet consider **Appendix D** 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 2016/17.

4. Cabinet recommend to Council the adjustment to General and Earmarked Reserves, whilst recognising that this figure may need to be revised when the Government announces the final Local Government Finance Settlement figures for 2016/17 in advance of the Council meeting on 2nd March 2016.

5. Subject to any amendments proposed in considering recommendations 1 to 4 above, Cabinet recommend a Borough Council Net Expenditure requirement for 2016/17 (including parish/town council precepts) for approval at the Council meeting on 2nd 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 also being 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 to 6 above, Cabinet recommend the Borough Council's Band D equivalent Council Tax for 2016/17, for approval at the council meeting on 2nd March 2016, remains at the same level as 2015/16 being £208.38.

8. Council determine the reduction in Council Tax Support applicable to working age claimants with effect from 1st April 2016.

Capital Programme and Budget

9. Cabinet approve the Capital Programme as set out at **Appendix E** 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 (2015/16).**

B. **Medium Term Financial Strategy (MTFS) - 2016/17 through to 2018/19.**

C. **MTFS - Balancing the budget and Budget Efficiency Programme.**

D. **New Investment in the Council's Budget**

E. **Budget Consultation.**

F. **Capital Programme and Prudential Code.**

G. **Reserves.**

H. **Council Tax.**

Acronym Key			
BRR	Business Rates Retention	**LCC**	Lancashire County Council
CD	City Deal	**LEP**	Lancashire Enterprise Partnership
CIL	Community Infrastructure Levy	**MTFS**	Medium Term Financial Strategy
CRM	Customer Relationship Management	**NHB**	New Homes Bonus
CSR	Comprehensive Spending Review	**PCC**	Police and Crime Commissioner
DCLG	The Department of Communities and Local Government	**PRG**	Performance Rewards Grant
DFG	Disabled Facilities Grant	**RSG**	Revenue Support Grant
DH	The Department of Health	**SAN**	Storage Area Network
DMO	Debt Management Office – Executive Agency of Her Majesty's Treasury	**SR**	Spending Review
FMIS	Financial Management Information System	**VAT**	Value Added Tax
ICT	Information and Communication Technology	**VOA**	Valuation Office Agency

A. Forecasted Out-turn Position 2015/16

The budget for the current year was set at £13.194m (excluding parish precepts). As in previous years it incorporated substantial proposals to improve efficiency totalling £0.590m **(Appendix C)** to be achieved by reducing expenditure and generating additional income. It was therefore anticipated at the time the budget was approved, a budgeted contribution of £0.185m would also be required from the General Reserve to balance the overall forecast budget gap of £0.775m. 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 £0.607m.

A summary of the key budget variations for 2015/16 is presented in **Appendix B** below and are in line with those reported throughout the year to the Governance Committee. The main variations in expenditure are in respect of employee cost savings and with regard to income the receipt of additional New Homes Bonus (NHB) offset by a reduction in the receipt of Planning Fee and Building Control income.

During the budget setting process, which updates the budget forecasts for the forthcoming year (2016/17) 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 revolutionary changes to Local Government funding. Council funding will, over the next Spending Review period, be made up of local taxation sources only after the total withdrawal of funding via Revenue Support Grant (RSG). To maintain appropriate funding levels the Council will be required generate income by growing the relevant residential and business tax bases whilst at the same time growth in the Borough, through the building of additional business premises and house building, will place additional demands on our services.

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 the Corporate Plan data. The Governance and Scrutiny Committees provides member oversight and scrutiny of the Council's financial arrangements and performance with the Committee receiving regular financial monitoring reports during 2015/16.

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 Audit Findings Report:-

"The Council has proper arrangements in place for securing financial resilience - *the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future."*

"The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - *the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity."*

B. Medium Term Financial Strategy - 2016/17 to 2019/20

The Revenue Budget forecasts for 2016/17 and beyond are set out in **Appendix A**. The budget translates the priorities in the Corporate Plan into cash terms to deliver the Corporate Priorities that are as follows:-

Clean, Green and Safe

Strong South Ribble in the Heart of a Prosperous Lancashire

Strong and Healthy Communities

Efficient, effective and Exceptional Council

The key messages and achievements for the 2016/17 budget proposals are consistent with the Corporate Priorities and are:

2016/17 BUDGET PRINCIPLE 1
Council Tax – to be a Council Tax Freeze in 2016/17

2016/17 BUDGET PRINCIPLE 2
The budget gap has been bridged and the 2016/17 budget is balanced with no contribution from General Reserve

2016/17 BUDGET PRINCIPLE 3
The Council seeks to introduce income generation schemes to increase financial self-sustainability

2016/17 BUDGET PRINCIPLE 4
Five New Growth Items have been accommodated into the budget with no impact on the base budget

2016/17 BUDGET PRINCIPLE 5
The Capital Programme has been expanded to invest capital resources into service and infrastructure improvements

2016/17 BUDGET PRINCIPLE 6
Funds have been set aside to support the Medium Term Financial Strategy and secure income generation for the Council whilst investing in the borough

THE BUDGET GAP HAS BEEN BRIDGED AND THE 2016/17 BUDGET IS BALANCED – the table below shows the final Medium Term Financial Strategy budget shortfall with no increases applied to Council Tax. The updated budget gap to 2018/19 is anticipated to be **£2.254m** as follows:-

2016/17 Medium Term Financial Strategy (MTFS)	2016/17 £000	2017/18 £000	2018/19 £000
Total Forecasted Budget (Surplus)/ Deficit	**Balanced Budget**	**708**	**2,254**

How the Council has achieved this is explained in the report below. 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 on 17th December 2015. The reductions made to core funding by Central Government as part of the fundamental change being implemented as to how Local Government is funded means that the Council needs to address a continued and increasing budget gap from 2017/18 onwards with a forecasted overall budget gap. The impact of the recent spending review on core funding is indeed revolutionary as the transition is completed transforming core funding from direct grant funding received from Central Government to 100% sourced from local taxation only.

The section below provides a summary of budget from last year, shows the impact of forecasted inflationary increases from 2015/16 through to 2018/19 and how the Council has reduced the budget shortfall from £4.965m to £2.254m. This deficit position has been reviewed and updated to take account of year on year committed growth such as inflationary and volumetric increases. There are two main reasons for the upward lift in the budget shortfall before budget savings are applied being:-

- The additional core funding reductions introduced by Central Government.
- The expiry of the Cost Sharing agreement with Lancashire County Council which has realised and annual income for the Council circa. £0.900m.

The updated 2015/16 budget forecast for the years 2016/17 to 201819

	2016/17 £000	2017/18 £000	2018/19 £000
Total Budget Requirement	12,192	13,014	13,142
Total Funding	11,394	11,229	11,061
Sub Total - Net Budget Requirement (excl. further RSG reductions)	**798**	**1,785**	**2,081**
Impact of Spending Review 2015	**321**	**982**	**1,377**
Forecasted Budget Deficit/(Surplus)	**1,119**	**2,767**	**3,458**
Expiry of Cost Sharing Agreement with Lancashire County Council – Waste Recycling	-	-	900
Updated budget for inflationary and volumetric increases - expenditure	395	560	610
Updated budget for volumetric changes - income	172	22	(3)
Forecasted Budget Deficit/(Surplus)	**1,686**	**3,349**	**4,965**

The impact of the SR 2015 and the Provisional Local Government Finance Settlement plus year on year inflationary and volumetric changes would result in a cumulating budget deficit position circa. £5.000m. The options available to the Council to bridge this funding gap are summarised below and the detailed in the table in Section C on **Page 14** below.

	2016/17 £000	2017/18 £000	2018/19 £000
Forecasted Budget Deficit/(Surplus)	**1,686**	**3,349**	**4,965**
Efficient, Effective and Exceptional Council Budgetary Savings Programme	(816)	(891)	(901)
Strong South Ribble in the Heart of a Prosperous Lancashire Income Generation to Achieve Independent and Local Core Funding	(950)	(1,750)	(1,810)
Forecasted Budget Deficit/(Surplus)	**(80)**	**708**	**2,254**
FIVE NEW INVESTMENT ITEMS IN THE BUDGET – see section D below	**80**	**-**	**-**
Forecasted Budget Deficit/(Surplus)	**Balanced Budget**	**708**	**2,254**

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 impact of Central Government Spending Reviews resulting in substantial reductions in core grant as the Government addresses the national public spending deficit.

- Increased uncertainty and risk with regard to Core Funding levels received from Central Government. The SR 2015 continued to implement fundamental changes in local government financing that removes all core funding to what the Council earns itself through local taxation. A new Tariff Adjustment charge **from** the Council **to** Central Government in the sum of £0.540m has also been introduced to replace the reductions in RSG post it reaching a zero level. There is currently no detailed information in respect of this new form of income reduction with regard to its expected profile or scale.

- Other income streams are under review and potentially subject to future fundamental revision. NHB consultation includes a proposed reduction in the years it is received from 6 to 4 and a reduction in the amount received per property.

- The inflationary increases applied to BRR become increasing important as its total proportion of overall funding increases. Inflationary increases to BRR and some reliefs awarded are determined by Central Government.

As in previous years, the need to deliver substantial year on year efficiencies is embedded into the Council's Medium Term Financial Strategy. For 2016/17 this programme continues and is set out in more detail in section C below. The Council is pursuing a phased and considered approach to reducing its net expenditure and increasing its income over time to 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.

On a positive note there is potentially an opportunity to generate additional funding through: the new Business Rates Retention regime; the Lancashire Pooling agreement, and growing the residential and business tax bases within the borough.

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, pay-wards and levels of fees and charges income. Key assumptions made in preparing the estimates are set out at **Appendix F** including:-

- Changes to be applied to the Provisional Local Government Finance Settlement 2016/17.
- New Homes Bonus grant and the outcome of budget consultation to change its award structure.
- Business Rates Retention (BRR) and the outcome of budget consultation to change its award structure.
- Future valuations by the Actuary on the Pension Fund's Assets and Liabilities.
- The Capital Programme and its revenue implications.
- 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

With regard to Central Government Spending Reviews, the second phase was published in the Spending Review 2015 late last year. The first review took place in 2010 and was applied to funding provided to Local Government between 2011/12 and 2015/16.

Central Government's Comprehensive Spending Review in 2010 (CSR 2010) started the transformational change in the way Local Government receives its grant funding. During the coalition government period and the Comprehensive Spending Review of 2010 the total reduction of core grant over the period 2010/11 to 2015/16 was £2.929m which equates to a 46% reduction in core government grant funding (excluding council tax freeze compensation). The second review, SR 2015, implemented the Tariff Adjustment being reversal of the RSG grant income system.

At the point at which RSG is withdrawn the transition to 100% locally sourced taxation income will be complete. The settlement also launched consultation on proposed reduction to the New Homes Bonus (NHB) to be effective from 2017/18. The proposals being consulted on include the backdated reduction of funding awards from six to four and a reduction to the amount available per property should the planning process be approved following an appeal against an original refusal. The revisions made are intended to 'sharpen the incentivisation' of the scheme which is designed to encourage the building of new homes. Such funding cuts have resulted in the Council's MTFS forecasting a continued significant budget deficit despite having a robust and successful budget efficiency and business transformation programme in place. The tables below illustrating how: (a) funding has changed from 2010/11 to 2015/16 under CSR 2010; and then (b) the impact of SR 2015 from 2016/17 through to 2019/20. 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.

(a) 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	0.343
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**	**3.898**

** 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.*

(b) Spending Review 2015 (SR 2015)

The provisional settlement for 2016/17 (the final version due to be published in February 2016) contains a further reduction in RSG of £0.657m in 2016/17, £0.760m in 2017/18 and then a final reduction of £0.350m in 2018/19 plus the payment of £0.050m to Central Government in 2018/19 and the same charge increasing to £0.490m in 2019/20. The table below shows the funding published in the Provisional Local Government Finance Settlement for 2016/17 to 2019/20. Although a four year indicative settlement was published, the extensive changes proposed in the consultation mean that the total income for the Council over this period is likely to change significantly.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
RSG received *from* Central Government	1.110	350	nil	nil
Baseline Funding Level	2.150	2.190	2.250	2.330
Tariff Adjustment paid *to* Central Government	-	-	(0.050)	(0.490)
Total Funding Level	**3.160**	**2.540**	**2.200**	**1.840**

Impact of Funding Changes on the MTFS

(1) 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. Within these new arrangements it is important to note that, although we continue to collect the business rates for this area (circa. £39m), 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.

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 grown on an annual basis just 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).

The scheme has allowed an opportunity for the Council to benefit financially from achieving growth in the tax base. The national scheme also allows groups of Councils to form a 'Pooling Agreement' whereby the group is treated as one authority for the purposes of calculating the Levy payments and Safety Net receipts. By being part of the Lancashire Pool in 2016/17, South Ribble will no longer be required to pay over to Central Government a 50% Levy Payments on new growth achieved. The benefits of entering into the Pool have contributed to the Council's balanced budget position.

Taking into account the current degree of uncertainty caused by these external factors, an estimate of £0.700m has been included in the forward estimates in the proposed MTFS over the longer term to reflect the impact of the Pooling Agreement. This assumes that the Pooling Agreement continues into future years and therefore should the Pooling Agreement either be dissolved or withdrawn by Central Government, this will in effect increase the forecasted budget deficit in future years. Also a further £0.700m has been included in the forecasted estimates for growth in the tax base from planned developments within the borough. This forecast is very much based on budget assumptions with regard to the outcome of the variable factors listed above and is therefore also subject to variation. An offsetting annual contribution to the BRR Equalisation Account in the sum of £0.200m has been incorporated in the MTFS to provide funds to mitigate financial risk by smoothing the impact of potential future negative shift in the tax base.

(2) Council Tax Support Scheme

2013/14 also saw 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 Borough Council resolved in 2012 to recover the reduction in Central Government funding by reducing the level of entitlement to Council Tax Support for working age claimants. In 2015/16 this meant a reduction of £3.50 per week. The Council agreed it's Council Tax Support Scheme, to take effect from 2016/17, at the meeting on 20th January 2016. Once the council tax levels for the other precepting authorities have been determined for 2016/17 the Council will be required on 2nd March 2016 to determine the reduction in Council Tax support applicable to working age claimants from 1st April 2016.

(3) **New Homes Bonus (NHB) Grant**

The Government introduced NHB in 2011/12 as an incentive for house building across the country. The Department for Communities and Local Government (DCLG) reduced the national RSG allocations to pay for the New Homes Bonus Scheme, the remaining RSG total balance now reducing to zero over the course of SR 2015. The remaining NHB pot is currently 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 £0.170m 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 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 based on NHB years up to and including 2016/17. 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.

The table below sets out the NHB forecasts included in the 2016/17 MTFS, although we know that the regime may be subject to change post the consultation the actual outcomes are unknown. The proposal includes reducing the term of award from 6 years to 4 years backdated to present years with effect from 2017/18. This may impact on City Deal (CD) and therefore this is currently being assessed by the CD partners.

	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 adj			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					279	275	275	275
NHB 2016/17						75	75	75
Total Receipts	**165**	**335**	**529**	**626**	**905**	**976**	**810**	**641**

(4) Main Budget Features – Budget Investments and Growth

The section above provides 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 significant policy changing service cuts. A main feature of this budget setting round is the investment that will be delivered within the borough throughout this MTFS period 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 five additional budget growth proposals to enhance the service provision to the borough's residents including a Housing Options pilot scheme, the extension of the Apprenticeship Scheme implemented last year. These schemes are set out on **page 19** of this report.

Preston, South Ribble and Lancashire City Deal

As per the 2015/16 budget round the Council is a partner to the Preston, South Ribble and Lancashire City Deal. 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. City Deal projects have commenced and there is an update report elsewhere on this agenda.

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, being:-

- Monies are due to be received by South Ribble from LCC (City Deal) on an annual basis for the 10 year CD period 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 dependent VOA Rateable Value assessments, the pooling arrangements and the potential BRR scheme amendments.
- Annual NHB receipts will be shared and distributed.

Whilst the overarching principles 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. 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. As the NHB review is also underway the financial model of the City Deal arrangements is under review so to this end it is proposed that for the coming years in the MTFS the net income generated by City Deal (BRR/NHB) is protected and set aside in the equalisation account to 2016/17 only, the receipt in the following years has not been included in the budget pending the outcome of the finance model review. That said, the governance and monitoring systems for City Deal are robust which allows this 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.

(5) Other Financial Planning Issues on the Horizon

Triennial Review of the Pension Fund

The previous review of the Pension Fund impacts on the budget from 2014/15 up until 2016/17 when it is due to be re-valued again by The Actuary. The impact is complex with two applicable factors within the review having an influence on the budget. Firstly, the fund's valuation has suffered negatively in the past due to the current valuation criteria meaning progress in making up the fund's deficit position had slowed. 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 is now paid as a pre-determined cash amount that will not fluctuate in accordance with pension fund membership numbers. Presently the outcome of the pending valuation is not known but the previous review resulted in a total £1.933m cost to the Council covering the three years to 2016/17. The Council was able to mitigate this cost by arranging to pay all the three years up front to secure a £0.155m discount reducing the cost to £1.778m. This possibility and viability of this approach will be looked at again at the earliest opportunity in 2016/17. A key aspect of this decision is the capacity of the General Reserve to make such a payment plus assessing the offsetting 'cost' of not having the funds available for investment elsewhere. The General Fund Reserve monies are currently being accumulated to do the same again at the end of 2016/17.

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 circa. £0.900m per annum. As part of its budget reduction programme the County Council has reviewed this arrangement with a revised agreement being in place until March 2018, however, the Council is planning to the future when the Cost Sharing Agreement will cease and the MTFS reflects that is income will not be received with effect from 2018/19. This is included as an additional cost pressure in the budget forecasts presented in this report.

C. Medium Term Financial Strategy - Balancing the Budget

2016/17 BUDGET PRINCIPLE 1
Council Tax – to be a Council Tax Freeze in 2016/17

The update of the MTFS to 2019/20 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)	**2016/17 £000**	**2017/18 £000**	**2018/19 £000**
Total Budget Requirement	14,067	13,727	14,769
Total Funding	13,551	12,433	11,929
Sub Total Net Budget Requirement	**516**	**1,294**	**2,840**
Budget Efficiency Programme 2016/17 (Appendix D)	**(516)**	**(586)**	**(586)**
Forecast Budget Shortfall	**0**	**708**	**2,254**

The transition to core funding being solely dependent on local taxation reflects the funding regimes the Council has been planning for. This combination of funding means that the Council is more at risk from year on year fluctuations income levels and financial risk. In addition the technical frameworks that underpin BRR and also the Council's NHB receipts are under review, the outcomes of which are unknown. There may well be an opportunity to receive more BRR income as the option to retain '100% of Business Rates collected' has been floated, however, it is uncertain how the actual changes will be assigned to the current system. Outside of that review we do know that a national re-valuation of the tax base is due in 2017/18 and (without the offsetting effect of growth the tax base) will be in continual decline due to the appeals process administered by the Valuation Office Agency (VOA).

The fundamental principles of Local Government funding as determined with SR 2015 mean that the Council needs to generate its own income by local taxation increases, by means of growing the respective tax bases, plus generating its own income through investment opportunities.

To this end the following MTFS will be implemented which seeks to achieve the following:-

- **Additional income through growing the residential and business tax bases.**
- **Generating income through investing in the borough and achieving an investment return.**
- **Reducing expenditure by achieving cashable efficiency gains.**

2016/17 BUDGET PRINCIPLE 2
The budget gap has been bridged and the 2016/17 budget is balanced with no contribution from General Reserves

The table below lists the options achieved in 2016/17 and a plan of implementation to reduce the budget shortfall.

	2016/17 £000	2017/18 £000	2018/19 £000
Forecasted Budget Deficit/(Surplus)	**1,686**	**3,349**	**4,965**
2016/17 Budget Savings Targets	(516)	(586)	(586)
Savings Achieved on Purchase Vehicles	(135)	(135)	(135)
General Employee Turnover Savings	(100)	(100)	(100)
Expansion of the Treasury Strategy	(65)	(70)	(80)
Sub total – Budgetary Savings **Efficient, effective and Exceptional Council**	***(816)***	***(891)***	***(901)***
New Homes Bonus (NHB)	(350)	(350)	(350)
Council Tax yield – increase in Tax Base	(60)	(120)	(180)
Business Rates Retention:			
Increase in the Tax Base	(900)	(700)	(700)
Additional BRR income from Lancashire Pooling Agreement	(860)	(700)	(700)
Contribution to BRR Equalisation Account	-	200	200
Review of Fees and Charges - Car Parking	(30)	(80)	(80)
Contribution to Borough Investment Account	1,250	-	-
Sub total – Self-Sustaining Income Generation **Strong South Ribble in the Heart of a Prosperous Lancashire**	***(950)***	***(1,750)***	***(1,810)***
Total Forecasted Budget (Surplus)/Deficit	**(80)**	**708**	**2,254**

MTFS Delivering a Balanced Budget – Budget Savings Programme Totalling £0.901m

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. Delivering the priorities set out in the Corporate Plan and protecting front line services continue to be key priorities for the Council and the measures described above allows for a phased approach to be taken.
The budget summary at **Appendix A** to this report suggests that over the next three years the Council will need to deliver recurring revenue budget savings of approximately £2.300m bearing in mind there is still some uncertainty in predicting the impact of the new Business Rates Retention funding system.

Reducing Expenditure - £0.821m

A programme of continual budget savings is aimed at identifying budget efficiencies at the first opportunity to reduce overall expenditure with effect from 2016/17 onwards. A target of £0.516m (increasing to £0.586m in 2017/18) has been allocated to be achieved consisting of Business Transformation programme of service reviews, a review of vacant posts, a restructure in the Shared Assurance Service (which has been approved) and a base budget review. The Shared Financial Services team have a project each year to assess the Council's base budget to identify savings available within the non-staffing budget heads.

The purchase of assets is constantly under review and the lowest cost Capital Financing full life option implemented. The renewal of all asset replacement exercises will ensure the lowest cost option including asset life extension should this prove to be the most viable option with regard to reliable service delivery and cost benefit.

To reflect the natural staff turnover within the organisation a predetermined budget saving total has been applied to the budget in anticipation of instances of staff turnover. It is important to note that this budget savings is intended to reflect the in-built time delays with the normal recruitment process and it is not a policy of holding vacancies.

Increasing Income - £0.080m

At Governance Committee in September 2015 an amended Treasury Strategy was approved that extended the counterparty listing within that strategy. This allows the Council to place cash with a wider choice of high credit quality financial institutions in order to increase the return of investment achieved. Already investments have been made achieving returns between 0.49% and 1.15%. This is an improved return when compared to the 0.25% available from the Treasury Department's Debt Management Office (DMO).

MTFS Delivering a Balanced Budget – Self-Sustaining Income Generation Totalling £1.870m

NHB - £0.350m and Council Tax Base - £0.180m totalling £0.530m

The active growth of the residential tax bases will facilitate the receipt of NHB and also Council Tax by increasing the number of residential properties in the borough.

Business Rates Retention - £1.200m

Making the most of South Ribble's location and new infrastructure development inward investment has been encouraged and the tax base of the borough has increased. In 2016/17 the Council will be taking part in the Lancashire Pooling Agreement which will result in the levy payment, which would normally be paid to Central Government, being retained locally. Attracting further inward investment within the borough will form a key part of the MTFS to balance the budget in future years.

2016/17 BUDGET PRINCIPLE 3
The Council seeks to introduce income generation schemes to increase financial self-sustainability

Review of Fees and Charges - £0.080m

The balanced budget position above has also been achieved as a result of reviewing fees and charges. This budget includes the recommendation to introduce car parking charges at Withy Grove Park and Worden Park with effect from 1st June 2016. In support of these proposals improvements will be carried out, these will include improved signage, installation of litter bins and re-lining where appropriate. It is also proposed that cashless payments via smart phones are introduced to give greater choice to customers in how to pay. Car parking charges are now becoming more common for users of main parks. Worden Park is a popular facility attracting visitors from the wider North West region. The playground at Withy Grove Park is also a popular facility attracting visitors from a wide area of Lancashire especially from the M65 corridor. The proposed introduction of car parking charges will generate income, help the Council achieve a balanced budget and support the significant investment planned for these facilities and included within this budget plan. The new system will include a pay and display ticket and also a permit scheme.

In response to a request from Runshaw College a permit scheme has recently been introduced to enable the students to park on Worden Park all day. The formalising of parking arrangements by the introduction of a chargeable permit scheme enables students to park on the overflow car park during term time. Numbers of permits have been limited so that there is no adverse impact on park users. The permit scheme will not have an adverse impact on the busy periods for the park such as evenings, weekends, school holidays and bank holidays. The college is encouraging its students to use Worden Park for car parking as it considers that these are safe facilities close to the college site. Runshaw College has advised that should further car parking capacity be provided then even more students would use the facilities during term time. It is therefore proposed that additional capacity is created by extending the overflow car park and creating a further 128 parking spaces this will give a total number of 367 spaces. An extension to the overflow car park would also help provide much needed capacity for the summer period when vehicles still have to park on the grass or outside of the park during some of the busier days.

It is also proposed that a permit scheme is introduced for residents and businesses for all day parking on any one of the Council's car parks. These will be offered at an attractive and competitive cost with numbers limited so as not to negatively impact on capacity for other users. The car park at Withy Grove is used by Leisure Centre customers so it is proposed that a reimbursement scheme is introduced in liaison with Serco so that a charging scheme does not negatively impact on Serco's business.

The table below provide a breakdown of the expected additional income generated.

	2016/17 £ (part year)	**2017/18 £ (Full Year)**
Income Car Parking Charges and Permit Scheme	(81,000)	(89,000)
One off costs Set up Costs and Improvement Costs	43,000	-
Recurring operating costs Enforcement, Cash Collection, Permit Scheme	7,750	9,000
Net Income Generation	**(30,250)**	**(80,000)**

D. New Investment in the Budget

2016/17 BUDGET PRINCIPLE 4
Five New Growth Items have been accommodated into the budget with no impact on the base budget

Receipts from the City Deal arrangements, external contributions and additional BRR in 2015/16 has facilitated five new areas of investment without impacting on the base budget. Proactive budgetary savings achieved to bridge the budget deficit resulting in a budget surplus in 2016/17 has provided an opportunity to set aside Apprenticeship funding for the next four years. Therefore an investment package totalling **£0.750m** has been incorporated into the proposed MTFS for 2016/17 to 2018/19 (and to 2019/20 for the Apprentice Scheme) consisting of new budget growth items as follows:-

Housing Option – Addressing Homelessness - £0.080m

Subject of a report elsewhere on this Cabinet Agenda this project is proposed to be implemented as a one year pilot scheme to provide evidence of effectiveness and also financial implications. An investment in this area is aimed at positively influencing the opportunities of those presenting as homeless. Estimates of cost are not readily available with regard to the repayment rates of financial assistance awarded. At the conclusion of the scheme its cost vs benefits will be assessed and a further recommendation made accordingly. This project appears as a separate item on this agenda for further reading. It is proposed to fund this new investment growth item from the headroom in the budget for 2016/17.

Engineering Support to City Deal Projects - £0.135m

City Deal is significantly increasing the workload on major capital projects. This position is for an additional project engineer/landscape architect to support the growing workload which is purely a result of the City Deal programme. This position is fixed according to current secured funding and is funded by City Deal. Initial projects which the position will support include Central Parks and regeneration improvements in Bamber Bridge, Leyland, Penwortham and Lostock Hall. It is proposed to fund this new investment growth item from the annual City Deal receipt received from LCC.

Business Support and Place Promotion - £0.0100m

A refreshed Inward Investment campaign will have wide coverage to hit target audiences and raise awareness of our South Ribble offer to businesses and investors. It will focus on the Lancashire Enterprise Partnership (LEP) growth sector priorities using our developed brand messages.

It is proposed to fund this new investment growth item from the annual City Deal receipt received from LCC. The Place Promotion Programme will play a significant part in ensuring the commercial development outcomes anticipated within the City Deal calculations are delivered and will:

- Raise awareness of South Ribble as an investment location in its own right.
- Develop positive perceptions of South Ribble and its offer as an investment location.
- Allow us to compete better for investment with surrounding areas.

Apprenticeship Scheme - £0.300m

Last year the Council established a programme of four Apprentice posts providing development and training in a variety of work place skills. This was supplemented with an additional 6 Apprentices recruited to specific positions within Neighbourhood Services, Shared Assurance Services and Sports Development. The post holders are located in various departments and functions and move posts on a periodic basis to gain a wide range of work experience. Due to its success it is proposed to expand this programme and recruit to another four positions. It is proposed to fund the total cost of the programme from the revenue budget underspend forecasted to be achieved in 2015/16.

Specialist Project Management resource to deliver Capital projects for the Housing Function - £0.135m

A new post is proposed for the Strategic Housing team to facilitate the delivery of the Housing Capital Programme, which supports the South Ribble Housing Framework 2016 to 19 priorities. The post will primarily focus on enabling new affordable housing but will also be involved in other capital projects including housing for older people and empty homes. It is proposed that this new investment growth item is funded from external contributions.

2017/18 New Investment and Funding

	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget £000	Funding
Housing Options – Pilot Scheme providing financial support for accommodation – Addressing Homelessness	80	-	-	**80**	One year's funding set aside from the budget headroom achieved in 2016/17. This will uplift the base budget for one year only.
Engineering Support to City Deal Projects	45	45	45	**135**	Funding to be allocated from City Deal annual receipt from Lancashire County Council.
Business Support and Place Promotion	50	50	-	**100**	Funding to be allocated from City Deal annual receipt from Lancashire County Council.
Apprenticeship Scheme includes an additional 4 Apprentice Posts for four years – Phase I and II	100	100	100	**300**	Funding to be set aside from budget savings achieved in 2015/16 plus an extension to 2019/20.
Specialist Project Management resource to deliver Capital projects for the Housing Function	45	45	45	**135**	To be funded from external contributions in order to deliver the specialist Housing Capital projects.
Total Investment in MTFS	**320**	**240**	**190**	**750**	
Funded from receipts and 2015/16 set aside	**(240)**	**(240)**	**(190)**	**(670)**	
Total Investment in MTFS to be funded from 2016/17 Budget Headroom	**80**	**-**	**-**	**80**	

E. Budget Consultation

The Council's Corporate Plan has been refreshed and is proposed for approval by the Council 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 2nd^{h} March 2016.

F. Capital Programme and Prudential Code

2016/17 BUDGET PRINCIPLE 5
The Capital Programme has been expanded to invest capital resources into service and infrastructure improvements

Capital Budget 2015/16

Appendix E to this report summarises the projected expenditure and revised phasing of capital projects in the current year and already committed in the Council's Capital Programme. This is further detailed by Cabinet portfolio and the financing options that will deliver the whole programme.

Capital Programme 2016/17 and New Capital Schemes Infrastructure and Service Investment

The original core Capital Programme from 2016/17 has been expanded to incorporate significant investment within the borough to be financed from Capital Receipts the Council has collected including Developer's Section 106 Contributions, Affordable Housing Section 106 Contributions and the Right to Buy Capital Receipt plus contributions from Earmarked Reserves such as Asset Management and City Deal investment.

Summary of the Capital Programme 2016/17 to 2018/19

	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
Original Capital Programme	2.441	2.199	0.594	5.234
New Investment Schemes	2.980	1.100	0.100	4.180
Total Capital Programme	**5.421**	**3.299**	**0.694**	**9.414**

It is proposed to invest Developer's s106 Contributions and also the Right to Buy Capital receipt in the following asset and service provision improvements consistent with the Corporate Priorities below. These scheme invest a total of **£4.180m** within the borough.

Clean, Green and Safe

Strong and Healthy Communities

CLEAN, GREEN AND SAFE – Total Investment £1.235m

- **Town Centre and Village Improvements (£0.205m)** – such as refurbishing and expanding car parking facilities at local community premises.
- **Parks, Play and Pitch Improvements (£0.750m)** – providing improvements to current open space to maintain, refurbish and develop facilities.
- **Extension to the Overflow Car Park at Worden Park (£0.130m)** – providing improved car parking facilities and a safer option to Runshaw College students.
- **Worden Park Toilet Facilities (£0.150m)** – replace and upgrade the existing two sets of toilets with coin entry units which will be more secure and pleasant for users plus re-location to more appropriate positions in the park.

STRONG AND HEALTHY COMMUNITIES – Total Investment £2.945m in Housing Framework

An investment of £2.945m in the new Housing Framework is being considered elsewhere on this agenda. These budgets are indicative and may change following consultation and feedback on the Housing Framework and further developments in national Housing Policy.

- **Extra Care Scheme (£1.000m)** - enables residents to remain in their own home environment and also receive extra care provided on a flexible basis dependent on needs.
- **Affordable Housing and Home Ownership (£1.345m)** - provides development of homes in the borough that are within the financial reach of more residents opening up the more opportunity for home ownership.
- **Empty Properties and Private Sector Home Improvements (£0.600m)** – to facilitate improvements to housing in the borough bringing empty homes and house in a state of disrepair back into use to widen opportunities for home ownership and preventing properties

The total Capital Programme includes a total capital investment of **£9.414m** over the three year period. 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 E** 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 Framework (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 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 E** from 2016/17 to 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. From 2015/16 the government funding for Disabled Facilities Grants (DFGs), previously provided by DCLG, has been provided by the Department of Health (DH). This DH funding is included in the *Better Care Fund (BCF)* 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 still have to meet their legal obligations to provide DFGs but the funding is allocated by Lancashire County Council who have overall responsibility for the *Better Care Fund.*

In 2015/16 the Council received Disabled Facilities Grant funding of £334,000 from the Department of Health (DH) via Lancashire County Council. The DFG expenditure forecasts assume that this level of capital funding will continue beyond 2015/16 and to 2018/19.

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.

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.

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.

G. Reserves

Capital Reserves

The following table provides a detailed forecast of the capital receipts reserves for the period up to 31st March 2020. 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 E.** The financing of the new Capital Schemes listed in **Appendix E** result in the Capital Reserves available in 2015/16 being committed and reducing from £2.001m to £0.562m in 2018/19 with the Preserved Right to Buy being fully allocated to support investment priorities identified in the Housing Framework.

Reserve	**Projected Balance 31/03/16 £000**	**Projected Balance 31/03/17 £000**	**Projected Balance 31/03/18 £000**	**Projected Balance 31/03/19 £000**
Capital Receipts Reserve	495	495	495	495
Earmarked Receipts	397	107	87	67
Preserved Right to Buy Receipts	1,055	nil	nil	nil
Total	**2,001**	**602**	**582**	**562**

2016/17 BUDGET PRINCIPLE 6
Funds have been set aside to support the Medium Term Financial Strategy and secure income generation for the Council whilst investing in the borough

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. 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.

The adequacy of reserves is a review that is undertaken twice a year, firstly as part of budget setting and forecasting the financial pressure and risk and secondly as part of the year end account closure process when actual circumstances throughout the year, and possibly new risk, has emerged. Therefore the Council has considered its level of reserves in the light of the information and consultation within the Provisional Local Government Finance Settlement.

It is important 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. As previously referred to, the financial challenges to Councils are increasing with a new era of Local Government core grant funding whereby significant funding steams are increasingly uncertain as they are calculated using fluctuating and variable factors on an annual basis. RSG has been totally withdrawn and the Council is fully reliant on locally collected income streams to constitute its core funding.

Building on the funding ethos and as part of strengthening its Medium Term Financial Strategy, the Council is setting aside funds to be used to generate income for the Council. Subsequently, a two stage approach is being taken to reshape the total reserves structure as apart of budget setting in February 2016 and as part of closing the account in June 2016. This review will create a Borough Investment Account to facilitate income generations schemes and create a diverse and self-sustaining income portfolio that will enable the Council to further bridge the funding gap. This option minimises the impact on residents and the contribution that is required from reducing expenditure and increasing other income streams such as Council Tax.

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. Funds have also been set aside from the income generated via the Business Rates Retention due to the extensive lack of clarity on the financial implications going forward over the period of this MTFS. As the BRR income makes up a higher proportion of overall income the impact of any future risk to its reduction becomes greater.
This reserve is therefore shown as increasing over the period to 2018/19, however, the following should be noted:-

- The reserve contains the income currently anticipated from City Deal. The implication of the potential changes to NHB and BRR mean that the City Deal financial framework is under assessment and therefore the estimated contributions from CD into the reserve may in reality reduce over this period. For this reason, at this stage, there are is no CD income included in earmarked reserves after 2016/17.
- The Business Rates Tax base is due to be re-valued with effect from 2017/18 and the values on which the whole income is based will change to an unknown degree in an unknown direction.
- The national re-valuation exercise being undertaken by the VOA (not the Council) will trigger the start of a new opportunity for business owners to appeal against the re-valuation anytime over the subsequent four year period.
- Due to the appeals process the rateable value of the tax base will only ever decline over time.
- The BRR is being reviewed by Central Government, no indication has been given with regard to the retention of growth achieved or how the retention value to the Council will be calculated.
- The BRR tax base is more volatile than Council Tax as the economic cycle means that invariably there will be a future period of recession and also the make up the tax base may change over time e.g. fewer higher value premises to high volume lower value properties all of which impacts of income and risk.
- Inflationary increases are critical but are determined outwith the Council.
- The Baseline Funding assessment that is part of determining what income may be retained is due to be re-set by Central Government in 2020/21.

The Table below highlights the projected levels of revenue reserves, based upon ***provisional*** budget figures appended to this report.

Reserves	**Projected Balances**			
	31 March 2016 £000	**31 March 2017 £000**	**31 March 2018 £000**	**31 March 2019 £000**
General Reserve	**4,059**	**1,874**	**2,574**	**3,274**
ICT Strategy	1,868	643	863	1,091
Elections	44	74	104	134
Asset Management	2,145	1,180	830	1,180
Public Open Space Commuted Sums	1,594	1,535	1,475	1,417
Vehicles, Plant & Equipment	112	0	0	0
Local Plans	180	80	80	80
Housing Needs Survey	85	105	125	144
Leisure Sites Repair & Maintenance	260	160	160	160
Performance Reward Grant	71	35	34	34
VAT	105	0	0	0
Organisational Restructure Costs	385	385	385	385
Equalisation Reserve – BRR & City Deal to 2016/17 pending CD Review	2,615	3,407	3,607	3,807
Borough Investment Account	0	3,732	3,732	3,732
Other	1,328	701	549	396
Total	**14,851**	**13,911**	**14,518**	**15,834**

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 variable funding regimes and the unknown outcomes of the settlement consultation.

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.

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.

H. 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 2016/17.

Precepting Authority	2016/17 Band D Equivalent £	Meeting Date
Police & Crime Commissioner	tbc	16th February 2016
Lancashire Combined Fire Authority	tbc	15th February 2016
Lancashire County Council	tbc	11th February 2016
South Ribble Borough Council	208.38	2nd March 2016
Total	**tbc**	

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 2016/17 with that for the current year.

	2015/16		2016/17	
Parish/ Town Council	**Precept £**	**Band D Equivalent £**	**Precept £**	**Band D Equivalent £**
Farington	50,000	**23.94**	50,000	**23.45**
Hutton	21,000	**23.82**	22,000	**24.82**
Longton	23,200	**7.65**	83,200	**27.01**
Penwortham	127,600	**17.23**	127,600	**17.18**
Much Hoole	11,237	**16.26**	14,963	**21.55**
Little Hoole	17,500	**22.49**	17,500	**21.97**
Samlesbury & Cuerdale	5,000	**10.32**	5,000	**10.28**
Total	**255,537**		**320,263**	

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, 2014/15 and 2015/16. Subject to Government rules regarding a Council Tax referendum, the council has discretion over the level of Council Tax it needs to levy to deliver local services. However, Council Tax should not be levied 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 2016/17 Band D equivalent Council Tax that will be recommended to the Council meeting scheduled for 2nd March 2016.

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 Borough Council's Council Tax base for 2016/17 has been determined as 34,815.6 Band D equivalent properties (2015/16 - 34,454.5). This increase reflects 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 2016/17 the allowance for estimated losses on collection has been maintained at 2.00%. This also reflects the significant impact of continued backdated re-bandings of properties. However, every effort will continue to be made to maximise collection rates and minimise any amounts that may ultimately prove to be unrecoverable.

In determining the Council Tax level legislation also requires the Council to take into account any surplus or deficit on the Collection Fund. The requisite calculations have been finalised and there is a forecast deficit on the collection fund of £62,041. The Council's share of this deficit amounts to £8,537, which has been taken into account in determining the revenue budget for 2016/17 detailed in **Appendix A.**

Proposed Council Tax 2016/17

Following on from last year's freeze the Council is proposing to keep the Council Tax for 2016/17 at the same amount as 2015/16 for the sixth time in the last seven years.

Council Tax Increase - Limitations

The Localism Act 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 Town 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. Draft thresholds have been published for the 2016-17 financial year. The Government proposes to set a threshold of 4% for local authorities with social care responsibilities, and 2% for district councils, Police and Crime Commissioners (PCCs) and fire and rescue authorities. No equivalent limits are proposed for Town and Parish Councils for 2016-17, although the Government may determine such limits in future years.

Appendices attached to this report		Description
Appendix	Title	
A	MTFS – General Fund Summary	Latest revised estimate for the current year and future years' estimates to 2019/20.
B	Revised Estimate 2015/16 – Summary of Key Variances to Original Estimate	Revised Estimate 2015/16 - Explanation of key variations from the original 2015/16 budget
C	Budget Efficiency Programme 2015/16	Actual performance in achieving the efficiency targets incorporated into budget forecasts in 2015/16
D	Budget Efficiency Programme 2016/17	Proposed budget efficiency programme 2016/17 onwards
E	Capital Expenditure Forecasts and Financing	Summary of the projected expenditure and revised phasing of capital projects already committed in the council's capital programme. The Capital programme is divided into the original programme and the New Investment Projects
F	Revenue Budget – Key Budget Assumptions	Key assumptions used in compiling the revenue budget forecasts within the MTFS.
G	Key Risks to the Medium Term Financial Strategy	Potential risks to the MTFS and the mitigating action(s)
H	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)	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. There are no legal implications at this stage. 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. An equality impact assessment has been carried out on the budget proposals contained in this report for 2016/17, taking into account the requirements of the Equality Act 2010, and the specific public sector provisions which came into being from 1 April 2011.

Asset Management	*Corporate Plans and Policies*	*Efficiency Savings*	*Equality, Diversity and Community Cohesion*
Freedom of Information/ Data Protection	*Health and Safety*	*Human Rights Act 1998*	*Implementing Electronic Government*
Respect Agenda	*Staffing*	*Sustainability*	*Training and Development*

BACKGROUND DOCUMENTS

Provisional Local Government Finance Settlement – DCLG December 2015
Financial Strategy, Budget and Council Tax 2015/16 - Cabinet 11th February 2015
Treasury Management Strategy - Cabinet 11th February 2015
Updated Treasury Management Strategy – Governance Committee 23rd September 2015

MTFS – GENERAL FUND SUMMARY

REVENUE ESTIMATE 2015/16 to 2018/19

	Original Estimate 2015/16 £000	Revised Estimate 2015/16 £000	Original Estimate 2016/17 £000	Forecast Original Estimate 2017/18 £000	Forecast Original Estimate 2018/19 £000
Portfolio					
Corporate Support	6,773	5,986	6,279	6,446	6,577
Finance and Resources	750	697	803	1,389	1,407
Housing & Healthy Communities	(113)	390	349	349	307
Neighbourhoods & Streetscene	4,481	4,157	4,071	4,044	5,027
Regeneration and Leisure	1,303	1,477	1,463	1,462	1,446
Strategic Planning	(396)	(276)	(276)	(301)	(326)
Grand Total	**12,798**	**12,431**	**12,689**	**13,389**	**14,438**
New Growth	0	0	80	0	0
Efficiency Savings Achieved 2015/16	(590)	0	0	0	0
Efficiency Savings Programme 2016/17 (Appendix D)	0	0	(516)	(586)	(586)
Investment Interest	(100)	(200)	(165)	(170)	(180)
Interest Payable	120	120	120	120	120
Depreciation	(1,391)	(1,946)	(1,946)	(1,946)	(1,946)
Provision for Repayment of Debt	784	842	1,033	1,050	1,052
Revenue contributions to Capital	0	12	0	0	0
Revenue funded from capital	0	(465)	(465)	(465)	(465)
Cont'n (from)/to Earmarked Reserves	83	1,009	1,886	1,429	1,430
Cont’n (from)/to General Fund Balances for Pension Fund deficit payment	644	644	515	0	0
Cont’n (from)/to General Fund Balances	(185)	0	0	0	0
BOROUGH COUNCIL BUDGET REQUIREMENT	**12,163**	**12,447**	**13,231**	**12,821**	**13,863**
Parish/Town Council Precepts	256	256	320	320	320
TOTAL BUDGET REQUIREMENT	**12,419**	**12,703**	**13,551**	**13,141**	**14,183**
Funded By:					
New Homes Bonus	625	905	975	810	641
Council Tax freeze grant 15/16	77	77	0	0	0
Revenue Support Grant (RSG)	1,767	1,767	1,007	345	0
Tariff Adjustment (£0.050m in 2018/19 plus indicative £0.490m in 2019/20)	0	0	0	0	(50)
Business Rates Retention	2,330	2,330	4,003	3,643	3,643
Parish/Town Council Precepts	256	256	320	320	320
Projected Borough Council Tax Income	7,364	7,368	7,246	7,315	7,375
TOTAL FUNDING	**12,419**	**12,703**	**13,551**	**12,433**	**11,929**
Forecast Budget (Surplus)/Deficit	**0**	**0**	**0**	**708**	**2,254**

Appendix B

REVISED ESTIMATE 2015/16 - SUMMARY OF KEY VARIANCES TO ORIGINAL ESTIMATE

Description	Projected outturn variance Under / (Over) spend £'000	
Expenditure		
Salaries savings		352
Agency costs saving – Building Control		14
Review of Members' Remuneration		(161)
Premises		55
Supplies & Services		56
Sub Total Expenditure		**316**
Income		
Planning application fees shortfall	(125)	
Civic Centre rental income shortfall	(60)	
Building Control fees shortfall	(51)	
Taxi Licensing income reduction	(13)	
Trade Waste charges	24	
Provision of Refuse Bins at New Properties	28	
Property rentals additional income	45	
Housing Benefit & Council Tax Support net over-recovery	62	
Interest on investments	100	
Additional New Homes Bonus	279	
Sub Total Income		**289**
Other net minor movements		(14)
Budget Efficiency Programme		16
Net Budget Variation – Projected Outturn		**607**
Effect on Reserves:		
Transfer from General Reserves – Original Forecast	(185)	
Transfer to General Reserve – Projected Outturn	422	
Forecast movement		**(607)**

Budget Efficiency Programme 2015/16

Budget Efficiency Programme	2015/16 Part Year Effect			Future Years' Full Year Effect	Budget Target compared to Actual (a) – (d)
	Budget Target	Actual Achieved	Over / (Under) Achieved (b) – (a)		
	£000	£000	£000	£000	£000
Column	*(a)*	*(b)*	*(c)*	*(d)*	*(e)*
Completed Projects					
Waste Contract savings	490	490	**0**	600	**110**
2015/16 Budget savings target – Core Managers	200	173	**(27)**	112	**(88)**
	690	**663**	**(27)**	**712**	**22**
Offsetting Transitional Costs					
Waste Contract Management – transition fund	(100)	(57)	**43**	(100)	**-**
Net Saving	**590**	**606**	**16**	**612**	**22**

Budget Efficiency Programme 2016/17

Budget Efficiency Targets	**Recurring Budget Efficiency Savings 2016/17** **£000**	**Recurring Budget Efficiency Savings 2017/18** **£000**
Business Transformation:		
Environmental Health	(100)	(100)
Neighbourhoods	(50)	(50)
Print and Post Review	(30)	(30)
Revenues and Benefits Self-Serve	-	(70)
Shared Assurance Services Restructure	(20)	(20)
Review of Vacant Posts	(236)	(236)
Base Budget Review	(80)	(80)
Total	**(516)**	**(586)**

Appendix E

CAPITAL EXPENDITURE FORECASTS AND FINANCING
Core Programme and New Investment Projects

Scheme Name	City Deal *	Revised 2015/16 £	Projected 2016/17 £	Projected 2017/18 £	Projected 2018/19 £
Capita Revenues & Benefits System		89,500	-	-	-
Automated Payments Transfer		9,492	-	-	-
Business Transformation - Customer Contact Centre CRM		7,500	30,000	30,000	-
Business Transformation - Mobile Working Implementation		22,726	-	-	22,000
Call Centre System Upgrade		25,000	-	-	-
CAPS System Replacement		8,425	-	-	-
Desktop Replacement Programme		15,379	-	-	-
Electronic Document and Records Management System		11,293	-	-	-
HR system replacement		10,000	-	-	-
IT hardware replacement		41,003	40,000	40,000	40,000
New Financial Management Information Systems (FMIS)		9,250	10,750	-	-
Academy (Revs & Bens) print mgt service		-	10,000	-	-
SAN replacement		-	50,000	-	-
Update of LALPAC Licensing System		12,100	-	-	-
Sorce - intranet		23,005	-	-	-
Web Firmstep - Cloud Based		10,000	10,000	10,000	10,000
Business Continuity and Disaster Recovery		-	150,000	-	-
Shared Services and Corporate Support		**294,673**	**300,750**	**80,000**	**72,000**
St Leonard's, Walton-le-dale - Churchyard wall repairs		78,000	-	-	-
St Mary's, Penwortham - Churchyard wall repairs		5,000	73,000	-	-
Civic centre - Solar power and roof works		11,686	-	-	-
Civic centre - Window replacement		4,119	-	-	-
Civic centre - Lift replacement		72,871	2,677	-	-

Scheme Name	City Deal *	Revised 2015/16 £	Projected 2016/17 £	Projected 2017/18 £	Projected 2018/19 £
Civic centre - Resurfacing of car park		-	-	50,000	-
Investment Property 74-78 Towngate - Asbestos removal and roof		20,100	-	-	-
Investment Property Heaton St - Roof refurbishment		-	20,000	-	-
Investment Property Middleforth - Asbestos removal and demolition		-	-	100,000	-
Investment Property Farm Yard cottages - New roofs to 3 & 4 Farm yard cottages		-	-	-	50,000
Investment Property Middleforth / Bison Place - Redevelopment of units		-	5,000	495,000	-
Investment Property Worden Craft Units - Infrastructure upgrade		-	-	55,000	-
Moss Side Sports Facilities - Contribution to new pavilion		55,500	-	-	-
Moss Side Sports Facilities - Car park extension (s106)		50,000	-	-	-
Moss Side Depot - Fire suppression works		-	50,000	-	-
Penwortham Leisure Centre - External painting		1,000	-	-	-
Gregson Lane replacement pavilion		30,000	-	-	-
St Cuthbert's replacement pavilion		-	-	50,000	-
Bamber Bridge replacement pavilion		28,000	-	-	-
Worden Park - Replacement conservatory/greenhouse		-	150,000	-	-
Management of Assets		**356,276**	**300,677**	**750,000**	**50,000**
Open spaces - Worden Park entrance and car park	Y	250,175	91,800	-	-
Worden Park - Refurbishment of vine house		-	80,000	-	-
Farington Park - Footpath network (s106)		36,386	-	-	-
Gregson Green - Drainage Scheme		10,000	102,705	-	-
Hurst Grange Park Development Plan		**-**	**50,000**	-	-
Cycle path contribution (s106)		25,000	-	-	-
Vehicles and Plant replacement programme		1,477,150	158,000	910,000	118,000
Neighbourhoods and Streetscene		**1,798,711**	**482,505**	**910,000**	**118,000**

Scheme Name	City Deal *	Revised 2015/16 £	Projected 2016/17 £	Projected 2017/18 £	Projected 2018/19 £
Feasibility & Surveys - Design and Development		20,000	20,000	20,000	20,000
St Catherine's Park - Memorial & peace garden, pathways, footbridge, seating, etc.	Y	305,000	20,000	-	-
Central Parks Development	Y	-	35,000	35,000	-
Bamber Bridge - Regeneration	Y	-	300,000	-	-
Leyland - Gateway features	Y	20,000	115,000	35,000	-
Leyland - Regeneration		20,000	270,000	-	-
Penwortham - Regeneration		38,538	-	-	-
Penwortham Greenbank (s106)		1,870	-	-	-
Masterplan - Leyland, Penwortham & Lostock Hall	Y	-	35,000	35,000	-
Walmer Bridge Improvements (s106)		14,000	86,000	-	-
Longton Brook - Regeneration (s106)		5,000	-	-	-
Longton Village - Regeneration (£12k s106)		31,184	31,185	-	-
Longton Village - Coastal communities		58,500	9,500	-	-
Malt Kin Fold - Contribution to extension of track (s106)		12,800	-	-	-
Regeneration, Leisure & Healthy Communities		**526,892**	**921,685**	**125,000**	**20,000**
Disabled Facilities Grants		465,157	334,000	334,000	334,000
Land acquisition		8,189	54,976	-	-
Strategic Planning and Housing		**473,346**	**388,976**	**334,000**	**334,000**
Performance Reward Grant (PRG)		49,624	46,023	-	-
South Ribble Partnership (PRG)		**49,624**	**46,023**	**-**	**-**
Capital Expenditure Total		**3,499,522**	**2,440,616**	**2,199,000**	**594,000**

Capital Financing Summary	**Revised 2015/16 £**	**Projected 2016/17 £**	**Projected 2017/18 £**	**Projected 2018/19 £**
Grants	578,281	389,523	334,000	334,000
External Contributions – City Deal	475,000	505,000	105,000	-
External Contributions – Other	81,184	168,808	-	-
Capital Receipts	86,727	344,976	20,000	20,000
Reserves	627,124	771,309	830,000	122,000
Revenue	17,000	-	-	-
Section 106	157,056	98,000	-	-
Borrowing	1,477,150	158,000	910,000	118,000
Capital Financing Total	**3,499,522**	**2,440,616**	**2,199,000**	**594,000**

New Investment Capital Projects and Financing 2016/17 to 2018/19

Scheme Name	** MyNeighbourhood Plans	Projected 2016/17 £	Projected 2017/18 £	Projected 2018/19 £
Extra Care Housing Scheme (s106)		-	1,000,000	-
Affordable Housing (s106) and Home Ownership		1,345,000	-	-
Empty Properties		100,000	-	-
Private Sector home improvement grants		500,000	-	-
Open Spaces – Annual Budget to apply to various schemes for 4 years to 2019/20		100,000	100,000	100,000
Withy Grove Park Improvements		250,000	-	-
Extension to Overflow Car park at Worden Park		130,000	-	-
Toilet Facilities Improvements at Worden Park		150,000		
Improvements to Farington Lodges	**	100,000	-	-
Lostock Hall Football Facility	**	150,000	-	-
Hurst Grange Park Refurbishment Works		50,000	-	-
Refurbish Car park at Walton-le-Dale Community Centre	**	75,000	-	-
Overflow Car Park at Hutton Village Hall	**	30,000	-	-
Total New Investment Capital Projects		**2,980,000**	**1,100,000**	**100,000**
FINANCING SUMMARY		**Projected 2016/17 £**	**Projected 2017/18 £**	**Projected 2018/19 £**
Grants		**-**	-	-
External Contribution - Other		-	-	-
Capital Receipts		1,055,000	-	-
Reserves		603,000	100,000	100,000
Revenue		-	-	-
Section 106		1,322,000	1,000,000	-
Borrowing		**-**	-	-
New Investment Capital Financing Total		**2,980,000**	**1,100,000**	**100,000**

-

Appendix F

REVENUE BUDGET – KEY BUDGET ASSUMPTIONS

	2016/17	2017/18	2018/19
Start- Up Funding Assessment			
Consists of:			
Revenue Support Grant	£1.010m	£0.350m	nil
Baseline Funding level	£2.150m	£2.190m	£2.250m
Tariff Adjustment	nil	nil	(£0.050m)
Council Tax Increases	0%	0%	0%
New Homes Bonus Funding (NHB) 2011/12 to 2013/14 allocations	£511,674	£346,516	£177,215
New Homes Bonus Funding (NHB) 2014/15	£113,570	£113,570	£113,570
New Homes Bonus Funding (NHB) 2015/16 and 2016/17 (after City Deal contribution)	£348,128	£348,128	£348,128
Nationally agreed employee pay award	1%	1%	1%

	2016/17	2017/18	2018/19
Employer's Pension Contribution Rates	12.7%	12.7%	12.7%
Employer's Pension Deficit Lump Sum	£1,778,200 (re 2014/15 to 2016/17)	£700,000	£700,000
Employer's Pension Deficit Lump Sum Payment profile	-	£700,000 Plus £1,400,000 2018/19 and 2019/20	(£700,000) Repayment to General Reserve
Employer's National Insurance Increase	Based on current rates	Based on current rates	Based on current rates
Investment returns (average)	0.6%	1.25%	1.75%
Key Income estimates	Proposed revision of car parking charges, no other significant changes	As at 2016/17 levels	As at 2016/17 levels
Efficiencies (cumulative)	2016/17 budget savings in 2016/17 £816,000.	2016/17 budget savings in 2017/18 £886,000.	2016/17 budget savings in 2017/18 £886,000.
BRR Pooling Agreement – Anticipated Increased Retained Business Rates Income	£0.860m	£0.700m (£0.200m to equalisation)	£0.700m (£0.200m to equalisation)

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	• 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
BRR Pooling Agreement	Change to the Pooling Agreement arrangement made available by Central Government. The Lancashire Pooling Agreement is dissolved	• 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 2016/17 and beyond	• 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	• 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	• 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	• 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 as per the provisional settlement to 2019/20. Volatility in retained business rate income as this will be determined by business expansion/ contraction in the area. Introduction of new Tariff Adjustment with no detail to its scale, profile and longevity	• Assumptions contained in MTFS • Adequate level of General Reserve and Earmarked Reserve • Deliver planned efficiencies
New Homes Bonus (NHB)	Shortfall in actual grant funding compared with budget provision. Outcome of the 2016/17 budget consultation to reduce NHB awards	• A cautious approach has been taken in anticipating additional funding from this source beyond 2015/16 • The funding detail of City Deal will be reviewed when the outcomes of the consultation are known

Risk Area Identified	Potential Impact of Risk	Mitigation
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	• Council considers Government guidance when setting its budget and council tax. • The Council Tax freeze being proposed for 2016/17 will not present any issues
Efficiency targets	Failure to deliver efficiency targets leading to a funding shortfall	• Ensure that targets are realistic and deliverable within the timescales envisaged • Allocate ownership and develop an action plan(s) for delivering the efficiencies and monitor delivery • Maintain an adequate level of General Reserve
Interest Rates	Interest rate forecasts vary from the assumptions made in the financial forecasts resulting in a shortfall in investment interest and/or additional borrowing costs	• 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	• Professional and specialist advice taken to support decisions • Treasury Management Strategy and Policies kept under review
Capital Programme	Funding shortfall due to overspending, unforeseen circumstances etc.	• 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). In December 2015 the Provisional Local Government Finance Settlement included a new Tariff Adjustment from 2018/19 onwards.

Local Government Finance Settlement

The local government finance settlement is an annual determination of funding 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.

Revenue Support Grant (RSG)

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

Tariff Adjustment

Direct funding deduction forming part of the Provisional Local Government Finance Settlement.

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.

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.