

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO POLICY AND FINANCE COMMITTEE

meeting date: 28 MARCH 2023
title: MEDIUM TERM FINANCIAL STRATEGY AND PLAN 2023/24 TO 2027/28
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

1.1 To approve the Council's Medium Term Financial Strategy and Plan for the period 2023/24 to 2027/28.

1.2 Relevance to the Council's ambitions and priorities:

- Community Objectives – none identified
- Corporate Priorities - to continue to be a well-managed Council providing efficient services based on identified customer need. To meet the objective within this priority, of maintaining critical financial management controls, ensuring the authority provides council tax payers with value for money.
- Other Considerations – none identified.

2 BACKGROUND

2.1 The purpose of the Medium Term Financial Strategy and Plan is to pull together in one place all known factors affecting the financial position and financial sustainability of the council over the medium term. It balances the financial implications of our objectives and policies against the availability of our resources to support them.

2.2 The Medium Term Financial Strategy and Plan is the Council's key financial planning document and aims to provide an assurance that our spending plans are affordable over the Medium Term (2023/24 to 2027/28). The information that is included in the document reflects the short and medium term plans detailed in the budget report that was approved by this committee on 14 February this year and provides the backdrop for those decisions.

2.3 The Medium Term Financial Strategy and Plan allows the council to take budget and investment decisions in the shorter term, but with the availability of information on our potential future financial position. It is then possible to assess how these decisions may impact on our financial stability.

2.4 That having been said, there is a great deal of uncertainty around much of the document beyond the 2023/24 financial year, however the document will be reviewed annually to once again reflect the best know information at that point in time.

3 MEDIUM TERM FINANCIAL STRATEGY AND PLAN

3.1 The attached Medium Term Financial Strategy and Plan is split in to two sections. The first part, being the Strategy section, provides the details of the various elements of the budget and the influencing factors both internal and external.

3.2 This section gives the reasoning behind the elements that have been included in the plan and the arrangements that we have in place to help ensure that the budget plans stay on track.

3.3 The second section relates to the Plan itself, bringing together the elements from the Strategy section. This section provides the resulting Budget Plan for the next five years for both revenue and capital and also outlines some of the risks and sensitivities that are associated with the Plans.

3.4 A key part of the Plan that is highlighted is the revenue budget gap going forward and the need for this to be addressed through the work of the Budget Working Group. Whilst the Plan highlights the potential to meet the gap from our Earmarked Reserves, this is clearly not a sustainable position.

3.5 The Medium Term Financial Strategy and Plan forms an integral part of the council's financial planning process and whilst it is a document produced by the finance team, it is important that it is understood and recognised by all staff and members across the council. Financial forecasting and monitoring is integral to the provision of our services.

4 CONCLUSION

4.1 The Medium Term Financial Strategy and Plan has been produced and is attached at Annex 1. This includes the implications of the latest budgets for both revenue and capital.

4.2 It is a key document for the council and it is important that it is understood by all members and staff.

5 RISK ASSESSMENT

5.1 The approval of this report may have the following implications

- Resources: This document does not commit any current or future budgets and is used as a forecasting tool
- Technical, Environmental and Legal: none identified
- Political: none identified
- Reputation: sound financial planning safeguards the reputation of the council
- Equality and Diversity: Equality and diversity issues are considered in the provision of all council services

6 RECOMMENDED THAT COMMITTEE

6.1 Approve the Medium Term Financial Strategy and Plan for 2023/24 to 2027/28.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

PF37-23/LO/AC
17 March 2023



Ribble Valley
Borough Council

www.ribblevalley.gov.uk

Medium Term Financial Strategy and Plan 2023/24 to 2027/28

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Introduction

The medium term financial strategy (MTFS) provides a strategic financial framework and forward looking approach to achieve long term financial sustainability.

The main objectives of the medium term financial strategy are:

- to look to the longer term to help plan sustainable services and budgets and help ensure that the council's financial resources are sufficient to support delivery of Corporate Strategy ambitions.
- to provide a single document to communicate the financial context, aims and objectives to staff and stakeholders and support working with partners.

The strategy provides a framework against which the medium-term financial plan (MTFP) is developed, and provides the backdrop against which the MTFP has been developed.

The Strategy

The Medium Term Financial Strategy examines both the Financial Context and also the Strategic Context:

- **Financial Context** – where we examine our sources of funding, assumptions around such items as pay and price inflation, our available balances, the development of the capital programme, key risks and out monitoring and forecasting arrangements taking into consideration the CIPFA Financial Management Code.
- **Strategic Context** – where we look at the look at the ambitions contained within the Corporate Strategy and also the impact of our many other policies and plans and how these impact on the direction of the council and on its operation from day to day. Also included here is wider national policy and how certain areas of national policy do, or may, impact on the operation of the council.

The Plan

The Medium Term Financial Plan is where the council reviews its budgetary position and seeks to forecast its financial position over a rolling 5-year plan, based on the content of the Medium Term Financial Strategy.

The Plan considers the financial climate at both the local and national level together with available resources and budgetary pressures. Included here is the medium term forecast around our day-to-day revenue spend and also of our investment through capital spend.

Medium Term Financial Strategy

Settlement Funding Assessment

The Settlement Funding Assessment consists of the Business Rates Baseline Funding Level and the Revenue Support Grant and is the Government’s assessment of the level of funding that council’s require to meet their net expenditure after allowing for income received through the Council Tax.

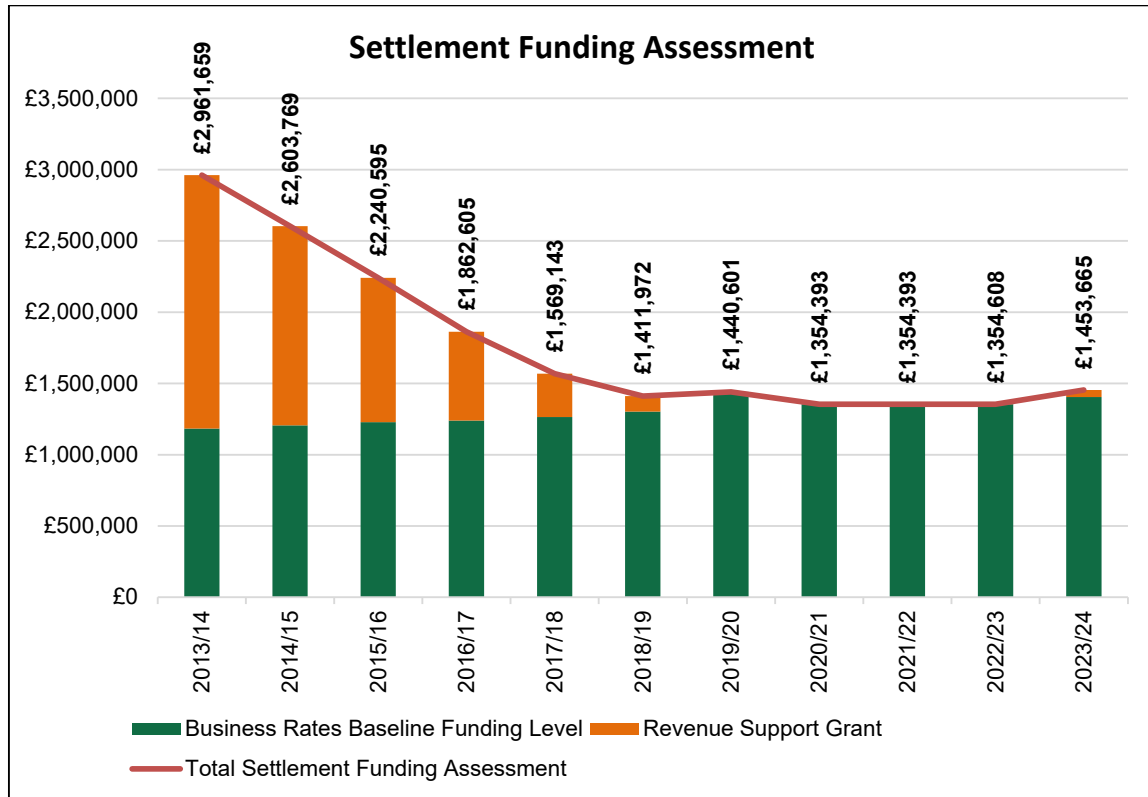
In line with Government plans in the previous decade to reduce public sector spending, the settlement funding assessment was reduced over a number of years to 2019/20. This reduction came through the reduced levels of Revenue Support Grant received as part of the Settlement Funding Assessment.

Of late, there has been some additional funding made through specific grants, rather than through changes to the Settlement Funding Assessment.

The Government have further delayed key reforms to local government funding, notably in this area of funding in respect of:

- Review of local authorities’ relative needs and resources (Fair Funding Review)
- Business Rates Retention Reform

The chart below shows the settlement funding assessment for this council since 2013/14 when the current local government finance system was introduced.



FINANCIAL CONTEXT: Settlement Funding Assessment

The Settlement Funding Assessment for 2023/24 is effectively a one-year settlement and as such it is difficult to assess the level of funding over the life of the plan. Looking forward, in the absence of any other information around the future of local government funding and the delays to the key reforms, it has been assumed in the Medium Term Financial Plan section of this document that the Settlement funding Assessment level will remain static until the end of the plan life in 2027/28.

However, other assumptions have been made in respect of protections going forward and this is referenced in the next section under 'Funding Guarantee' as the potential continued support shown in the Plan as 'Potential Transitional Protection Payment'.

Other Government Grants within Grant Settlement

New Homes Bonus

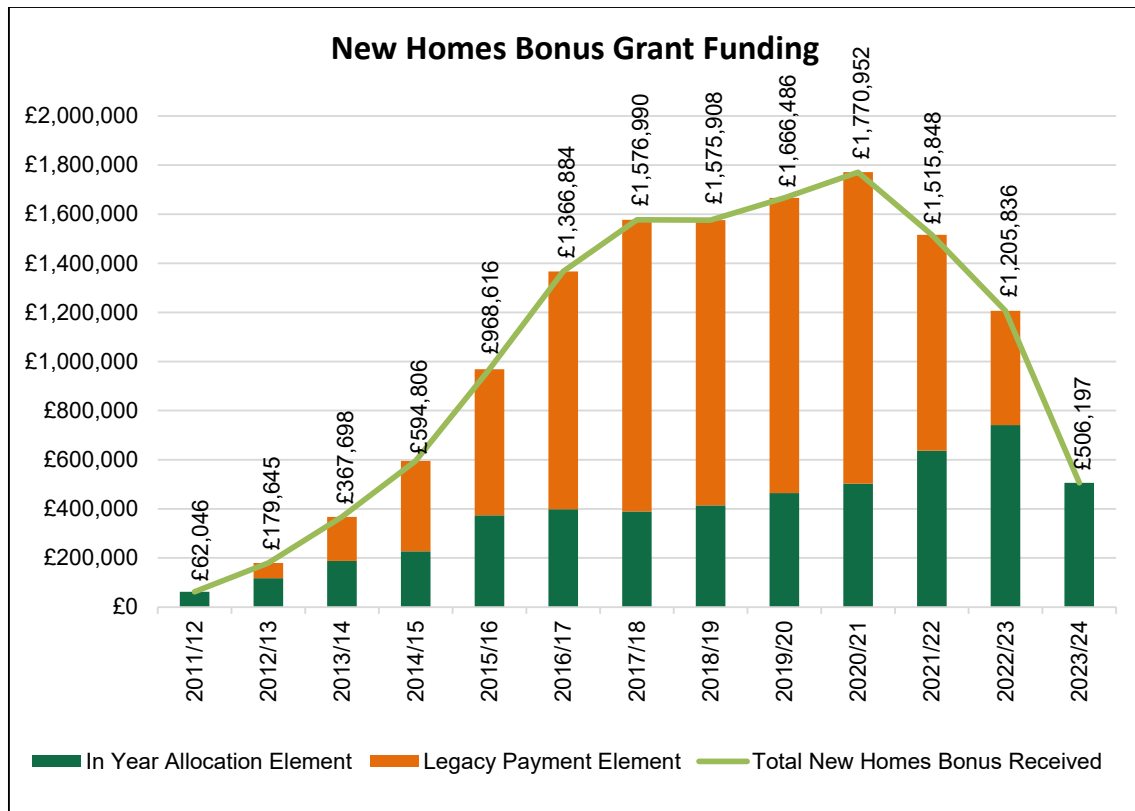
The New Homes Bonus commenced in April 2011 and is paid to the council by the Government for new homes and empty properties brought back in to use. The amount receivable is equivalent to the national average council tax for each property.

The original scheme saw the grant payable in a year being receivable every year for the following six years. The amount is also supplemented with an additional amount for affordable homes.

New Homes Bonus grant is shared 80:20 between district and county councils in two tier areas. It is paid as an unringfenced grant, which means local authorities are free to decide how to spend it. The New Homes bonus can be spent on either revenue or capital, or placed in a local authority's reserves.

The first year where a full six years-worth of payments were received was 2016/17. Significant changes were announced in the tapering of the grant with effect from 2017/18 onwards, through to the 2023/24 financial year where a single year's grant payment will be made.

Below is a summary of the income received under this grant scheme since it started in 2011/12:



FINANCIAL CONTEXT: Other Government Grants within Grant Settlement

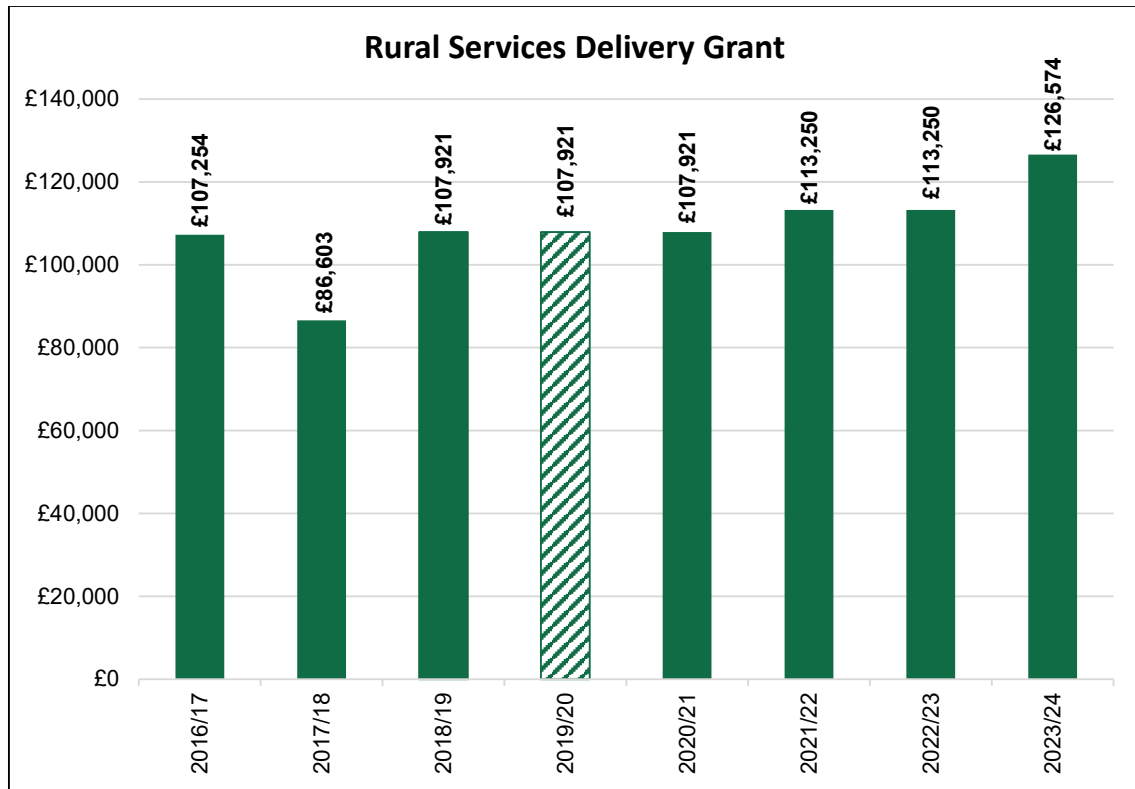
Looking forward over the life of the plan, it has been assumed that the payment of New Homes Bonus grant will cease after 2023/24.

As with the delays seen on the Fair Funding Review and the Business Rates Retention Reform, the reforms around New Homes Bonus have also been repeatedly delayed despite several consultations. In the Local Government Settlement for 2023/24 the Government have said that they will consult in the summer of 2024 in respect of proposals for the New Homes Bonus Scheme going forward.

Rural Services Delivery Grant

The Rural Services Delivery Grant is funding provided in recognition of the possible additional costs of service delivery in sparsely populated areas. This funding is distributed to the top-quartile of authorities ranked by super-sparsity, of which this council is one.

Below is a summary of the income received under this grant scheme:



In 2019/20 we were designated a Business Rate Pilot and our Rural Services Delivery Grant of £107,921 was rolled in to our Baseline Funding Level rather than being paid as a separate grant.

Looking forward over the life of the plan, it has been assumed that the payment of Rural Services Delivery Grant will remain at the 2023/24 for the life of the plan.

Services Grant

In 2022/23 the government introduced a “one-off services grant” for all councils to supplement other grants, now known as the Services Grant. In 2022/23 we received £93,368.

FINANCIAL CONTEXT: Other Government Grants within Grant Settlement

The Services Grant will be retained in 2023/24 but reduced to account for the reversal of the increase to National Insurance Contributions. In 2023/24 this council will receive £52,612 and it is assumed in the Medium Term Financial Plan that this funding will continue at this level for the life of the plan.

Funding Guarantee

The Government have announced a new one-off funding guarantee for 2023/24. This is to ensure that all councils receive at least a 3% increase in their core spending power before local decisions are made on the level of council tax. On this basis this council will receive £788,858 in 2023/24.

As mentioned above, the Funding Guarantee is a 'one-off' funding guarantee for 2023/24. There is no detail of what further protections may be provided by the government after 2023/24. For the purposes of the Medium Term Financial Plan, it has been assumed that the Government will continue to protect local government funding levels, again, to ensure that all councils receive at least a 3% increase in their core spending power before local decisions are made on the level of council tax.

In the Medium Term Financial Plan this potential continued support is shown as Potential Transitional Protection funding.

Council Tax

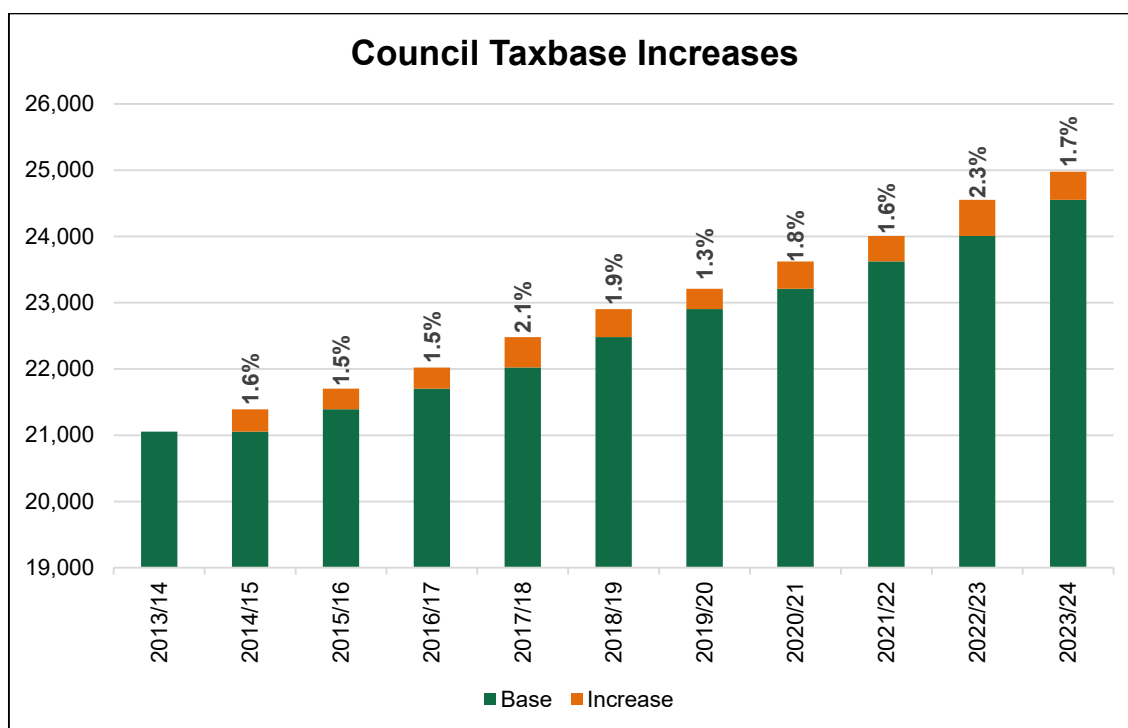
Calculation of the Taxbase

The council tax base is set each year between 1 December and 31 January and is an important calculation which sets out the number of dwellings to which council tax is chargeable in an area or part of an area.

The tax base is used for the purposes of calculating the band D council tax for the billing authority and also major precepting authorities and parish councils.

The level of the council taxbase impacts on the level of resources that the council can raise from council tax. For budget purposes the council taxbase is calculated at a snapshot point in October (subject to review) and all precepting bodies are informed of the taxbase in order to assist them in setting their precepts.

The table below shows the movement in our taxbase over recent years:



The council has benefited from consistent increases in its taxbase due to past levels of planning applications and subsequent levels of housebuilding. We continue to make a prudent forecast in the level of future growth over the life of the plan as we have no influence over when such developments are started, completed or occupied.

Looking forward over the life of the plan it is assumed that the council taxbase will grow by 1% per annum. This is a slightly lower percentage than has been experienced in the past, however we are now starting to see reductions in the large scale planning applications.

FINANCIAL CONTEXT: Council Tax

Taxbase and the Impact of Local Council Tax Support

Local Council Tax Support (LCTS) replaced Council Tax Benefit in 2013/14. Council Tax Benefit was fully funded by the Government – the Council received 100% subsidy to compensate it for paying out Council Tax Benefit.

LCTS however is not paid as a benefit but instead is a discount on an individual’s council tax bill. The Government replaced the subsidy with a grant payable to councils for the cost of LCTS. Crucially they reduced the amount from 100% to 90% and Councils were faced with either absorbing this reduction in funding on their general fund or meeting this from either reductions in council tax support or elsewhere within the council tax system. To bridge the gap in funding, together with other changes, there was a 12% reduction in support for working age claimants.

With effect from 2022/23 this reduction in support was removed and now all claimants receive the same level of discount.

This discount impacts on the level of the council tax base, as does any other discount. When the scheme was first introduced in 2013/14 there was a sizeable drop in the level of the council tax base.

Council Tax Level Changes

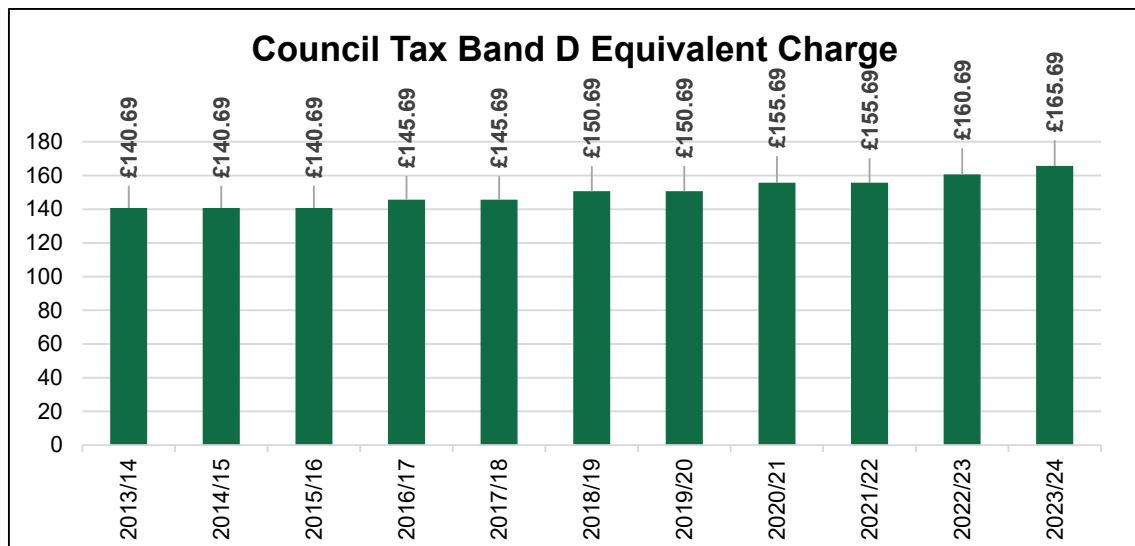
A referendum must be held where an authority’s Council Tax increase is higher than the principles proposed annually by the Secretary of State and approved by the House of Commons.

For 2023/24 the Government announced the following core referendum thresholds. For this council the key principle was that Shire districts will have a referendum principle of up to 3 per cent or £5, whichever is higher.

For the 2023/24 financial year elected members agreed to increase the level of the council tax by the maximum permitted without a referendum of £5.00 at Band D.

As well as being in the bottom quartile of districts for the lowest Band D council tax, this council has historically held the lowest Band D council tax across all Lancashire district councils.

The table below shows the Band D council tax for this council over past years.



FINANCIAL CONTEXT: Council Tax

The level of the Band D council tax in any given year is a decision for elected members in each of the relevant years. However, for the purposes of the plan, over its lifetime it has been assumed that the council tax would be increased by the maximum permissible, which is in line with the Government's core referendum principles.

The council has supported lobbying for the maximum cash increase to be raised from £5 to £10 per Band D. For many years the council froze its share of the council tax in line with Government pressure. However, given the reduction in our Settlement Funding Assessment over several years and the reduction of New Homes Bonus the council may need to rely on further council tax flexibilities.

Council Tax Income for this Council

The impact on the level of council tax raised is twofold. It is impacted by changes in the taxbase and also impacted by the monetary increase to the Band D equivalent charge (the £5 increase in our case).

The table below shows the financial impact of both of these elements:

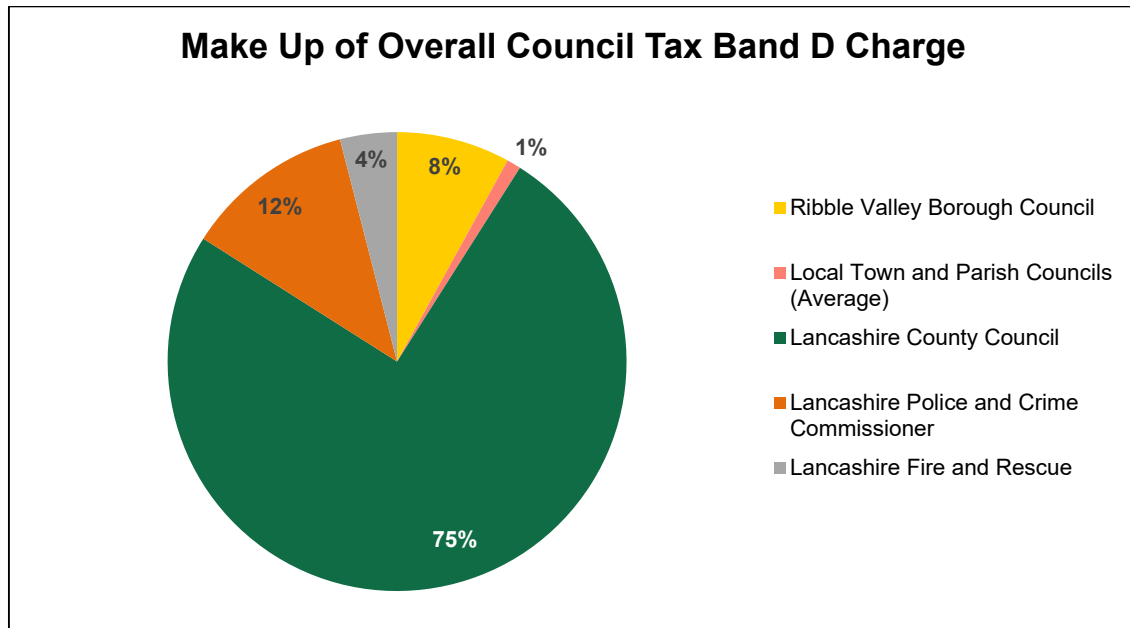
	Council Tax increased by £5.00 £
Band D Council Tax	165.69
Taxbase for 2023/24	24,980
= Council Tax Income 2023/24	4,138,936
Council Tax income 2022/23	3,945,422
Extra income from Council Tax	193,514
Of which due to increase in taxbase	68,614
Of which due to increase in council tax charge	124,900

The £5 increase in our share of the Council Tax resulted in a Band D tax amount of £165.69 for 2023/24 (an increase of 3.1%). This generates £124,900 each year in extra revenue. In addition, the increase in our taxbase generates a further £68,614.

Council Tax Collection Fund

The Council is responsible for collecting the Council Tax to pay for services provided by Lancashire County Council, Ribble Valley Borough Council and its Parishes, Lancashire Police Authority and Lancashire Combined Fire Authority. The chart below shows how the annual council tax bill is divided across different local organisations.

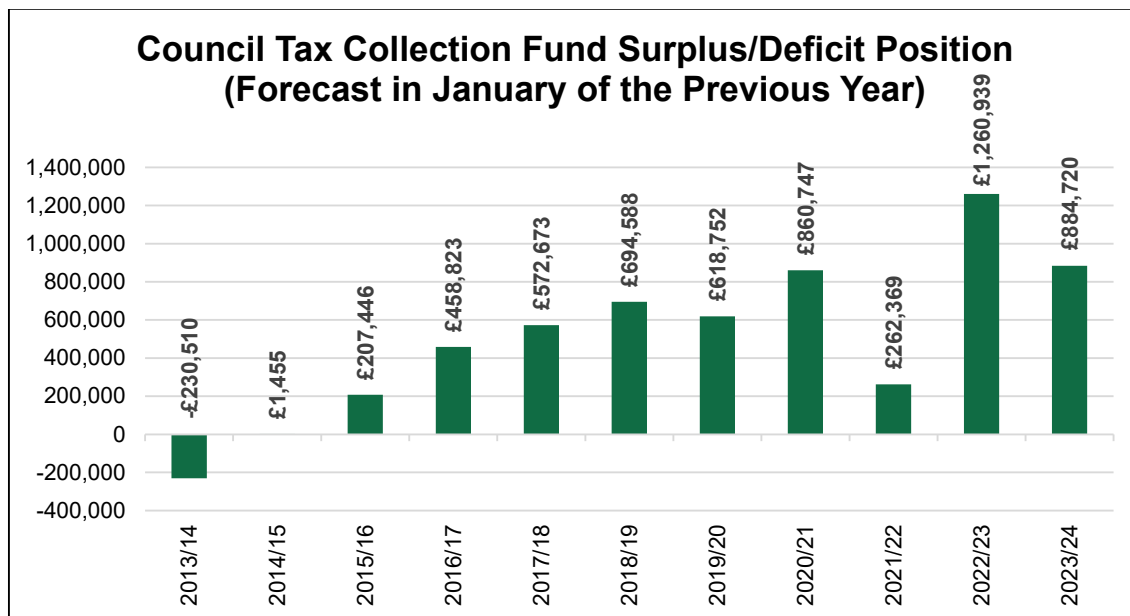
FINANCIAL CONTEXT: Council Tax



The Collection Fund is ringfenced and shows the income received from Council Tax payers. It also shows how the income is distributed between Lancashire County Council, the Borough Council and its Parishes, Lancashire Police and Crime Commissioner and Lancashire Combined Fire Authority.

In the January of each year a forecast is made of the closing position for the council tax collection fund and any surpluses or deficits are shared and are taken account of in setting the following year’s revenue budget by all major precepting bodies.

The overall forecast (as at January prior to the start of the financial year) council tax collection fund position over past years can be seen in the table below:



The relevant deficits or surpluses are shared out amongst major precepting bodies pro rata to the level of council tax precepts in the year that the forecast is done.

FINANCIAL CONTEXT: Council Tax

As such, for 2023/24 the forecast surplus is £884,720 and this surplus is distributed on the following basis:

Major Preceptor	Based on 2022/23 Precept £	Share of Forecast Surplus on Collection Fund £
Lancashire County Council	37,180,362	666,605
Lancashire Police and Crime Commissioner	5,805,557	104,088
Ribble Valley Borough Council (incl Parishes)	4,462,769	80,012
Lancashire Combined Fire Authority	1,897,211	34,015
Total	49,345,899	884,720

Looking forward over the life of the plan it is assumed that this council might see an average of £25,000 per annum as income from the surplus on the collection fund.

Council Tax Collection Rates

Council tax collection rates in Ribble Valley are the highest in the North West and fourth in England. In 2021/22 the council collected 99 per cent of council tax, which is thanks both to prompt payment by residents and also the diligence of the council's collection team.

Business Rates and Pooling

Business Rates

The Business Rates Baseline Funding Level forms an important element of the council's Settlement Funding Assessment. In addition to this there are a number of other elements of business rates income that form our total level of business rates income and which go towards our total Business Rates income.

These other elements are in respect of:

- Retained Rates Income above or below the Baseline Funding Level
- Section 31 Grant from the Government to recompense the Council for the cost of various business rate reliefs awarded
- Income from Renewable Energy Sites
- Less 10% share of retained Levy payable to Lancashire County Council under Business Rates Pooling Arrangements
- Surplus or Deficit on the Business Rates Collection Fund

The actual income received in any given year from the many elements of business rates funding can be heavily influenced by external factors that are wholly out of our control, making business rates a potentially highly volatile income stream.

Business Rates Growth

This council has benefited from healthy levels of business rates growth over the life of the business rates retention scheme and over time has relied heavily on this income to support the revenue budget, as well as helping fund the capital programme.

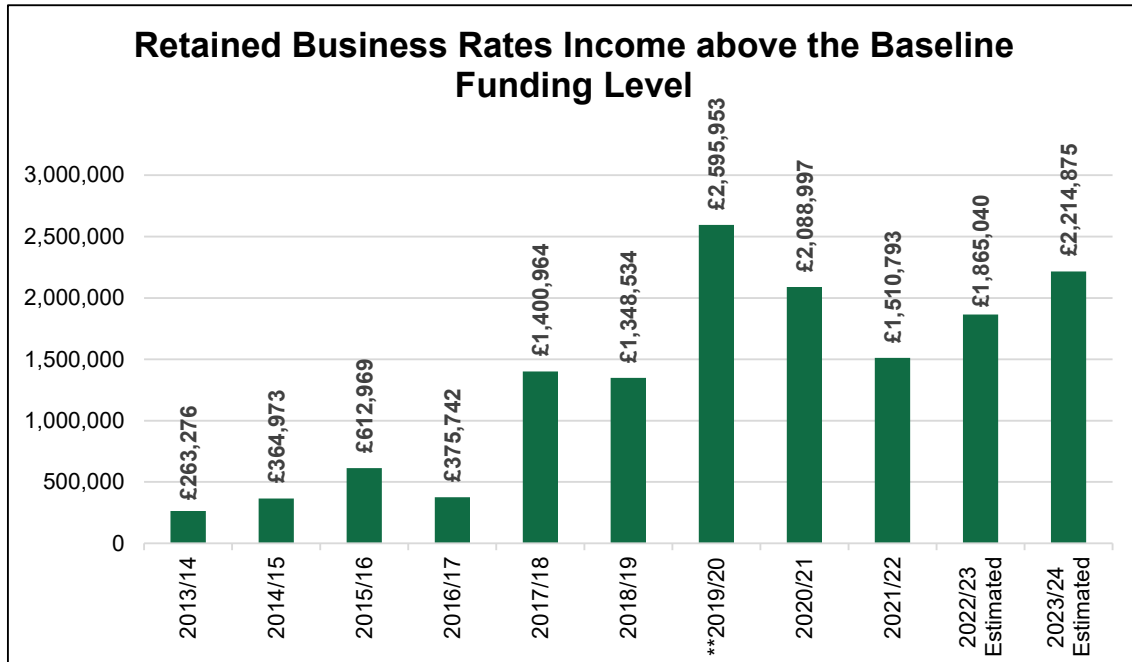
This leaves the council vulnerable to any reforms to the Business Rates Retention scheme and any resets within the business rates retention scheme, such as the Baseline Funding Level.

As such the review of local authorities' relative needs and resources (Fair Funding Review) and the Business Rates Retention Reforms that keep being delayed add to the uncertainty around our financial position over the longer term.

Each year we have been in a position to forecast growth above that baseline when we complete the business rates NNDR1 return. Any further growth (or the impact of any decline) that occurs within each financial year over and above that forecast in the government return NNDR1, will not be benefitted from/or felt until future years through the distribution of any surplus or deficit on the collection fund relating to business rates. This outturn position is declared to the government and the major precepting bodies through the completion of government NNDR3 return at the end of the financial year.

The level of Business Rates income above the Baseline Funding Level over past years can be seen in the table below:

FINANCIAL CONTEXT: **Business Rates and Pooling**



** 2019/20 was the year the Council were part of the 75% Lancashire Business Rates Pilot Pool

Within the above figures are the benefits of the retained levy through being part of the Lancashire Business Rates Pool. In particular 2019/20 benefited greatly from the retained levy as for one year the council was part of the 75% Lancashire Business Rates Pilot Pool meaning that 75% of collected rates were retained in Lancashire rather than 50%.

Business Rates Pooling

In 2016/17, 2017/18 and 2018/19 this Council was a member of the Lancashire Business Rates Pool. In a Business Rate Pool, tariffs, top-ups, levies and safety nets are combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

The Lancashire Business Rates Pool, which includes most but not all of the local authorities in Lancashire, was designated by the Secretary of State for Housing, Communities and Local Government and originally operated with allocations on the basis of the 50% business rates retention scheme.

In 2019/20 we successfully submitted a bid along with 15 other authorities in Lancashire to become a 75% Business Rates Pilot Pool. This meant that 75% of collected rates were retained in Lancashire rather than 50%.

In respect of 2020/21, the Government confirmed that 75% Business Rate Pilots would cease at the end of March 2020. Since then applications have continued to be made annually for a 50% Lancashire Pool, with the latest approval being for 2023/24.

The pool has operated on the same basis as in 2016/17, 2017/18 and 2018/19 since 2020/21.

FINANCIAL CONTEXT: Business Rates and Pooling

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £20,000 is payable, charged equally to all members of the pool by Ribble Valley Borough Council in their role as lead.

The retained levy in the Lancashire Business Rates Pool has been distributed as follows:

- Lancashire County Council is paid 10% of the overall retained levy;
- Each district within the pool retains 90% of their retained levy.

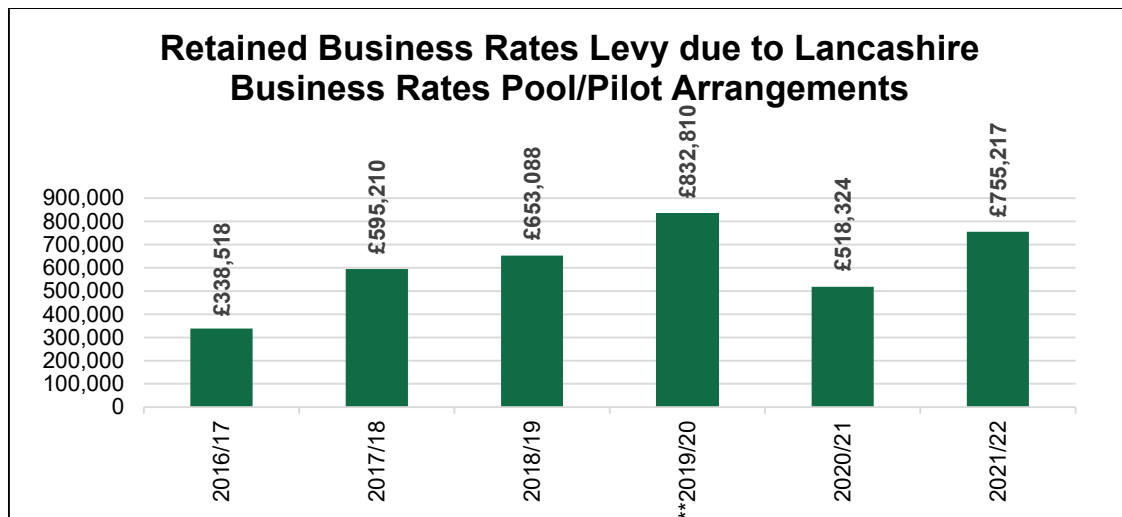
As mentioned in previous sections, the uncertainty around the review of local authorities' relative needs and resources (Fair Funding Review) and the Business Rates Retention Reforms that keep being delayed add to the uncertainty around our financial position over the longer term and also to the benefit of any pooling arrangement under any reforms.

The Council obviously has to make assumptions about the potential of successful appeals, bad debts and also growth in its business rates base. In any year this is a difficult task however this continues to be made even more so due to the 2023 Revaluation.

The council does have some short term protections through the setting up of the Business Rates Volatility Reserve which offers some protections in lieu of those lost through the Government by forming a Business Rates Pool, but also in the event of any substantial reforms.

As the level of expected business rates income is anticipated to increase, a review has been undertaken of the Business Rates Volatility Reserve. As a result the reserve will be topped up from £1.682m to £2m to add resilience.

Over the years that the council has been part of the Lancashire Business Rates Pool we have benefited from the following levels of net retained levy under those arrangements. The figures shown below are the net benefit of being in the pooling arrangement and are reflected within the values shown in the table under business rates growth.



** 2019/20 was the year the Council were part of the 75% Lancashire Business Rates Pilot Pool

FINANCIAL CONTEXT: Business Rates and Pooling

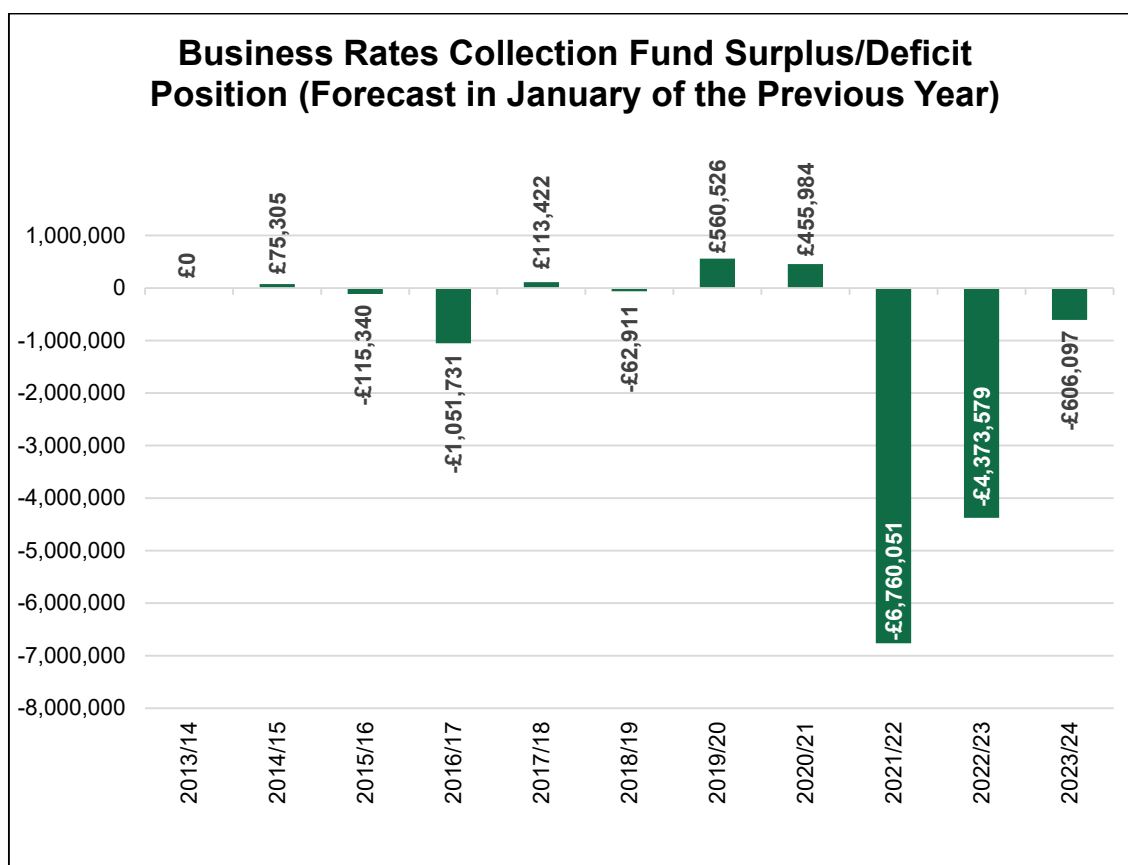
Business Rates Collection Fund

The Council is responsible for collecting Business Rates to pay for services provided by Central Government, Lancashire County Council, Ribble Valley Borough Council and Lancashire Combined Fire Authority.

The Collection Fund is ringfenced and shows the income received from Business Rate payers. It also shows how the income is distributed between Central Government, Lancashire County Council, Ribble Valley Borough Council and Lancashire Combined Fire Authority.

In the January of each year a forecast is made of the closing position for the business rates collection fund and any surpluses or deficits are shared and are taken account of in setting the following year's revenue budget by all major precepting bodies. This position is declared through the Government's NNDR1 return.

The overall forecast (as at January prior to the start of the financial year) business rates collection fund position over past years can be seen in the table below:



The table above shows some quite erratic movements in the Business Rates Collection Fund Surplus/Deficit position since the start of the Business Rates Retention Scheme in 2013/14. Having started in 2013/14 there consequently a nil surplus/deficit position shown in 2013/14.

The larger swings in the forecast Surplus/Deficit position are in 2016/17, 2021/22 and 2022/23.

FINANCIAL CONTEXT: Business Rates and Pooling

- 2016/17 – this position arose from a review of the position on appeals prior to the council forming the Lancashire Business Rates Pool together with the majority of other district councils in Lancashire and Lancashire County Council. This review was undertaken due to the transfer of risk in joining the Lancashire Business Rates Pool arrangements and losing the protections of the Government scheme.
- 2021/22 and 2022/23 – this position reflects the impact of Covid-19 on the Business Rates landscape. Due to measures taken by the Government in providing a wide range of reliefs to businesses, the level of business rates income that the Collection Fund received was dramatically reduced. Whilst this income was reduced in 2020/21 and 2021/22, the impact due to the nature of the Collection Fund Surplus and Deficit accounting was not felt in the general fund until the 2021/22 and 2022/23 financial years respectively through the distribution of the Business Rates Collection Fund Deficit. However, the Government did compensate councils for this loss of income, but through Section 31 grants which are payable to the General Fund, not the Collection Fund.

The relevant deficits or surpluses are shared out amongst major precepting bodies in line with the business rates income distribution percentages in the year that the forecast is done.

As such, for 2023/24 the forecast deficit is £606,097 and this deficit is distributed on the following basis:

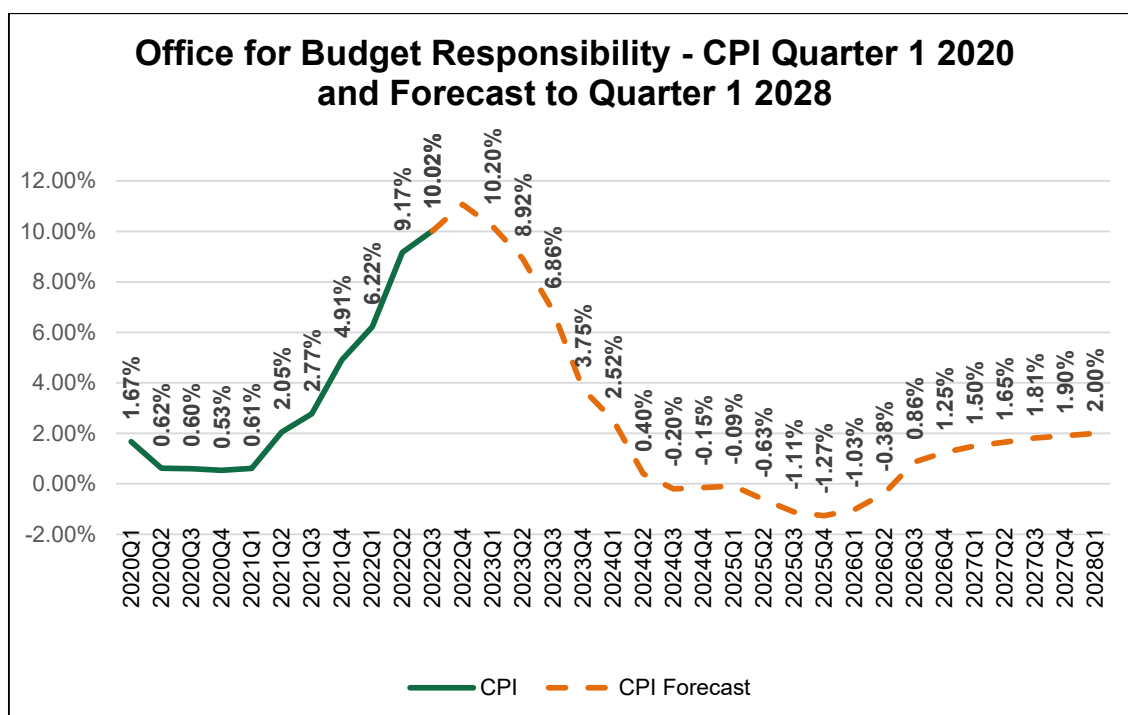
Major Preceptor	2022/23 Distribution Percentages	Share of Forecast Deficit on Collection Fund £
Central Government	50%	303,048
Ribble Valley Borough Council	40%	242,439
Lancashire County Council	9%	54,549
Lancashire Combined Fire Authority	1%	6,061
Total	100%	606,097

Looking forward over the life of the plan it is assumed that this council might see an average of £242,439 per annum payable to the Business Rates Collection fund to fund any deficit position.

Other Financial Assumptions

Consumer Price Index

Of late there have been significant levels of inflation seen. Since the middle of the 2020/21 financial year CPI has seen sustained increases month to month, which has meant that inflation in the 2022/23 financial year substantially exceeded that allowed for in the original estimate, despite contingencies having been allowed for on top of increased prices.



The budget for 2023/24 has been prepared on the basis of overall inflation at 7.5% on general prices. However, where costs are known to be above this rate, then an increased allowance has been made in setting such budgets.

Looking forward to the medium term, inflation on general prices has been allowed for at:

Financial Year	Inflation Allowed for on General Prices	Impact of 1% Movement
2023/24	7.5%	+/- £68,860
2024/25	2.5%	+/- £74,020
2025/26	2.5%	+/- £75,870
2026/27	2.0%	+/- £77,770
2027/28	2.0%	+/- £79,320

FINANCIAL CONTEXT: Other Financial Assumptions

There is a risk that should inflation increase at a higher rate than anticipated our costs would rise. Conversely, should inflation movements be more favourable, then savings may be seen on our budgets and forecasts. The table above includes an indication of the potential impact of every 1% movement in assumed inflation.

Pay Inflation

Assumptions have been made in the forecast about the 2023/24 pay award, which has yet to be settled, and the likely level of pay inflation that will apply from April 2023/24. As a large proportion of the Council's expenditure is pay related this can have a significant impact if actual rates are much higher than predicted.

The budget for 2023/24 has been prepared on the basis of pay inflation at 5%. Looking forward to the medium term, pay inflation has been allowed for at:

Financial Year	Inflation Allowed for on Pay	Impact of 1% Movement
2023/24	5.0%	+/- £80,560
2024/25	2.5%	+/- £82,980
2025/26	2.0%	+/- £85,050
2026/27	2.0%	+/- £86,750
2027/28	2.0%	+/- £88,490

To reflect potential staff turnover through the year the Original Estimate is set at 96% of total establishment costs. In recent years turnover has exceeded this and additional underspends have been seen, but it is anticipated in the Plan that this will return to normal levels within the 96% budget allowed for.

Pension Fund Triennial Revaluation

The results of the latest Pension Fund Triennial Revaluation will take effect from the 2023/24 financial year.

The results of the review see the Council's Employer contributions falling from the current rate of 17.1% to 14.7%. This means that the revenue budget will benefit by an estimated £161,000 from 2023/24, which does help to partly offset some of the other substantial inflationary increases that have been seen.

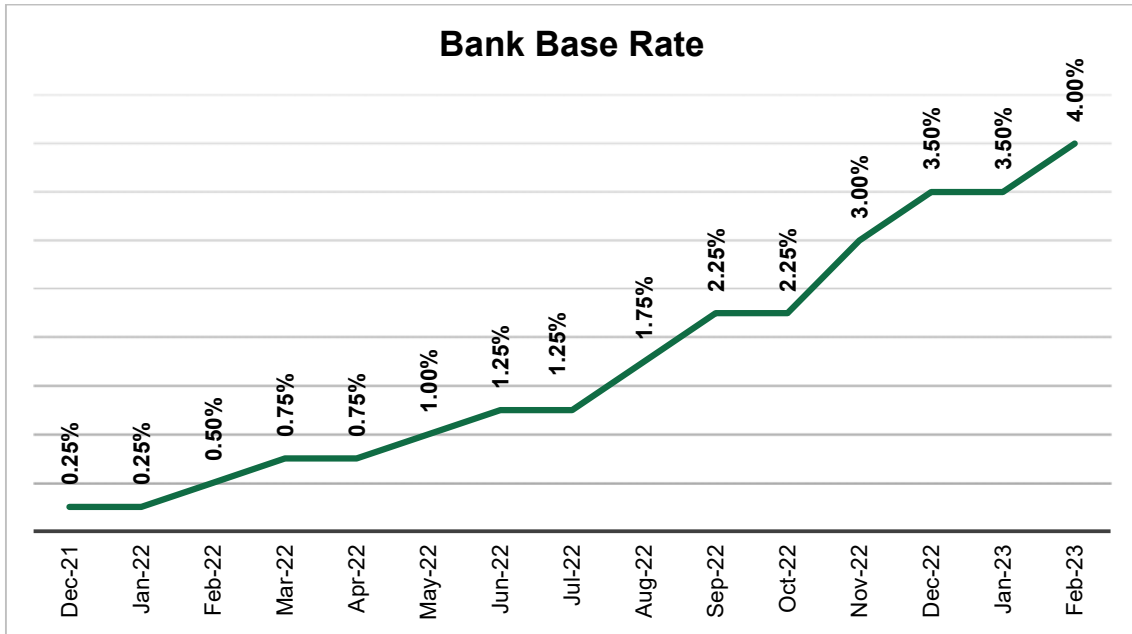
The fall in the contributions is due to the performance of the Pension Fund since the last Triennial Review.

Interest Rates

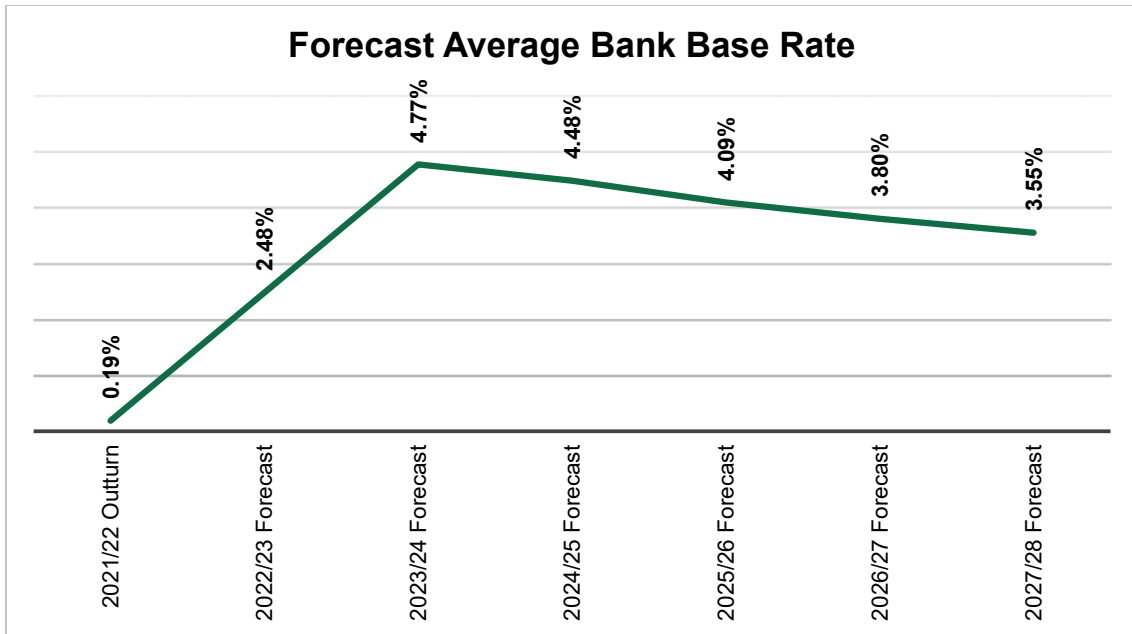
Having remained relatively static for a number of years, the bank base rate has seen a number of successive changes over recent years. This has helped make the investment income from our balances into a substantial income stream for 2023/24. Indeed, investment income for 2022/23 is now forecast at £570,000 rather than the original estimate of £50,000. The budget forecast for 2023/24 is £450,000.

The table below shows the movements that have been seen on the bank base rate:

FINANCIAL CONTEXT: Other Financial Assumptions



The Office for Budget Responsibility gave a forecast of average Bank Base Rate in the coming years in their November 2022 Economic and Fiscal Outlook:



Looking over the medium term a prudent approach has been taken in respect of our investment returns, but this is more in line with potentially reducing levels of balances in light of the many uncertainties around the future of local government funding.

It is anticipated that our general fund balance and earmarked reserves may be needed to help sustain existing services levels in the short to medium term.

As such the levels of investment income is forecast as shown below, together with details of the revised estimates and actuals going back to the 2020/21 financial year:

FINANCIAL CONTEXT: Other Financial Assumptions

Financial Year	Original Forecast Interest Earned on Investments	Revised Forecast Interest Earned on Investments	Actual Interest Earned on Investments
2020/21	£75,000	£48,000	£44,254
2021/22	£50,000	£2,000	£14,726
2022/23	£50,000	£570,000	
2023/24	£450,000		
2024/25	£250,000		
2025/26	£200,000		
2026/27	£200,000		
2027/28	£200,000		

Looking at interest on borrowing, the council is now in a position where it has no external borrowing. During 2022/23 there was the early repayment of our outstanding balance of external debt. The budget forecast is prepared on the assumption that this position will remain and that there will be no new external borrowing over the life of the plan.

Service Income

Service income from Fees and Charges has been budgeted to increase each year over the life of the plan. The largest forecast increase is seen in 2023/24 and reflects the level of inflation seen and the substantial increases in service provision costs. Increasing the service charges allows the costs to be partly met by those using specific chargeable services rather than the full burden falling on the council tax payer.

For 2023/24 fees and charges have generally been increased by the level of inflation in September 2022 at 10.1% and future increases are as shown below:

Financial Year	Increase Allowed for on Fees and Charges	Impact of 1% Movement
2023/24	10.1%	+/- £34,230
2024/25	2.5%	+/- £37,690
2025/26	2.5%	+/- £38,630
2026/27	2.0%	+/- £39,600
2027/28	2.0%	+/- £40,390

The budget forecast is prepared on the assumption that any increases to fees and charges will not impact service take up.

FINANCIAL CONTEXT: Other Financial Assumptions

Budget Growth Items

A significant number of growth items were put forward in the budget setting process for 2022/23 by service committees. These were deferred pending receipt of further information on the Council's future government funding and have not been included in the budget.

The budget forecast assumes that the Council will continue with the policy that has been in place over previous years in that any growth items are to be met from corresponding savings and as such, any of the deferred growth items referred to above would need to be offset by corresponding savings in order to proceed for approval.

Balances and Earmarked Reserves

Reserves

There may be occasions where using reserves to soften or smooth the impact of cuts and unexpected expenditure is a valid short-term tactic provided there is a sound medium-term financial plan. CIPFA's advice (Balancing Local Authority Budgets) is that local authorities should avoid using one-off reserves to deal with gaps between recurring funding and ongoing spending. Such a tactic in itself cannot resolve such gaps and it is important that such reserves are replenished or there will be no funds to protect against the impact of future risks and unexpected expenditure.

The importance of reserves were seen in over the Covid-19 pandemic, although additional funding was provided to council's to meet their added responsibilities.

Past and current funding uncertainties have required a prudent approach to ensure financial stability and this has been reflected through the management of our general and earmarked reserves.

When comparing such balances across councils it must be borne in mind that there are differing circumstances and pressures from council to council.

This is particularly the case with regard to earmarked reserves as this is often where a local authority will build resources for a future project. This is much the case for this council, where a large proportion of our earmarked reserves are attributable to funding future capital schemes in our five year capital programme.

General Fund Balances

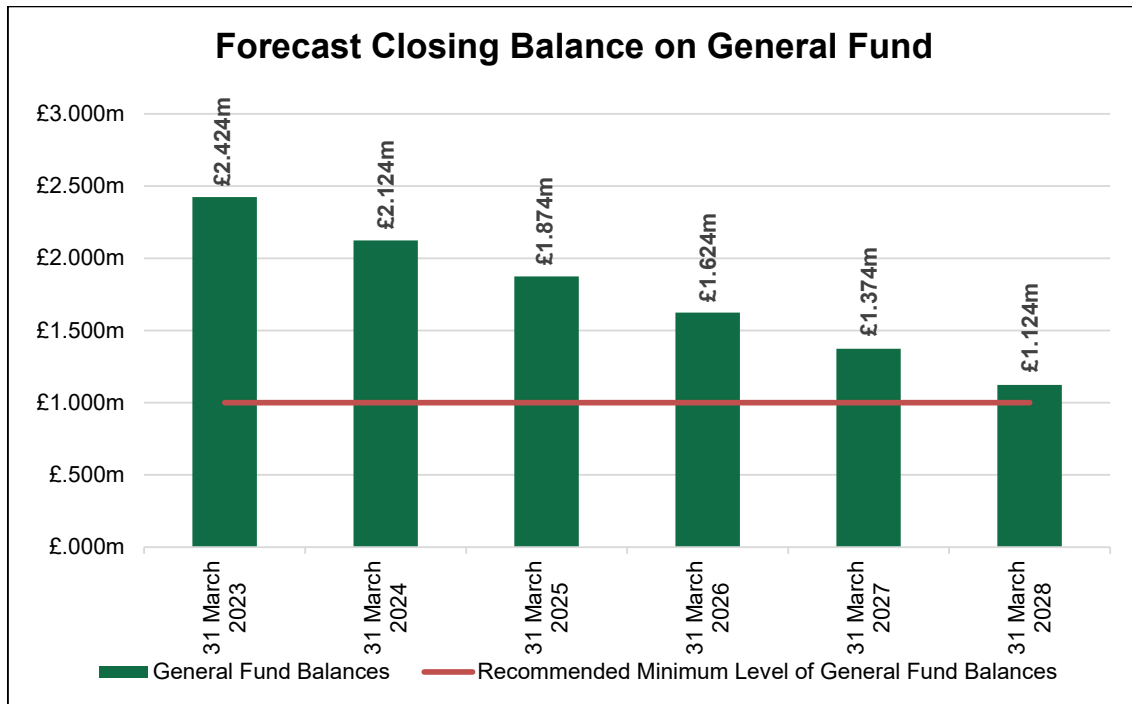
General fund balances are not set aside for any specific known or anticipated purpose.

It is very important for the council to maintain a healthy level of balances to cover for unforeseen events and also provide a stable level of resources for future planning. This is particularly important now, as there is so much uncertainty around the future of Local Government Funding.

In our Medium Term Financial Plan, we look to use an element of our general fund balances to help support the revenue budget. It must be noted that it is recommended by the council's S151 Officer (the Director of Resources) that general fund balances should not be allowed to fall below £1 million. The setting of this threshold requires a considerable degree of professional judgement, and is tailored to local circumstances and has been increased recently due to the increasing levels of inflation.

The level of use of our general fund balances for 2023/24 is forecasts at £300,000 and for each year after that to the end of the Medium Term Financial Plan in 2027/28 it is forecast to be £250,000 per annum.

FINANCIAL CONTEXT: Balances and Earmarked Reserves



Whilst the council forecasts use of £250,000 per annum in the medium term (£300,000 in 2023/24) to help support the revenue budget, this can not be sustained in the longer term. By the end of the Medium Term Financial Plan the council would have almost reached its recommended minimum level of general fund balances of £1 million. This also assumes no other unforeseen cost pressures arise in the meantime that may require us to use more of our general fund balances.

Whilst historically our outturn position has been more favourable, largely helped by staff vacancies, the increasing pressures through rising inflation mean that this may not be seen going forward.

Earmarked Reserves

We use our earmarked reserves to support both our revenue and capital budgets and over the next 5 years have a number of commitments already made. Our Earmarked Reserves play a major role in financing the capital programme, with 45% of the capital programme being financed this way. We also anticipate a number of additions to our earmarked reserves over the coming years, generally reflective of grants towards future expenditure.

The Covid-19 pandemic saw a number of years where earmarked reserve levels for all council's have been skewed by required accounting adjustments around Business Rates Section 31 Grants and the Collection Fund Deficit. For this council this meant that Earmarked Reserves at 31 March 2021 were inflated by £2,578,153 and at 31 March 2022 by £1,640,761.

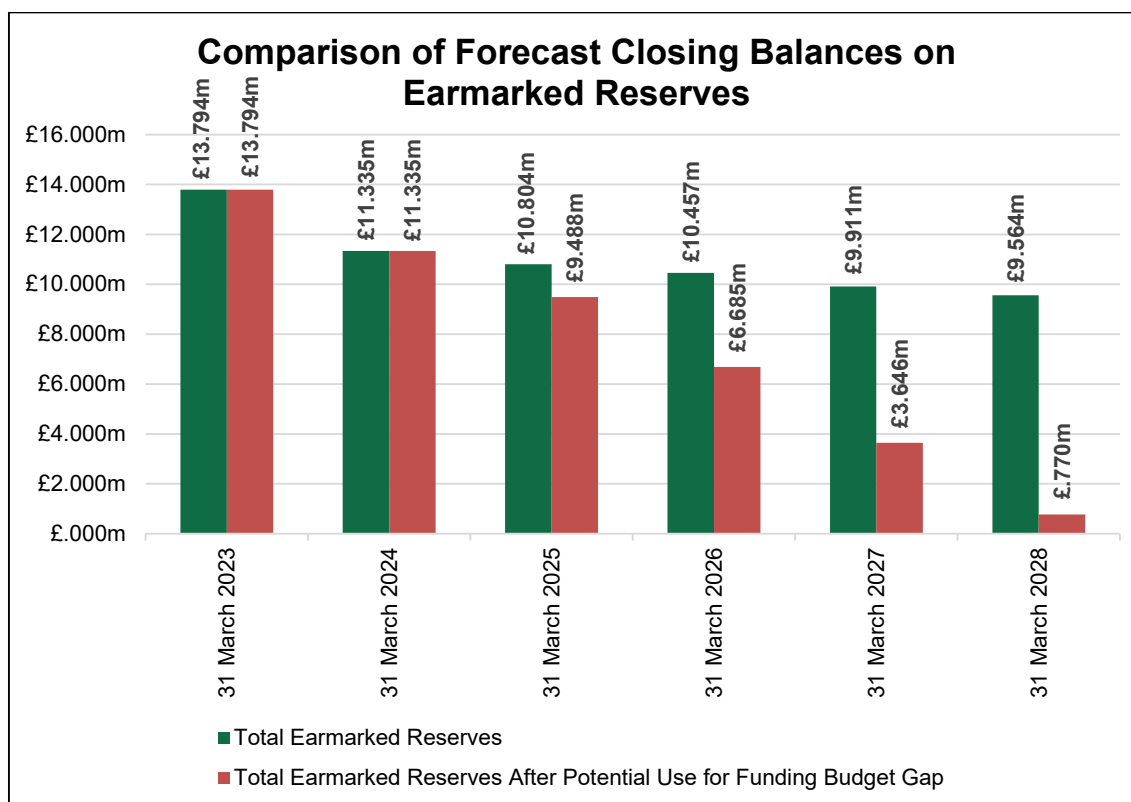
The council may need to rely on its reserves to fund its predicted budget shortfalls each year. These are based on assumptions of the impact of future key financial reforms on this Council and possible levels of transitional protection.

The Medium Term Financial Plan section of this documents provides further information on the potential budget gaps per year from 2024/25.

FINANCIAL CONTEXT: Balances and Earmarked Reserves

If these were to be realised then we would need to use £8.794m of our earmarked reserves between 2024/25 and 2027/28 to fund our revenue budget. This would leave earmarked reserves of only £770k at the end of 2027/28. Clearly this is not a sustainable position and we need to be able to set a balanced budget in the medium term.

The table below shows the forecast Earmarked Reserves balances should there be a need to use substantial levels of reserves to fund the forecast budget gap, and also the forecast levels of Earmarked Reserves should this not be needed:



Adequacy of Reserves

The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

The Chartered Institute of Public Finance and Accountancy (CIPFA) issued Local Authority Accounting Panel (LAAP) bulletin 99 in July 2014 regarding Local Authority Reserves and Balances. This replaced bulletin 77 and gives important guidance to local authorities.

CIPFA guidance states that: when reviewing their medium term financial plans and preparing their annual budgets local authorities should consider the establishment and maintenance of reserves. These can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves.

FINANCIAL CONTEXT: Balances and Earmarked Reserves

- a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves.
- a means of building up funds, often referred to as earmarked reserves to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the General Fund.

In order to assess the adequacy of unallocated general reserves when setting the budget, it is crucial to take account of the strategic, operational and financial risks facing the authority. The assessment of risks should include external risks, such as flooding, as well as internal risks, for example, the ability to deliver planned efficiency savings.

In the Policy Statement published on 12 December 2022 the Government notes the increase in some local authority reserves over the two years of the pandemic.

It encourages “local authorities to consider how they can use their reserves to maintain services in the face of immediate inflationary pressures, taking account, of course, of the need to maintain appropriate levels of reserves to support councils’ financial sustainability and future investment. In order to support council members and local electorates to understand the reserves that their authorities are holding and what they are used for, they will also explore releasing a user-friendly publication of the reserves data currently collected in the Local Authority Revenue Expenditure and Financing Outturn statistics. They will consult with trusted partners, including the Local Government Association, about doing this.”

FINANCIAL CONTEXT: **Capital Programme**

Capital Programme

Capital Programme and the Bidding Process

The council operate a five-year capital programme, with a review undertaken every year to examine whether the programme still marries with our current and future plans.

Additionally, each year there is a bidding process for the new final year of the five-year capital programme. Such bids are examined against the council's priorities, affordability and against a number of evaluation factors.

The Approved Five Year Capital Programme

As previously mentioned the overall capital programme is for a five year period, and whilst the coming financial year is fixed, the remaining four years of the capital programme remain in a relatively fluid state and are open to review on an annual basis.

The table below provides a summary by committee of the future five-year capital programme from 2023/24 to 2027/28.

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	TOTAL £
Community Services Committee	1,095,750	546,680	793,340	891,680	1,023,140	4,350,590
Economic Development Committee	54,750	0	0	0	0	54,750
Health and Housing Committee	2,933,040	513,500	443,000	443,000	443,000	4,775,540
Planning and Development Committee	26,420	0	0	0	0	26,420
Policy and Finance Committee	522,550	94,300	188,900	43,600	69,760	919,110
Total for all Committees	4,632,510	1,154,480	1,425,240	1,378,280	1,535,900	10,126,410

FINANCIAL CONTEXT: Capital Programme

Capital Financing

The council has always sought to maximise funding for capital, including any from revenue sources.

The council's funding policy has been to set programmes which address its key priorities and to fund these by utilising prudential borrowing, capital receipts (both in hand and anticipated in year) and earmarked reserves such as Business Rates Growth Reserve, Capital Reserve, VAT shelter Reserve, New Homes Bonus Reserve, in a corporate approach.

Provided below is a summary of the proposed financing of the five-year capital programme.

FINANCED FROM	2023/24	2024/25	2025/26	2026/27	2027/28	TOTAL
	£	£	£	£	£	£
Grants and Contributions						
Disabled Facility Grant Funding	-393,000	-393,000	-393,000	-393,000	-393,000	-1,965,000
Section 106 Monies	-2,139,420	0	0	0	0	-2,139,420
Total Grants and Contributions	-2,532,420	-393,000	-393,000	-393,000	-393,000	-4,104,420
Borrowing						
Borrowing	-72,600	0	0	0	0	-72,600
Total Borrowing	-72,600	0	0	0	0	-72,600
Earmarked Reserves						
VAT Shelter Earmarked Reserve	-150,000	-100,000	-100,000	-100,000	-100,000	-550,000
Capital Earmarked Reserve	-449,252	-15,000	0	0	0	-464,252
New Homes Bonus Earmarked Reserve	-248,009	-62,860	0	0	0	-310,869
ICT Renewals Earmarked Reserve	-24,241	-63,400	0	0	0	-87,641
Vehicle Renewals Earmarked Reserve	-51,030	0	0	0	0	-51,030
Fleming VAT Earmarked Reserve	-5,451	0	0	0	0	-5,451
Business Rates Growth Earmarked Reserve	-1,071,959	-500,000	-500,000	-500,000	-500,000	-3,071,959
Total Earmarked Reserves	-1,999,942	-741,260	-600,000	-600,000	-600,000	-4,541,202
Usable Capital Receipts						
Usable Capital Receipts	-27,548	-20,220	-432,240	-385,280	-542,900	-1,408,188
Total Usable Capital Receipts	-27,548	-20,220	-432,240	-385,280	-542,900	-1,408,188
Total Resources	-4,632,510	-1,154,480	-1,425,240	-1,378,280	-1,535,900	-10,126,410

FINANCIAL CONTEXT: **Capital Programme**

Substantial resources have been used from the council's earmarked reserves at a time of conflicting pressure on earmarked reserves from both revenue and capital. Total earmarked reserves that will be used over the life of the proposed capital programme will be just over £4.5 million.

The use of capital receipts relies on some planned asset sales being achieved over the life of the programme. As there is a degree of uncertainty around these being achieved at this stage, the balance on the Capital Reserve gives some flexibility to meet any potential shortfall.

Capital Programme and the Prudential Code

The Prudential Code requires the council to make a reasonable estimate of the total capital expenditure that it intends to incur during the forthcoming financial year and at least the following two financial years.

The Prudential Code plays a key role in capital finance in local authorities. Councils determine their own programmes for capital investment in fixed assets that are central to the delivery of quality public services. The Prudential Code was developed by CIPFA, the Chartered Institute of Public Finance and Accountancy, as a professional code of practice to support councils in making their decisions. Local authorities are required by Regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003.

A sound capital programme must be driven by the desire to provide high quality, value for money public services. The Prudential Code recognises that in making its capital investment decisions the council must have explicit regard to option appraisal, asset management planning, strategic planning for the council and achievability of the capital programme.

The Prudential Code does not specify how the council should have regard to these factors. Instead it concentrates on the means by which the council will demonstrate that its proposals are affordable, prudent and sustainable, by way of the prudential indicators.

Financial Management Arrangements

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government and this is reviewed on an annual basis.

The Council has designated the Director of Resources as Chief Finance Officer under Section 151 of the Local Government Act 1972.

The management structure of the Council ensures that the Chief Financial Officer reports directly to the Chief Executive and is a member of the leadership team with direct responsibility for the Council's financial activities. The leadership team meets on a weekly basis to discuss matters of strategic and operational importance to the Council.

Some of the key elements of our financials management arrangements that we have in place are summarised below:

Financial Regulations

The establishment of Financial Regulations provides the financial controls and procedures necessary to address the demands on local government. They also provide clarity about the financial accountabilities of individuals - Members, the Chief Executive (the Head of Paid Service), the Monitoring Officer, the Director of Resources (Section 151 Officer) and other Directors, Heads of Service and staff generally. The Regulations are therefore formally endorsed by the Council as a key part of the Council's Constitution.

The Financial Regulations provide the overall key control framework to enable the council to exercise effective financial management and control of its resources and assets. Another key purpose of the Regulations is to support and protect Members and staff in the performance of their duties where financial issues are involved.

Contract Procedure Rules

The Contract Procedure Rules provide the framework for procuring our goods and services for the Council.

The Contract Procedure Rules ensure there are rules to govern how we procure goods and services to make the most effective and efficient use of resources to deliver best value for the Council and the local community.

The Rules identify what route to take when ordering goods and services for the Council and compliance with these rules is a requirement for all Council employees.

All contracts are awarded in accordance with these rules and the Financial Regulations

Budget Monitoring

Regular budget monitoring is undertaken on a monthly basis between the service accountants and the various budget holders.

The variations between budget and actuals are split into groups of red, amber and green variances. The red variances highlight specific areas of high concern, for which budget holders are required to have an action plan. Amber variances are

FINANCIAL CONTEXT: Financial Management Arrangements

potential areas of high concern and green variances are areas, which currently do not present any significant concern.

- Variance of more than £5,000 (Red)
- Variance between £2,000 and £4,999 (Amber)
- Variance less than £2,000 (Green)

Detailed reports on our budget monitoring are sent to our service committees on a regular basis, and further information is provided to our Corporate Management Team and Budget Working Group.

This budgetary control ensures that once Full Council has approved a revenue budget or a capital programme, the resources allocated are used for their intended purposes, i.e. the agreed priority areas, and are properly accounted for. It is a continuous process, enabling the council to review and adjust its budget targets during the financial year to make the most effective use of resources in delivering the Council's policies and objectives. The budgetary control framework in the Financial Regulations also sets out the accountabilities of managers for defined elements of the budget.

By continuously identifying and explaining variances against budgetary targets, we can identify changes in trends and resource requirements at the earliest opportunity.

To ensure that the council as a whole does not over or underspend, each service is required to manage its own expenditure within approved resources and to identify any surplus resources for diversion to other programme areas. A mechanism is provided for switching funds between budget heads, including contingencies and reserves, where required, in order to maintain service levels and achieve policy objectives.

Budget Working Group

The Budget Working Group is a working group of, and reporting to, our Policy and Finance Committee.

Primarily the working group is involved in the budget setting process and gives guidance to service committees on the review and development of their budgets as part of the budget setting process. They also make recommendations to our Policy and Finance in the setting of the budget.

The working group is also involved in other financial management and reporting areas, including considering responses to finance related consultations.

Corporate Strategy

Current Corporate Strategy

The Council's Corporate Strategy sets out the strategic direction of the Council for any given period, providing a focus to ensure that the services we deliver meet the needs of our communities.

As such, the Council's Corporate Strategy provides the overall direction for the medium term financial strategy and plan, and the annual budget.

The 2019-2023 Strategy has a four-year scope but is reviewed annually to ensure that it continues to reflect the changes to the council's priorities that occur over time.

Following the local elections taking place in May 2023 the council will develop a new Strategy, which will have a four-year life span covering 2023-2027.

The Corporate Strategy sets out the strategic direction of the Council, providing a focus to ensure that the services the Council delivers meet the needs of its communities. It is one of the Council's most important documents setting out those areas identified for focused improvement over future years.

The Corporate Ambitions

The role of the Council's financial planning process is to support the achievement of the Council's Corporate Strategy.

In order to deliver its Vision and provide a focus for how it delivers services, the council has agreed a set of five corporate ambitions. The Council's ambitions are deliberately limited to focus attention over the life of the Corporate Strategy. Each ambition has a number of objectives, underlying actions, and key measures of success, which should allow progress towards the achievement of the ambition to be monitored.

Above all 'We aim to be a well-managed council providing efficient services based on identified customer needs' overarches all of our ambitions, whilst recognising the importance of securing a diverse, sustainable economic base for the Borough. The ambitions are driven by local needs with consideration to national ambitions.

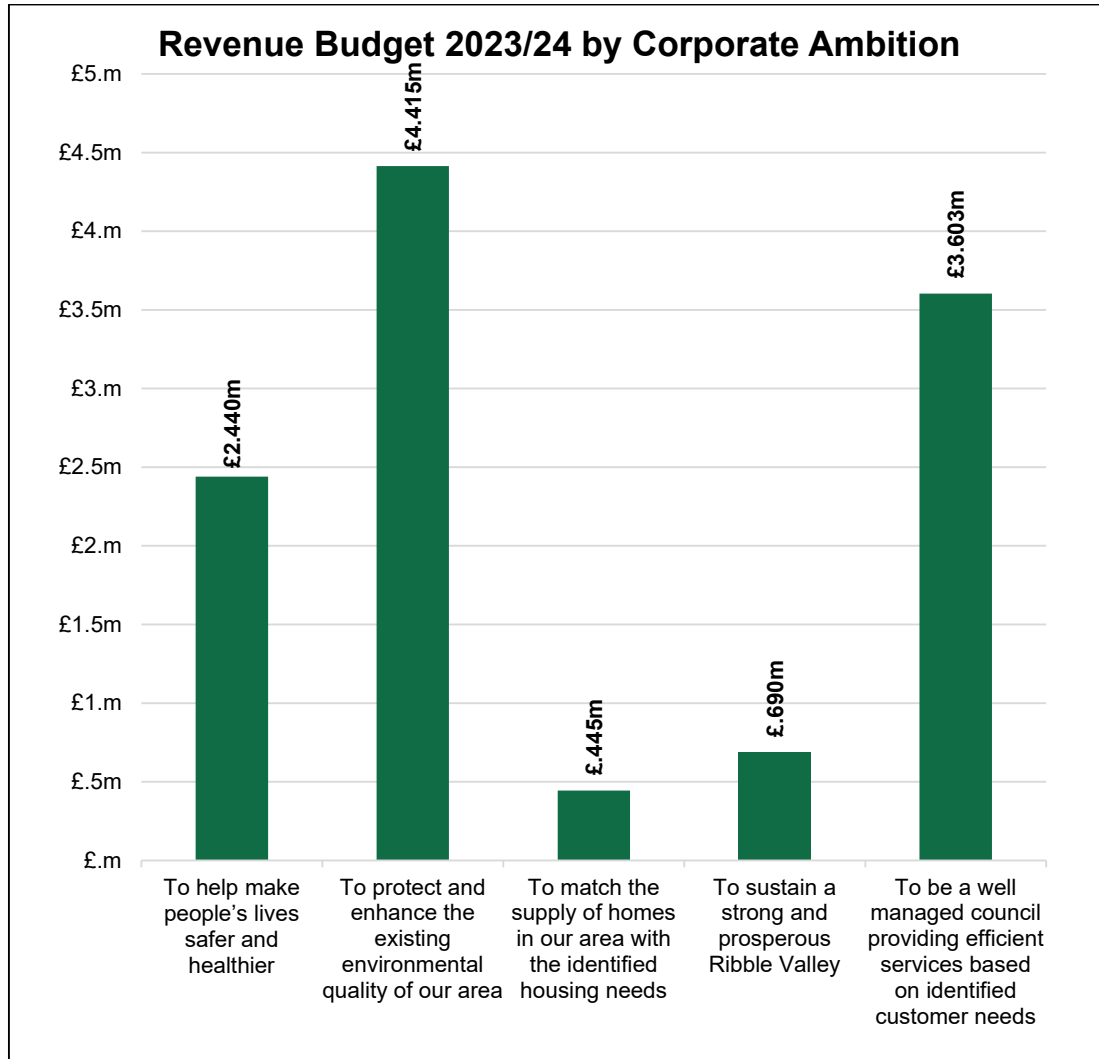
Ambition 1	Ambition 2	Ambition 3	Ambition 4	Ambition 5
To ensure a well-managed council providing efficient services based on identified customer needs.	To sustain a strong and prosperous Ribble Valley.	To help make people's lives safer and healthier.	To protect and enhance the existing environmental quality of our area	To match the supply of homes in our area with the identified housing needs

STRATEGIC CONTEXT: Corporate Strategy

The tables below show how the council's revenue budget 2023/24 and the overall capital programme 2023/24 to 2027/28, as set out in the Medium Term Financial Plan at the end of this document, link to the Council's ambitions.

Corporate Ambitions – Revenue Budget 2023/24

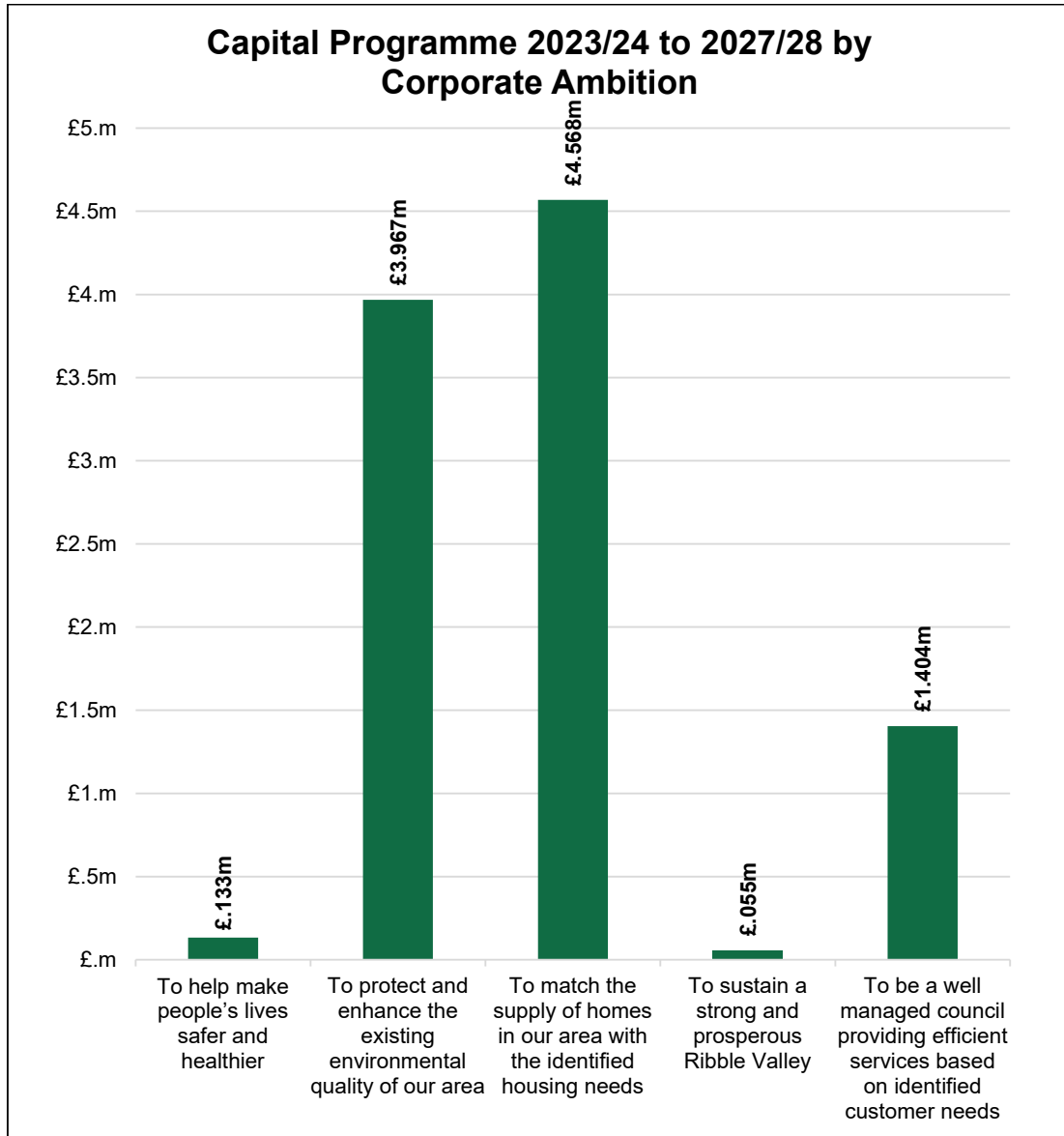
The chart below summarises the committee level net spend (after income) across the corporate ambitions for the Revenue Budget 2023/24



It is important to note the net position that is shown in these figures, as any service area that is heavily subsidised through grant, fees and charges or other income will show a relatively low net value.

Corporate Ambitions – Capital Programme 2023/24 to 2027/28

The chart below shows the total planned capital programme spend over the five year life of the capital programme. Unlike the net revenue position there is no offsetting of financing of the capital programme.



Corporate Risk Management

Risk Management Process

The Council's risk management approach is designed to form an integral part of the performance management approach of the Council.

Risks are scored based on their gross and net likelihood and impact levels, gross being the likelihood and impact level if no controls were in place and net being the risk level once controls have been considered.

Risks are then allocated an overall risk score based on these levels, translating to green risks, amber risks and red risks. All red risks are closely monitored and reported in detail to Corporate Management Team and Accounts and Audit Committee.

Risk owners are required to enter perceived and real risks onto the Risk Management System. This process ensures the Council maintains Service and Corporate Risk Registers, underpinning the organisation's overarching Strategic Risk Register. The compilation and maintenance of an up to date and comprehensive Corporate and Strategic Risk Register is one of the key elements of the Council's Risk Management Policy.

Current Key Strategic Risks

These risks are monitored and maintained on a regular basis and action taken where necessary.

Shown below is the list of Strategic Risks, giving the inherent risk description to the authority if no controls were in place:

- Data loss, disruption and/or damage to reputation due to a cyber attack
- Inability to set an affordable and sustainable budget over the short to medium-term resulting in the issuing of a Section 114 notice
- Heightened levels of fraud, including cyber fraud, due to pressures in the current economic climate
- Failure of the council to embed appropriate safeguarding arrangements.
- Reduced funding resulting in the inability to deliver discretionary services.
- The council is unable to ensure the resilience of key operations and business activities due to lack of robust business continuity plans
- Death or life changing injury due to a lack of robust health and safety processes.
- Failure to deliver services due to workforce capacity issues.
- Failure to meet requirements equalities legislation.
- Failure to identify and embed legislative requirements due to lack of or outdated policies and procedures.

STRATEGIC CONTEXT: Corporate Risk Management

- Partnership working opportunities are not taken advantage of to improve the borough infrastructure.
- Failure to deliver the Local Plan leading to harm to the borough's environment, heritage assets and communities and missed opportunities for economic and housing growth.
- Failure to deliver new Local Plan
- Service and local economy provision does not match community requirements or expectations.
- Failure to plan and/or respond to emergency events when they occur.
- Failure to deliver the Council's Climate Change Strategy to reduce carbon emissions, adversely affecting the natural environment.

Whilst the above is a list of the current strategic risks there are of course a number of mitigating actions and controls that reduced the residual level of risk experienced by the council in this respect.

Risk Management and the Medium Term Financial Strategy and Plan

As part of the budget setting process actions and controls needed to mitigate the above strategic risks and operational risks are, where relevant, included within budgets. Where this has not been the case or where an unexpected risk outcome is realised, then the council relies on the availability of its general fund balance to help in addressing such risks.

Other costs that arise through the transfer of risk, such as insurance cover are also included with the budget plan.

National Policy and Pressures

Reforms to Business Rates Retention

The council will remain a member of the Lancashire Business Rate Pool next year and will retain a levy which would otherwise be payable on any growth we receive above our baseline. Estimate Business Rate income for the council will be £2.215m.

Each year assumptions are made on the level of write-off's, appeals, growth, reliefs etc. This continues to be difficult and made more complex due to the 2023 Revaluation.

It is assumed that the pooling arrangements will continue in 2024/25. Beyond 2024/25 we await the outcome of the delayed reforms to Business Rate Retention which could have a significant impact on how much income the council could expect to retain in future to support its budget.

New Homes Bonus Review

The 2023/24 financial year is almost certainly the final year of the New Homes Bonus scheme. The council will receive a significant reduction in its allocation in 2023/24 at £506k. Previously the council has relied on using £1.105m to fund the revenue budget each year. The council's allocation has also been used to fund the capital programme. Its removal will have a significant impact on the Council's budget in future years.

Fair Funding Review

The Government has clarified that the Review of Relative Needs and Resources (also known as the Fair Funding Review) and a reset of accumulated business growth will not be implemented in the current Parliament. The impact of the review will no doubt be significant. The council's Budget Working Group will be kept up to date with regard to any developments.

Waste Collection - Extended Producer Responsibility for Packaging (EPR)

The Government have said that Local authorities can expect to receive new income, subject to the Extended Producer Responsibility for Packaging (EPR) coming into force during 2024/25. The Government will assess the impact of additional EPR income on the relative needs and resources of councils, particularly shire district councils. The council also await the announcement of new burdens funding to ensure we are able to meet the significant costs of the weekly collection of food waste if this is brought in by the Government.

Medium Term Financial Plan

Revenue Budget Forecast 2023/24 to 2027/28

Revenue Budget Forecast 2023/24 to 2027/28

Taking into consideration all of the various elements reviewed in the Medium Term Financial Strategy section of this document, the table below presents the forecast Medium Term Financial Plan covering the next five-years:

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Net Budgeted Expenditure	9,883,530	10,344,256	10,607,188	10,818,732	11,034,507
Less Interest earned on investments	-450,000	-250,000	-200,000	-200,000	-200,000
Net Budget	9,433,530	10,094,256	10,407,188	10,618,732	10,834,507
<u>Less Funding</u>					
Core Government Funding					
Business Rates baseline	1,405,077	1,405,077	1,405,077	1,405,077	1,405,077
Revenue Support Grant	48,588	48,588	48,588	48,588	48,588
Rural Services Delivery Grant	113,250	113,250	113,250	113,250	113,250
Services Grant	52,612	52,612	52,612	52,612	52,612
Other Funding					
Use of New Homes Bonus	506,197	0	0	0	0
Use of Business Rate Growth	2,000,000	2,000,000	1,000,000	1,000,000	1,000,000
One-Off Funding Guarantee	788,858	0	0	0	0
Potential Transitional Protection	0	577,149	579,277	581,470	583,728
Use of General Fund Balances	300,000	250,000	250,000	250,000	250,000
Collection Fund Surplus	80,012	25,000	25,000	25,000	25,000
Still to be funded	4,138,936	5,622,581	6,933,384	7,142,735	7,356,252
Council Tax Income:					
Assumed Band D <i>(increasing by £5 pa)</i>	165.69	170.69	175.69	180.69	185.69
Assumed Taxbase <i>(increasing by 1% pa)</i>	24,980	25,230	25,482	25,737	25,994
Precept (amount raised from council tax)	4,138,936	4,306,475	4,476,950	4,650,404	4,826,879
Budget Gap	0	1,316,106	2,456,434	2,492,331	2,529,373

Revenue Budget Forecast 2023/24 to 2027/28

The Budget Forecast has been produced based upon latest budget projections. Whilst the council has only received (in theory) a two year settlement a view has been taken on what potential protection the council could receive for the years to 2027/28. This is based on the current spending power excluding the one-off transition grant. It must be stressed these are very much estimates in the absence of any firm information from the Government.

It is further complicated by the fact that a general election will take place some time in the next two years, so for 2025/6 there will be a new Government who may have a different approach to local government finance.

In summary there have been the following assumptions in updating the council's budget forecast:

- a £5 increase in our council tax going forward each year until 2027/28
- a 1% increase in our taxbase
- we will receive transitional protection from the Government as set out earlier in the report
- £1m will be taken from general fund balances over the future 4 years.
- the Bank of England achieves its target and inflation returns to 2% per annum during 2024/25.
- no growth items are included.
- any significant new burdens on the Council are fully funded.

The forecast also assumes that following the two year settlement the estimated income from business rates will fall by £1m to £1.2m to reflect the likely resetting of the business rates baseline.

Potential future Use of Earmarked Reserves

The council may need to rely on its reserves to fund the predicted budget shortfalls each year. These are based on assumptions of the impact of future key financial reforms on this Council and possible levels of transitional protection.

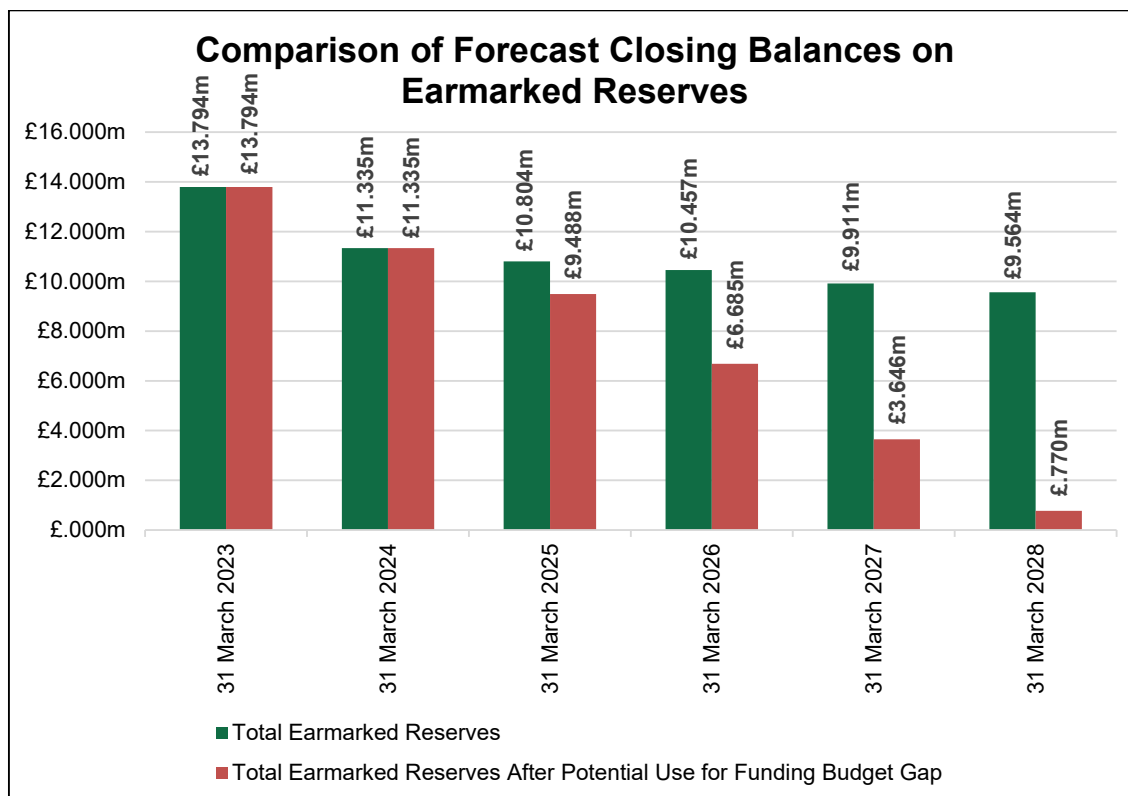
If these were to be realised then the council would need to use £8.794m of its earmarked reserves between 2024/25 and 2027/28 to fund the revenue budget. This would leave earmarked reserves of only £770k at the end of 2027/28.

The table below shows the forecast Earmarked Reserves balances should there be a need to use substantial levels of reserves to fund the forecast budget gap, and also the forecast levels of Earmarked Reserves should this not be needed.

Clearly this is not a sustainable position and the council needs to be able to set a balanced budget in the medium term.

As such, the council's Budget Working Group will begin work to address the budget deficit forecast from 2024/25 onwards early in the new municipal year.

Revenue Budget Forecast 2023/24 to 2027/28



Risk and Sensitivity

There are a number of risks with the medium term financial strategy as fluctuations in some of the underlying assumptions can produce significant changes to the forecast.

The table below shows some of the areas of sensitivity and the potential impact on the strategy, based on the original estimate for 2023/24.

Budget Area of Sensitivity	Percentage Fluctuation	Annual Impact on Budget
Direct Employee Costs	1.00%	£83,200
Energy Costs	1.00%	£10,900
Vehicle Fuel	1.00%	£4,100
Short Term Investment Interest Rates	1.00%	£155,000
Customer and Client Receipts	1.00%	£35,390
Settlement Funding Assessment	1.00%	£14,537

In terms of impact on the council tax, each budget adjustment of +/-£100,000 – if fully funded from Council Tax - would have the effect of changing council tax at Band D equivalent by +/-£4.00 or a further +/-2.4% (based on a Band D council tax charge of £165.69 for 2023/24).

Revenue Budget Forecast 2023/24 to 2027/28

On the other hand, for every additional 1% increase in the level of the 2023/24 council tax charge at Band D (which would be subject to referendum), an additional £40,140 council tax revenue would be raised and therefore, for every 1% decrease in the level of council tax, savings of £40,140 would need to be identified or alternative funding such as use of balances would need to be found (based on a Band D council tax charge of £165.69 for 2023/24).

In terms of the Settlement Funding Assessment that is to be received for 2023/24, this will support approximately 26% of the council's budget requirement and so any variation has a major impact. A variation of 1% in this funding would amount to £14,537.

The table below provides a summary of the main financial risks facing the council, and their potential impact and our mitigating actions.

Risk	Risk Level	Mitigation
Business Rates Growth Retention	High	There is a high level of uncertainty around the future level of business rates growth, or downturn. With our membership of the Lancashire Business Rates Pool, we continue to maintain a Business Rate Volatility earmarked reserve in order to cushion future fluctuations.
The outcomes of the planned consultation on proposals for the New Homes Bonus Scheme going forward may adversely affect this council.	High	There has been a high reliance on the New Homes Bonus that is received in supporting the revenue budget and also in funding the Capital Programme. Reliance has fallen in 2023/24 due to the falling levels of New Homes Bonus received. The forecast also assumes that no New Homes Bonus funding will be received after 2023/24.
The fair funding review will set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources, using the best available evidence. There is a risk that this council may be adversely affected.	High	Ensure the council's input to the consultation document and support the Rural Services Network in their work.

Revenue Budget Forecast 2023/24 to 2027/28

Risk	Risk Level	Mitigation
Pay Awards, fee increases and price inflation higher than assumed	High	The impact of any such increases would likely be absorbed by the use of the Council's General Fund balances, or the identification of compensating savings.
Past savings that have been identified by Heads of Service do not continue to be achieved	Medium	Regular monitoring of budgets and meetings with Heads of Service where savings have been identified in order to enable early corrective action if required.
A financial institution that has been invested in is unable to repay the principal sum to the council	Medium	This risk is managed through the Capital and Treasury Management Strategy. The markets are regularly monitored and discussions held with the Director of Resources, Head of Financial Services and Senior Accountant daily.
Identified savings required are not achieved	Medium	Through stringent budget monitoring and sound working practices in the review of savings needed and through the work of the Budget Working Group the required savings/funding will be found and will also be met in year.
Expenditure is not contained within the approved budgets	Low	The council has a well-developed budget monitoring process which enables early identification of variances and allows corrective action to be taken.

Five Year Capital Programme 2023/24 to 2027/28

The capital programme that has been set for the 2023/24 to 2027/28 is detailed below. The capital programme will be reviewed annually and as such could change for the years 2024/25 onwards as part of these reviews.

The revenue implications of the 2023/24 financial year have been included in the Revenue Budget Forecast 2023/24 to 2027/28.

	2023/24	2024/25	2025/26	2026/27	2027/28	TOTAL
	£	£	£	£	£	£
COMMUNITY SERVICES COMMITTEE						
Castle Keep Lime repointing Works and Repairs <i>(Moved from 2022/23)</i>	307,600					307,600
Replacement of Refuse Iveco Tipper (PO60 AYK) <i>(Moved from 2022/23)</i>	46,000					46,000
Replacement of High Top Transit Van PJ63 WUC <i>(Moved from 2022/23)</i>	34,500					34,500
Mardale Playing Pitches Drainage <i>(Moved from 2022/23)</i>	80,440					80,440
Edisford Playing Pitches Drainage Works <i>(Moved from 2022/23)</i>	10,900					10,900
Play Areas Refurbishment Programme	108,600	111,320	114,100	116,950	119,880	570,850
Replacement of Refuse Wheelie Bins	14,000	14,500	15,000	15,500	15,500	74,500
Replacement of Refuse Collection Vehicle VN12 KYK	246,200					246,200
Replacement of Refuse Collection Vehicle VN65 WHR		281,000				281,000
Replacement of Refuse Collection Vehicle VN17 DKA			288,000			288,000
Replacement of Refuse Collection Vehicle VE18 JXP				295,000		295,000

MEDIUM TERM FINANCIAL STRATEGY AND PLAN 2023/24 TO 2027/28

Five Year Capital Programme 2023/24 to 2027/28

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	TOTAL £
Replacement of Refuse Collection Vehicle VF19 CUV					302,000	302,000
Replacement of Paper Collection Vehicle SY11 CRK			63,000			63,000
Replacement of Paper Collection Vehicle VO13 UVV			63,000			63,000
Replacement Kubota Mower PO15 HYJ	30,000					30,000
Replacement of 2 Scag Mowers (rvbc014 + rvbc015) and 1 Scag 4x4 Mower (rvbc016)		26,000				26,000
Replacement of Kubota Mower PO67 BNV		30,000				30,000
Replacement Drain Jetter - trailer mounted		19,300				19,300
Replacement of JCB Loadall			135,000			135,000
Replacement of Fork Lift Truck			20,000			20,000
Replacement of Parking Van CX68 FCG				21,000		21,000
Replacement of 2 x Ford Ranger Pick Ups (YR18 TVA & YR18 DXD)				67,000		67,000
Replacement of Ro-Ro 7.5 Tonne Truck PL66 HHZ				76,000		76,000
Replacement of 110hp Gang Mower Tractor PO16 MZL				108,000		108,000
Replacement of Toro Flail Mower AF68 MSX				64,000		64,000
Replacement of Kubota Ride On Mower PO68 BBK				32,000		32,000
Replacement of Car Parking Van MM19 WEK					21,000	21,000

MEDIUM TERM FINANCIAL STRATEGY AND PLAN 2023/24 TO 2027/28

Five Year Capital Programme 2023/24 to 2027/28

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	TOTAL £
Replacement of Multi-Use Refuse Collection Vehicle PF18 JUC					181,000	181,000
Replacement of Petrol Powered Hand Tools and Blowers with Battery Powered Units					56,000	56,000
Replacement of Kubota Mini Digger, Breaker and Trailer					48,000	48,000
Replacement of Iveco Daily Tail Lift Tipper PL68 HRO					75,000	75,000
Replacement of High Top Long Wheel Based Van CX17 GZE					53,000	53,000
Sabden Public Conveniences Refurbishment	35,600					35,600
Dunsop Bridge Public Conveniences Refurbishment		12,850				12,850
Edisford Public Conveniences Refurbishment			42,240			42,240
Bolton-By-Bowland Public Conveniences Refurbishment				41,900		41,900
Chatburn Public Conveniences Refurbishment					15,680	15,680
Roof Renewal and Upgrade to Parks Store Building in Castle Grounds	69,400					69,400
Longridge Depot 'Ambulance' Shed Refurbishment	47,500					47,500
Replacement of Concrete Bays to Rear of Depot	32,400					32,400
Car Parks Resurfacing Rolling Programme		51,710	53,000	54,330	55,690	214,730
Ribblesdale Pool Fire Alarm Upgrade					20,490	20,490
Ribblesdale Pool Feasibility Study	32,610					32,610

Five Year Capital Programme 2023/24 to 2027/28

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	TOTAL £
Re-laying of Roadway to the Castle Keep					44,500	44,500
Ribblesdale Pool Barrier and Safety Fencing					15,400	15,400
Total Community Services Committee	1,095,750	546,680	793,340	891,680	1,023,140	4,350,590
<u>ECONOMIC DEVELOPMENT COMMITTEE</u>						
Economic Development Initiatives <i>(Moved from 2022/23)</i>	54,750					54,750
Total Economic Development Committee	54,750	0	0	0	0	54,750
<u>HEALTH AND HOUSING COMMITTEE</u>						
Clitheroe Market Improvements <i>(Moved from 2022/23)</i>	72,600					72,600
Replacement of Pest Control Van PK13 FJP <i>(Moved from 2022/23)</i>	32,280					32,280
Replacement of Dog Warden Van PE64 EYC <i>(Moved from 2022/23)</i>	32,500					32,500
Equity Share Option Schemes <i>(Moved from 2022/23)</i>	422,130					422,130
Affordable Housing - Longridge <i>(Moved from 2022/23)</i>	1,625,950					1,625,950
Disabled Facilities Grants	393,000	393,000	393,000	393,000	393,000	1,965,000
Landlord/Tenant Grants	50,000	50,000	50,000	50,000	50,000	250,000
Drainage to New Section of Clitheroe Cemetery	0	70,500				70,500
Temporary Housing Scheme	304,580					304,580
Total Health and Housing Committee	2,933,040	513,500	443,000	443,000	443,000	4,775,540

MEDIUM TERM FINANCIAL STRATEGY AND PLAN 2023/24 TO 2027/28

Five Year Capital Programme 2023/24 to 2027/28

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	TOTAL £
PLANNING AND DEVELOPMENT COMMITTEE						
Introduction of planning portal link to the planning application system and planning system update <i>(Moved from 2022/23)</i>	26,420					26,420
Total Planning and Development Committee	26,420	0	0	0	0	26,420
POLICY AND FINANCE COMMITTEE						
Brookfoot Footbridge, Ribchester- Replacement of Bridge <i>(Moved from 2022/23)</i>	110,000					110,000
ICT Infrastructure Refresh <i>(Moved from 2022/23)</i>	116,600					116,600
Network Infrastructure <i>(Moved from 2022/23)</i>	30,000					30,000
Revenues and Benefits Replacement Server	24,000					24,000
Cyber Security Solutions Refresh	62,100					62,100
Replacement Air Conditioning Units in Server Room	10,700					10,700
E-Recruitment System (including On-boarding)	44,000					44,000
Replacement PCs		70,600				70,600
Firewall Refresh		23,700				23,700
Council Offices Fire Alarm Upgrade					69,760	69,760
Council Offices Mains and LED Lighting Upgrade	97,750					97,750
Software Upgrade for Regulatory Services			188,900			188,900
Replacement ICT Equipment for Councillors				43,600		43,600

Five Year Capital Programme 2023/24 to 2027/28

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	TOTAL £
Technology Forge Upgrade	27,400					27,400
Total Policy and Finance Committee	522,550	94,300	188,900	43,600	69,760	919,110
Total for all Committees	4,632,510	1,154,480	1,425,240	1,378,280	1,535,900	10,126,410

The capital programme is to be financed in the following manner:

FINANCED FROM	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	TOTAL £
Grants and Contributions						
Disabled Facility Grant Funding	-393,000	-393,000	-393,000	-393,000	-393,000	-1,965,000
Section 106 Monies	-2,139,420	0	0	0	0	-2,139,420
Total Grants and Contributions	-2,532,420	-393,000	-393,000	-393,000	-393,000	-4,104,420
Borrowing						
Borrowing	-72,600	0	0	0	0	-72,600
Total Borrowing	-72,600	0	0	0	0	-72,600
Earmarked Reserves						
VAT Shelter Earmarked Reserve	-150,000	-100,000	-100,000	-100,000	-100,000	-550,000
Capital Earmarked Reserve	-449,252	-15,000	0	0	0	-464,252
New Homes Bonus Earmarked Reserve	-248,009	-62,860	0	0	0	-310,869
ICT Renewals Earmarked Reserve	-24,241	-63,400	0	0	0	-87,641
Vehicle Renewals Earmarked Reserve	-51,030	0	0	0	0	-51,030
Fleming VAT Earmarked Reserve	-5,451	0	0	0	0	-5,451
Business Rates Growth Earmarked Reserve	-1,071,959	-500,000	-500,000	-500,000	-500,000	-3,071,959
Total Earmarked Reserves	-1,999,942	-741,260	-600,000	-600,000	-600,000	-4,541,202
Usable Capital Receipts						
Usable Capital Receipts	-27,548	-20,220	-432,240	-385,280	-542,900	-1,408,188
Total Usable Capital Receipts	-27,548	-20,220	-432,240	-385,280	-542,900	-1,408,188
Total Resources	-4,632,510	-1,154,480	-1,425,240	-1,378,280	-1,535,900	-10,126,410