

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO SPECIAL POLICY AND FINANCE COMMITTEE

meeting date: 13 FEBRUARY 2024  
title: OVERALL REVENUE BUDGET 2024/25  
submitted by: DIRECTOR OF RESOURCES  
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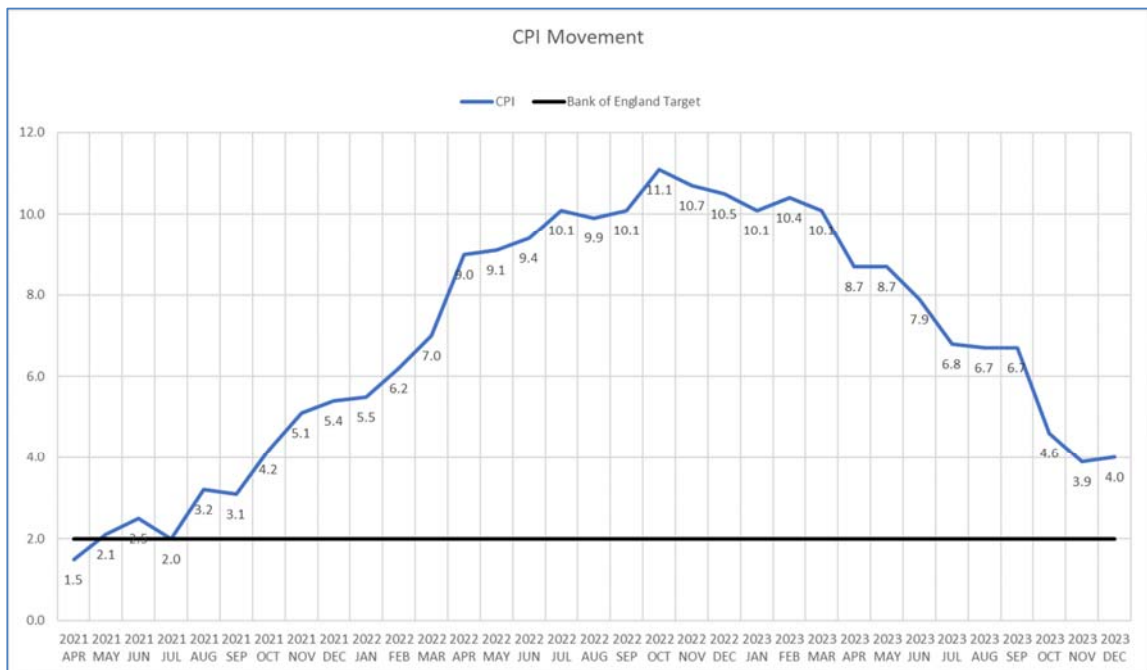
## 1 PURPOSE

- 1.1 To approve the revised revenue budget for 2023/24.
- 1.2 To consider and recommend a revenue budget and council tax requirement for 2024/25 to Full Council on 5 March 2024.

## 2 CURRENT YEAR'S REVISED BUDGET 2023/24

### Background

- 2.1 At this time of year we revise the estimates for the current financial year in order to predict the likely outturn. In essence the Revised Estimate is the Council's latest forecast for the outturn on the current financial year's budget. This also assists us in preparing the original estimate for the coming financial year.
- 2.2 Committees, during this cycle, have reviewed their estimates and the reasons for any significant changes.
- 2.3 When we started the budget setting process for 2023/24 we were facing record levels of inflation at 10.1% in the 12 months to September 2022. We were also facing significantly higher utility costs for gas, electricity and fuel. Our Revised Estimate takes into account the changes in the level of inflation that we have experienced so far and assumptions upto the end of March 2024.



- 2.4 We decided to allow 5% for pay increases and price increase of 7.5% as we anticipated inflation would fall during the year.
- 2.5 The pay award for 2023/24 was settled at £1,925 per full time employee up to spinal column point 43, 3.88% for Heads of Service and 3.5% for Chief Officers. Overall the cost of the pay award for Ribble Valley was 6.5% which is around £170k above the 5% we had allowed for.
- 2.6 The revised budget forecasts that instead of taking £300k from general fund balances, as originally planned, we will be adding £1.505m. This is shown in the summary below.

<b>Committee</b>	<b>Original 2023/24 £</b>	<b>Revised 2023/24 £</b>	<b>Difference £</b>
Planning and Development	842,810	792,800	-50,010
Community Services	5,743,850	**4,957,760	-786,090
Economic Development	368,560	354,790	-13,770
Health and Housing	1,588,300	1,134,860	-453,440
Policy and Finance	3,050,040	2,883,230	-166,810
<b>Total of Committees</b>	<b>11,593,560</b>	<b>10,123,440</b>	<b>-1,470,120</b>
<b>Capital Adjustments:</b>			
Depreciation	-1,148,570	-1,018,640	129,930
Minimum Revenue Provision	102,634	102,634	0
<b>Total Expenditure</b>	<b>10,547,624</b>	<b>9,207,434</b>	<b>-1,340,190</b>
<b>Other Items</b>	<b>-4,115,792</b>	<b>-5,129,938</b>	<b>-1,014,146</b>
<b>Less Added to/(taken from) Earmarked Reserves</b>	<b>-459,219</b>	<b>90,127</b>	<b>549,346</b>
General Balances	<b>-300,000</b>	<b>1,504,990</b>	<b>1,804,990</b>
<b>Net Expenditure</b>	<b>5,672,613</b>	<b>5,672,613</b>	<b>0</b>
Parishes	577,048	577,048	0
<b>Budget Requirement</b>	<b>6,249,661</b>	<b>6,249,661</b>	<b>0</b>

\*\* Since reported to Community Committee extra costs for business rate appeals included and interest on business rates refunds moved to investment interest budget. Total adjustment £36,920

### Changes in Expenditure

- 2.7 Committee expenditure has fallen significantly by £1.470m. This is before the removal of depreciation, other items and appropriations to and from earmarked reserves of which there are many.
- 2.8 Service Committees have considered their detailed reports which give more information on the many forecast variations between the original estimate and the revised estimate, however the **main variations** are shown in Annex 1. In summary our position is much better than originally forecast due to the following:
- Investment income up by £896k due to higher interest rates and higher than expected available cash balances to invest.
  - Business rate refunds for the Clitheroe Castle Museum and also some car parks totalling £508k

- Utility costs being £496k lower than anticipated when we set the budget when there were many uncertainties regarding the impact of inflation and global issues on unit prices.
- 2.9 These total £1.9m and are very much one-off windfall savings which are unlikely to be repeated.

### Movement in Business Rate Income

- 2.10 A significant element of our income is Business Rate Growth. Our latest estimate of Ribble Valley's share of Business Rate income for the current year predicts the following;

	2023/24	2023/24
	Original Estimate £	Revised Estimate £
<b>Calculation of Business Rate Retained Income</b>		
Billing Authority NNDR Income	15,791,193	15,791,193
LA share of NNDR income	6,316,477	6,316,477
Less Tariff	5,115,655	5,115,655
	1,200,822	1,200,822
Baseline Funding Level	1,405,077	1,405,077
<b>Retained Rates Income before levy</b>	-204,255	-204,255
Less Levy under pooling arrangements (10% paid to LCC)	-96,217	-102,401
Section 31 Grant	2,726,538	2,840,758
Add Renewable Energy	31,248	31,248
	<b>2,457,314</b>	<b>2,565,350</b>
Surplus/(Deficit) brought forward	-242,439	-242,439
<b>Total Business Rate Income</b>	<b>2,214,875</b>	<b>2,322,911</b>

- 2.11 Based on the latest position we expect in year to receive slightly more than originally estimated. This is after allowing for the deficit carried forward from 2022/23 of £242k. Some elements of the rate retention scheme are calculated on an accruals basis eg levies and section 31 grant whereas others (such as income) are 'fixed' at the start of the year based upon our NNDR1 return.
- 2.12 When setting the original budget we significantly increased the amount of business rate growth used to fund the revenue budget to £2m. In addition an amount of £1.173m will be transferred to the capital reserve fund to be used to fund schemes in the capital programme. Overall these result in a transfer **from** the business growth reserve of £1.168m.

	2022/23	2023/24	2023/24
	Actual	Original Estimate	Revised Estimate
	£	£	£
Business Rate Income	1,799,764	2,214,875	2,322,911
<b>Revenue</b>			
Used to support Revenue Budget	-795,549	-2,000,000	-2,000,000
To fund increase in Payline	-306,160		
HR Supplementary Estimate	-17,000		
To transfer to Volatility reserve		-318,000	-318,000
<b>Capital</b>			
Transferred to fund capital schemes	-174,805	-1,172,932	-1,172,932
Added/(taken) from BR Growth reserve	506,250	-1,276,057	-1,168,021
<b>Business Rate Growth Reserve</b>			
Opening Balance b/fwd	3,318,886	3,825,136	3,825,136
Closing Balance c/fwd	3,825,136	2,549,079	2,657,115
<b>Business Rate Volatility Reserve</b>			
Opening Balance b/fwd	1,682,000	1,682,000	1,682,000
Closing Balance c/fwd	1,682,000	2,000,000	2,000,000

### Movement in Earmarked Reserves

- 2.13 Annex 2 shows the forecasted transfers to and from earmarked reserves compared with the original estimate. In summary the net position is that we anticipate adding £90k instead of taking £459k from earmarked reserves in the current year. This generally reflects a delay in spending rather than a saving.

### Overall Changes

- 2.14 A summary of the changes between the original and revised estimate is shown below:

	Difference £000
Committees	-1,470
Depreciation	130
Other Items	-1,014
Use of Earmarked Reserves	549
<b>Net change</b>	<b>-1,805</b>

- 2.15 This shows that the Council is **£1.805m better off** compared with the original estimate. Therefore instead of taking **£300k** from general fund balances at the end of the year, based on these revised estimates the amount would be **£1.505m**. As stated earlier however, this is due to some large one-off windfall savings/extra income which are unlikely to be repeated.

### 3 THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2024/25

#### Provisional Grant Settlement

- 3.1 The annual local government finance settlement is concerned with the distribution of revenue raised from business rates and other funding streams through Revenue Support Grant and Business Rates Retention.
- 3.2 The details of our provisional grant settlement are set out in the separate report elsewhere on your agenda. The table below summarises our position.

<b>Provisional Settlement</b>	<b>2024/25 £m</b>
Settlement Funding Assessment	1.508544
of which:	
Revenue Support Grant	0.051807
Baseline Funding Level	1.456737
New Homes Bonus	0.647509
Rural Services Delivery Grant	0.126574
Services Grant	0.008619
One-off Funding Guarantee	0.710563
<b>Total Government Funding</b>	<b>3.001809</b>

#### Settlement Funding Assessment

- 3.3 This is essentially the amount of base level funding we will receive from the Government as part of the grant settlement.

#### Rural Services Delivery Grant

- 3.4 This is a grant paid to the top quartile of local authorities on the basis of the super-sparsity indicator, in recognition of additional costs for rural councils.
- 3.5 Provisionally we know Ribble Valley will receive £126,574. However, in response to the grant consultation, the Government have announced an increase of £15m nationally to this grant pot. We await further details regarding exactly how much we will receive. This will be paid as a separate grant.
- 3.6 From 2017/18 onwards it was agreed this funding will be used to support our net revenue expenditure.

#### Services Grant

- 3.7 In 2022/23 the government introduced a “one-off services grant” for all councils to supplement other grants, now known as the Services Grant. This will be reduced in 2024/25.
- 3.8 Ribble Valley will receive £8,619.

#### Funding Guarantee

- 3.9 The Government have announced the ‘one-off’ funding guarantee for 2023/24 will continue in 2024/25. This is to ensure all councils receive at least a 3% increase in their core spending

power before local decisions are made on the level of council tax. Provisionally Ribble Valley will receive £710,563.

3.10 In response to the consultation however the Government have announced the funding guarantee will increase so that all councils will receive at least a 4% increase in their core spending power before local decisions are made on the level of council tax.

3.11 We await our final figure.

### **New Homes Bonus**

3.12 Based on the movement in our taxbase from October 2022 to October 2023 we will receive an allocation of £647,509 next year. We do expect to receive more than this when the final grant settlement is announced due to the Government using a lower number of affordable homes in our calculation than our actual figure.

### **Future Years Government Funding**

3.13 As we know there will be a UK Parliamentary Election at some stage this year. As parties produce their election manifestos their intentions regarding local government finance may become clearer. This would then enable us to update our budget forecast accordingly.

3.14 Given the time taken to formulate, consult and implement key financial reforms it is unlikely these would be in place before 2026/27. As such it seems reasonable to assume that we may receive a similar grant settlement for 2025/26.

### **Council Tax Referendum Criteria**

3.15 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.

3.16 For 2024/25 the Government have announced the following core referendum thresholds:

- A core referendum principle of up to 3% will apply to shire county councils, shire unitary authorities, metropolitan districts and London boroughs.
- Shire districts will have a referendum principle of up to 3% or £5, whichever is higher.
- Social care authorities will be able to set a 2 per cent adult social care precept without a referendum (in addition to the existing basic referendum threshold referred to above).
- Fire and Rescue Authorities will have a principle of up to 3 per cent.
- £13 for police authorities and police and crime commissioners including the Greater Manchester and West Yorkshire Combined Authorities' precepts.
- The non-police element of the Greater London Authority (GLA) will have a referendum principle of £24.26.
- Bespoke council tax referendum principles for Thurrock, Slough and Woking Borough Councils.
- There will be no referendum principles for mayoral combined authorities (MCAs) except where the Mayor exercises police and crime commissioner functions. In these cases the PCC principle will apply. There are no referendum principles for parish and town councils.

- 3.17 It is important when deciding on our council tax level for next year to consider the amount of income any change will generate. For indicative purposes the table below shows the increased income available to the Council for next year for a both a council tax freeze and a £5 increase on our Band D charge.
- 3.18 A £5 increase in our share of the Council Tax would result in a Band D tax amount of £170.69 (an increase of 3.02%). This would generate £126,603 each year in extra revenue. In addition, the increase in our taxbase generates a further £56,500.

	<b>Current Council Tax £</b>	<b>Council Tax increased by £5.00 £</b>
Band D Council Tax	165.69	170.69
Taxbase for 2024/25	25,321	25,321
= Council Tax Income 2024/25	4,195,436	4,322,041
Council Tax income 2023/24	4,138,936	4,138,938
Extra income from Council Tax	56,500	183,103
Of which due to increase in taxbase	56,500	56,500
Of which due to increase in council tax charge	0	126,603

- 3.19 As stated earlier this is our provisional grant settlement. The final grant settlement is usually announced early in February. Any differences will be reported at your meeting.

## 4 MAJOR INCOME SOURCES

### Council Tax

- 4.1 I have calculated the council taxbase in accordance with proper practices. Our council taxbase for 2024/25 is 25,321. This compares with the current taxbase of 24,980 in 2023/24.
- 4.2 A breakdown of the calculation showing the taxbase by parish is included in Annex 3.
- 4.3 Our current Band D tax is £165.69. We are currently in the bottom quartile of all district councils at 28th out of 164. Across Lancashire the position in 2023/24 is as follows.

Position out of 164 Districts	Authority	Average council tax 2023/24 excluding parish precepts (Band D)		
		£	£ change on 2022/23	% change on 2022/23
	<b>LANCASHIRE</b>			
28	Ribble Valley	165.69	5.00	3.11
85	Chorley	203.63	3.97	1.99
103	Fylde	218.89	-0.30	-0.14
105	Wyre	219.74	5.00	2.33
108	South Ribble	223.24	0.00	0.00
112	West Lancashire	224.92	6.53	2.99
136	Lancaster	249.18	7.23	2.99
145	Hyndburn	260.64	0.00	0.00
155	Pendle	289.92	8.42	2.99
159	Rossendale	299.49	8.69	2.99
161	Burnley	328.01	9.52	2.99
163	Preston	343.60	9.97	2.99

- 4.4 As shown above the maximum income from council tax we can rely on for 2024/25 is £4,322,041 based upon a £5 increase in Band D. If you were to decide to increase our Band D council tax, you can see from the above table, we would still have the lowest in Lancashire by a considerable margin.

### New Homes Bonus Scheme (NHB)

- 4.5 Whilst we were uncertain we would receive an allocation for next year, we know we will receive a one year allocation for £647,509. The bonus no longer consists of legacy payments for previous years. The threshold over which the bonus is paid remains at 0.4 per cent.
- 4.6 For a number of years the Government have strongly indicated there would be reforms to the New Homes Bonus Scheme. They also gave commitment to set out the future position of the scheme before the 2024/25 local government finance settlement. However we continue to remain in the dark as to the Government's intentions.
- 4.7 For many years our New Homes Bonus allocation represented a significant portion of our key funding.
- 4.8 Annex 4 shows the allocation of our NHB since the start of the scheme and how funding has been used to support both revenue and the capital programme.



## Business Rates (National Non Domestic Rates – NNDR)

- 4.9 We have now completed our NNDR1 return which were required to submit to the Government before 31 January 2024. This forms the basis of the payments we will make to central government and the major precepting authorities and ourselves next year. We obviously have to make assumptions about the potential of successful appeals, bad debts and also growth in our business rates base..
- 4.10 The Government have confirmed the designation of the Lancashire Business Rate Pool next year. As a member of the pool we anticipate our business rate income next year will be as follows:

	2023/24 Original Estimate £	2024/25 Original Estimate £
<b>Calculation of Business Rate Retained Income</b>		
Billing Authority NNDR Income	15,791,193	15,939,100
LA share of NNDR income	6,316,477	6,375,640
Less Tariff	5,115,655	5,272,407
	1,200,822	1,103,233
Baseline Funding Level	1,405,077	1,456,737
<b>Retained Rates Income before levy</b>	<b>-204,255</b>	<b>-353,504</b>
Less Levy under pooling arrangements (10% paid to LCC)	-96,217	-99,587
Section 31 Grant	2,726,538	3,108,877
Add Renewable Energy	31,248	79,791
<b>Total Business Rate Income to General Fund</b>	<b>2,457,314</b>	<b>2,735,577</b>
Surplus/(Deficit) brought forward	-242,439	195,981
<b>Total Business Rate Income</b>	<b>2,214,875</b>	<b>2,931,558</b>

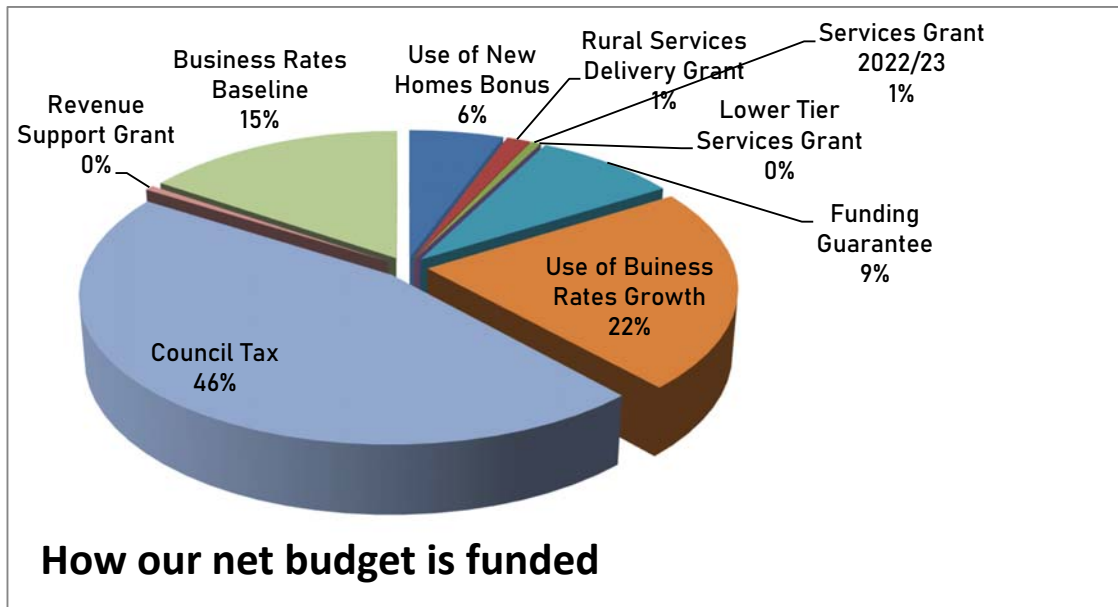
- 4.11 As a member of the Lancashire Business Rate Pool our share of the business rate income we will collect in our area is 40%. Under pooling arrangements, we will not be required to pay a levy on our growth to the Government however we will make a payment of 10% of our retained levy to Lancashire County Council.
- 4.12 Though we await the announcement of the Final Local Government Grant Settlement we anticipate that our final tariff and baseline figures will remain the same therefore we estimate that the total business rate growth income for next year will be £2,931,558. As per our budget forecast we plan to use £2m next year to fund the revenue budget and a further £500k to part fund the capital programme.

	2023/24 Original Estimate £	2023/24 Revised Estimate £	2024/25 Original Estimate £
Business Rate Income	2,214,875	2,322,911	2,931,558
<b>Revenue</b>			
Used to support Revenue Budget	-2,000,000	-2,000,000	-2,000,000
To transfer to Volatility reserve	-318,000	-318,000	0
<b>Capital</b>			
Transferred to fund capital schemes	-1,172,932	-1,172,932	-500,000
Added/(taken) from BR Growth reserve	-1,276,057	-1,168,021	431,558
<b>Business Rate Growth Reserve</b>			
Opening Balance b/fwd	3,825,136	3,825,136	2,657,115
Closing Balance c/fwd	2,549,079	2,657,115	3,088,673
<b>Business Rate Volatility Reserve</b>			
Opening Balance b/fwd	1,682,000	1,682,000	2,000,000
Closing Balance c/fwd	2,000,000	2,000,000	2,000,000

4.13 The volatility reserve now stands at £2m. This provides a safety net protection which we have had to forgo as a pool member. The Business Rate Growth Reserve can support both the revenue budget and the capital programme.

**How our budget is financed**

4.14 For illustration purposes I have shown below how the 2023/24 Original Budget was financed.



4.15 The pie chart shows for 2023/24 almost a half of our funding is dependent upon the outcome of the long awaited reforms to local government finances.

## 5 CORE SPENDING POWER

- 5.1 As part of the Local Government Finance Settlement the Government calculate in cash terms what each Council is to receive and compare it with the previous year. They assume council tax income on the basis that each Council increases council tax by the maximum permitted amount.
- 5.2 For 2024/25 the headline increase in Local Government spending power is 6.5%, with an increase in funding for Local Government from £60.2bn to £64.1bn. Ribble Valley's core spending power will increase by 4.7%, though we await details of the impact on our funding guarantee of the Government's announcement to ensure all councils will receive a 4% increase before decisions on council tax are made.
- 5.3 **It is important to note whilst New Homes Bonus is an element of our Core Spending Power, Business Rate Growth income is not and therefore we may not receive protection if baselines are reset in the future.**

### Our Core Spending Power

	2023/24	2024/25	Movement	
	£m	£m	£m	%
Settlement Funding Assessment	1.453665	1.508544	0.054879	3.8%
Compensation for under-indexing the business rates multiplier	0.239342	0.294109	0.054767	22.9%
Council Tax	4.139603	4.342947	0.203344	4.9%
New Homes Bonus	0.506197	0.647509	0.141312	27.9%
Rural Services Delivery Grant	0.126574	0.126574	0.000000	0.0%
Services Grant	0.054777	0.008619	-0.046158	-84.3%
One-off Funding Guarantee	0.773369	0.710563	-0.062806	-8.1%
<b>Total</b>	<b>7.293527</b>	<b>7.638865</b>	<b>0.345338</b>	<b>4.7%</b>

- 5.4 We assume the Government continue to use our Core Spending Power as a basis for assessing our external funding and also that New Homes Bonus will cease after 2025/26. We have estimated that our Core Spending Power will increase by 2.5% in 2025/26 and beyond for the remaining years of the budget forecast.

## 6 COLLECTION FUND

- 6.1 The council tax is a combination of various factors, namely:
- ❖ The net spending requirements of -
    - ❖ Lancashire County Council
    - ❖ Lancashire Police and Crime Commissioner
    - ❖ Lancashire Combined Fire Authority
    - ❖ Ribble Valley Borough Council
    - ❖ The Parish Councils in our area
  - ❖ Surplus/deficit on the council tax share of the collection fund
  - ❖ Council tax base at Band D equivalent

- 6.2 The Business Rates Retention Scheme is also operated via the Collection Fund and therefore we also have a surplus or deficit in respect of Business Rates at the end of each financial year.
- 6.3 I have already assessed the potential surplus/deficit on the collection fund.
- 6.4 I estimate the Collection Fund will produce an overall surplus of £1,311,620 this year. This consists of a surplus for council tax of £821,668 and a surplus in respect of Business Rates of £489,952.
- 6.5 The Council Tax surplus will be shared amongst all the major precepting authorities in 2024/25. Our share of the surplus is £73,966.
- 6.6 The Business Rates surplus will be shared by Government, Lancashire County Council, Lancashire Combined Fire Authority and ourselves in 2024/25. Our share of the surplus is £195,981.
- 6.7 A statement showing the Collection Fund is attached at Annex 5.

**Local Council Tax Support Scheme (LCTS)**

- 6.8 After carrying out a consultation exercise it was agreed by Full Council in March 2022 that the 12% reduction in support to working age claimants be removed. This has been well received by our residents and it has been recommended by Policy and Finance Committee in January that the LCTS scheme for next year is updated to keep it in line with the Housing Benefit Scheme and continue to have no reduction in support to working age claimants.

## **7 REVENUE BUDGET 2024/25**

### **Base Budget Position**

#### **Introduction**

- 7.1 Committee budgets include provision for pay increases of 4% and price increases of 4%.
- 7.2 Back in September 2023 this Committee recognised that, based on our latest budget forecast and significant budget gap, setting a sustainable budget would be very challenging. You therefore gave the following guidance.
- Business Rate Pooling – agree that the Council expresses its preference to remain in the Lancashire Business Rates Pool.
  - Expenditure – Service Committees should be advised to examine their budgets carefully to see if any savings can be identified.
  - Income - Fees and charges should be increased by 4% which was the rate assumed for inflation.
  - Council tax - Depending on the capping principles announced by the Government, agree with the Budget Working Group's recommendation to base the Council's budget preparations for 2024/25 on a £5 increase in our band D charge
- 7.3 Fees and charges were reviewed by all service committees in Autumn and have generally been increased by 4%. The anticipated income as a result of these increases has been incorporated into the draft budget estimates.
- 7.4 All committees have now considered their draft budgets for next year.

#### **Provisional Base Position**

- 7.5 The provisional base position for next year as agreed by service committees is shown below, compared with the original budget for 2023/24.

	Original 2023/24 £	Original 2024/25 £ Agreed by Service Committees
<b>Committees</b>		
Planning and Development	842,810	936,690
Community Services	5,743,850	5,543,740
Economic Development	368,560	332,640
Health and Housing	1,588,300	1,550,450
Policy and Finance	3,050,040	2,982,510
	<b>11,593,560</b>	<b>11,346,030</b>
<b>Capital Adjustments:</b>		
Depreciation	-1,148,570	-1,205,530
Minimum Revenue Provision	102,634	100,469
<b>Total Expenditure</b>	<b>10,547,624</b>	<b>10,240,969</b>
<b>Other Items:</b>		
Interest - Earned	-450,000	-1,058,270
New Homes Bonus	-506,197	-647,509
Rural Services Delivery Grant	-126,574	-126,574
Services Grant	-54,777	-8,619
One-off Funding Guarantee	-773,369	-710,563
Contingency - Edisford Car Park	10,000	0
	<b>-1,900,917</b>	<b>-2,551,535</b>
Movements in Earmarked Reserves	-674,094	-249,130
Less use of Business Rates Growth	-2,000,000	-2,000,000
Baseline Funding Level	-1,405,077	-1,456,737
Revenue Support Grant	-48,588	-51,807
Collection Fund Surplus	-80,012	-73,966
Council Tax (25,321*£170.69)	-4,138,936	-4,322,041
<b>General Fund Balances</b>	<b>-300,000</b>	<b>?</b>
<b>Budget Surplus</b>	<b>0</b>	<b>-464,247</b>

7.6 This shows that, as per the budgets agreed by service committees at their January meetings, and after bringing in our grant settlement figures and increasing our council tax by the maximum amount possible (£5 on a band D property), we have a budget surplus of £464k. However this is before some important contingencies have been considered for 2024/25.

### Committee Expenditure

7.7 As shown overall Committee expenditure is set to fall by £248k. This contrasts with a significant increase in Committee expenditure of £2.439m when we set the original estimate for 2023/24.. Service Committees have received detailed budget reports setting out changes to the base budget for their Committee. Annex 6 gives the main reasons for each committee. In summary the key differences are due to:

- Reduction to base budgets due to falling inflation
- Fall in utilities and energy costs.
- Fall in level of planning fee income.

## Capital Adjustments

- 7.8 The total depreciation we are taking out of our committee estimates is increasing slightly from £1.046m to £1.105m.

## Movement of Other items

- 7.9 When we prepared our original estimate for 2023/24 we anticipated 'other items' would reduce our net budget by £1.901m however our draft budget for next year anticipates these will reduce our budget by £2.551m. This is a difference of £650k and can be explained below.

<b>Movement on Other Items</b>	<b>£000</b>
Higher investment interest expected to be received (£450k to £1.058m)	-608
Higher New Homes Bonus allocation (£506k to £647k)	-141
Reduction in Services Grant	46
Lower Funding Guarantee	63
Removal of contingency Edisford Car Park	-10
	<b>-650</b>

- 7.10 You will see by far the most significant movement is the increase in investment interest. It is difficult to predict when interest rates will fall.

## Further Budget Considerations by the Budget Working Group

- 7.11 Following the consideration of budgets by service committees the Budget Working Group considered the items set out below:

<b>Further budget considerations</b>	<b>£</b>
UKSPF Project delivery support	48,640
External Heritage Advice	9,000
Castle Museum service – 12 month extra cost	88,460
Pay Contingency	200,000
Utility and Fuel Prices Contingency	200,000
	<b>546,100</b>

- £48k for helping to deliver the UKSPF projects – The Government allocate a % of our allocation towards capacity funding. We had assumed up to now this would be carried with existing resources. It is now apparent we need support to help deliver the projects.
- £9k for heritage advice which has not been included in committee base estimates. A report will be considered by Planning and Development Committee on 8 February 2024 requesting approval to continue with the current arrangements.
- Community Committee at its January meeting considered a report regarding the Castle Museum service. They have recommended to this committee that an extra budget of £88,460 is included in next year's budget to continue with the current arrangements and opening hours for 2024/25.
- A contingency for a pay increase above the 4% we have allowed for next year. North West Employers Association have advised that from 1 April 2024 the National Living Wage will be £11.44 which is only £0.15 below the lowest spinal column point on our pay grade. Currently the differential is £1.17 per hour. They believe that we will have to restore this differential when settling next year's pay award. We now anticipate therefore the award will once again be bottom loaded

perhaps repeating the pay award for the last two years of £1,925 minimum. This roughly equates to approximately a 6.4% increase which is 2.4% higher than the pay award allowed in our budgets. We propose setting aside £200k in contingency for this

- The budget for next year has seen large reductions for fuel and utility costs. World prices are still very volatile, exacerbated by problems in the middle east. We therefore need to be cautious in assuming these large savings and set aside an amount of £200k in a contingency in case of price increases.

7.12 The Budget Working Group have considered these additional budget items and recommend that they are added to the 2024/25 original estimate.

7.13 Specifically with regard to the Castle Museum they agreed the extra funding to pay the operator for 24/25 only, with the proviso that Community Committee review the options available beyond 24/25.

7.14 If you agree to these adjustments then the overall budget position is as follows:

	Original 2023/24	Original - as agreed by Committees 2024/25	Further Changes 2024/25	Final Original 2024/25
	£	£	£	£
<b>Committees</b>				
Planning and Development	842,810	936,690	9,000	945,690
Community Services	5,743,850	5,543,740	88,460	5,632,200
Economic Development	368,560	332,640		332,640
Health and Housing	1,588,300	1,550,450		1,550,450
Policy and Finance	3,050,040	2,982,510	48,640	3,031,150
	<b>11,593,560</b>	<b>11,346,030</b>	<b>146,100</b>	<b>11,492,130</b>
<b>Capital Adjustments:</b>				
Depreciation	-1,148,570	-1,205,530		-1,205,530
Minimum Revenue Provision	102,634	100,469		100,469
<b>Total Expenditure</b>	<b>10,547,624</b>	<b>10,240,969</b>	<b>146,100</b>	<b>10,387,069</b>
<b>Other Items:</b>				
Interest - Earned	-450,000	-1,058,270		-1,058,270
New Homes Bonus	-506,197	-647,509		-647,509
Rural Services Delivery Grant	-126,574	-126,574		-126,574
Services Grant	-54,777	-8,619		-8,619
One-off Funding Guarantee	-773,369	-710,563		-710,563
Contingency - Edisford Car Park	10,000	0		0
Contingency - Pay increases	0	0	200,000	200,000
Contingency - Fuel/Energy Costs	0	0	200,000	200,000
	<b>-1,900,917</b>	<b>-2,551,535</b>	<b>400,000</b>	<b>-2,151,535</b>
Movements in Earmarked Reserves	-674,094	-249,130		-249,130
Less use of Business Rates Growth	-2,000,000	-2,000,000		-2,000,000
Baseline Funding Level	-1,405,077	-1,456,737		-1,456,737
Revenue Support Grant	-48,588	-51,807		-51,807
Collection Fund Surplus	-80,012	-73,966		-73,966
Council Tax (25,321*£170.69)	-4,138,936	-4,322,041		-4,322,041
<b>General Fund Balances</b>	<b>-300,000</b>	<b>?</b>		<b>?</b>
<b>Budget Gap/(Surplus)</b>	<b>0</b>	<b>-464,247</b>	<b>546,100</b>	<b>81,853</b>



7.15 This would leave a budget gap of £81,853 which could be taken from general fund balances.

## 8 FUTURE BUDGETS 2025/26 to 2028/29

8.1 Given the future uncertainties it is important to have regard to the Council's forward budget forecast before setting a budget and commitments for next year. We have updated our Budget Forecast based upon our latest budget projections. We have taken a view of the potential Government Funding we could receive for the years to 2028/29. This is based on our spending power assumptions. It must be stressed these are very much estimates in the absence of any firm information from the Government.

8.2 As stated earlier we know that a general election will take place this year and therefore from 2025/26 a new Government will be in place who may have a different approach to local government finance.

8.3 In summary we have assumed the following in updating our budget forecast:

	Pay increases	Price Inflation	Fees and Charges increase	Government Spending Power
2024/25	4% plus £200k contingency	4% or contracted price plus £200k contingency	4%	actual as per grant settlement (to increase to 4%)
2025/26	2.5%	2.5%	2.5%	2.5%
2026/27	2.5%	2.5%	2.5%	2.5%
2027/28	2.5%	2.5%	2.5%	2.5%
2028/29	2.5%	2.5%	2.5%	2.5%

8.4 In addition we have also assumed:

- a 3% increase in our council tax going forward each year until 2028/29
- a 1% increase in our taxbase each year
- we will receive a funding guarantee/transitional protection from the Government to ensure a 2.5% increase in core spending power each year
- £1m will be taken from general fund balances over the future 4 years.
- no growth items are included.
- any significant new burdens on the Council are fully funded.

8.5 The forecast also assumes that it would take some time for key finance reforms to be put in place. Therefore we estimate we could receive potentially £2.5m of business rate income in 2025/26. Following this however, the position is very uncertain and it may be that there is a reset of business rates and we do not benefit from the levels of growth we have seen in recent years.

8.6 This results in the following budget forecast:

## Budget Forecast 2024/25 to 2028/29

	2024/25 OE	2025/26	2026/27	2027/28	2028/29
	£	£	£	£	£
Net Budgeted Expenditure	10,537,939	10,789,134	11,237,638	11,594,354	11,884,212
Less Interest earned on investments	-1,058,270	-700,000	-500,000	-400,000	-200,000
<b>Net Budget</b>	<b>9,479,669</b>	<b>10,089,134</b>	<b>10,737,638</b>	<b>11,194,354</b>	<b>11,684,212</b>
<b>Less Funding</b>					
<b>Core Government Funding</b>					
Business Rates baseline	1,456,737	1,493,155	1,530,484	1,568,746	1,607,965
Revenue Support Grant	51,807	53,102	54,430	55,790	57,185
New Homes Bonus	647,509	650,000	0	0	0
Rural Services Delivery Grant	126,574	126,574	126,574	126,574	126,574
Services Grant	8,619	0	0	0	0
<b>Other Funding</b>					
Use of Business Rate Growth	2,000,000	2,000,000	1,000,000	1,000,000	1,000,000
Funding Guarantee	710,563	770,785	1,396,678	1,369,194	1,338,139
Potential Transitional Protection		0	0	0	0
Collection Fund Surplus	73,966	75,000	50,000	50,000	50,000
<b>Still to be funded</b>	<b>4,403,894</b>	<b>4,920,518</b>	<b>6,579,472</b>	<b>7,024,048</b>	<b>7,504,349</b>
<b>Council Tax Income:</b>					
Assumed Band D increasing by 3% pa	170.69	175.81	181.09	186.52	192.11
Assumed Taxbase increasing by 1% pa	25,321	25,574	25,830	26,088	26,349
<b>Precept (amount raised from council tax)</b>	<b>4,322,041</b>	<b>4,496,220</b>	<b>4,677,417</b>	<b>4,865,917</b>	<b>5,062,014</b>
Use of General Fund Balances	81,853	250,000	250,000	250,000	250,000
<b>Budget Gap</b>	<b>0</b>	<b>-174,298</b>	<b>-1,652,055</b>	<b>-1,908,131</b>	<b>-2,192,335</b>

8.7 In summary the annual budget shortfall is as follows:

	<b>Budget Shortfall £</b>
<b>2024/25</b>	0
<b>2025/26</b>	174,298
<b>2026/27</b>	1,652,055
<b>2027/28</b>	1,908,131
<b>2028/29</b>	2,192,335
<b>Total shortfall to be funded</b>	<b>5,926,819</b>

8.8 This is after taking £250k from general fund balances each year (£81k next year). **Importantly this assumes no recurring growth items are added to the revenue budget.**

8.9 Members can see that if our assumptions in our forecast prove correct we are close to a balanced budget position for 2025/26 but beyond that there are significant budget gaps predicted.

8.10 The deterioration in our position from 2026/27 onwards is largely due to our assumption that interest rates will fall, core government funding will fall and business rates will be reset.

### **Savings Plan**

8.11 When carrying out our Value For Money (VFM) assessment as part of our recent audit, our external auditors, Grant Thornton, recommended that the Council put in place a savings plan and if required transformation plan to address the estimated budget gaps in our forecast.

## Financial sustainability

**Key recommendation 1** The Council needs as a matter of priority to identify, document and approve a programme of savings and if required transformation, in order to address the budget gaps set out in the MTFS. The Council should consider the following as a means of achieving that, but does need to develop its own plan to achieve this in line with member approval:

- use the new corporate plan to identify its budget priorities and review service budgets.
- develop an understanding of the cost of delivering its core statutory services and discretionary spend where it meets clear Council priorities and identify any required reductions to non-essential spending
- consider the use of unit cost benchmarking to review the cost effectiveness of existing activities
- identify any discretionary activities for further consideration of related costs where these do not contribute to corporate plan priorities
- consult on service changes and future spending plans with the public and include public engagement annually as part of business planning
- assess the skills required to manage the programme and explore new ways of working.
- develop early ideas for savings with budget holders and present these members to enable members to see options and any potential impact of savings on residents across the service committee areas.

8.12 Clearly the outcome of the next General Election, which will take place later this year, will have a significant impact on the Council's finances in future years and any savings plan will have to consider the implications of a new Government.

## Productivity Plans

- 8.13 The Government have indicated that the Final Grant Settlement will include a requirement for local authorities to produce and submit a productivity plan before Parliament's summer recess. These may well duplicate some elements of a savings plan,

## Impact on Reserves

- 8.14 In the Provisional Grant Settlement the Government noted that whilst local authority reserves are falling, they remain significantly higher than prior to the pandemic. They stated that Government continues to encourage local authorities to consider, where possible, the use of their reserves to maintain services in the face of pressures.
- 8.15 Annex 7 shows our estimated earmarked reserves each year of our budget forecast to 2028/29. Please note this also includes the impact of decisions which have been put forward for consideration in the capital programme report which is the next item on your agenda.
- 8.16 In summary this is shown in the table below:

Balance at	Closing balances based on budget forecast	
	Earmarked Reserves £m	General Fund Balances £m
Actual at 31/03/2023	14.706	2.719
31/03/2024	13.296	2.719
31/03/2025	12.365	2.638
31/03/2026	12.265	2.388
31/03/2027	12.165	2.138
31/03/2028	12.065	1.888
31/03/2029	10.701	1.638

## 9 BUDGET WORKING GROUP

### Background

- 9.1 The Budget Working Group has considered the Council's financial position and overall budget position for both the current year and 2024/25.
- 9.2 They focussed on the uncertainties surrounding our future Government Funding, our level of council tax, the inflationary pressures we have been facing alongside global price uncertainties and carefully considered how we could set a budget for next year. They have made the following recommendations.

### Budget Recommendations

#### 1. 2023/24 predicted savings/extra income of £1.8m

The Budget Working Group carefully considered the significant savings expected on the current year's budget due to primarily extra investment income, a large business rate refund and falling utility prices. These indicate that instead of taking £300k from general fund balances to balance the budget we will have a windfall of £1.5m. As these savings/extra income are all of a one-off nature the Budget Working Group are keen to stress this windfall should not be used to fund on-going expenditure

**They recommend that £500k should be added to the 2024/25 capital programme to fund improvement works in the Castle Grounds and that the remaining £1m be set aside to fund one off items to be considered by the Budget Working Group/Policy and Finance Committee.**

#### 2. Further Budget Considerations 2024/25

The Budget Working Group considered the extra budget items which been identified since Service Committees have considered their base budgets for next year.

Further budget considerations	£
UKSPF Project delivery support	48,640
External Heritage Advice	9,000
Castle Museum service – 12 month extra cost	88,460
	<b>146,100</b>

**They recommend these are added to the 2024/25 budget.**

#### 3. 2024/25 Pay and Price Uncertainties

The Budget Working Group considered the draft budget provision for pay and utility costs in light of the global uncertainties in utility prices and also pay pressures due to the differential necessary above the minimum wage in the pay award agreed nationally for local government.

**That we add to our budget a £200k contingency for a potential pay increase above the 4% allowed for and a £200k contingency for utility and fuel increases above the amounts allowed for in our base committee estimates.**

#### 4. Council Tax

The Budget Working Group considered the extra income which would be brought in with a £5 increase in the Band D tax which would be £127k per annum.

**The BWG considered the level of our council tax at £165.69 for a Band D property and given the future budget pressures recommend a £5 increase in our Band D tax to £170.69 for 2024/25.**

#### 5. Investment Income

The level of investment income we will receive in future not only depends on the level of interest rates but also the level of balances we will have available to invest.

**They recommend we monitor closely interest rate changes during the year.**

#### 6. General Fund Balances

The BWG recommendations, if accepted, result in a budget gap of £81,853 for 2024/25 which could be taken from general fund balances.

**They recommend £81,853 is taken from general fund balances in 2024/25 to balance the budget.**

#### 7. Future Years

**Given the significant forecast deficit for future years, the financial pressures and remaining uncertainties the Budget Working Group recommend that they should continue to meet on a regular basis to review our budget position and consider ways in which a sustainable budget could be set. This would include the preparation of a savings plan.**

9.3 The above recommendations result in a balanced budget for 2024/25 as shown below:

	<b>Original 2024/25 £</b>
<b>Net Expenditure to be funded</b>	10,787,069
Less investment interest	-1,058,270
Less use of earmarked reserves	-249,130
<b>To be Funded</b>	<b>9,479,669</b>
Less Business Rates Baseline	-1,456,737
Revenue Support Grant	-51,807
New Homes Bonus	-647,509
Rural Services Delivery Grant	-126,574
Funding Guarantee	-710,563
Services Grant	-8,619
Collection Fund Surplus	-73,966
	<b>6,403,894</b>
Use of Business Rate Growth	-2,000,000
Council Tax Precept (£5 increase)	-4,322,041
Use of General Balances	-81,853
<b>Balance still to fund</b>	<b>0</b>



## **10 STATEMENT ON THE ROBUSTNESS OF THE ESTIMATES AND BALANCES AND RESERVES**

### **Introduction**

- 10.1 There is a legal requirement under Section 25 of the Local Government Act 2003 for the Council's Section 151 officer to report on the robustness of the budget and the adequacy of the Council's balances and reserves.
- 10.2 Annex 7 sets out my detailed assessment of the Robustness of the Estimates and Balances and Reserves

### **Conclusion**

- 10.3 In the light of the risk assessment and the details of the budget as set out in this report, which are based on the best information available at the time, and the strength of the Council's Internal Control Systems, it is my opinion as the Section 151 Officer that the budget estimates as presented for 2024/25 are robust, and the level of reserves and balances are adequate.
- 10.4 However, the Council faces significant budget gaps beyond 2025/26. Whilst the level of reserves is relatively high, the use of reserves to fund our budget gaps is not sustainable. The Budget Working Group needs to consider a savings and transformation plan in order to address how a balanced budget could be set beyond 2025/26.

## 11 BUDGET WORKING GROUP RECOMMENDED REVENUE BUDGET 2024/25

- 11.1 If you agree to the Budget Working Group's recommendations, the resultant budget for 2024/25 is set out below. This would still leave £2.638m in general fund balances at the end of March 2025.

<b>Committee</b>	<b>Original 2023/24 £</b>	<b>Original 2024/25 £</b>
Planning and Development	842,810	945,690
Community Services	5,743,850	5,632,200
Economic Development	368,560	332,640
Health and Housing	1,588,300	1,550,450
Policy and Finance	3,050,040	3,031,150
<b>Total of Committees</b>	<b>11,593,560</b>	<b>11,492,130</b>
<b>Capital Adjustments</b>		
Less Depreciation (included in above)	-1,148,570	-1,205,530
Add Minimum Revenue Provision (MRP)	102,634	100,469
<b>Total Expenditure</b>	<b>10,547,624</b>	<b>10,387,069</b>
<b>Other Items</b>		
Interest - Earned	-450,000	-1,058,270
Rural Services Delivery Grant	-126,574	-126,574
Funding Guarantee	-773,369	-710,563
Services Grant	-54,777	-8,619
Contingency for Feasibility Study – Edisford Car Park	10,000	0
Contingency for pay increases	0	200,000
Contingency for utility and fuel increases	0	200,000
<b>New Homes Bonus</b>		
New Homes Bonus Allocation Received	-506,197	-647,509
<b>Business Rates</b>		
Retained Rates Income	204,255	353,504
Renewable Energy	-31,248	-79,791
Section 31 Grant for Business Rates	-2,726,538	-3,108,877
Pool Payments - Levy payable to LCC	96,217	99,587
Share of Business Rates Deficit/(Surplus)	242,439	-195,981
Transfer From/To Various Earmarked Reserves (Annex 7)	-459,219	682,428
<b>Net Expenditure</b>	<b>5,972,613</b>	<b>5,986,404</b>
Less taken from General Fund Balances	-300,000	-81,853
<b>Agreed budget for 2023/24</b>	<b>5,672,613</b>	
<b>Recommended budget for 2024/25</b>		<b>5,904,551</b>

## 12 BUDGET AND COUNCIL TAX REQUIREMENT

- 12.1 We are required as a billing authority, to make certain calculations regarding the budget and council tax requirement. Obviously the calculation is based upon the information set out above.

<b>BUDGET AND COUNCIL TAX REQUIREMENT</b>	
	<b>£</b>
RVBC Net Budget	5,904,551
Plus Parish Precepts (Annex 3)	627,676
	<b>6,532,227</b>
Less - Settlement Funding Assessment	-1,508,544
<b>Net Requirement Before Adjustments</b>	<b>5,023,683</b>
Council Tax Surplus	-73,966
<b>Council Tax Requirement (Including Parishes)</b>	<b>4,949,717</b>

## 13 CONCLUSION

- 13.1 The lack of a multi-year financial settlement together with inflation and interest rate uncertainty continue to make medium and longer term financial planning very challenging.
- 13.2 We have updated our Budget Forecast for the five year period to 2028/29 based on the assumptions set out in this report and shown in section 8. In summary we are potentially faced with the following budget shortfalls each year.

<b>Budget Shortfall</b>	
	<b>£</b>
2025/26	174,298
2026/27	1,652,055
2027/28	1,908,131
2028/29	2,192,335

- 13.3 This is based on many assumptions, not least our speculation as to the timing of reforms, level of any transitional protection and business rate growth.
- 13.4 It is important that the BWG continue to meet regularly to review the council finances carefully and consider a savings plan to address our future budget shortfalls.

## 14 ILLUSTRATIVE TOTAL COUNCIL TAX AT BAND D

14.1 Finally I have shown below our estimated total Band D council tax based on the latest information. I must stress these are indicative figures at this stage.

	Meeting Date to agree council tax	Actual Band D Council Tax 2023/24 £	Estimated Band D Council Tax 2024/25 £	change
Ribble Valley		165.69	170.69	3.02% (£5)
Parishes (average)		23.10	24.79	7.3%
Lancashire County Council	23/2/24	1,574.71	1,653.29	4.99%*
Police and Crime Commissioner	Mid/late feb	251.45	263.40	4.75%
Lancashire Combined Fire Authority	19/2/24	82.27	84.75	2.99%
		<b>2,097.22</b>	<b>2,196.92</b>	<b>4.75%</b>

\*Includes social care precept

## 15 RECOMMENDED THAT COMMITTEE

- 15.1 Approve the revised budget for 2023/24.
- 15.2 Approve the Budget Working Group's recommendations set out in Section 9 and set a budget and council tax requirement for 2024/25 as set out in Section 12.
- 15.3 Recommend the budget and council tax requirement to the Full Council meeting on 5 March 2024.
- 15.4 Ask the Budget Working Group to formulate the preparation of a savings plan to address the forecasted future budget deficits and report back to this Committee.

DIRECTOR OF RESOURCES AND DEPUTY CHIEF EXECUTIVE

PF13-24/JP/AC  
6 February 2024

## LIST OF ANNEXES

ANNEX 1	VARIATIONS BETWEEN ORIGINAL AND REVISED ESTIMATE 2023/24
ANNEX 2	REVENUE APPROPRIATIONS TO AND FROM EARMARKED RESERVES 2023/24
ANNEX 3	PARISH PRECEPTS
ANNEX 4	USE OF NEW HOMES BONUS
ANNEX 5	COLLECTION FUND
ANNEX 6	MAIN REVENUE BUDGET VARIANCES 2023/24 OE TO 2024/25 OE
ANNEX 7	EARMARKED RESERVES AND GENERAL FUND BALANCES
ANNEX 8	STATEMENT ON THE ROBUSTNESS OF THE ESTIMATES AND BALANCES AND RESERVES