

Report of	Meeting	Date
The Executive (Introduced by the Executive Member for Resources)	Special Council	1 March 2011

GENERAL FUND REVENUE AND CAPITAL BUDGET AND COUNCIL TAX 2011/12

PURPOSE OF REPORT

- To seek approval of the Executive Cabinet's budget proposal including the Council Tax yield to be raised in 2011/12.

RECOMMENDATION(S)

- Approve the budget and proposals set out in this report including the inflationary increase in fees and charges (at Appendix A1) and Council Tax set out in the resolutions (at Appendix A2) allowing for the freezing of Council Tax at the levels set in 2010/11 – Please note that Appendix A2 will follow due to outstanding information from Lancashire County Council.
 - Approve the Councils Capital Programme as set out in Appendix B.
 - Approve the Treasury Management Strategy and its core principles set out in Appendix C.
 - Note the advice of the Statutory Finance Officer in relation to the robustness of the budget and the risks contained in the budget set out in the Statutory Report at Appendix D.
 - Approve the Council's Medium Term Financial Strategy at Appendix E.
 - Note significant budget movements from the 2010/11 budget at Appendix F.
 - Note Special Expenses and Parish Precepts at Appendix G.
 - Note the Budget Consultation Response at Appendix H.
 - Note the Equality Impact Assessment at Appendix I.

EXECUTIVE SUMMARY OF REPORT

- The Executive believes that the 2011/12 budget needs to achieve one overriding objective, and that is to protect front line services. General performance at the Council continues to be consistently very high evidenced in a number of areas:
 - Satisfaction levels with the Council's services continue in the main to be good.
 - Good progress is being made towards the achievement of the outcomes, targets and measure contained in the Corporate Strategy.
 - Audit Commission's satisfaction within the Annual Audit and Inspection Letter that the Council has continued to perform highly.

4. Therefore the budget strategy is built around the following key principles, which were outlined by the Executive previously and which are:
 - To continue to be a high performing Council
 - To contain Council Tax increases
 - To protect the Chorley community from the impact of the current economic situation
 - Continuing to provide value for money
 - Safeguarding front line services and focusing on the removal of bureaucracy and managerial posts
 - Looking for opportunities to share services and generate additional revenue
 - Preparing for the future and the uncertainty over public finances
 - To look to reduce debt and the consequent financing charges

5. The Executive believe that the core principles outlined above have been achieved during the budget process and set out in the rest of the paper is a further explanation of the Executive proposals.

6. The Council has already successfully achieved budgetary savings totalling £0.903m from restructures that have already been approved. This report contains further savings of £0.294m for approval resulting in total savings for 2011/12 of £1.197m.

The key proposals are:

To achieve further savings in the 2011/12 budget amounting to £0.294m to enable additional investment in the Town Centre.

This will be achieved by the following:-

- **Uplift fees and charges as per Appendix A1 (excluding Car Parking Fees and Building Control) by an inflationary rate**
- **Increase income from Planning Fees**
- **Realise cost savings by undertaking more work in house in Policy and Communications**
- **Reduce the scope of Mayoralty**
- **Reduce the cost of providing Shared Assurance Services**
- **Continue to reduce borrowing and subsequent impact on the budget**
- **Introduce new car parking machines to maximise income received within the current price structure**

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

7. To ensure that the Council complies with the requirement to set the budget for 2011/12.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

8. None.

CORPORATE PRIORITIES

9. This report relates to the following Strategic Objectives:

Strong Family Support	Y	Education and Jobs	Y
Being Healthy	Y	Pride in Quality Homes and Clean Neighbourhoods	Y
Safe Respectful Communities	Y	Quality Community Services and Spaces	Y
Vibrant Local Economy	Y	Thriving Town Centre, Local Attractions and Villages	Y
A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money			Y

BACKGROUND

10. The Executive published the budget principles for consultation during December 2010 setting out its broad intention for spending and investment in the borough for the forthcoming financial year 2011/12. These papers build upon those principles and set out for Council the budget proposals for 2011/12 onwards.

BUDGET CONSULTATION

11. The budget principles were agreed by members in the report to the Executive Cabinet on 9 December 2010. These principles have been considered by:

- a) The Overview and Scrutiny Committee
- b) Members of the Citizens Panel
- c) The Parish Councils
- d) Residents taking part in the public survey

The feedback from the consultation is shown at Appendix H, and is supportive of the core principles adopted by the Executive.

BUDGET PROPOSALS

12. The starting point for any budget is a roll forward from one year to the next of the Councils continuation budget which is the cost of the current levels of existing services, updated to reflect inflation, change in volumetrics and any policy changes made by the Council in the current year.

13. Set out in the Councils Medium Term Financial Strategy is an analysis of the changes year on year over the next financial planning period 2011/12 to 2013/14 in Appendix E1.

14. Members will be aware that the outlook for the public finances is uncertain given the relatively short term settlement in the Comprehensive Spending Review and the forthcoming Local Government Funding Review, the outcome of which is unknown but will influence funding in 2013/14. The forecast, however, for the three years beginning 2011/12 and ending in 2013/14 is contained in the Medium Term Financial Strategy and is based on the following key assumptions:

Table 1 Key Budget Assumptions

Assumption	2011/12	2012/13	2013/14
Council Tax increases	0	0	0
Council Tax Freezing Grant	£0.159m	£0.159m	£0.159m
Reduction in grant settlement	£1.154m	£0.911m	£0.513m
Pay inflation	0	0	2.0%
Employees pension contribution	0.5%	0.5%	0.5%
New Homes Bonus	£0.250m	£0.250m	£0.250m
Performance reward grant	£0.080m	0	0
LAGBI grant	£0.075m	0	0
Area Based Grant received via LCC for community safety	£0.058m	£0.058m	£0.058m
Supporting People Income	£0.189m	£0.154m	£0.144m

15. The table shows the key assumptions made in forecasting forward the Council's financial position. Please note these do not represent what might actually happen, particularly with regard to Council Tax levels as these are determined annually based upon the latest up to date information. Some key messages are:

- No assumption has been made regarding either:
 - future potential increase in Council Tax
 - expected levels of Government grant post 2012/13
- The pay bill has been forecast to increase by 0.5% annually in 2011/12 and 2012/13 being the contribution to pensions only. However this has been uplifted by 2% in 2013/14 to also include provision for a possible pay award. The pay award provision equating to approximately £140k.
- New Homes Bonus – The aim of the scheme is to provide an incentive to local authorities to increase the number of properties with a further reward for increases in affordable homes. The payment will be based on the council tax amount received per property and on the increase in properties between 2009 and 2010. The detailed allocation has recently been announced but has yet to be checked and finalised. It is currently expected to be in the region of £250k per annum. This grant is also planned to be a temporary grant allocation but will continue for the remainder of the financial planning period.
- Council Tax Freezing grant is for a limited period and will cease in due course but is due to be received for the full period of this strategy.

16. In terms of the budget principles adopted to construct the budget and building on the approved savings made to date, the following is proposed as part of the 2011/12 budget.

NEW GROWTH	£m	£m
Town Centre Investment	0.266	0.266

BUDGET SAVINGS	£m	£m
Savings already approved	0.903	
Sub Total – Savings approved		0.903
Increase fees and charges	0.030	
Planning Fees Income	0.040	
Policy & Communications cost reduction	0.040	
Reduce scope of Mayoralty	0.020	
Shared Assurance Services cost reduction	0.045	
New Car Parking machines	0.019	
Debt Restructuring	0.100	
Sub Total – Further Savings Proposals		0.294
TOTAL BUDGETARY SAVINGS 2011/12		1.197

- **Town Centre Investment**

New money will be made available to spend within the town centre to improve the visual appearance of the shop fronts, for example, new windows, exterior treatment, lettering, fascias, signage and lighting. This also includes business support advice to promote the sustainability of the business.

In addition, refurbishment grants and business rate subsidies will also be available to promote and support high quality independents to take up vacant shop premises within the town centre boundary.

The night time economy will also be developed by focusing on the third Thursday night of each month to boost night time activity in the town centre covering late night shopping, promotions at pubs and restaurants, entertainment, free parking after 4pm, activities for youngsters and a town centre evening economy guide.

- **Review of Planning Fees and other Fees and Charges (excluding Car Parking Fees and Building Control)**

The Secretary of State has launched a consultation paper on proposed changes to the planning application fees regime which would decentralise responsibility for setting fees to local planning authorities. The paper also proposes to allow authorities to charge for some of those applications which are currently free. As the Government is only due to produce regulations and detailed guidance by October 2011 the savings is currently a target. It is

proposed, however, that additional income can be generated from charging for enforcement and also introducing charges in respect of processing certificates to verify that planning conditions have been discharged by applicants.

It is also proposed that all fees and charges, excluding Car Parks and Building Control fees, are uplifted by an inflationary increase as per Appendix A1 attached.

- **Policy and Communications cost reduction**

Budgets for consultations and publicity costs have been able to be reduced within the Policy and Communications Teams respectively by changes in work demand as a result of the reduced inspection regime and also work being carried out in house.

- **Reduced scope of Mayoralty**

A review of costs demonstrated that the total cost of Mayoralty came to £100,000. It is proposed that by reducing the scope of mayoralty a reduction in one post can be achieved. This is brought about by a subsequent reduction in the amount of support required by the role of Mayor. The Mayor in 2011 will donate the six free uses of the Lancastrian Suite (provided to all Mayors) to local charities so that they may hold their own fundraising events. Mayoral visits will focus on borough-based engagements. The saving is the net amount saved offset by introducing a budget of £5,000 to enable donations to be made to the Mayor's nominated charities.

- **Shared Assurance Services**

The budget savings in Shared Assurance Services are due to (a) a reduced Internal Audit need following the abolition of CAA and Use of Resources and (b) several process efficiencies in Internal Audit & Risk Management which have become possible following the merger of hitherto separate services for Chorley and South Ribble Councils.

The savings will largely be achieved by not filling vacancies which have existed since the formation of the Shared Services Partnership. In 2009/10 and 2010/11 the savings arising from those vacancies were used to buy in additional resources from an external provider. This facility will largely be removed in 2011/12. The report has been to Audit Committee and will be presented to Executive Cabinet on 31st March 2011.

- **Debt Restructuring**

Incurring borrowing within the Capital Programme results in an annual charge against the Council's budget, (MRP). A combination of cost, asset life and originating year determines the impact financed items have on the revenue account and the budget. During the 2011/12 budget process the cost of servicing debt for all relevant items was reviewed and ranked for optimum cost reduction. By actively identifying opportunities to repay debt, and targeting the items with the greatest annual cost, budget savings have been identified. Current forecasts demonstrate that repayment of debt in the region of £0.800m will reduce the impact on the budget by £0.100m. Please note that the proposed Capital Programme does not include funding derived from Capital Receipts and therefore any receipts received may be available for debt restructure purposes. It is the intension that when appropriate opportunities arise during 2011/12, funds will be set aside to reduce debt, for example, uncommitted VAT receipts and Capital Receipts.

CONTAINING COUNCIL TAX INCREASES

17. For 2011/12 the Executive propose that Council Tax is frozen at the levels set in 2010/11. Consequently the Council Tax increase for the period 2007/8 – 2011/12 will have been as follows:

Table 2: Annual Council Tax Increase 2007/08 to 2011/12

Year	Annual Increase %
2007/08	0.00
2008/09	2.50
2009/10	2.90
2010/11	0.00
2011/12	0.00
Average	1.08

PROTECTING THE CHORLEY COMMUNITY FROM THE IMPACT OF THE CURRENT ECONOMIC SITUATION

18. In addition to freezing Council Tax for 2011/12 the Executive propose other budgetary options that will protect the Chorley community from the impact of the current economic situation, namely:

- Continue the funding of voluntary organisations.
- Car Park Pay and Display fees and charges in addition to absorbing the latest VAT increase.

CONTINUE TO PROVIDE VALUE FOR MONEY

19. Over the financial years 2007/08 to 2011/12 the following savings/efficiencies have been achieved:

Table 3: Annual Budget Savings 2007/08 to 2011/12

Year	Annual saving £m
2007/08	1.795
2008/09	0.551
2009/10	0.848
2010/11	0.747
2011/12	1.197
Total	5.138
Average	1.028

20. In addition to achieving a significant level of efficiencies within the budget, the council has maintained value for money by delivering a consistently high level of performance and ensured that with regard to front line services business is as usual.

CONTINUE TO BE A HIGH PERFORMING COUNCIL

21. During this period the performance of the Council has remained excellent, as evidenced by the following:
- Performance in the delivery of the Corporate Strategy has remained strong over the last period. At its refresh in December 2010, 93% of key measures were performing on target and 91% of key projects were either on track or completed.
 - Customer satisfaction levels continue to be high and have improved in the most recent survey. Overall satisfaction with the Council is 63%, and 54.5% of residents believe the Council provides value for money. These scores place the Council in the top 25% of Councils nationally.
 - In the most recent Audit and Inspection Letter, the Council's external auditors were satisfied that the Council has continued to perform highly.
22. For this reason the Executive are convinced that maintaining current performance whilst continuing to reduce the cost of local service delivery to the Tax Payer is the right approach.

SAFEGUARDING FRONT LINE SERVICES AND FOCUSING ON REMOVING BUREAUCRACY AND MANAGERIAL POSTS

23. Despite the current pressures placed on the budget through reduced funding, the Administration has still been able to allocate additional resources effectively to react to public opinion which is also contained within the budget consultation process with new investment in the Town Centre amounting to £0.266m. This will be spent on the following:-
- Improving the visual appearance of shop fronts via grants
 - Supporting high quality independents into vacant shop premises
 - Developing the night time economy
24. During the period 2007/08 to 2010/11 significant reductions in costs has been achieved whilst also maintaining and improving front line services. The Administration's strategy of reducing management and administration costs has meant that it has been possible to protect and in some cases redirect resources to front line services during that time.
25. As a result of this approach, the Council will also be able to continue to spend on key services, some examples of which are:
- Improving the Town Centre with regard to new investment.
 - Maintaining last years additional Town Centre cleansing services.
 - Helping to continue to fund the provision of PCSO's in the Borough.
 - Continued to fund the voluntary sector.
 - Continuing to provide the Get Up and Go programme.
 - Continuing to help reduce unemployment in the area.

PREPARE FOR THE FUTURE AND THE UNCERTAINTY OVER PUBLIC FINANCES AND LOOK TO REDUCE DEBT AND THE CONSEQUENT FINANCING CHARGES

26. The administration has consistently followed a prudent approach to the budget by:

- Not setting unachievable targets in the budget.
- Balancing the budget over the medium term.
- Containing working balances at a level sufficient to meet risk.

27. In term of 2011/12 the Executive proposals will mean:

- The budget is in surplus as we move into what is likely to be a difficult period financially.
- The Councils working balances will be maintained to guard against the financial risks that the Council may face in the future.
- Capital spending will be contained and further borrowing reductions will be sought in order to minimise the impact on the revenue account.

LOOKING FOR OPPORTUNITIES TO SHARE SERVICES AND GENERATE ADDITIONAL REVENUE

28. The sharing of services continues to reduce costs and generate additional income, adding to significant contributions to savings that have already been realised in previous years. In 2011/12 a further £0.246m has already been achieved in:

- Sharing a Chief Executive
- Embarking on a Shared Revenues and Benefits regime
- Shared Financial Services restructure

with an additional £0.045m proposed savings to be made within Shared Assurance Services.

CAPITAL PROGRAMME

29. The forecast three year capital programme for the period 2011/12 to 2013/14 is contained at Appendix B. Monitoring of the Capital Programme for 2010/11 is also included in order to indicate the re-phasing of expenditure to 2011/12.

30. The programme is based upon the three year programme reported to the last Executive on the 17 January 2011.

31. As the approach is to ensure that Capital spending plans **are** affordable, and given the pressure there is likely to be on public finances in the future, no new schemes will be added to the programme in 2011/12 other than that which is contractual or that can be financed from external resources.

Consequently the proposed spending for the period is as follows:

2011/12	2012/13	2013/14
£5,900,700	£1,115,410	£780,000

32. The pressure on capital resources will continue to be an issue for the Council over the medium term. The depressed state of the market means asset sales have been postponed whilst the market improves. A thorough review of the Council's asset holding is required as part of the site allocation process to be completed during 2011 to ensure that the updated Asset Management Plan to be completed during 2011/12 has a strategic dimension to it.

33. As a consequence the anticipated borrowing for the period 2011/12 to 2013/14 is as follows:

2011/12	2012/13	2013/14
£526,560	£644,800	£530,000

34. No assumptions have been made at this stage in terms of anticipated capital receipts from asset sales, grants and contribution and the VAT shelter will have to be achieved as indicated in the programme. Should additional contributions be recovered from either windfalls or developer contributions, new schemes could be added to the programme. Should receipts from asset sales or the VAT shelter exceed the totals required, it would be possible to reduce the borrowing requirement or reduce the Council's debt, in order to make revenue budget savings in subsequent years.

35. Appendix B4 analyses the use of developers contributions to finance the capital programme.

THE COLLECTION FUND

36. The collection fund or account used for the collection of Council Tax is forecast to move from a deficit in 2009/10 to a surplus in 2010/11. This is accounted for in the following year and therefore the budget has moved by (£46k) from a deficit of £20k to a surplus of (£26k). This movement has been brought about as a provision was made for an anticipated negative affect of the economic downturn on collection rates. Fortunately the actual affect was less than anticipated and therefore the fund is now in surplus. Due to the current annual movement future the budget forecast includes a breakeven position on the fund.

37. The Council Tax Base, i.e. equivalent number of Band D properties, has also been uplifted by 1.0% to reflect the additional number of properties that will be paying Council tax in future years.

Appendix A1	Fees and Charges 2011/12
Appendix A2	Formal Council Tax Resolution
Appendix B	Capital Programme 2011/12 -2013/14
B1	Capital Programme Monitoring 2010/11
B2	Three Year Capital Programme
B3	Explanation of 2011/12 Proposed Changes
B4	Use of Developers Contributions
Appendix C	Treasury Management Strategy
Appendix D	Statutory Report
Appendix E	Medium Term Financial Strategy
Appendix F	Significant Budget Movements Year on Year
Appendix G	Special Expenses /Parish Precepts
Appendix H	Budget Consultation Response

FUTURE YEARS PROPOSALS

38. Contained in the Financial Strategy at Appendix E is a summary of the forecast position for the Council budget up until 2013/14. The forecast is based on the following key assumptions:
- A continuation of current service provision to the same level and in the same way over that period
 - Increase in costs for the Council's pension bill have been included at the rate of 0.5% for the three year together with an estimates 2% pay award in 2013/14.
 - No allowance at this stage has been made for either an increase in Council Tax.
 - No allowance has been made for potential decreases in external financial support from the Government in 2013/14 apart from the loss of the floor damping adjustment to the settlement in years 2011/12 and 2012/13.
 - New Homes Bonus detailed allocations, although a possible significant source of income, have yet to be confirmed and therefore estimates only have been included.
39. The key message is that in this period of continued uncertainty due to the two year settlement and the forthcoming Local Government Funding Review.
40. That said, the Council must plan on some basis and the figures show that further significant savings will be needed over the medium term to balance the budget based upon the assumptions already made. The financial strategy sets out the areas where the Council may want to concentrate its efforts in terms of achieving the savings required.

CONCLUSION

41. This paper outlines for the Council the Executives proposals in terms of budget for 2011/12. The budget principles adopted by the Executive means that its objective of protecting front line services provision whilst containing tax increases has been achieved, consequently:
- Significant progress has been made towards addressing the budget deficit resulting from the 2010 Comprehensive Spending Review and the budget gap for 2011/12 has already been bridged.
 - Council Tax for 2011/12 will be frozen at the 2010/11 levels.
 - Investment in the Town Centre with regard to cleansing has been maintained together with a further investment of £0.266m in 2011/12. This will bring total investment over £0.300m in the last two years and result in an improved visual appearance and improved economy.
 - Car Parking charges will be frozen and the effect of the VAT increase will be absorbed.
 - Front line service provision will be maintained and it is business as usual.
 - The level of working balances are to be maintained.
 - Significant savings in management and back office costs have been achieved.
42. Future saving will be required and an efficiency programme is proposed and contained in the Medium Term Financial Strategy at Appendix E.
43. The Council will continue to have to work extremely hard, be innovative and creative to continue to make efficiencies and at the same minimise the impact on services. There are still factors that may affect the current forecast financial position, namely the forthcoming Local Government Funding Review which will determine the levels of funding with effect from 2013/14 within the planning period. In addition, the Council's income streams will remain under pressure. The overall approach to be adopted in terms of further efficiencies is set out in the Medium Term Financial Strategy which is appended to this report.

IMPLICATIONS OF REPORT

44. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	y	Customer Services	
Human Resources		Equality and Diversity	
Legal		No significant implications in this area	

GARY HALL
SATUTORY FINANCE OFFICER

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
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