

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Resources)	Executive Cabinet	22 January 2015

## **2015/16 DRAFT BUDGET AND SUMMARY BUDGET POSITION OVER THE MEDIUM TERM**

### **PURPOSE OF REPORT**

1. To set out the budget position for 2015/16 including the forecast for the following 2 years to 2017/18 and also present the relevant proposals in respect of:
  - Potential investment in the Council's Corporate Strategy priorities in 2015/16.
  - Increasing budget resilience in the longer term.
  - Budget Consultation.

### **RECOMMENDATION(S)**

2. That Members agree the contents of this report in order to start the Budget Consultation process and note the following proposed budget items, in particular:
  - Council Tax to be frozen in 2015/16.
  - The proposed New Investments for 2015/16.
  - New Growth Items funded from budget savings.
  - The balanced budget position for 2015/16.
  - The forecasted budget position to 2017/18.

### **EXECUTIVE SUMMARY OF REPORT**

3. The budget forecasts over the next 3 years have been updated to take account of the following:
  - Council Tax will be frozen in 2015/16.
  - Local Government Settlement 2015/16 – provisional issue published on 18<sup>th</sup> December 2014.
  - Progress against the current Medium Term Financial Strategy's (MTFS) budget efficiency objectives including Market Walk income generation and the new in-house arrangements for the Property Services function.
4. The recent Local Government Finance Settlement for 2015/16 continued the programme of Central Government core grant reductions for the immediate forthcoming year, adding to the previous cuts since the Comprehensive Spending Review in 2010 (CSR2010) as follows:

Year	Reduction £000	%
2011/12	1,154	-13.6
2012/13	857	-11.7
2013/14	435	-7.4
2014/15	879	-13.5
2015/16	883	-15.5
<b>Total</b>	<b>4,208</b>	

5. Due to the successful implementation of the MTFs, budget efficiency savings totalling £0.707m have been applied to the budget to achieve a balanced budget position for 2015/16. This results in headroom being created within the budget as budget efficiencies have been overachieved. The proposals below use this headroom to fund budget growth items.
6. As well as the budget now placed in a headroom position for 2015/16 to accommodate budget new growth items, another package of New Investment projects totalling £4.422m is proposed for both revenue and capital expenditure. This investment is in addition to the 2013/14 and 2014/15 investments that were approved for a period of 3 and 2 years respectively. The new proposals to be funding in 2015/16 are listed below and set out in more detail in Appendix Two.
7. **2015/16 Proposed budgeted new investments - £4.422m**

Investment Area (Revenue)	2015/16 Amount £
Digital access and inclusion	50,000
Development and delivery of community action plans	200,000
Chorley Flower Show	50,000
North West in Bloom	45,000
Town and Country Festival	10,000
Delivery of neighbourhood priorities	50,000
Support the food bank	15,000
Supporting communities to access grant funding	20,000
16/17 Young persons' drop in centre	19,000
Provide an accommodation finding service for 'non-priority' households who are homeless or threatened with homelessness	24,000
Free swimming	8,000
Progress key employment sites	50,000
Increase visitor numbers to Chorley	35,000
Support the expansion of local businesses	40,000
Investigate further opportunities to expand Chorley Markets	30,000
Chorley Council Employment Support Fund with Runshaw College	20,000
Additional events at Astley Hall/Park	14,000
Deliver the Chorley Public Service Reform Board work	15,000
Campaigns and events	65,000
Employee health scheme	20,000
Provide a mediation service for Anti-Social Behaviour (ASB) case resolution	7,000
Disabled and dementia online venue access guides	20,000
<b>Total (Revenue)</b>	<b>807,000</b>

<b>Investment Area (Capital)</b>	<b>2015/16 Amount</b>
	<b>£</b>
Buckshaw Community Centre	600,000
Delivery of CCTV provision	250,000
Bengal Depot Site	120,000
Yarrow Valley Car Park	225,000
Deliver improvements to Market Street	1,000,000
Youth Zone	1,000,000
Land assembly	250,000
Recreational pitch strategy	170,000
<b>Total (Capital)</b>	<b>3,615,000</b>

8. **Updated Budget Deficit as at December 2014**

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Updated Budget Deficit – December 2014	0	1,663	2,555

9. It is important to clarify, however, that this is not a sustainable position over the medium term and the projected budget position in future years consistently shows a significant budget gap in future years in 2016/17 and 2017/18. This shortfall, as in the table below, together with heightened uncertainty and risk in the form of year on year variable new funding regimes means that budget austerity measure will continue to impact on the Council's budget. A more detailed breakdown is contained in Appendix One.
10. It should also be borne in mind that the latest budget position is based on the following key assumptions:

<b>Key Budget Assumptions</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Increase in Council Tax	0%	0%	0%
Reduction in Government Grant	£883k	£350k	£350k
Profiled Reduction in Grant Settlement	(15.5%)	(7.3%)	(7.9%)
Payaward	2.2%	1%	1%
Pension Fund Employers' Contribution – Future Service	11.1%	11.1%	11.1%
Business Rates Retention Growth – previous years	(£0.130m)	(£0.130m)	(£0.130m)
Pension Fund Deficit Recovery	£0.832m	£0.956m	£1.076m
National Insurance Contributions	10.4%	10.4%	13.8%
Grant for freezing Council Tax in 2015/16	£66k	-	-
Use of New Homes Bonus (NHB) in the base budget to date	£1,044k	£1,044k	£1,044k

11. To confirm, the above key budget assumptions, to confirm the following approach has been taken:-
- Council Tax will be frozen at its current level in 2015/16.
  - NHB receipts in respect of 2013/14 to 2015/16 have not been built into the base budget as recurring core funding to enable the Council to improve budget resilience and flexibility to respond to future annual uncertainty inherent in the new public finance funding regimes. Future years' awards will be dependent upon the level of housing development.
  - No adjustments have been made to date to the original forecasted Business Rates retained income as this will be set as part of the Central Governments NNDR1 return process in January 2015. As at today the government return has not been received, however, the ratings list and outstanding appeals as at the end of December 2014 are being analysed in preparation. The final outcome will be dependent on movements in the local tax base and also collection performance including the outcome of appeals awarded by the Valuation Office Agency (VOA) during the current year 2014/15.
  - The assumed reduction in Government Grant in 2016/17 and 2017/18 is estimated and will be subject to change as part of CSR 2014.
12. Despite the additional funding cuts announced on 18<sup>th</sup> December 2014 a planned early budget preparation process has enabled the Council to apply New Homes Bonus (NHB) funds to invest in the corporate strategy priorities in 2015/16, these aim to:
- **INVOLVE RESIDENTS IN IMPROVING THEIR LOCAL AREA AND EQUALITY OF ACCESS FOR ALL.**
  - **CLEAN, SAFE AND HEALTHY COMMUNITIES.**
  - **AN AMBITIOUS COUNCIL THAT DOES MORE TO MEET THE NEEDS OF RESIDENTS AND THE LOCAL AREA.**
  - **A STRONG LOCAL ECONOMY.**
13. Potential investment proposals are summarised in the report and set out in detail in project mandates detailed in Appendix Two. Funding has been achieved by not building New Homes Bonus income received since 2013/14 into the base budget. This approach has been taken to enable the council flexibility and resilience in order to address the volatile and variable nature of future core funding. New homes bonus is top sliced from the government grant pot, and whilst recurrent for a number of years, it is not guaranteed in the future and is of course directly linked and dependent on future housing development.
14. NHB funding is also used to finance New Investment Package Capital Projects which enables investments to be made in the Borough whilst at the same time keeping borrowing as a financing option to a minimum. The proposed Capital Programme and its financing are attached in Appendix Three.
15. This latest round of projects brings the total new investment in the Council's corporate priorities since 2013/14 to £9.163m, as summarised below:-

Priority	New in 2013/14 £m	New in 2014/15 £m	Year 2 2013/14 Budget £m	New in 2015/16 £m	Year 3 2013/14 Budget £m	Year 2 2014/15 Budget £m	Total £m
<b>Involve residents in improving their local area and equality access for all – TOTAL £1.733m</b>							
Revenue investment	0.250	0.138	0.085	0.440	0.085		<b>0.998</b>
Capital investment	0.135			0.600			<b>0.735</b>
<b>Clean, safe and healthy communities – TOTAL £1.997m</b>							
Revenue investment	0.284	0.120	0.100	0.051	0.100	0.045	<b>0.700</b>
Capital investment	0.060	0.424		0.595		0.218	<b>1.297</b>
<b>An ambitious Council that does more to meet the needs of residents and the local area – TOTAL £2.156m</b>							
Revenue investment	0.160	0.055	0.050	0.141	0.050		<b>0.456</b>
Capital investment	0.280			1.420			<b>1.700</b>
<b>A strong local economy – TOTAL £3.277m</b>							
Revenue investment	0.655	0.347		0.175		0.100	<b>1.277</b>
Capital investment	1.000			1.000			<b>2.000</b>
<b>TOTAL INVESTMENT PROGRAMME - £9.163m</b>	<b>2.824</b>	<b>1.084</b>	<b>0.235</b>	<b>4.422</b>	<b>0.235</b>	<b>0.363</b>	<b>9.163</b>

16. In addition to the 2015/16 New Investment Package the budget proposals also include two other proposed budget items that are to be funded from New Homes Bonus in 2015/16. These are:

- an uplift in General Balances by £0.350m to increase the financial resilience of the Council's budget, and
- a set aside funds of £0.100m to meet the cost of a unitary status local poll (noting that progressing unitary status is subject to approval by Full Council).

17. As well as investing within across the borough it is also proposed to set aside funds to increase balances as the financial austerity measures continue to erode Revenue Support Grant (RSG). This financial pressure is coupled with the difficulties posed to financial planning due to the volatility of Business Rates Retention (BRR) Income. The complexities of BRR also expose the Council's budget to risk in the form of cash flow adjustments to deal with its technical accounting framework and also its lateness in the budget setting process.
18. Accurate forecasting of BRR will be even further exacerbated as an national re-valuation of all Rateable Values is due to happen in 2017/18 and the Baseline Funding Level (the financial foundation on which benefit is calculated) will be reviewed and re-set as part of the Local Government Finance Settlement in 2020/21.
19. The current forecasted balanced budget position for 2015/16 has accommodated a proposal for new recurring growth to be built into the budget. This is in respect of providing the running costs of Youth Zone in Chorley. The creation of the Youth Zone is a proposed new capital scheme contained within the total new development package of investments proposed for 2015/16. Two other budget growth items are also proposed, these additions will be at least self-financing from the generation of additional income in accordance with the MTFS follows:-
  - Sports Development in Schools – providing sports and recreational activities in schools.
  - Astley Hall additional resources – allocation of additional resource to manage the venue and facilitate the maximisation of income generation.
20. The current Medium Term Financial Strategy (MTFS) sets out options over a 3 year period that effectively addresses the budget deficit position over the longer term to secure financial resilience and sustainability. This timeframe is considered the maximum period whereby reasonable forecasts can be made. Options that will be considered over the next three year MTFS period are:
  - Re-engineering of services to fundamentally review service provision to reduce net expenditure and improve efficiency.
  - A programme of reducing the Council's debt position which has an impact on the revenue account
  - Income generation schemes as a continuation of the projects implemented to date.
  - Increasing in Council Tax is also available as an option available to Councils to close funding gaps.
21. Consultation on the proposed budget for 2015/16, which includes a freeze on Council Tax, will commence following approval of the proposals by Executive Cabinet at this meeting. The consultation will focus on obtaining feedback on the key investment areas in order to help prioritise activity. It will also highlight the impact of a reduction in Council funds and ask residents to give us their views on the budget. The consultation will invite responses from residents, partners, parish groups and other stakeholders through a variety of methods including a short survey (available both in hard copy and online). Results will be analysed and published in February for consideration as part of budget finalisation.

<b>Confidential report</b> Please bold as appropriate		<b>No</b>
<b>Key Decision?</b> Please bold as appropriate	<b>Yes</b>	
<b>Reason</b> Please bold as appropriate	(1) <b>A change in service provision that impacts upon the service revenue budget by £100,000 or more.</b>	(2) A contract worth £100,000 or more.
	(3) A new or un-programmed capital scheme of £100,000 or more.	(4) Significant impact in environmental, social or physical terms in two or more wards.

**REASONS FOR RECOMMENDATION(S)**  
**(If the recommendations are accepted)**

22. To progress the Council's 2015/16 Budget Setting process to achieve an approved and balanced budget.

**ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

23. Setting the budget is a statutory responsibility.

**CORPORATE PRIORITIES**

24. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all	X	A strong local economy	X
Clean, safe and healthy communities	X	An ambitious council that does more to meet the needs of residents and the local area	X

## THE BUDGET - BACKGROUND

25. The Medium Term Financial Strategy (MTFS) approved in February 2014, covering the period 2014/15 to 2016/17, contained the budget deficit projection below. This being estimated on the basis of information published in the Government's Comprehensive Spending Review (CSR) 2010 and the subsequent Local Government Finance Settlement announcements. As settlements are now published periodically during the four year period and not upfront, the MTFS is increasingly based on estimates and key assumptions. This issue is amplified as the relatively new Business Rates Retention Scheme is also based on significant budget estimates and projects of future income and the outcome of future appeals made against property Rateable Values outside the control of the Council. All of the above means that accurate BRR budget forecasting is increasingly problematic in terms of both the cash value of net tax base growth and also its cash flow phasing and budget setting timing.

### 26. Budget Gap in the Current MTFS approved February 2014

	2015/16 £000	2016/17 £000
Previously Estimated Forecasted Budget Gap - 2013/14 Budget MTFS	962	2,198

27. The provisional stage of the last settlement round within the 2010 CSR period was announced recently on 18<sup>th</sup> December 2014. Unlike last year, this issue contained the provisional core funding level for a single year, that being, 2015/16 only. This adds to the difficulties in accurate forecasting and financial planning in addition to the variable nature of the core funding allocations themselves.

28. The changes from that previously issued are:

- Council Tax Freeze Grant applicable to freezing Council Tax in 2014/15 has been rolled up into the total funding pot.
- There was a marginal negative change from the anticipated grant reduction of £7k.

29. Due to the fact that significant reductions in core funding are expected for the foreseeable future, a robust budget preparation process has been progressed using reasonable financial assumptions where actual data is absent. Despite the settlement only being announced on 18<sup>th</sup> December this approach has enabled the budget to achieve a headroom position in advance of the next financial year. This not only serves to mitigate the risk to service provision inherent in such a significant and complex process, but also provides funding for a new budget growth item to be accommodated. This refers to the running costs of the proposed Youth Zone in the sum of £0.050m. The Youth Zone is a corporate priority and has been included as a Capital Scheme in the proposed New Investment Package for 2015/16.

30. Two other budget growth items are also proposed, these additions will be at least self-financing from the generation of additional income in accordance with the MTFS follows:-

- Sports Development in Schools – providing sports and recreational activities in schools.
- Astley Hall additional resources – allocation of additional resource to manage the venue and facilitate the maximisation of income generation.

31. This approach has also secured a balanced budget next year without incorporating any further NHB funds into the base budget for a further year. This makes NHB received in



2013/14 up to 2015/16 available to finance one-off investments projects that support and enhance the delivery of the Corporate Strategy priorities.

## THE PROPOSED BUDGET POSITION

**Council Tax will be frozen in 2015/16 for the third consecutive year**

32. Council Tax will be frozen and will not increase in 2015/16. This will be the third consecutive year that the current administration has achieved a balanced budget position for the forthcoming financial year without increasing Council Tax.
33. The publication of the Local Government Finance Settlement now completes the CSR 2010 financial planning period. It has resulted in large scale reductions in Central Government grant placing unprecedented levels of pressure on the Councils budget. For 2015/16 this being £0.883m (equating to -15.5%). This is in addition to the reductions in the previous three years: 2011/12 £1.154m (-13.6%); 2012/13 £0.857m (-11.7%); 2013/14 £0.435m (-7.4%), and 2014/15 £0.879m (equating to -13.5%). Thus making the four year reduction in grant total £ 4.208m.
34. As above this Local Government Finance Settlement has been made for just one year, this makes any accurate budgetary forecasts with regard to core funding very difficult. Many announcements have stated that austerity measures will continue after 2015/16 and beyond, therefore, a reduction in the region of £0.350m has been assumed in 2016/17 although this will be subject to change as part of the CSR 2014. This results in a forecasted budget deficit position totalling £2.555m.
35. The updated budget position forecasted over the longer term is summarised below, together with the key budget assumptions that have been applied. The table below identifies that a balanced budget position has been achieved in 2015/16 following the successful implementation of the Medium Term Financial Strategy (MTFS). Additionally, as NHB has not been applied to the base budget, funds are available for non-recurring new investment in 2015/16. It should be noted, however, that as a result of the grant reduction above a significant budget gap is expected thereafter. More details are included in the Four Year Budget Summary in Appendix One.
36. An outline financial strategy to achieve a balanced position over the longer term is summarised later in the report and will be set out in detail within the Budget Report to Council in February 2015. The overall strategy will be to balance the forecasted budget deficit of £2.555m across the following areas:-
  - Fundamental review of expenditure and costs - £1.000m
  - Income generation schemes - £1.000m
  - Management of the financing arrangements of Market Walk to continue achieving current performance budgetary savings - £0.555m
  - Council Tax increases are also another option available to Councils to bridge budget funding gaps as explained in financial strategy section below where a small weekly uplift to the Council Tax payer of circa 7p can have an overall significant cumulative effect on Council funding. This equates to a 2% increase generating £122,000 of additional Council Tax income.

37. **The current forecasted budget deficit to 2017/18**

<b>Budget Assumptions</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>
Revised Budget Deficit – December 2014	657	1,702	2,595
Recurring Budgetary Savings Already Achieved	(707)		
<b>Budget (Surplus)/Deficit</b>	<b>(50)</b>	<b>1,702</b>	<b>2,595</b>
Uncommitted/Surplus NHB	(1,440)	*(2,288)	*(2,586)
<b>Funds available for new investment and growth in 2015/16</b>	<b>1,490</b>		

\*assumes some NHB growth in future years but this is not guaranteed.

**KEY BUDGET ASSUMPTIONS**

38. As increasingly more critical and high value components of the total budget becomes uncertain more elements of the budget forecasts are based on assumptions that may well need to be adjusted at a later date. These are set out below for information and to also provide some scale to the possible movement that can still occur, either prior to the budget being finalised or during the relevant financial year.

<b>Key Budget Assumptions</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Increase in Council Tax	0%	0%	0%
Reduction in Government Grant	£883k	£350k	£350k
Profiled Reduction in Grant Settlement	(15.6%)	(7.3%)	(7.9%)
Pay award	2.2%	1%	1%
Pension Fund Employers' Contribution – Future Service	11.1%	11.1%	11.1%
Business Rates Retention – Growth in previous years	(£130k)	(£130k)	£(130k)
Pension Fund Deficit Recovery	£0.832m	£0.956m	£1.076m
National Insurance Contributions	10.4%	10.4%	13.8%
Grant for freezing Council Tax in 2015/16	£66k	-	-
Use of New Homes Bonus (NHB) in the base budget to date	£1,044k	£1,044k	£1,044k

39. NHB monies received prior to 2013/14 in the sum of £1.044m have been factored into the base budget as recurring funding. With effect from 2013/14, however, NHB receipts have not been incorporated into the base budget on a permanent basis. This is based on the fact that NHB is only received over a 6 year period. The purpose of this approach is to maximise the Council's ability to adjust its budget to respond more quickly to future variations in funding levels.

40. Within the last few years public sector finance has become increasingly exposed to year on year uncertainty with annual fluctuations now built in permanently to the total core funding regime. Business Rates Retention is particularly problematic due to its complex structure and multi-year plus year on year financial impact on the budget. Both core grants have undergone extraordinary change in the form of significant reductions and how they are structured. Therefore it is important the Council's budget is able to demonstrate resilience and flexibility in order to respond to annual fluctuations in core funding levels and BRR collection funds variations. It is for these reasons that new NHB received will not be built into the base budget as permanent recurring funding in 2015/16.
41. With regard to the Business Rates Retention our projected additional retained income, over and above the Baseline Funding Level remains to be finalised. The forecasted budget is also informed by performance within 2014/15 in respect of some high value factors and therefore no reliable assumptions can be quantified at this stage. As income is subject to potential large scale change in the form of appeals made against property valuations and other shifts in the tax base, assessing the out-turn position and subsequent financial impact on 2015/16 and 2016/17 is exceptionally problematic. Accurate forecasting of BRR will be even further exacerbated as an national re-valuation of all Rateable Values is due to happen in 2017/18 and the Baseline Funding Level (the financial foundation on which benefit is calculated) will be reviewed and re-set as part of the Local Government Finance Settlement in 2020/21. Therefore, the budget contains some assumptions on the income level to be achieved in 2015/16 onwards that may still be subject to change.

#### **BALANCING THE BUDGET FOR 2015/16**

42. The current MTFs set out ways in which the budget pressures and deficit could be addressed over the longer term by achieving cost reductions and increasing income. The successful implementation of the strategy has secured a balanced budget position in advance of the next financial year by reducing the budget requirement by £0.707m. This is mainly attributable to the following key projects:
- **Market Walk (£0.500m)** – Purchase of Market Walk shopping centre provides a net income positive contribution to the budget in the sum of £0.500m. This occurs on an annual basis and is achieved after making a provision, in the form of an equalisation account, to mitigate against the risk of future temporary fluctuations in income. As this is achieved year on year it is current omitted from the budget shortfall projection in 2016/17 onwards.
  - **Base Budget Review (£0.045m)** – Continual robust challenge and update of the base budget to ensure it fully reflects changing levels of requirement.
  - **Productivity Gains, Efficiency Savings and Pay Policy (£0.162m)** – Mainly attributable to a review into the provision for Property Services was carried out and a decision made to bring the service back in-house.

#### **AN OPPORTUNITY FOR SUBSTANTIAL INVESTMENT IN CORPORATE PRIORITIES AND BUILD FUTURE FINANCIAL RESILIENCE**

43. In a similar approach to the last two budget setting years, early planning and preparation has enabled the Council to address the forecasted budget deficit well in advance of 2015/16. Consistency has also been achieved in producing a balanced budget position which has been achieved with no further permanent use of NHB to fund the financial commitments within the base budget.

44. This presents an opportunity to invest in the Council's Corporate Strategy for a third year despite the significant reductions in core grant funding. The investment projects link to the Corporate Strategy and the priorities contained within it. The New Investment Programme, now in its third year, supports the delivery of the Corporate Strategy priorities. The potential new programme of investments is summarised below and with more detailed individual mandates for each proposal in Appendix Two.
45. **Summary list of New Investments funded in 2015/16 – Total £4.422m**

<b>Investment Area (Revenue)</b>	<b>2015/16 Amount £</b>
Digital access and inclusion	50,000
Development and delivery of community action plans	200,000
Chorley Flower Show	50,000
North West in Bloom	45,000
Town and Country Festival	10,000
Delivery of neighbourhood priorities	50,000
Support the food bank	15,000
Supporting communities to access grant funding	20,000
16/17 Young persons' drop in centre	19,000
Provide an accommodation finding service for 'non-priority' households who are homeless or threatened with homelessness	24,000
Free swimming	8,000
Progress key employment sites	50,000
Increase visitor numbers to Chorley	35,000
Support the expansion of local businesses	40,000
Investigate further opportunities to expand Chorley Markets	30,000
Chorley Council Employment Support Fund with Runshaw College	20,000
Additional events at Astley Hall/Park	14,000
Deliver the Chorley Public Service Reform Board work	15,000
Campaigns and events	65,000
Employee health scheme	20,000
Provide a mediation service for Anti-Social Behaviour (ASB) case resolution	7,000
Disabled and dementia online venue access guides	20,000
<b>Total (Revenue)</b>	<b>807,000</b>

<b>Investment Area (Capital)</b>	<b>2015/16 Amount £</b>
Buckshaw Community Centre	600,000
Delivery of CCTV provision	250,000
Bengal Depot Site	120,000
Yarrow Valley Car Park	225,000
Deliver improvements to Market Street	1,000,000
Youth Zone	1,000,000
Land assembly	250,000
Recreational pitch strategy	170,000
<b>Total (Capital)</b>	<b>3,615,000</b>

46. The New Investment additions to the Capital Programme above will be financed via options other than borrowing, as list below:-

47. **Capital Financing**

	<b>£000</b>
New Homes Bonus to 2018/19	1,140
Revenue Contributions – Earmarked Reserve	1,750
External Contributions	600
Capital Receipts	125
<b>Total Capital Financing</b>	<b>3,615</b>

48. In addition to the 2015/16 New Investment Package the budget proposals also include other proposed budget items that are to be funded from New Homes Bonus in 2015/16. These are:

- an uplift in General Balances to increase the financial resilience of the Council's budget totalling £0.350m, and
- a set aside of funds to meet the cost of a Unitary Status Local Poll in the sum of £0.100m (noting that progressing Unitary Status is subject to approval by Full Council).

49. The latest round of budget investments funded by 2015/16 NHB brings to total investment package since 2013/14 to £9.163m

50. **New Investments By Corporate Priority Since 2013/14 – Total £9.163m**

Priority	New in 2013/14 £m	New in 2014/15 £m	Year 2 2013/14 Budget £m	New in 2015/16 £m	Year 3 2013/14 Budget £m	Year 2 2014/15 Budget £m	Total £m
<b>Involve residents in improving their local area and equality access for all</b>							
<b>TOTAL £1.733m</b>							
Revenue investment	0.250	0.138	0.085	0.440	0.085		<b>0.998</b>
Capital investment	0.135			0.600			<b>0.735</b>
<b>Clean, safe and healthy communities</b>							
<b>TOTAL £1.997m</b>							
Revenue investment	0.284	0.120	0.100	0.051	0.100	0.045	<b>0.700</b>
Capital investment	0.060	0.424		0.595		0.218	<b>1.297</b>
<b>An ambitious Council that does more to meet the needs of residents and the local area</b>							
<b>TOTAL £2.156m</b>							
Revenue investment	0.160	0.055	0.050	0.141	0.050		<b>0.456</b>
Capital investment	0.280			1.420			<b>1.700</b>
<b>A strong local economy</b>							
<b>TOTAL £3.277m</b>							
Revenue investment	0.655	0.347		0.175		0.100	<b>1.277</b>
Capital investment	1.000			1.000			<b>2.000</b>
<b>INVESTMENT PROGRAMME TOTAL</b>	<b>2.824</b>	<b>1.084</b>	<b>0.235</b>	<b>4.422</b>	<b>0.235</b>	<b>0.363</b>	<b>9.163</b>
<b>£9.163m</b>							

**Corporate Priority: INVOLVING RESIDENTS IN IMPROVING THEIR LOCAL AREA AND EQUALITY OF ACCESS FOR ALL**

<b>Investment</b>	<b>Overview – Total Investment 2015/16: Revenue £0.440m; Capital £0.600m</b>
1. Digital access and inclusion - £0.050m	This project involves the delivery of eight specific actions with the aim to ensure that everyone in the borough can get online, do more online and benefit from being online.
2. Development and delivery of community action plans - £0.200m	The aim of this project is to better understand community needs and to work with partner agencies, such as Police, Fire Rescue, LCC, Health and housing providers to coordinate, integrate and deliver services at a local level when it is appropriate.
3. Chorley Flower Show - £0.050m	Following on from Chorley's successes in both the Britain in Bloom and North West in Bloom awards, this project will see the creation and delivery of a flower show in Chorley. The intention is to create a flower show that rivals other well-known shows, attracting visitors to the region and supporting the development of the local economy.
4. North West In Bloom - £0.045m	To further support the on-going In-Bloom work, an budget is requested to cover a range of additional features and improvements
5. Town and Country Festival - £0.010m	This project involves working with a newly-formed committee who are looking to rejuvenate a town and country festival in Chorley. It would be on a similar theme to the Royal Lancashire Show but slightly smaller in scale for its first year. It is expected that the event will increase visitor numbers to Chorley and increase trade in town and surrounding areas.
6. Delivery of Neighbourhood Priorities - £0.050m	This project will deliver priorities established through the neighbourhood group meetings and agreed by Executive Cabinet to provide additional funding supporting works over and above business as usual.
7. Support the Food Bank - £0.015m	This project will support the existing food bank provision so that it is able to effectively support those who are most vulnerable and in need of food parcels and related assistance. This support will consist of funding to support delivery of the service in terms of capacity and resources and will also support residents referred into the service to ensure they are offered appropriate assistance. This will involve close working with partner agencies and the Storehouse themselves with the aim being to reduce the number of vulnerable residents referred into the food bank.

8. Supporting communities to access grant funding - £0.020m	This project will procure a grant finder tool which will support internal services and external partners to work with local community groups and organisation to access grant funding. The overall aim of this project is to support local groups and organisations across Chorley to access opportunities and secure funding to improve services and facilities in the local area.
9. Capital Project - Buckshaw Community Centre - £0.600m	To deliver a new Community Centre on Buckshaw Village.
<b>Corporate Priority: CLEAN, SAFE AND HEALTHY COMMUNITIES</b>	
<b>Investment</b>	<b>Overview – Total Investment 2015/16: Revenue £0.051m; Capital £0.595m</b>
10. 16/17 Young persons' drop in centre - £0.019m	This budget will enable the continuation for another year of the drop-in service for 16/17 year olds that provides housing advice, family mediation and counselling for young people
11. Provide an accommodation finding service for 'non-priority' households who are homeless or threatened with homelessness - £0.024m	The project will provide an accommodation finding service for 'non-priority' households threatened with homelessness, which will mainly be single people but could include couples or other household types will all members over the age of 18. Households which are 'non-priority' according to homelessness legislation have a right to advice and assistance from the Local Housing Authority, however there is no duty to house them, and with limited resources 'non-priority' households are more at risk of rough sleeping.
12. Free Swimming - £0.008m	This budget will deliver free swimming for 16 year olds and under during the summer school holiday period.
13. Capital project – Delivery of CCTV Provision - £0.250m	This project will fully assess the Councils current CCTV infrastructure and identify which monitoring, recording and camera equipment requires upgrading to current standards of image capture and recording. It will then develop and deliver a three year programme of improvements.

14. Capital project – Bengal Depot Site Split - £0.120m	This project will split the current Bengal street Depot into two areas. One area is to be leased out to Recycling Lives. The remaining area will be retained by the council as its operational depot.
15. Capital project – Yarrow Valley Car Park - £0.225m	To upgrade the main car park at Yarrow Valley to provide up to 135 car parking spaces including drainage.
<b>Corporate Priority: A STRONG LOCAL ECONOMY</b>	
<b>Investment</b>	<b>Overview – Total Investment 2015/16: Revenue £0.175m; Capital £1.000m</b>
16. Progress Key Employment Sites - £0.050m	Creating jobs for local people is one of the Council's top priorities and developing land as employment sites has the potential to create thousands of jobs for local people. Chorley currently has a number of outstanding employment sites; the delivery of this project will see the council taking a 'hands on' approach in working with developers, land owners and the LEP to bring forward these employment sites for development.
17. Increase Visitor Numbers to Chorley - £0.035m	<p>The aim of this project is to bring more short stay visitors into Chorley through the marketing and promotion of Chorley's assets and attractions and through delivery of an annual programme of events.</p> <p>It builds upon the work the Council has done in the last few years to increase the number and quality of events it directly delivers and also links to the support services available to new and existing businesses.</p> <p>Overall, increasing visitors to Chorley will support local businesses and the local economy.</p>



<p>18. Support the Expansion of Local Businesses - £0.040m</p>	<p>The project will aim to:</p> <ul style="list-style-type: none"> <li>• Continue to deliver the Chorley Business Investment for Growth fund (BIG) grant scheme to support the expansion of existing companies who are creating/safeguarding jobs, subject to funding.</li> <li>• Integrate this grant provision into the wider business advice and support service for existing businesses in the Borough who have been trading for more than 3 years in order to help them to survive and grow.</li> </ul> <p>The BIG grant can be used for the construction of new buildings; the refurbishment/ adaptation of existing business premises; site engineering works; the purchase of plant and machinery; signage; hard/soft landscaping and security improvements. Grant contributions from the fund are based on the amount of jobs, and other outputs, that the business will create as a result of the overall investment.</p>
<p>19. Investigate Further Opportunities to Expand Chorley Markets - £0.030m</p>	<p>This project aims to investigate and consult on further opportunities to expand Chorley Markets.</p>
<p>20. Chorley Council Employment Support Fund with Runshaw College - £0.020m</p>	<p>Working with Runshaw College, this project supports local businesses in developing apprentice opportunities and supports young people in accessing these opportunities.</p>
<p>21. Capital Project - Deliver Improvements to Market Street - £1.000m</p>	<p>Following the implementation of a shared surface scheme to southern Market Street, as part of the ASDA redevelopment, this scheme will continue the public realm improvements up to the St Thomas Road junction.</p>

**Corporate Priority: AN AMBITIOUS COUNCIL THAT DOES MORE TO MEET THE NEEDS OF RESIDENTS AND THE LOCAL AREA**

Investment	Overview – Total Investment 2015/16: Revenue £0.141m; Capital £1.420m
22. Additional Events in Astley Hall/Park - £0.014m	In line with the Astley 2020 vision, the project will deliver a comprehensive events programme at Astley Hall together with continued funding support for the Big Drum day.
23. Deliver the Chorley Public Service Reform Board work plan - £0.015m	<p>This project is focused on delivering the work plan of the Chorley Public Service Reform Board. The board has a clear focus on how organisations can collectively deliver high quality public services to the public efficiently and effectively ensuring a better service for communities and better outcomes and value for residents.</p> <p>The project will see the delivery of a number of work streams over the next year including assets, data sharing, joint commissioning and integrated wellbeing and resilience services.</p> <p>The delivery of this project provides an opportunity to transform the way public services are delivered locally and to explore public service integration, particularly around health and wellbeing.</p>
24. Campaigns and Events - £0.065m	This work aims to build on the success of the 2013 and 2014 campaigns and events programmes. The programme has been well-received by residents since it started to become established two years ago, and is an important way of engaging with the community. The work would ultimately create an annual programme with something for different interests and audiences each month, bringing new people into the town and borough and supporting the local economy.
25. Employee Health Scheme - £0.020m	<p>This project is a continuation of a Health Cash Plan funded by the council. The council pays a fixed contribution per employee which then enables employees to claim back the costs of health related treatments such as dental charges, eye tests and glasses, consultant appointments, professional therapy and many other benefits.</p> <p>The scheme has proved to be very successful in its three years, and this project would extend the scheme for a further 12 months.</p>
26. Provide a mediation service for Anti-Social Behaviour (ASB) case resolution. (Mediation for ASB disputes) - £0.007m	Investigations into cases of anti-social behaviour can often be dealt with and de-escalated using mediation techniques between the parties affected. This project will deliver a scheme to refer parties into mediation where appropriate and will be assessed over the course of the year in terms of success and impact

<p>27. Disabled and dementia online venue access guides - £0.020m</p>	<p>This is a new project, which aims to maximise choice and independence for disabled people and those with dementia who are visiting venues within the borough. It will include a survey of 200 venues across the borough, taking into account the features of each venue and cross checking them against disability and dementia requirements. This surveying work will provide local employment opportunities for disabled people. The access guides developed as a result will be available online to help people visit the venues in our borough.</p>
<p>28. Capital Project – Youth Zone in Chorley - £1.000m</p>	<p>We will work with partners to progress delivery of the Chorley Youth Zone namely to reach an agreement in terms of funding, location, operational requirements and secured planning permission of the Youth Zone.</p>
<p>29. Capital Project – Land Assembly - £0.250m</p>	<p>This project consists of developing a scheme design and financial appraisal for a proposed Council-owned and managed, extra care scheme.</p>
<p>30. Capital Project – Recreational Pitch Strategy - £0.170m</p>	<p>The project supports the delivery of key schemes within the Council’s Play, Open Space and Playing Pitch Strategy.</p>

51. The one year projects above will be added to the projects approved in previous years to run up to and including 2015/16. These previous years' multi-year projects are listed below and total £0.598m.

<b>Continued New Investment Projects from 2013/14 and 2014/15</b>		
Neighbourhood Working – Building Capacity in Local Communities	This is the final year of a three year programme to deliver agreed improvements to neighbourhood working. The budget is to specifically support community development work and to increase volunteering capacity within the communities.	£70,000
Support to the VCFS Network	The VCF sector has a vital role to play in delivering services for the benefit of Chorley residents, increasing levels of volunteering and encouraging community engagement. This is a continuation of support provided to the VCF network who act as an over-arching organisation responsible for coordinating the sector. Their role is developing all the time, and most recently includes taking over the administration and coordination of the equality forum.	£15,000
Chorley Community Bank	This is the final year of a 3 year project to establish the Chorley Credit union and to develop it to a stage where it becomes self-sustaining.	£50,000
Play Area Improvements	This is the final year of a 3 year programme of improvements to Council owned play areas.	£100,000
British Cycling	This two year project aims to support the development and delivery of a cycling and sporting programme of activities and events in Chorley in partnership with British Cycling. At the beginning of April this will see the delivery of a televised grand prix event being held attracting large numbers of visitors and positive media attention on the borough.	£45,000
Town Centre and Steeley Lane Pilot Action Plans	This is a two year project to deliver improvements to gateway areas to the town centre and link the Steeley Lane shopping area to the town centre through improvements to public realm and signage. This will benefit local businesses and create a more cohesive town centre experience for shoppers and visitors.	£100,000
Astley Hall and Park Developments – Capital Scheme	This budget will provide funds to support the delivery of a number of key actions from the Astley 20:20 development plan including destination play area, event parking, event staging, footpath lighting, sensory garden, street furniture and pathway improvements.	£218,000
<b>Total</b>		<b>£598,000</b>

## **FINANCIAL STRATEGY AND OPTIONS TO BE CONSIDERED TO ACHIEVE SUSTAINABLE AND RECURRING BUDGET RESILIENCE**

52. As set out in the paragraphs above the Council still needs to address a significant budget deficit in the longer term to 2017/18 brought about in the main by cuts to core funding and Central Government's austerity measures. Despite a balanced budget being achieved for 2015/16 further action is required to achieve the same budget status in future years.
53. The Medium Term Financial Strategy (MTFS) aims to set out options that will effectively address the budget deficit position over the longer term to 2017/18 and secure financial resilience and sustainability. This timeframe is considered the maximum period whereby reasonable forecasts can be made.
54. Options that will be considered over the next three year MTFS period are:
  - Re-engineering of services to fundamentally review service provision to reduce net expenditure and improve efficiency.
  - A programme of reducing the Council's debt position which has an impact on the revenue account.
  - Income generation schemes as a continuation of the projects implemented to date.
  - Increases in Council Tax.
55. A key action of correcting a forecasted budget deficit is to carry out a fundamental review of all activities undertaken by the Council in order to seek ways in which the cost of providing services can be reduced. Within this process, priority is given to mitigating risk within the assessment and decision making criteria to highlight and focus on any possible impact on front line services.
56. The revenue budget contains costs associated with servicing debt. Debt will have been incurred appropriately in previous years to fund Capital Projects but as time moves on changing circumstances can present new opportunities to achieve lower cost options by proactively restructure debt repayment plans.
57. As above, additional income has been realised with the acquisition of Market Walk in the Town Centre. The benefits of the purchase include a sizeable net income contribution to the Council's budget which is a significant boost to total income received. This serves to offset some of the erosion in Central Government Revenue Support Grant and also reduces the Council's reliance on external funding. The strategy will be to continue to proactively manage the cost of financing the scheme to its lowest possible option whilst also exploring the potential to expand in a similar vein as the financial model and income generation model has been proven to be successful and an effective option in replacing continually reducing core funding Revenue Support Grant.
58. An option that is also available to the Council is to increase Council Tax. An increase, together with further savings options, would not only help to address the budget deficit but also be used to invest in projects that support delivery of the Council's new priorities and generate further revenues for the Council.
59. The table below shows the impact of increasing Council Tax between 0.5 % and 2% in each of the three years, 2% is the current cap before needing to undertake a referendum.

<b>% Each Year</b>	<b>Year 1 £</b>	<b>Year 2 £</b>	<b>Year 3 £</b>
0.5	31,000	62,000	93,000
1.0	61,000	124,000	187,000
1.5	92,000	186,000	282,000
2.0	122,000	249,000	378,000

60. The table shows that below inflationary increases do have a significant, cumulative and permanent effect, something that the Council Tax Freezing Grant option lacks as it is awarded for a short term temporary period after which it is lost. Even over a short term period approximately £378,000 can be raised.
61. The sum of £122,000 generated by the 2.0% increase can also be put into context with regard to its impact per household in the borough. For example, based on the 2015/16 Band D tax base this amounts to approximately £3.55 per household or 7 pence per week in 2015/16 (based on Council Tax Base). This increase facilitates a significant cumulative sum, therefore, small sustainable council tax increases can generate significant levels of income that can be used to bridge the budget gap. As a balanced budget position has been achieved for 2015/16, however, it is proposed that the benefit of this achievement is passed onto Council tax payers and therefore Council Tax is frozen in 2015/16 at its current level.

#### **OTHER RELEVANT ISSUES – Capital Programme 2015/16**

62. This report has dealt, in the main, with the Council's revenue budget. Implicit in the investment programme set out above, however, are financial implications for the Capital Programme, for example:
- Buckshaw Community centre
  - Improvements to Market Street
  - Youth Zone in Chorley
  - Recreational Playing Pitch Strategy
63. Therefore the proposed Capital Programme and financing is attached in Appendix Three and will be dealt with in more detail when the final budget proposals are made. Importantly it should be noted that the programme has been financed substantially by using options other than borrowing.

#### **BUDGET CONSULTATION**

64. Consultation on the proposed budget for 2015/16 will commence following approval of the proposals by Executive Cabinet. The consultation will focus on obtaining feedback on the potential key investment areas in order to help prioritise activity. It will also highlight the impact of a reduction in Council funds and ask residents their views on the budget. The consultation will invite responses from residents, partners, parish groups and other stakeholders through a variety of methods including a short survey (available both in hard copy and online). Results will be analysed and published in mid-February for consideration as part of budget finalisation.

## IMPLICATIONS OF REPORT

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

Finance	X	Customer Services	X
Human Resources	X	Equality and Diversity	
Legal	X	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	X

## COMMENTS OF THE STATUTORY FINANCE OFFICER

66. The financial implications of the above report are all contained in the text above but to clarify all proposals are funded and can be accommodated within the 2015/16 Budget. The report does contain some assumptions on some future budget elements and also what the final out-turn position will be for 2014/15, however, should this change due to unforeseen significant circumstances arising before 31<sup>st</sup> March 2015 this will be reviewed and reported.

## COMMENTS OF THE MONITORING OFFICER

67. There are no legal implications in adopting the Budget proposals for consultation.

**GARY HALL**  
**CHIEF EXECUTIVE**

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
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