Chorley Council

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Resources)	Executive Cabinet	21st January 2016

2016/17 DRAFT BUDGET AND SUMMARY BUDGET POSITION OVER THE MEDIUM TERM

PURPOSE OF REPORT

1. To set out the budget position for 2016/17 including the forecast for the following 2 years to 2018/19 and also present the relevant proposals in respect of:
   - Potential investment in the Council's Corporate Strategy priorities in 2016/17.
   - Increasing budget resilience in the longer term and structuring the budget taking into account the Spending Review (SR 2015)
   - Providing funds to support the transitional period of the fundamental service review being undertaken by Lancashire County Council.
   - 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 2016/17.
   - The proposed New Investments for 2016/17.
   - The balanced budget position for 2016/17.
   - The forecasted budget position to 2018/19.

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 2016/17.
   - SR 2015 and Local Government Finance Settlement 2016/17 to 2019/20 – provisional announcement published on 17th December 2015.
   - Progress against the current Medium Term Financial Strategy (MTFS) budget efficiency objectives including a review of the single front office and Shared Assurance services.

4. The recent Local Government Finance Settlement included provisional core grant allocations for the forthcoming four years, from 2016/17 to 2019/20. The announcement continued the programme of Central Government core grant reductions across all four years adding to the previous cuts below

5. **Core funding reductions since 2011/12**

.

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
2016/17	760	-35.7
Total	**4,968**	

6. The make-up of the overall core grant system has evolved since 2011/12 with the reductions being applied to one particular grant, the Revenue Support Grant (RSG) which reduces to zero over the next four years as follows:-

7. **Reductions to RSG 2015/16 to 2019/20**

Year	RSG £000	Cumulative Reduction £000	Cumulative %
2015/16	2,132	867	29
2016/17	1,370	1,629	54
2017/18	707	2,292	76
2018/19	300	2,699	90
2019/20	0	2,999	100

8. The allocations for 2016/17 above are provisional but experience tells us that they are unlikely to change much before they are finalised in February 2016. The reductions and trend are in-keeping with the national picture and that of other District Councils with some cases RSG allocations reducing to zero by 2018/19.

9. Due to the successful implementation of the MTFS, budget efficiency savings totalling £0.214m have been applied to the budget to achieve a balanced budget position for 2016/17 achieved mainly by the Council entering into a Business Rates Retention Pooling agreement within Lancashire effective from 1st April 2016.

10. Chorley Council has agreed to take part in the Lancashire wide Business Rate Pooling Agreement for 2016/17. This was approved by Government in November 2015 to commence in 2016/17 and continuing on an annual basis until the agreement is dissolved by its members or due to changes to the Business Rates Retention Scheme to be introduced by Central Government. For example, the announcement that 100% local retention will be permissible will supersede the financial benefits of the current pooling regime. Other adjustments may also be part of the forthcoming re-design of the BRR system.

11. As well as the balanced budget for 2016/17, the budget also accommodates a New Investment Package totalling £2.845m for both Revenue and Capital projects. The total new homes bonus available in 2016/17 is £4.455m. The new proposals to be funded in 2016/17 are summarised below and set out in more detail in Appendix One. These investments are in addition to the 2015/16 investments that were approved for a period of 3 years and allocated against the 2015/16 new homes bonus grant.

12. In addition to the New Investment packages for 2016/17, NHB also provides an opportunity to invest in three other additional areas to protect public services within the borough and also increase financial resilience given the revolutionary funding changes. The three new investment areas are:

- £0.500m provided for the next two years to assist in the transitional period public services currently provided and funded via Lancashire County Council (LCC). LCC have published their intension to significantly change service provision in order to address their forecasted budget deficit.

- £0.500m per annum to increase General Balances to mitigate against the financial risk of core grant income given that within this settlement period there will be a complete shift to 100% local taxation sources, that is, Business Rates and Council Tax. The characteristic of Business Rates in particular mean that income is very much subject to variation and decline and influenced by external factors outwith the control of the Council. BRR is also undergoing fundamental review, the detail of which is unknown. The revolutionary change of Local Government finance continues to be implemented within the Spending Review (SR) of 2015 and the more detailed Local Government Finance Settlement published on 17th December 2015. This was the first settlement from the current Government following the Coalition approach from the previous four years. The main features impacting on Chorley Council are the following:-

    I. Four year funding plan for each Local Authority.
    II. The total withdrawal of Revenue Support Grant and as such a complete transition to 100% local taxation.
    III. Continued core funding reductions applied to BRR tariff after RSG has reached zero.
    IV. Consultation on the reduction of New Homes Bonus (NHB) proposing a number of options to reduce the financial benefits per new home.

- £0.603m budget provision to invest in projects that will provide income streams to the Council that will increase the financial resources collected over and above taxation.

13. **Summary of Investment Expenditure and New Homes Bonus Funding**

	2016/17 Funding £000s	2017/18 Funding £000s	2018/19 Funding £000s
Existing NHB 11/12 - 15/16	(3,379)	(3,077)	(2,335)
NHB 16/17 Allocation	(1,076)	(1,076)	(1,076)
NHB 17/18 & 18/19 Allocation (estimated)		(600)	(1,200)
Total NHB 16/17	**(4,455)**	**(4,753)**	**(4,611)**
NHB in Base Budget	1,044	1,044	1,044
Capital Financing	400	400	400
Total NHB Available in 16/17	**(3,011)**	**(3,309)**	**(3,167)**
New Proposed Revenue Investment	1,408		
Transition Fund	500	500	
Increase in reserves	500	500	500
Investment Fund	603		
Total NHB Unallocated	**0**	**(2,309)**	**(2,667)**

14. The table above summarises the proposed use of the total 2016/17 new homes bonus allocation. £1.044m and £0.400m have been previously committed to fund the revenue base budget and the capital allocation throughout the 3 year period to 2018/19. The recent Provisional Local Government Finance Settlement in December proposed range of possible amendments to the NHB grant criteria which may, if adopted, reduce the NHB forecasts above. There is £1.408m of proposed new revenue investment projects outlined in Appendix One.

15. **Updated Budget Deficit as at January 2016**

	2016/17	2017/18	2018/19
Updated Budget Deficit – January 2016	0	1,434	3,372

16. Favourable financial performance to address the forecasted budget deficit has resulted in a balanced budget for 2016/17, however, it is very important to clarify that this is not sustainable over the medium term. The projected budget position in future years consistently shows a budget gap in 2017/18 and 2018/19. This shortfall, as in the table below, together with heightened financial uncertainty and risk means that budget austerity measures will continue to impact on the Council’s budget.

17. It should also be borne in mind that the latest budget forecasts are based on the following key assumptions and any changes, either positive or negative, will impact on the budget accordingly:

18. **Key Budget Assumptions**

Key Budget Assumptions	**2016/17**	**2017/18**	**2018/19**
Increase in Council Tax	0%	0%	0%
Growth in Council Tax Base	2.0%	0.5%	0.5%
Reduction in Government Grant	£762k	£663k	£408k
Profiled Reduction in Grant Settlement	(35.74%)	(31.08%)	(19.13%)
Pay award	1%	1%	1%
Pension Fund Employers' Contribution – Future Service	11.1%	11.1%	11.1%
Pension Fund Deficit Recovery	£0.956m	£1.081m	£1.206m
Grant for freezing Council Tax in 2016/17	-	-	-
Use of New Homes Bonus (NHB) in the base budget to date	£1,044k	£1,044k	£1,044k
Business Rate Retention	(£725k)	(£725k)	(£725k)

19. To confirm, the following approach to budget setting for 2016/17 has been taken:-

- Council Tax will be frozen at its current level in 2015/16.
- New Homes Bonus of £1.044m is built into the base for 16/17 to 2018/19.
- As part of the agreed Lancashire Business Rates pool, £725k of retained business rates has been included in the budget.
- More accurate forecasts for business rates retained income will be set as part of the Central Governments NNDR1 return process by the end of January 2016. The Valuation Office Agency (VOA) data and ratings list including outstanding appeals as at the end of December 2015 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 VOA during the current year 2015/16. The process of assessment contains a higher degree of estimating this year as the VOA appeals process throughput rate has slowed down within the current year. Therefore the outcomes of potentially significant value appeals have not been concluded.

20. Despite the additional funding cuts announced on 17th December 2015 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 2016/17, these aim to:

- **INVOLVING 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 RESDIENTS AND THE LOCAL AREA A STRONG LOCAL ECONOMY.**
- **CLEAN, SAFE AND HEALTHY COMMUNITIES**
- **A STRONG LOCAL ECONOMY**

21. Potential investment proposals are summarised in the report and set out in detail in project mandates detailed in Appendix Three. Funding has been achieved by not building all the 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 which continues to be under review by Central Government. NHB 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. The Local Government Finance Settlement also announced that consultation will take place with regard to 'Sharpening the Incentive' of NHB which includes proposals to reduce the number of years NHB is awarded (currently 6 years) and also the qualifying criteria.

22. The new proposed Capital Programme and its financing are attached in Appendix Two.

23. This latest round of projects brings the total new investment in the Council's corporate priorities since 2013/14 to £12.008m, as summarised below:-

Priority	New in 13/14 £m	New in 14/15 £m	Year 2 13/14 £m	New in 15/16 £m	Year 3 13/14 £m	Year 2 14/15 £m	New in 16/17 £m	Total £m
Involve residents in improving their local area and equality access for all – TOTAL £1.923m								
Revenue investment	0.250	0.138	0.085	0.440	0.085		0.190	**1.188**
Capital investment	0.135			0.600				**0.735**
Clean, safe and healthy communities – TOTAL £3.932m								
Revenue investment	0.284	0.120	0.100	0.051	0.100	0.045	0.498	**1.198**
Capital investment	0.060	0.424		0.595		0.218	1.437	**2.734**

An ambitious Council that does more to meet the needs of residents and the local area – TOTAL £2.285m								
Revenue investment	0.160	0.055	0.050	0.141	0.050		0.129	**0.585**
Capital investment	0.280			1.420				**1.700**
A strong local economy – TOTAL £3.869m								
Revenue investment	0.655	0.347		0.175		0.100	0.591	**1.869**
Capital investment	1.000			1.000				**2.000**
TOTAL INVESTMENT PROGRAMME - £12.008m	**2.824**	**1.084**	**0.235**	**4.422**	**0.235**	**0.363**	**2.845**	**12.008**

24. 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 as follows:-

- Income generation schemes as a continuation of the projects implemented to date.
- Management of the Business Rates tax base to maximise the income opportunities of the developing new BRR regime.
- Increases in Council Tax are also an option available to Councils to close funding gaps.
- 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

25. Consultation on the proposed budget for 2016/17, 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.

Confidential report Please bold as appropriate		**No**
Key Decision? Please bold as appropriate	**Yes**	
Reason Please bold as appropriate	(1) **A change in service provision that impacts upon the service revenue budget by £100,000 or more.**	(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)

26. To progress the Council's 2016/17 Budget Setting process to achieve an approved and balanced budget.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

27. Setting the budget is a statutory responsibility.

CORPORATE PRIORITIES

28. 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

29. The Medium Term Financial Strategy (MTFS) approved in March 2015 covering the period 2015/16 to 2017/18 contained the budget deficit projection below. This was estimated on the basis of information published in the Coalition Government's Comprehensive Spending Review (CSR) 2010 and the subsequent Local Government Finance Settlement announcements since that time. Significant funding reductions have been implemented since the commencement of CSR 2010 continuing in the current Government's Spending Review 2015 (SR 2015) until 2019/20. This challenge is also amplified as the relatively new Business Rates Retention Scheme is also based on fundamental budget estimates and projections of future income added to the outcome of future appeals made against property Rateable Values outside the control of the Council.

30. The SR 2015, being the first review by this Government, was followed by the more detailed Local Government Finance Settlement published in December 2015. This confirmed the total withdrawal of RSG which, in the past, has formed a fundamentally and more stable source of funding. The settlement not only reduces RSG to zero, it also reveals that at the point RSG equals zero, annual funding cuts transfer to the BRR in the form of an additional Tariff to be paid to Central Government. Despite the announcement containing information for the next four years the projected income levels remain provisional and may be subject to variation.

31. The announcement also introduced consultation with regard to changing the NHB scheme which also forms a significant component of the Council's overall income. Proposals to change the grant include reducing the number of years it is received from its current 6 years and also changing the criteria on which it is awarded.

32. **Budget Gap in the Current MTFS approved March 2015**

	2016/17 £000	**2017/18 £000**
Previously Estimated Forecasted Budget Gap - 2014/15 Budget MTFS	1,792	2,595

33. The provisional allocations from the 2015 Spending Review were announced on 17th December 2015. There was a large negative change from the anticipated Revenue Support Grant reductions. The original estimated reductions were £350k in 2016/17 and 2017/18 which were included in the March 2015 MTFS (see para 32 above), however the actual provisional reductions are £760k and £660k respectively. The table below shows the reductions applied since CSR 2010 totalling £4.968m.

34. **Reductions to RSG since 2011/12**

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
2016/17	760	-35.7
Total	**4,968**	

35. Significant reductions in core funding are expected for the foreseeable future with the Revenue Support Grant expected to be reduced to zero for Chorley in 2019/20. Resultantly a robust budget preparation process has been progressed using reasonable financial assumptions where actual data is absent. Despite the settlement only being announced on 17th December this approach has enabled the budget to achieve a balanced budget for 2016/17.

36. This approach has also secured a balanced budget without incorporating any further NHB funds into the base budget for a further year. This makes NHB received in 2013/14 up to 2016/17 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 2016/17 for the fourth consecutive year

37. Council Tax will be frozen and will not increase in 2016/17. This will be the fourth consecutive year that the current administration has achieved a balanced budget position for the forthcoming financial year without increasing Council Tax.

38. The publication of the Local Government Finance Settlement provides more detail resulting from the new Central Government's Spending Review 2015 which spans the next four years. It has resulted in large scale reductions in Central Government grant to District Councils placing unprecedented levels of pressure on the budget. For 2012/13 to 2016/17 the total grant reduction has been £4.208m. The grant reductions in the provisional December settlement are £760k (2016/17), £663k (2017/18) and £408k (2018/19) totalling £1.833m. This leaves £300k RSG remaining for future years with the provisional settlement reporting that grant will be reduced to zero in 2019/20.

39. 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 2016/17 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 2016/17. It should be noted, however, that as a result of the grant reductions and the continuation of SR 2015 a significant budget gap is expected thereafter.

40. 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 March 2016. The overall strategy will be to balance the forecasted budget deficit of £3.372m across the following areas:-

- Income generation schemes as a continuation of the projects implemented to date.
- Management of the Business Rates tax base to maximise the income opportunities of the developing new BRR regime.
- Increases in Council Tax are also an option available to Councils to close funding gaps.
- 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

41. **The current forecasted budget deficit to 2018/19**

Budget Assumptions	**2016/17 £000**	**2017/18 £000**	**2018/19 £000**
Revised Budget Deficit – January 2016	0	1,435	3,372
Uncommitted/Surplus NHB	0	*(2,309)	*(2,667)

*****assumes £600k NHB allocations in 2017/18 & 2018/19

42. The table above demonstrates that the surplus NHB is only sufficient to cover the 2017/18 deficit in full, the forecast 2018/19 deficit is £700k larger that the forecast surplus NHB. That said, however, the forecasts are based on current NHB and Business Rates Retention schemes both of which are undergoing fundamental review and have the potential of moving in a negative and positive direction respectively.

43. The autumn statement includes a consultation on changes to NHB funding to 'Strengthen the Incentive' with a view to reduce the total national NHB allocation by £800m to help meet the funding gap for social services. This could result in one or more of the following changes:
- Future NHB allocations being reduced or ceasing.
- NHB being allocated for 4 years or less, currently it is allocated for a 6 year period.

- Initial indications are that the 2016/17 allocation will remain the same however allocations for 2017/18 onward will change, including the element of the allocation that relates to prior years.
- The qualifying criteria may change dependent on the planning route of the New Homes developed.

KEY BUDGET ASSUMPTIONS

44. 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 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.

45. **Key Budget Assumptions**

Key Budget Assumptions	**2016/17**	**2017/18**	**2018/19**
Increase in Council Tax	0%	0%	0%
Growth in Council Tax Base	2.0%	0.5%	0.5%
Reduction in Government Grant	£762k	£663k	£408k
Profiled Reduction in Grant Settlement	(35.74%)	(31.08%)	(19.13%)
Pay Award	1%	1%	1%
Pension Fund Employers' Contribution – Future Service	11.1%	11.1%	11.1%
Pension Fund Deficit Recovery	£0.956m	£1.081m	£1.206m
Use of New Homes Bonus (NHB) in the base budget to date	£1,044k	£1,044k	£1,044k
Business Rate Retention	(£725k)	(£725k)	(£725k)

46. 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. NHB has always been based on an incentivisation criteria and as such it is known that once national targets are achieved or changed, this invariably means the mechanism will change to influence and direct resources and investment into new priorities.

47. 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 financial impact on the budget.

48. Both core grants have undergone extraordinary change in the form of significant reductions and how they are structured, with the RSG programme to be totally withdrawn. 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 2016/17.

49. With regard to the Business Rates Retention our projected additional retained income, over and above the Baseline Funding Level, remains to be finalised in detail. The forecasted budget is also informed by performance within 2015/16 in respect of some high value factors. 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 2016/17 and 2017/18 is exceptionally problematic. Accurate forecasting of BRR will be even further exacerbated as a 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.

50. Chorley is taking part in the Lancashire Business Rates Pooling Agreement which gained ministerial approval in November 2015. This means that all the authorities taking part are in essence treated as one in respect of levy payments that are paid by Councils to Central Government to fund the corresponding national Safety Net payments scheme paid from central Government to authorities who have seen a negative shift in business rate income exceeding a predetermined level. From a financial perspective funds that would have been paid in the form of a levy are retained, conversely the right to a Safety Net payment in the event of a negative shift is forfeited. The estimated levy due to be paid in 2016/17 by Chorley, which will now be retained, is £0.725m.

BALANCING THE BUDGET FOR 2016/17

51. 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 £0.214m. This is attributable to the following key projects:
    - **Base Budget Review (£0.128m)** – Continual robust challenge and update of the base budget to ensure it fully reflects changing levels of requirement.
    - **Productivity Gains and Efficiency Savings (£0.085m)** – Mainly attributable to a review of the single front office and Shared Assurance Services.

52. A review into reducing management costs is also underway and expected to achieve recurring budgetary savings circa. £0.260m.

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

53. In a similar approach to the last three budget setting years, early planning and preparation has enabled the Council to address the forecasted budget deficit in advance of 2016/17. 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.

54. This presents an opportunity to invest in the Council's Corporate Strategy for a fourth 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 fourth 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 Three.

55. **Proposed 2016/17 New Revenue Investments - £1.408m**

New Revenue Investment Areas	Funding Request (£)
INVOLVING RESIDENTS IN IMPROVING THEIR LOCAL AREA AND EQUALITY OF ACCESS FOR ALL	**190,000**
Support for Chorley's VCFS organisations	15,000
Provide support to food provision schemes	15,000
Community development & volunteering (SPICE)* (£20k 16/17, £40k 17/18 & 18/19)	100,000
Public noticeboards	10,000
Delivery of neighbourhood preferred projects	50,000
CLEAN, SAFE AND HEALTHY COMMUNITIES	**497,500**
Police Community Support Officers	297,000
Free swimming	7,500
Replacement of CBC's Control Orders with Public Space Protection Orders	20,000
Empty homes - Enforcement action and communications * (£26k 16/17, £36k 17/18 and 18/19)	98,000
Provide a mediation service for Anti-Social Behaviour case resolution	10,000
North West in Bloom	50,000
16/17 Young person's drop-in centre	15,000

A STRONG LOCAL ECONOMY	**591,500**
Chorley Business Investment for Growth (BIG) grant	60,000
Business start-up grants and loans	30,000
Borough wide retail grants improvement programme	80,000
Choose Chorley grants	75,000
Inward investment (Euxton Lane – Digital Health)	25,000
Extend the external funding officer post	24,000
Deliver the skills framework	30,000
Chorley works	39,000
Vulnerable families employment project	3,500
Furthering key employment sites	125,000
Develop Chorley's town and rural tourism economy	35,000
Chorley flower show	40,000
Chorley grand prix (British Cycling)	25,000
AN AMBITIOUS COUNCIL THAT DOES MORE TO MEET THE NEEDS OF RESIDENTS AND THE LOCAL AREA	**129,000**
Integrate partner services through the Chorley public service reform partnership	15,000
Employee health scheme	20,000
Events programme delivery	80,000
Additional events at Astley	14,000
Total new revenue investment	**1,408,000**

*Total budget is for 3 year investment for 16/17-18/19

56. **The proposed 2016/17 New Capital Investments total £1.437m**

New Capital Investment Areas	**Funding Request (£)**
CLEAN, SAFE AND HEALTHY COMMUNITIES	**1,437,400**
Westway sports scheme	785,000
Play open space strategy	652,400
Total new capital investment	**1,437,400**

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

58. **Capital Financing**

Funding	**£000**
External Contributions – S106 Agreements	1,332
Reserve	100
Other Contributions	5
Total Capital Financing	**1,437**

59. The latest round of budget investments funded by 2016/17 NHB brings the total investment package since 2013/14 to £12.008m

60. In addition to the 2016/17 New Investment Package the budget proposals also include other proposed budget items that are to be funded from New Homes Bonus in 2016/17. These are:
    - The creation of a £1.00m transition fund to support the implementation period of LCC's service reductions to address their own budget deficit position. £500k is to be set aside from the 2016/17 and the 2017/18 New Homes Bonus allocation respectively.
    - £500k is set aside in 2016/17 and all subsequent years to increase general balances to manage the risk associated with the future funding allocations and revolutionary change announced over the next four years.
    - The creation of a £603k investment fund to finance invest-to-earn projects that create a revenue contribution to supplement local taxation income streams.

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

61. As set out in the paragraphs above the Council still needs to address a significant budget deficit in the longer term to 2018/19 brought about in the main by cuts to core funding and Central Government's austerity measures. Despite a balanced budget being achieved for 2016/17 further action is required to achieve the same budget status in future years.

62. The Medium Term Financial Strategy (MTFS) aims to set out options that will effectively address the budget deficit position over the longer term to 2018/19 and secure financial resilience and sustainability. This timeframe is considered the maximum period whereby reasonable forecasts can be made.

63. Options that will be considered over the next three year MTFS period are:

- Income generation schemes as a continuation of the projects implemented to date.
- Management of the Business Rates tax base to maximise the income opportunities of the developing new BRR regime.
- Increases in Council Tax are also an option available to Councils to close funding gaps.
- 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

64. The revolutionary changes transforming all core funding to 100% local taxation can be supported by an approach that seeks to maximise the financial benefits of local tax base growth. This will include the targeted growth of the Business Rates tax base that will be designed to compliment the funding criteria that will be determined in the Central Government budget consultation exercise.

65. Additional income has been realised with the acquisition of Market Walk in the Town Centre planned to be increased by its extension. 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 of RSG and also reduces the Council's reliance on external funding. The strategy will be to continue to proactively seek to invest in activity that replicates the success of this investment. This will achieve further income that will underpin and support the core funding of the Council going forward which is transforming to 100% local taxation.

66. 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.

67. 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.

Increase	**2017/18**	**2018/17**	**2019/20**
%	**£**	**£**	**£**
0.5	31,300	62,900	94,900
1.0	62,300	126,200	191,200
1.5	93,600	189,500	287,800
2.0	124,900	253,500	385,900

68. 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 £386,000 can be raised. As Council Tax forms a greater proportion of overall income financial impact becomes more significant.

69. The sum of £125,000 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 2017/18 Band D tax base this amounts to approximately £3.55 per household or 7 pence per week in 2017/18 (based on Council Tax Base). This increase facilitates a significant cumulative sum, therefore, small sustainable council tax increases can generate significant levels if income that can be used to bridge the budget gap. As a balanced budget position has been achieved for 2016/17, however, it is proposed that the benefit of this achievement is passed onto Council tax payers and therefore Council Tax is frozen in 2016/17 at its current level.

70. 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 public 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.

71. The revenue budget contains costs associated with servicing debt. Debt will have been incurred appropriately in previous years to fund Capital Projects. As time moves on changing circumstances can present new opportunities to achieve lower cost options by proactively restructuring debt repayment plans.

OTHER RELEVANT ISSUES – Capital Programme 2016/17

72. 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. Therefore the proposed Capital Programme and financing is attached in Appendix Two 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

73. Consultation on the proposed budget for 2016/17 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

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

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

COMMENTS OF THE STATUTORY FINANCE OFFICER

75. 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 2016/17 Budget. It should be noted that the report does contain a number of assumptions on some future budget elements and also what the final out-turn position will be for 2015/16. Should any of these change due to unforeseen circumstances arising before 31st March 2016, this will be reviewed and reported.

COMMENTS OF THE MONITORING OFFICER

76. 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
James Thomson Rebecca Huddleston	5025 5779	23/12/15	