

Report of	Meeting	Date
Chief Finance Officer (Introduced by the Executive Member for Resources)	Special Council	28 February 2017

## **GENERAL FUND REVENUE AND CAPITAL BUDGET AND COUNCIL TAX 2017/18**

### **PURPOSE OF REPORT**

1. To seek approval of the Executive's budget proposal

### **RECOMMENDATION(S)**

2. The Executive recommends that Council:
  - a) Approves the budget and proposals set out in this report including:
    1. Council Tax set out in the resolutions (at Appendix A1)
    2. The Council's Pay Policy (at Appendix A2) and publication on the Council's website from April 2017.
  - b) Note the Council's cumulative budget deficit & budget strategy 2017-18 to 2019-20 (Appendix B)
  - c) Approve the capital programme for 2017/18 and note the indicative programme for 2018/19 to 2019/20 (Appendices C1, C2 & C3)
  - d) Approve the Treasury Management Strategy (Appendix D) including advice from Treasury Management Consultants (Appendix D1)
  - e) Note the advice of the Statutory Finance Officer in relation to the robustness of the budget and the risks contained within it as set out in the Statutory Report (Appendix E).
  - f) Approve the Council's Medium Term Financial Strategy (MTFS) (Appendix F)
  - g) Note significant budget movements from the 2016/17 Budget (at Appendix G)
  - h) Note Special Expenses and Parish Precepts (at Appendix H)
  - i) Note the Budget Consultation 2017/18 Report (at Appendix I) and the amendments to the household waste collection service following feedback from the budget consultation and wider feedback, these include:
    - a) reducing the impact that the changes have on low income households by

offering, on request, free home compost bins for those entitled to passported benefits

- b) offering the choice, on request, of a smaller 140 litre grey garden waste bin where in special circumstances the standard 240 litre bin would be unsuitable
- j) Note the Assessing the Impact of Budget Proposals 2017/18 Report (at Appendix J).
- k) Note the integrated impact assessment relating to the changes to the household waste collection (at Appendix K) and note the amendment to the household waste proposals included in this report namely:
  - a) reducing the impact that the changes have on low income households by offering, on request, free reconditioned replacement waste bins (if available) for those entitled to passported benefits

## EXECUTIVE SUMMARY OF REPORT

3. The Council has experienced significant reductions in funding since 2010/11. The Draft Local Government Finance Settlement 2017/18 to 2020/21 published on 15 December 2016 announced further large scale reductions in the Council's resources. Funding received through the finance settlement will fall from £5.7m in 2016/17 to £4.2m in 2019/20. This excludes the huge reductions in New Homes Bonus grant that will fall by approximately £1.6m per year from 18/19 onwards. In addition, as Lancashire County Council (LCC) also faces significant funding cuts, Chorley Council will experience reductions of approximately £1m in LCC support from 2018/19 onwards.
4. Despite this unprecedented decline in funding the Council has maintained effective budgetary planning and continues to deliver efficiency savings. However the Council recognises that it must **make decisions early on in the budget planning period to prepare itself for the large reduction in funding expected in 2018/19 onwards**. In order for the Council to continue to deliver services and investment it must look to generate additional resources through the introduction of a subscription based garden waste collection service and charging for replacement bins. In addition, the large reduction in funding from Central Government is predicated on the assumption that all Councils will increase Council Tax by at least 2%. For the first time in seven years, the Council will look to increase Council Tax to offset this ongoing reduction in Central Government support.
5. The budget is set to ensure the objectives of the Council's Corporate Strategy priorities are met. The strategy is focussed on the delivery of large scale capital projects as well as alternative models of service delivery. By making policy decisions early on the Council is resourced to deliver the Corporate Strategy priorities and commit to recurrent investments such as the events programme, investing in neighbourhood projects, grants for the improvements of retail facilities and continuing to provide a PCSO presence in the borough.

6. The Executive presents a budget that:-

- **Mitigates the reduction in Central Government grant and introduction of a reverse tariff, by increasing Council Tax by 2% in 2017/18 and including a 2% increase in Council Tax in 2018/19 and 2019/20 as part of the medium term budget strategy.**
- **Protects the impact on front line services that the reduction in LCC funding will have by introducing a subscription based garden waste collection service and charging for replacement bins**
- **Delivers budget efficiency savings and increased income of £0.416m in 2017/18 onwards**
- **Continues to deliver investment in strategic priorities including £0.652m in 2017/18 and £0.468m in 2018/19 onwards**
- **Seeks to bridge the forecasted budget gap, in particular through shared services and investing in projects that generate net income streams for the Council.**
- **Is consistent with the Medium Term Financial Strategy.**
- **Minimises the revenue impact of the Council's borrowing commitment to fund the capital programme.**
- **Enhance the financial resilience of the Council's budget by increasing the level of working balances from £3.0m to £4.0m by the end of 2018/19.**

<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)**

7. To ensure the Council complies with the requirement to set the budget for 2017/18

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

8. None

## CORPORATE PRIORITIES

9. 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

## BACKGROUND

10. The Executive published the 2017/18 Draft Budget and Summary Budget Position over the Medium Term at Executive Cabinet on 19 January 2017. The report set out the Executive's intention for spending and investment in the borough for the forthcoming financial year 2017/18. These papers expand upon that report and set out in more detail for Council the Executive's budget proposals in 2017/18.

## BUDGET CONSULTATION RESULTS

11. Consultation on the 2017/18 budget ran from the 20 January to the 10 February 2017. The consultation was publicised through a structured digital campaign including 18,689 emails delivered to residents signing up to receive communications via the MyChorley account feature on the council website, as well as social media, traditional media and awareness raising through local networks including In The Boro, the VCFS Network and equality forum.
12. The formal consultation received 540 qualitative responses through an open ended question format which enabled individuals to give their views and opinions on the proposals, as part of more meaningful engagement. This is a significant increase in the level of feedback compared to last year's survey where only 243 respondents offered additional views or comments. Posts to Facebook received a total 24,813 views and 85 comments reaching a wide representation of the population and generally younger demographic aged 25-34. The feedback and summary analysis of the consultation is shown at Appendix I.
13. The responses have been collated and analysed to identify the main key words or phrases and then grouped together based on whether they indicated a positive or negative response to the proposals. A proportion of the comments offered suggestions for improvement or highlighted concerns, rather than a definable positive or negative view point and these have been grouped together as 'neutral'. It should be noted that responses often included more than one comment or suggestion, covering more than one area. Where this occurred, the main area of comment was selected.

14. The following table shows the distribution of positive, negative and neutral viewpoints.

Positive view of the proposals	<b>43%</b>
Negative view of the proposals	<b>38%</b>
Neutral view point	<b>19%</b>

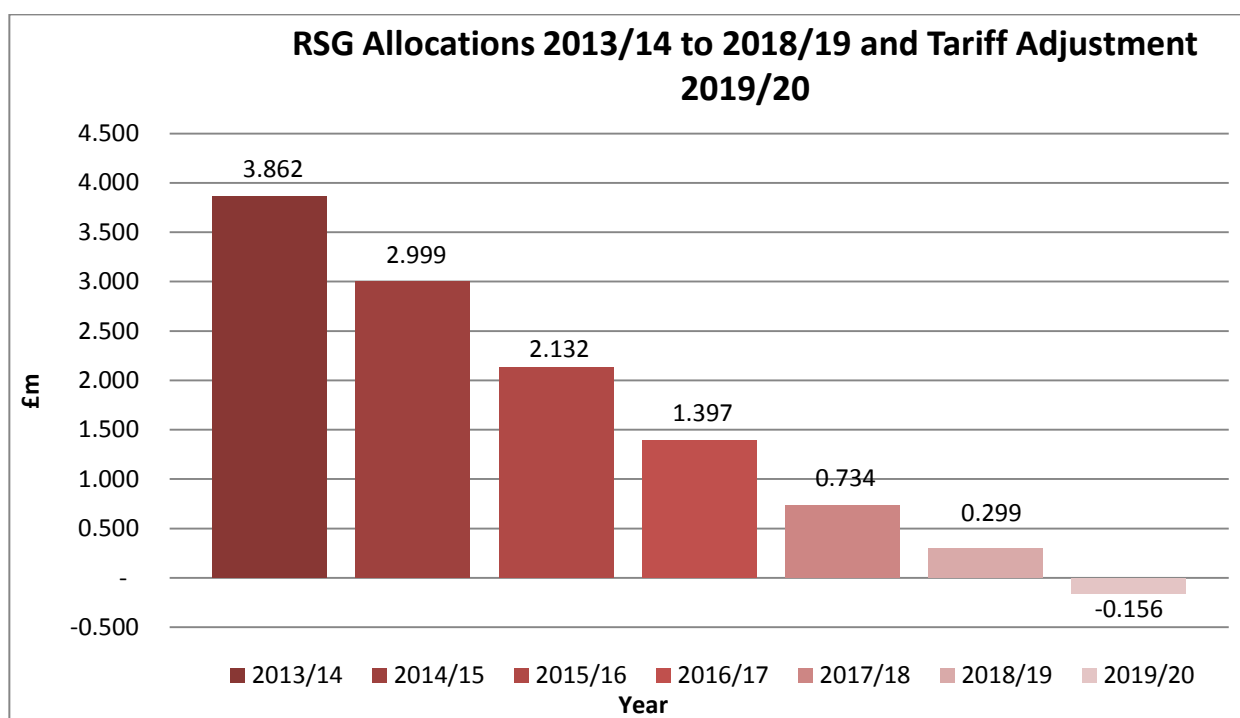
- 15. The majority of positive comments (51%) indicated general acceptance of the proposals, with many stating that they were 'reasonable' and 'fair'. Around 15% of positive responses also made reference to changes to waste collections; 11% of comments highlighted strong satisfaction with the council and its budget strategy; 8% of respondents said they would be prepared to pay more in return for greater level of investment and improvement.
- 16. The majority of negative comments relate to changes to waste collections (41%) and specifically the charge for garden waste collections, agreed by Council prior to consultation on the budget commencing. Other themes included opposition to increase in council tax (28%); concerns around future developments (16%); investment in the wider borough (6%) and impact on personal income (4%).
- 17. The consultation report at Appendix I sets out the planned council activity in response to feedback; this includes changes to the waste collection scheme such as options for smaller bins and composting containers for people on passported benefits.

## THE BUDGET – REDUCTIONS IN FUNDING SOURCES

18. The provisional local government finance settlement 2017 to 2018 was announced on the 15 December 2016. As per previous finance settlements, Chorley Council has and will continue to experience large reductions in its major funding sources. The challenge to meet these reductions has never been as severe as they will be in the coming three years. The effects on the largest funding sources are outlined below. These figures are based upon the allocations outlined in the provisional finance settlement as the confirmation of the final settlement has not yet been received.

### Revenue Support Grant (RSG)

19. The Local Government Finance Settlement 2016/17 offered all Councils a four year Revenue Support Grant (RSG) settlement from 2016/17 to 2019/20. In accordance with Government requirements an Efficiency Plan was agreed at Full Council in September 2016. This document is published on the Council's [website](#) and outlines its approach to meeting the budgetary challenges it faces in the coming years. On 16 November 2016 the Council received confirmation from DCLG on its four year RSG settlement. As such the figures reported below have been included in the Council's forecast budget position.
20. The graph below illustrates the removal of RSG over the coming years and the introduction of a tariff in 2019/20. This reduction in funding is based upon a government comparison of the Council's total level of assumed resources and total assumed level of spending needs. The government funding statement includes the assumption that the Council will increase Council tax by at least 2% every year from 2016/17 onwards.



## New Homes Bonus

21. The allocation of NHB was subject to consultation with the announcement regarding its future not made until the draft finance settlement on 15 December 2016. The allocation has been reduced from 6 to 4 years with a 5<sup>th</sup> transitional year in 2017/18. In addition the allocation in 2017/18 onwards will be reduced using a 'deadweight adjustment'. This assumes that the Council should at least expand the housing base by 0.4% per annum; any growth below this level would not receive funding. For Chorley this is approximately 150 band D equivalents per year. It is possible this deadweight adjustment will be adjusted further in future years. At the current rate this adjustment reduces the NHB allocation to the Council of over £200k per annum.

**Table 1: Cumulative Reductions in Forecast New Homes Bonus 2016/17 to 2019/20**

	16/17 £m	17/18 £m	18/19 £m	19/20 £m
Forecast NHB Allocation – prior to changes	(4.455)	(4.753)	(4.610)	(4.471)
Forecast NHB Allocation – Draft Local Government Finance Settlement 2017	(4.455)	(4.006)	(2.982)	(2.797)
Reduction in Funding	0.000	0.747	1.628	1.674

22. The table above outlines the forecast NHB allocations using figures prior to the changes in funding and the forecast allocations announced in December 2016. When fully implemented the cuts to NHB allocation are in the region of £1.6m a year representing a **10% reduction in total funding available to Chorley Council**.

## Lancashire County Council

23. Lancashire County Council's MTFs identifies a budget shortfall of £262m by 2020/21. It is expected that existing income received by the Council from LCC will be removed in future years. Chorley Council is currently in a 'Cost Share' arrangement with LCC whereby the County pay over to district councils sums via the Lancashire Waste Partnership. This represents compensatory payments for loss of income from when the previous recycling credits system was revised. Due to reductions in funding experienced at LCC, this cost share arrangement will expire in March 2018. If no replacement agreement is available, this income stream will be withdrawn as at that date, this represents a £930k fall in income.
24. In addition LCC will withdraw Supporting People funding from September 2017. This represents a total loss in funding of £138k, £69k in 2017/18 and an additional £69k in 2018/19 onwards, for sheltered housing at Cotswold House in Chorley. The scheme will continue with Chorley Council making up the deficit in funding from mid-2017/18 onwards.

**Table 2: Summary of Year-on-Year Reductions in Major Funding Sources**

<b>Funding Source</b>	<b>17/18 £m</b>	<b>18/19 £m</b>	<b>19/20 £m</b>	<b>Total £m</b>
Reduction in RSG	0.663	0.435	0.455	1.553
Reduction in NHB	0.747	0.881	0.046	1.674
Reduction in LCC Income	0.070	1.003	0.000	1.073
<b>Total Year-on-Year Loss of Funding</b>	<b>1.480</b>	<b>2.319</b>	<b>0.501</b>	<b>4.300</b>

25. The Council faces enormous reductions in its funding. The large reductions summarised above emphasise the size of the task the Council faces to bridge the gap, in particular the Council faces a £2.3m reduction in funding in 2018/19 alone.
26. The budget is based upon the reductions in funding described above and the following key budget assumptions outlined in table 3. These assumptions (for example, the 0% increase in Council Tax) set out the existing position, before the policy decisions outlined in this report are implemented.

**Table 3: Gross Budget Deficit (Existing Position) - Key Budget Assumptions**

<b>Key Assumptions</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Increase in Council tax	0%	0%	0%
Growth in Council Tax Base	2.1%	1.0%	1.0%
Growth in Retained Business Rates	0%	0%	0%
Reduction in Revenue Support Grant	£0.663m	£0.435m	£0.455m
Total Forecast New Homes Bonus	(£4.007m)	(£2.982m)	(£2.798m)
Total Forecast Uncommitted New Homes Bonus Built Into the Base Budget	(£3.106m)	(£2.323m)	(£2.398m)
Net Financing of Market Walk	£0.716m	£0.840m	£0.858m
Future Service Pension Rate	14.4%	14.4%	14.4%
Additional Business Rates - Lancashire Pooling Arrangement	(£0.726m)	(£0.726m)	(£0.726m)
Lancashire Waste Partnership Income	(£0.933m)	0	0
Supporting People Income from LCC	(£0.069m)	0	0
Pension Fund Deficit Recovery	£0.791m	£0.841m	£0.966m
Pay Award	1%	1%	1%
Investment Projects Built into Base Budget	£0.468m	£0.468m	£0.468m



## Other Budget Assumptions

27. As part of a **triennial pension review** the Lancashire County Pension Fund announced an increase in employer pension contributions to meet the future costs of the scheme. The contributions have increased from 11.1% to 14.4% resulting in an increase in Council's contribution of approximately £275k per annum.
28. The budget has been constructed in accordance with the Council's **Pay Policy**. The Localism Act requires that the Pay Policy is approved formally by the Council and published on the web site in April 2017. The updated policy is attached at Appendix A2. The recognised trade unions and national employer organisations are currently negotiating on the 2017/18 pay claim, a 1% increase is assumed in the budget each year for 2017/18 through to 2019/20.
29. The **revaluation of business rates** in 2016 has resulted in an increase in rateable values on average across the country. However Chorley, like most Councils in Northern England, experienced on average a reduction in rateable values. As a result the government has reduced Chorley Council's tariff to create a budget neutral effect of the revaluations. The impact of the changes to tariffs and the new multipliers have been budget neutral for the Council however there remain large risks with regard to **retained business rates**:
  - a) The DCLG consultation regarding the tariff adjustments suggests there will be further adjustments in 2018/19 that may impact positively or negatively on the Council's retained business rates
  - b) The Government has launched its further consultation on the design of the reformed 100% retained business rates system. The consultation proposes a full implementation of the system to begin in 2019/20 with a revised baseline and tariff/top-ups being set every 5 years. The overriding principle of the new system is that the changes will be fiscally neutral. Councils will be expected to continue the delivery of current services or take on additional responsibilities if the reforms were to result in an increase in retained business rates. Transitional arrangements are not finalised, as a result the funding in the period leading up to full implementation, as well the income the Council will retain in 2019/20, is unknown and creates significant uncertainty in the three year budget planning process.
  - c) A large risk associated with business rates income relates to two applications for mandatory charitable relief received from Lancashire Teaching Hospitals NHS Foundation Trust. If successful the application would be backdated to 2010 and therefore have a significant impact on the Council's revenue budget. A headline figure is a potential £1.3m impact on the Council's general fund and an approximate £200k further reduction in ongoing retained business rates.
30. For the reasons highlighted above the Council will assume no growth in its retained business rates budget. Although the Council will continue to focus resources on expanding local businesses, there are still large uncertainties that may erode progress on retained business rates income.
31. The four year settlement and the announcement of the changes to the NHB grant offer the Council some certainty of funding over the coming three years. As a result the

Council is able to build into the base budget **£468k of recurrent investment projects** per year. These are described further in table 9.

## SUMMARY

32. The reductions in funding outlined in Table 2 and the budget assumptions made in Table 3 result in an ongoing cumulative budget deficit in 2017/18 to 2019/20 as described below and detailed further in Appendix B.

**Table 4: Cumulative Gross Budget Deficit**

	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>
Cumulative Gross Budget Deficit	0.629	2.801	3.333

33. The next section of the report outlines how this budget will support the Council's Corporate Strategy priorities. It will then describe what measures the Council has and will introduce to bridge the cumulative budget deficits and create headroom in 2017/18 for further investment in Corporate Strategy priorities.

## SUPPORTING COPORATE STRATEGY PRIORITIES

34. The budget figures summarised in tables 3 & 4 include recurrent annual resources that will deliver the Corporate Strategy priorities through a programme of activities designed to achieve sustainable local growth and reform in the way that the Council delivers services. A list of the projects supporting each priority is shown below along with the resources that will fund them:

**Table 5: Projects to Deliver Corporate Strategy Priorities**

Corporate Strategy Project	Source of funding
Involving residents in improving their local area and equality of access for all	
Progress delivery of the Westway integrated sport facility	Capital Programme
Improve the look and feel of local neighbourhoods across the borough	Base Budget
Develop new ways to deliver services with communities	16/17 Investment Project Funded 16/17 to 18/19
Clean safe and healthy communities	
Deliver the Primrose Gardens Retirement Living	Capital Programme
Deliver the enabling phase of integrated community wellbeing	Base Budget
Deliver a project to get people ready for work	Remaining LCC Transition Fund & External Funding
A strong local economy	
Deliver the Steeley Lane Gateway project	Capital Programme
Deliver economic opportunities at Botany	Base Budget
Deliver street level improvements to the town centre	Capital Programme
Develop activity to promote Chorley as a visitor destination including the Chorley Flower Show	Now included in the Base Budget
Deliver the extension to Market Walk	Capital Programme
An ambitious council that does more to meet the needs of residents and the local area	
Improve access to council services by making services more efficient	Base Budget
Integrate public services through the Chorley Public Service Reform Partnership	Continued Investment & Transformation Challenge Award
Deliver the Chorley Youth Zone	Capital Programme

35. In order to further the delivery of the corporate priorities **£468k of investment funding** is included in the base budget from 2017/18 onwards. This includes £20k towards the Council's employee health scheme. The other investment budgets are outlined below, all these budgets are included in the budget deficit identified in Table 4:

**Table 6: Recurrent Investment Packages in the Base Budget from 2017/18 onwards**

Investment	Description
Police Community Support Officers - £110k	The Council will make a contribution of £110k towards part-funding PCSO posts in the borough, although further discussions and agreements need to be reached with the police and crime commissioner. The Executive Cabinet will be expecting the police to allocate fully funded posts to the borough according to their risk and threat analysis. The £110k contribution will fund PCSOs over and above the risk and threat level.
Retail Improvement Grants - £70k	The retail improvement grants scheme has been successful in regenerating the Council's shopping areas, creating jobs and reducing the number of empty units. A budget of £70k will be built into the base budget to continue these achievements. Due to the high demand from businesses for the grants a review is being undertaken to revise the application criteria. This will maximise the benefit successful applicants receive from the grants whilst ensuring the budget is sufficient to meet demand throughout the year.
Chorley Council Events Programme - £159k	The Council's events programme continues to go from strength-to-strength attracting record numbers of visitors and increased interest from corporate sponsorship. This budget will continue to enable the Council to deliver and improve the events programme while working to reduce the overall net cost.
Neighbourhood Preferred Projects - £50k	Neighbourhood working is a key priority for Chorley Council. Neighbourhood meetings allow neighbourhood groups to identify and agree the preferred projects that are important to the residents of each of the eight neighbourhood areas. The Council will continue to fund the delivery of projects that best meet the needs of its neighbourhoods. Where possible this funding will be used in partnership with external funding from other stakeholders to ensure the best outcomes for the Council's residents are delivered.
Digital Inclusion Officer - £20k	This ongoing budget will deliver support to residents to improve their confidence online.
Chorley Works - £39k	Chorley Works has been successful in delivering a number of employment-related interventions for local residents. These include Confidence Building and Life Skills courses, employability workshops and 1:1 support and organising work trials and work experience placements with local businesses and organisations. In the future, Chorley Works will be working in collaboration with the Chorley Futures ESF project and therefore, is likely to make more of a significant impact on the lives of Chorley residents.

36. In addition to these investments the figures in the Council's base budget deficit illustrated in Table 4 includes the following one off allocations:
- For 2017/18 a one-off allocation of £100k for continued support during the implementation period of LCC's service reductions.
  - Subject to European funding approval the Council will match fund £300k towards the £760k Chorley Futures Project that will identify barriers to training and employment, and plan an individually tailored programme of interventions to move beneficiaries closer to the labour market.
37. The £468k ongoing investment in corporate strategy priorities will be supplemented by an additional **£184k of investment projects for 2017/18**. These investments are made possible through the Council's achievement in bridging the 2017/18 budget deficit and creating sufficient headroom for additional investments. How this has been achieved is outlined in the next section of the report.

## BRIDGING THE BUDGET GAP – WHAT HAS BEEN ACHIEVED & IDENTIFIED

38. A key influencing factor on the forthcoming budget is the effective management of the budget in the preceding financial year. The Council recognised that due to proposed decreases in NHB allocation and the reduction in RSG the Council faced a budget deficit in 2017/18. To bridge this immediate budget gap the Executive Cabinet has achieved and identified proposals for immediate budget savings in preparation for 2017/18.

### SAVINGS ACHIEVED AND SAVINGS TO BE ACHIEVED FOR 2017/18

39. **Budget efficiency savings and increased income of £416k have been achieved and identified** and will be delivered to help reduce the budget deficit in 2017/18. This excludes changes to the waste collection service. The 2017/18 savings are attributable to the following key areas:-
- Review of Contracts (£59k) - The re-procurement of the Council's insurance contract has achieved an annual saving of £59k per annum. Cost efficiencies were achieved by appointing a common insurance broker and undertaking joint procurement exercise with South Ribble Borough Council.
  - Review of Income Streams (£50k) - The continued success of the Chorley's Market Walk Shopping Centre has led to full occupancy of its units in 2017/18. As a result an additional £50k has been built into the Council's income budget in 2017/18 onwards.
  - Base Budget Review (£100k) – The management accounts team in conjunction with service managers have agreed £100k of budgets that are underutilised or no longer required moving forward.
  - A review of the Management Structure (£67k) – A review of the management structure was undertaken and reported to Council in January 2016 to create a structure that enables implementation of the future governance models and public

service reform. Savings are profiled as follows: £229k (2016/17); £295k (2017/18) and £347k (2018/19).

- Productivity gains (£140k) - there are changes that need to be made to some staffing structures to ensure that the Council's organisation remains fit for purpose and able to deliver the Council's priorities. Therefore, prior to the start of the 2017/18 financial year, work is being undertaken that will result in changes to structures that are forecast to result in cumulative savings of approximately £140k in 2017/18 and £163k 2018/19 onwards. It should be noted that these savings will be generated through the deletion of vacant posts and therefore should not lead to a reduction in service delivery.

## USE OF THE LCC TRANSITION FUND

40. In 2016/17 it was agreed to create a £1.0m transition fund to support the implementation period of LCC's service reductions to address its own budget deficit position. To meet the challenges faced in 2017/18 the Council has reviewed the committed expenditure against this provision. To date the fund has been used to:
- enable the continued 6/6a & 109a/24a bus services until March 2017
  - enable continued library provision in Adlington, Coppull and Eccleston until March 2018
  - fund the Council's £300k match funding towards the £760k European funded Chorley Futures Project. This will provide employment support to a target cohort who should previously have been potentially able to access support through the County Council.
41. It is proposed that a further £100k is left in the reserve in 2017/18 for potential future commitments that address LCC reductions in service provision.
42. After taking into account these commitments **the remaining balance on the fund is £285k**. This budget proposal will set aside this balance to cover the remaining 2017/18 budget deficit and create some headroom for additional investment and increases in earmarked reserves, outlined later on this report.

## RESHAPING THE WASTE COLLECTION SERVICE

43. From April 2018 the Council will no longer receive waste cost share funding from LCC, currently £930k per year. Changes to the waste collection service were agreed at Full Council in January 2017. The changes are:
1. a charge for all new and replacement wheeled bins is introduced in April 2017
  2. a subscription based garden waste collection service is introduced in May 2017
  3. co-mingled paper and card collections is introduced in May 2017 with collection every four weeks resulting in a potential saving in the current waste and recycling contract

### *Responding to Feedback and Impact Assessments*

44. It is proposed that amendments to the household waste collection service are actioned. This follows feedback received from the Budget Consultation Report (Appendix I), as well as wider feedback, and the actions taken identified following the Integrated Impact Assessment of the Household Waste Collection Service (Appendix J).

45. The household waste collection service will now:
- offer, on request, free home compost bins for those entitled to passported benefits
  - offer the choice, on request, of a smaller 140 litre grey garden waste bin where in special circumstances the standard 240 litre bin would be unsuitable
  - offer, on request, free reconditioned replacement waste bins for households (if available) for those entitled to passported benefits
46. In addition, the Council will continue to commit resources to develop and implement a communications and engagement plan that will inform residents of proposals and changes and collate feedback on the scheme.

**Table 7: Forecast Savings and Income from changes to Waste Collection Service**

	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>
Charge for Replacement Bins	(0.060)	(0.070)	(0.070)
Introducing a Subscription Based Garden Waste Collection Service	(0.215)	(0.400)	(0.400)
Changes to Frequency of Collection	(0.310)	(0.310)	(0.310)
<b>Total Savings and Income</b>	<b>(0.585)</b>	<b>(0.780)</b>	<b>(0.780)</b>

47. The additional net income and savings that are forecast to be generated from these schemes are £585k in 2017/18 and £780k from 2018/19 onwards. The savings are lower in the 2017/18 due to costs of implementation. The net income from introducing subscription based garden waste collection includes the annual cost of running the scheme and the annual cost of financing the purchase of bins. The recent amendments to the scheme do not influence the savings and income outlined in table 7. Although these changes go some way to address the reduction in support from LCC it is clear the Council must find additional means to address this loss of income.

## **INCREASE IN COUNCIL TAX**

48. The Executive is proposing a 2% increase in council tax in 2017/18 and including a 2% increase in council tax in 2018/19 and 2019/20 as part of the medium term budget strategy. 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 corporate priorities.
49. Importantly, the reductions in Central Government funding announced in the Draft Local Government Finance Settlement 2016 were made with the assumption that not only would Councils expand the council tax base by building more homes but in addition, Councils would reduce the impact of grant reductions by increasing council tax by at least 2% year-on-year. The funding mechanisms from central government will effectively penalise councils for not increasing council tax by at least 2%. Increasing council tax has a significant and cumulative effect on increasing Council's resources. This will be required when central government remove RSG in 19/20 and replace it with an additional business rates tariff.

50. In addition, through freezing or reducing council tax over the past 7 years, Chorley Council has one of the lowest precepts (excluding Parish precepts) in Lancashire

District Council	2015/16	2016/17	Increase 2016/17
Chorley	177.41	177.41	0.00%

Pendle	240.38	245.16	1.99%
Preston	285.06	290.73	1.99%
South Ribble	208.38	208.38	0.00%
West Lancashire	183.55	186.76	1.75%
Wyre	180.16	183.31	1.75%

## SUMMARY OF SAVINGS AND ADDITIONAL INCOME

51. Table 8 illustrates that through savings achieved to date and identified for 2017/18, the use of the unutilised LCC transition reserve, reshaping the waste collection service and increasing council tax the Council is able to generate £1.4m of additional resources for 2017/18. This has allowed the Council to set a balanced budget in 2017/18 with additional available resources. **The budget deficits in 2018/19 and 2019/20 are forecasts**, in particular they are modelled on a medium term strategy option to increase council tax by 2% in 2018/19 & 2019/20.

**Table 8: Meeting the Budget Deficit**

	2017/18 £m	2018/19 £m	2019/20 £m
<b>Cumulative Gross Budget Deficit</b>	<b>0.629</b>	<b>2.801</b>	<b>3.333</b>
Savings Achieved	(0.276)	(0.327)	(0.327)
Productivity Savings to be Achieved in 2017/18	(0.140)	(0.163)	(0.163)
Use of LCC Transition Fund	(0.285)		
Increase Council Tax by 2%	(0.127)	(0.260)	(0.398)
Reshaping the Waste Collection Service	(0.585)	(0.780)	(0.780)
<b>Adjusted Forecast Budget Deficit/(Available Resources)</b>	<b>(0.784)</b>	<b>1.270</b>	<b>1.665</b>

52. The next section of this report outlines why it has been necessary to generate £784k of available resources the budget for 2017/18 including the need to continue to invest in the Corporate Strategy priorities and to create reserves to ensure the continued financial resilience of the Council.



## UTILISING RESOURCES AVAILABLE IN 2017/18

### ADDITIONAL INVESTMENT IN CORPORATE STRATEGY PRIORITIES

53. As well as the £468k of investment funding built into the base budget identified in Table 6, the Council has identified a one-off provision to fund projects that will further deliver the Council's corporate strategy priorities in the next financial year. A **£184k investment project fund** will be created for 2017/18 to fund the following priorities:

**Table 9: Additional One-Off Investment in Corporate Strategy Priorities 2017/18**

Investment Package	2017/18 £	Description
VCFS Network	15,000	Commission a service to provide infrastructure support to the sector
Support to Food Provision Schemes	15,000	Support schemes that are providing assistance to those who are most vulnerable and in need of food parcels, nutritious meals and related assistance
Public Service Reform	15,000	Deliver work to transform the way public services are delivered locally and to explore public service integration
16/17 Young Person's Drop In Centre	15,000	Provide a service for 16/17 year olds at risk of becoming homeless with the aim of preventing homelessness and keeping young people at home through support and mediation services
Free Swimming	7,000	Offer free swimming for under 16s during summer school holiday
North West in Bloom	20,000	This project will build on previous successes in the North West in Bloom competition, working with the 'Chorley in Bloom' charity group, schools, local communities, friends groups and others to prepare Chorley for 2016 competition
Business Support and Inward Investment Grants	82,000	This fund will encourage the growth of businesses in Chorley Borough and is in addition to the £70k built into the base budget for retail improvements
Deliver the Skills Framework	15,000	This project will carry out the action plan to respond to the supply and demand issues, opportunities and challenges identified in the recently commissioned Chorley Skills framework.
<b>TOTAL</b>	<b>184,000</b>	

## INCREASE IN EARMARKED RESERVES FOR 2017/18

54. This report has outlined that there are large forecast budget deficits that will need to be addressed during the medium term planning period. In order to meet these deficits the Council must be resourced correctly to allow it to reform and restructure in the best way possible to continue to deliver services in a more innovative and efficient manner. Significant upfront costs are likely to be incurred in order for the Council to successfully implement the necessary strategies. As such it is proposed that reserves are created to meet these future costs.
55. The budget paper proposes that the **change management reserve is increased to £200k** in 2017/18. This reserve has been fully utilised in 2016/17 for costs relating to restructures undertaken during that period. Further staffing changes will take place as part of the transformation and shared services strategies and so this reserve will need to be resourced correctly for the Council to fund these changes.
56. As part of the 2016/17 budget setting process the Council set aside £600k in a reserve to fund investment in income generating schemes that would create net income for the Council in order to bridge its budget deficit. To date £220k has been committed against this budget for the preliminary costs of bringing the Digital Office Park to the planning stage and for procurement support. In order to deliver future reductions in net expenditure it is important for the Council to continue to set aside resources to enable investments that will generate future income streams.
57. In particular the agreed acquisition of HCA employment land as part of a £2.9m land swap will mean Chorley Council acquire 33.7 acres of land, the majority identified for development for employment purposes. As a result of these large investments **it is proposed that the Council set aside £300k of reserves in 2017/18 to realise the income generating potential from these employment sites.** This will result in the reserve being brought back to over £600k in 2017/18.
58. Finally, it is expected that the Council will incur one off expenditure in 2017/18 relating to the maintenance of its assets. This will include works to Council offices that will prepare for changes implemented through the Transformation Strategy. These works will be in addition to the Council's annual maintenance budget and so **it is proposed that in 2017/18 £100k is set-aside for these works.**

**Table 10: Cumulative Budget Deficit after Proposed Transfers to Reserves**

	2017/18 £m
<b>Adjusted Budget Deficit/(Available Resources)</b>	<b>(0.784)</b>
Creation of an Investment Project Fund	0.184
Increase in Change Management Reserve	0.200
Increase in Income Generating Investment Fund	0.300
Increase in Maintenance Reserve	0.100
<b>Adjusted Budget Deficit/(Available Resources)</b>	<b>0.000</b>

## GENERAL BALANCES

59. As per the 2016/17 MTFS the Council will set aside £4m of general fund reserves to enable the Council to manage the peaks and troughs in expenditure and income it may experience throughout the MTFS period. Through setting the budget and utilising underspends in 2016/17 the Council is on track to meet its MTFS target of £4m general balances by 2018/19 as reported to Executive Cabinet on 16 February 2017.
60. The Council recognises that use of the general reserve may be required during the MTFS period. The transition to the new 2019/20 100% business rates retention regime may require the use of the balances to meet transitional budget changes. In addition, the profiling of income generating projects may result in net income not being realised until later in the MTFS period.
61. As outlined in this report there is a £1.3m risk to general balances associated with two applications for mandatory charitable relief received from Lancashire Teaching Hospitals NHS Foundation Trust.

## THE BUDGET – HOW THE FINANCIAL CHALLENGE WILL BE MET

62. The MTFS (Appendix F) describe in the more detail the strategies that the Council will pursue to meet the budget deficit throughout the MTFS period. To achieve a sufficient reduction in net expenditure in these years the Council's Strategy will be:

- 1. To realise savings through the procurement of its contracts**
- 2. To identify the efficiencies through shared services and alternative delivery models that will enable the Council to balance the budget whilst seeking to minimise the impact on front line service users**
- 3. To make the Council more financially self-sufficient with specific emphasis on creating investment that generates income. This includes identifying future uncommitted resources and commits the balances to support income generating schemes.**

63. As detailed in Table 11 and discussed further in the MTFS, the strategies put forward will look to bridge the budget deficit in 2018/19 and 2019.

**Table 11: Estimated Medium Term Financial Strategy Cumulative Budget Deficit and Cumulative Savings**

	<b>2018/19 £m</b>	<b>2019/20 £m</b>
<b>Forecast Budget Deficit</b>	<b>1.270</b>	<b>1.665</b>
Renegotiate Contracts	(0.070)	(0.315)
Transformation – Productivity Gains	(0.300)	(0.400)
Transformation – Shared Service	(0.600)	(0.650)
Transformation - Income Generation	(0.300)	(0.300)
<b>Adjusted Medium Term Budget Deficit</b>	<b>0.000</b>	<b>0.000</b>

**CAPITAL PROGRAMME 2017/18 to 2019/20**

64. The capital programme is set out in detail in appendix C1 covering existing and new proposed capital schemes to support the Council and the delivery of the Corporate Strategy priorities. Appendix C2 gives details of the capital programme’s planned financing arrangements.
65. The estimates used to produce the new three year capital programme rely on the most up to date forecasted outturn for 2016/17. This budget is based on the three year capital forecast included in the quarter three Revenue and Capital Monitoring Report presented to Executive Cabinet on 16<sup>th</sup> February 2017. As such the details of the projects within the programme will not be repeated in this report however three further additions to the capital programme are being put forward as part of this budget strategy. In addition it is proposed that the Chorley East Health Centre is deleted from the programme.

*Additions to Capital Programme*

66. The **Council’s IT** hardware and some software systems require major investments to bring them to a standard to allow the Council to effectively implement the Customer & Digital Strategy as part of the wider Transformation Strategy. This includes enabling shared services, empowering Council employees to work smarter and develop shared approach to community action and co-production. Specifically the budget will fund the replacement of network, computer and storage hardware that is currently unsupported to government standards in the next one to three years. It will also fund a desktop refresh, integrated voice and mobile platform, replacement corporate WiFi and new city WiFi and improve business continuity and disaster recovery arrangements. **The estimated costs of works are £750k with a £275k contribution from ICT revenue reserves accumulated in prior years.**
67. As outlined in the report the **Council owned assets** will require investment to allow the Council to implement its Transformation Strategy, this could include the upfront costs

associated with co-location for shared services or to enhance the Council's portfolio of income generating assets. As part of the developments the Council will receive an income source from partner organisations such as LCFT via contributions for the cost of occupying and maintaining the shared facilities. In addition the Council is currently assessing the scale of works required to its reservoirs so as it remains compliant with the Reservoirs Act 1975 and the anticipated changes to the act. It is proposed **that an additional £100k is set aside in 17/18, 18/19 and 19/20** to fund these likely requirements for capital improvements.

68. The original budget for the Steeley Lane Gateway Improvement Project was £200k of which £180k has been committed to survey works and works to Theatre Walk, Bus Station Crossing and Eastway-Steeley Lane. The total budget required to complete all the works relating to this project was £300k including further works to the Subway and Pedestrian routes. The original proposals assumed a contribution from Network Rail would be made towards these later improvements in conjunction with their station works and, although the Council has pursued this funding it has not materialised. In addition the original costing based on 2013 prices must now be inflated for 2017/18 delivery. As a result this budget proposes an increase in the Steeley Lane Gateway budget of £160k to deliver all the works relating to this project.
69. The Council will identify the most appropriate method of financing these three growth items as to minimise the impact on the revenue budget. It is currently assumed the ICT investment will be funded through reserves and capital receipts. The remaining additional capital budget investment is forecast to be funded through prudential borrowing however it is envisaged that some of the rental income received from partner organisations occupying Council buildings will be set aside to finance some of this capital expenditure.

*Deletions to Capital Programme*

70. Due to long standing issues regarding access to NHS England funding via the Clinical Commissioning Group, the Chorley East Health Centre has not been identified as a priority project for delivery as part of the 2016 Corporate Strategy November 2016. As such it is proposed that this project is removed from the capital programme with the expectation that it may be replaced in the future with another health centre related scheme.
71. The proposals contained in the quarter three revenue and capital monitoring and the additions/deletions outlined in this report would create a capital programme as follows:-

	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Capital Expenditure	24.648	8.965	0.800	<b>34.413</b>

72. Capital financing for the period 2017/18 to 2019/20 is set out in Appendix C2 and summarised below in Table 12.

**Table 12: Capital Programme Financing 2017/18 to 2019/20**

Assumption	2017/18	2018/19	2019/20	Total	Note
	£m	£m	£m	£m	
Prudential Borrowing	0.625	0.260	0.100	<b>0.985</b>	(a)
Prudential Borrowing forecast to be cost neutral to the revenue budget	9.133	6.061		<b>15.194</b>	(b)
Reserves	1.916			<b>1.916</b>	
Developer & Other Contributions	5.013			<b>5.013</b>	(c)
CIL	1.300			<b>1.300</b>	(d)
Capital Receipts	1.215			<b>1.215</b>	
New Homes Bonus	0.475	0.332	0.330	<b>1.137</b>	(e)
Grants	4.971	2.312	0.370	<b>7.653</b>	(f)
<b>Total</b>	<b>24.648</b>	<b>8.965</b>	<b>0.800</b>	<b>34.413</b>	

- a) These figures include £525k borrowing for the Chorley Youth Zone as well as growth in budget for Steeley Lane and Asset Improvements outlined previously in the report
- b) This borrowing will be revenue neutral to the Council as it either relates to income generating projects that will cover the repayments or it relates to Primrose Garden Retirement Living in which borrowing is expected to be replaced by S106 contributions
- c) These relate to £1.3m market walk extension public realm works, £1.5m LCC contributions for Chorley Youth Zone and Primrose Retirement. Other allocations relate to play and open space projects, as these schemes are designed and approved it is expected that further allocations will be drawn down in 2018/19 & 2019/20.
- d) Contribution to market walk extension public realm works
- e) Allocation in 2017/18 includes carry forward from 2016/17 to fund Astley 2020 thereafter £400k is budgeted year on year towards to the capital programme minus the forecast savings from charging for garden receptacles
- f) Includes the HCA grant for Primrose Gardens and ERDF grant for the Digital Office Park. The Disabled Facilities Grant is currently assumed at £370k per year based on the 2015/16 lower allocation. The budget will be increased in-year if confirmation is received that the higher allocation received in 2016/17, approximately £600k, will continue.

73. The Council will receive further S106 contributions and allocate them to appropriate projects when they have been received. A summary of S106 funding received and allocated is attached in appendix C3.

## CONCLUSIONS

74. This paper outlines for the Council the Executive's budget proposals for 2017/18 which are:

- **Mitigates the reduction in Central Government grant and introduction of a reverse tariff, by increasing Council Tax by 2% in 2017/18 and including a 2% increase in Council Tax in 2018/19 and 2019/20 as part of the medium term budget strategy.**
- **Protects the impact on front line services that the reduction in LCC funding will have by introducing a subscription based garden waste collection service and charging for replacement bins**
- **Budget efficiency savings and increased income of £0.416m have been secured for 2017/18**
- **The successful implementation of the MTFs has allowed the Council to include in the budget £0.652m of revenue investment packages in 2017/18 and £0.468m in 2018/19 onwards**
- **The successful implementation of the MTFs has allowed the Council to create resources to create reserves to enhance the financial resilience of the Council and better enable the implementation of the Transformation Strategy**
- **Investments will be made in key areas to support the new Corporate Strategy:**
  - 1. INVOLVE RESIDENTS IN IMPROVING THEIR LOCAL AREA AND EQUALITY OF ACCESS FOR ALL.**
  - 2. CLEAN, SAFE AND HEALTHY COMMUNITIES.**
  - 3. AN AMBITIOUS COUNCIL THAT DOES MORE TO MEET THE NEEDS OF RESIDENTS AND THE LOCAL AREA.**
  - 4. A STRONG LOCAL ECONOMY.**
- **The MTFs sets out proposals consistent with the funding implications of the government's Spending Review 2016 and the Provisional Local Government Finance Settlement 2017.**
- **The assumptions included in the budget have been assessed in the light of the latest information available at this time. They are also compatible with:**
  - 1. the proposed Pay Policy as set out in Appendix A2.**
  - 2. the proposed Treasury Management Strategy as set out in Appendix D**

75. The MTFs contains the updated budget forecasts to 2019/20 which identifies that further budget savings will be required to bridge the funding gap in future years. The forecasted budget deficit in 2018/19 is estimated to be £1.665m and the MTFs sets out

options that can be considered to bridge this gap. Therefore the MTFS provides a plan to deliver a balanced budget over the longer term in Appendix F.

76. The Council will need to continue working extremely hard, be innovative and creative to continue to make efficiencies and at the same time minimise the impact on services. There are still factors that may affect the current forecast financial position namely the scheduled reform in BRR. 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.
77. The contents of this report are supplemented with additional reports, policies and statements to provide further details as referenced below:

Appendix A1	Formal Council Tax Resolution 2017/18
Appendix A2	Pay Policy 2017/18
Appendix B	Cumulative Budget Deficit & Budget Strategy 2017-18 to 2019-20
Appendix C1	Capital Programme 2016/17 to 2019/20
Appendix C2	Capital Programme Financing 2016/17 to 2019/20
Appendix C3	Developers' Contributions
Appendix D	Treasury Management Strategy 2017/18 to 2019/20
Appendix D1	Advice of Treasury Management Consultants
Appendix E	Statutory Financial Officer Report
Appendix F	Medium Term Financial Strategy 2017/18 to 2019/20
Appendix G	Variance Analysis – Movements from 2016/17 Original Estimates
Appendix H	Special Expenses /Parish Precepts 2017/18
Appendix I	Budget Consultation 2017/18
Appendix J	Assessing the Impact of 2017/18 Budget Proposals
Appendix K	Assessing the Impact of the Changes to Household Waste Collection

## IMPLICATIONS OF REPORT

78. 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	X
Legal	X	Integrated Impact Assessment required?	X
No significant implications in this area		Policy and Communications	X



## COMMENTS OF THE STATUTORY FINANCE OFFICER

79. The financial implications of the above report are detailed in the report and furthermore in the MTFS 2017/18 to 2019/20 (appendix F) and the Statutory Finance Officer's Report (appendix E).

## COMMENTS OF THE MONITORING OFFICER

80. The budget proposals are in accordance with the requirements of legislation

## COMMENTS OF THE HEAD OF HR AND OD

81. HR will support the implementation of the budget proposals in relation to any changes to staffing resources in line with corporate policy and legislation.

## COMMENTS OF DIRECTOR

82. The potential equality implications of the proposal contained within this report are set out in Appendix J, and should be considered as part of the decision making process. In addition, an integrated impact assessment has been undertaken with regard to the changes in the waste collection service. That is available as an appendix to this report (appendix K).

## GARY HALL CHIEF FINANCE OFFICER

Report Author	Ext	Date	Doc ID
James Thomson	5025	17/02/17	GENERAL FUND REVENUE AND CAPITAL BUDGET AND COUNCIL TAX 2017/18

## Background Papers:

Background Papers			
Document	Date	File	Place of Inspection
2017/18 Draft Budget and Summary Budget Position Over the Medium Term	19/01/2017		<a href="https://democracy.chorley.gov.uk/documents/s71696/Budget%20Report.pdf">https://democracy.chorley.gov.uk/documents/s71696/Budget%20Report.pdf</a>
Efficiency Plan	20/09/2016		<a href="https://democracy.chorley.gov.uk/documents/s68052/Efficiency%20Plan%20Full%20Council%20Report.pdf">https://democracy.chorley.gov.uk/documents/s68052/Efficiency%20Plan%20Full%20Council%20Report.pdf</a>