

Report of	Meeting	Date
Chief Finance Officer (Introduced by the Executive Member for Resources)	Special Council	27 February 2018

GENERAL FUND REVENUE AND CAPITAL BUDGET AND COUNCIL TAX 2018/19

PURPOSE OF REPORT

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

RECOMMENDATION(S)

2. The Executive recommends that Council:
 - a) Approve the budget and proposals set out in this report including:
 - Council Tax set out in the resolutions (at Appendix A)
 - b) Note Special Expenses and Parish Precepts (at Appendix B)
 - c) Approve the Council's Medium Term Financial Strategy (MTFS) (Appendix C)
 - d) Note the Council's cumulative budget deficit & budget strategy 2018-19 to 2020-21 (Appendix D)
 - e) Note significant budget movements from the 2017/18 budget (at Appendix E)
 - f) Note the general fund forecast assumptions (at Appendix F)
 - g) Approve the capital programme for 2018/19 and note the indicative programme to 2020/21 (Appendices G1, G2 & G3)
 - h) Approve the Treasury Management Strategy (Appendix H) and note the advice of the treasury management consultants (Appendix H1)
 - i) Approve the Council's Pay Policy (at Appendix I) and publication on the Council's website from April 2018

- j) 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 J).
- k) Note the Budget Consultation 2018/19 Report (at Appendix K)
- l) Note the Assessing the Impact of Budget Proposals 2018/19 Report (at Appendix L)

EXECUTIVE SUMMARY OF REPORT

3. The Council continues to experience significant reductions in funding and budget cost pressures. The Final Local Government Finance Settlement 2018 published on 6 February 2018 announced no changes to the government's policy of reducing funding to local authorities as a means to help reduce government debt. The Government did announce that district councils can now increase council tax by up to 3% without triggering the need for a referendum. This increase has been granted due to high rates of inflation and the subsequent cost pressures this places on council expenditure budgets. Chorley Council will look to increase Council Tax by 2.99% in 2018/19 to offset this ongoing reduction in Central Government support and high rates of inflation.
4. Despite this unprecedented decline in funding the Council has maintained effective budgetary planning and has delivered efficiency savings of £0.345m for 2018/19. In the medium term the council's future funding levels remain uncertain, this is especially the case in 2020/21 when a new business rates regime is expected to be implemented. As a result, the council will continue to deliver savings and income generation through a combination of measures including; productivity savings, shared services, procurement, and income generation
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 investing in neighbourhood projects, preventing the cancellation of bus routes in the borough and continuing to provide crime reduction and anti-social behaviour services.

6. The Executive presents a budget that:-

- **Mitigates the reduction in Central Government funding by increasing Council Tax by 2.99% in 2018/19 and including a forecast 2.99% increase in Council Tax in 2019/20 and a forecast 2% increase in 2020/21 as part of the medium term budget strategy.**
- **Delivers budget efficiency savings and increased income of £0.345m in 2018/19 onwards**
- **Continues to deliver investment in strategic priorities including £0.897m in 2018/19 and £0.673m in 2019/20 onwards**
- **Seeks to bridge the forecasted budget gap, in particular through the procurement of its contracts, through sharing services with other councils 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.**
- **Safeguards the financial resilience of the Council's budget by maintaining the level of working balances at £4.0m.**

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)

7. To ensure the Council complies with the requirement to set a balanced budget for 2018/19

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	✓	A strong local economy	✓
Clean, safe and healthy communities	✓	An ambitious council that does more to meet the needs of residents and the local area	✓

BACKGROUND

10. The Executive published the 2018/19 Draft Budget and Summary Budget Position over the Medium Term at Executive Cabinet on 18 January 2018. The report set out the Executive's intention for spending and investment in the borough for the forthcoming financial year 2018/19. These papers expand upon that report and set out in more detail for Council the Executive's budget proposals in 2018/19.

BUDGET CONSULTATION RESULTS

11. Consultation on the 2018/19 budget ran from the 19th January to the 9th February 2018. The consultation was publicised through a structured digital campaign including 31,084 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 780 qualitative responses through an open ended question format via an online survey 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 540 respondents responded to the online survey. Posts to Facebook received a total 22,400 views and 292 comments reaching a wide representation of the population. The feedback and summary analysis of the consultation is shown at Appendix K.

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. It should be noted that 6% of responses could not be categorised.

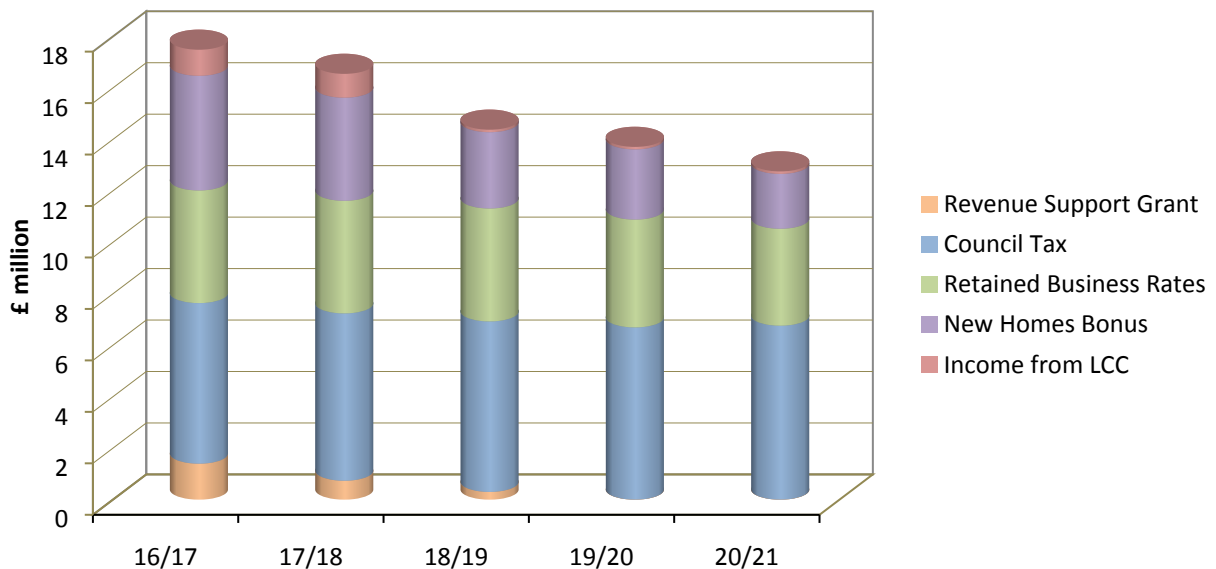
Positive view of the proposals	44%
Negative view of the proposals	36%
Neutral view point	14%

15. The majority of positive comments (47.06%) indicated general acceptance of the proposals, with many stating that they were 'reasonable' and 'fair'. Some positive comments also referenced a positive view of new and current developments. Around (21.80%) welcomed the rise in council tax, and others also accept it if it meant the proposals are met and services are maintained.
16. The majority of negative comments (29.03%) relate to the increase in council tax. Furthermore (14.52%) of respondents have concerns regarding the future of the Market Walk development. There are also a number of respondents who have concerns regarding partner delivered services such as highways (10.89%) and health services, with respondents urging the council to lobby partner services more effectively.
17. The consultation report at Appendix K sets out the planned council activity in response to feedback; this includes the increase to council tax, concerns around future developments, investment in the wider borough and concerns around partner delivered services.

THE BUDGET – REDUCTIONS IN FUNDING SOURCES

18. On 6 February 2018 the Government published the Final Local Government Finance Settlement of 2018/19. The Government will continue with the removal of the Revenue Support Grant (RSG) and include an additional tariff on business rates (negative RSG) in 2019/20. Allocations of New Homes Bonus will be reduced to 4 years in 2018/19 onwards with no allocation received for the first c. 150 homes that are built. The greatest uncertainty comes from the expected changes to business rates retention in 2020/21 and review of the fair funding formula.
19. Chorley Council has experienced, and will continue to experience in the coming 3 years, large reductions in its major funding sources. The reductions in the largest funding sources are outlined in the chart below.

Major Sources of Council Funding



Revenue Support Grant

20. On 16 November 2016 the Council received confirmation from DCLG regarding its four year RSG settlement. 2018/19 will be the final year that the council receives a RSG allocation of £299k after which the council will receive a further reduction of £455k in 2019/20 through a £299k reduction in RSG and an assumed £156k increase in the business rates tariff.

New Homes Bonus

21. The 2016 consultation regarding New Homes Bonus resulted in allocations falling from six years to four years as well as allocations not been received for the first c150 homes built (the deadweight adjustment). The reductions in new homes bonus will continue due to:
- higher than average annual allocations dropping out of the four year funding cycle, such as the £1m 2016/17 allocation dropping out in 2020/21.
 - an assumed slowing down of housing expansion in the borough in the coming years.
22. The final finance settlement announced on 6 February 2018 confirmed that there would be no further changes to the methodology through which new homes bonus is allocated in 2018/19. This provides the council with certainty regarding the 2018/19 allocation however the Ministry of Homes, Communities and Local Government (MHCLG) retains the flexibility to adjust the allocation methodology from 2019/20 onwards.

Lancashire County Council

23. Income from Lancashire County Council will drop significantly in 2018/19 as the £930k income through the Lancashire Waste Partnerships cost share arrangement comes to an end. The introduction of the subscription based garden waste collection scheme in 2017/18 was put in place to mitigate this reduction in income. The remaining funding from LCC in 2018/19 to 2020/21 will be £96k per annum towards the maintenance of highway green space that is managed within current council resources.

Council Tax

24. Chorley Borough has experienced a huge expansion in housing over the past few years. The growth in has resulted in an expansion of the council tax base. Growth in the base, excluding increases in the rate of council tax, are summarised below:

	2015/16	2016/17	2017/18	2018/19	2019/20 Forecast
New Band D equivalent dwellings brought in base	1,259	677	751	680	c.560
Growth (year-on-year)	3.8%	2.0%	2.1%	1.89%	1.50%
Additional council tax income to CBC each year	£223k	£120k	£133k	£123k	£99k

25. Chorley Borough has experienced fast expansion of housing over the past few years, over twice as much as Lancashire on average. Although the expansion results in additional income for the council it is clear from the table above that

the additional income is insufficient to meet the inflationary pressures placed on the Councils budget. In addition the expansion of the council tax base has resulted in a faster reduction in the council's grant funding resulting in 2018/19 being the final year it will receive a RSG allocation.

26. The council expects a slowdown in house building over the coming three years as larger housing development sites are already nearing completion and new sites in which to develop housing become increasingly scarce. However it should be noted that between April 2017 and March 2022 there were 2,700 dwellings that have not yet been built (including those under construction) which have planning permission. A prudent 1.5% expansion of the base is forecast in 2019/20 and 2020/21.

Business Rates

27. The level of business rates income retained by the council remains the largest uncertainty in terms of funding levels over the medium term period. Chorley Council is a tariff authority meaning it pays over an amount to central government rather than receiving a top-up payment. Of the £24.8m Non-Domestic Rating income collected in 2017/18, Chorley Council's local share is 40% (£9.9m). However, this is reduced by payment of the £6.2m tariff to central government leaving £3.6m for Chorley Council. Within this income figure is an element of growth of rates income above the **baseline funding level**. For non-pool authorities, a 50% levy of the growth is payable to central government. In 2017/18 the full levy would have reduced this council's retained rates income to £2.9m, being about 11.8% of total NDR Income. Through membership of the Lancashire Business Rates Pool, 90% of the levy is retained by the council, and 10% paid to the pool rather than central government. This increases retained rates income to £3.6m, which is about 14.7% of total NDR Income in 2017/18.
28. In 2013, Government announced its intention towards 100% localisation of business rates by 2020. In the December 2017 provisional settlement, Government has indicated that business rates might be shared 75:25 starting in 2020/21. It also announced that the increase in local share will be fiscally neutral and will be matched by transfers of Revenue Support Grant, public health grant and other grants. Business Rates localisation does not mean that this Council will get to keep 75% of the £24m that it currently collects from business rates. The council interprets the 75% or 100% localisation to refer to the local authorities' share of the level of growth (or fall) from the baseline that is likely to be reset in 2020/21.
29. No announcement has been made about the tier split that will accompany the increase in local share to 75%. We currently share the 50% in a district council 80:20 County Council split. That the transferred grants will largely be County Council grants possibly indicates that the increase in local share will go to the County in two-tier areas.

30. Unfortunately there is no further clarity on how the reforms to the business rates regime will affect Chorley Council in 18/19 to 20/21. Announcements that have been made regarding business rates are as follows:
- a. From April 2018, CPI will be used to uprate the multiplier for business rates, rather than RPI, bringing forward the change already announced from April 2020;
 - b. The business rates revaluation cycle will switch from five years to three years following the next revaluation. This should mean that, following the planned 2022 revaluation, the next revaluation will be in 2025. Although more regular revaluations should provide a more accurate business rates base, it may also result in increased appeals and an erosion of any growth in the base achieved between revaluations.
31. 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 back dated to 2010 and therefore have a significant impact on the Council's revenue budget. A headline figure is a potential £1.5m impact on the Council's general fund and a further c£200k reduction in ongoing retained business rates. The LGA is representing affected councils nationwide and retain the view that NHS trusts and foundation trusts are not charities and therefore not eligible for mandatory non domestic rate reliefs.
32. For the reasons highlighted above the Council will assume no increase 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. Until further information becomes available, the council will continue to assume it is part of the Lancashire Business Rates Pool in 2019/20 and that it will continue to benefit, albeit by a lesser amount, in 2020/21 from business rates retention.

Pay Award

33. The estimates for 2018/19 are based upon the most recent announcement of actual pay award, future years are based upon the fact that pay increases are on average estimated to be 2% in 2018/19, 2019/20 and 2020/21. Two of the three local government trade unions will reject the 2% pay offer from employers as it is less than the rate of inflation. A final settlement is not likely to be reached until 2018/19 and so any potential shortfall in the budget will be dealt with through the 2018/19 budget monitoring process.

Pension

34. As part of a **triennial pension review** the Lancashire County Pension Fund (LCPF) announced an increase in employer pension contributions for 2017/18 to 2019/20 to meet the future costs of the scheme. The contributions have increased from 11.1% to 14.4% resulting in an increase in the council's contribution of approximately £250k per annum. It is assumed that contributions remain at 14.4% in 2020/21.
35. The pension deficit recovery period is assumed to be made over 19 years however Chief Finance Officer's in Lancashire have raised queries to the LCPF as to whether this should be extended over a longer period as has been experienced in other funds throughout the country. If this is agreed there is the potential for contributions to the pension fund to be lower than currently budgeted in 2020/21.
36. The Council's gross budget deficit in 2018/19 is £0.870m and is summarised in table 1

Table 1: Chorley Council Cumulative Budget Deficit 2017/18 to 2020/21

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Net Expenditure	15.621	15.174	16.172	16.028
<u>Funding</u>				
Council Tax	(6.502)	(6.626)	(6.725)	(6.826)
Business Rates	(4.378)	(4.390)	(4.192)	(3.768)
RSG	(0.734)	(0.299)	-	-
New Homes Bonus	(4.007)	(2.989)	(2.753)	(2.157)
TOTAL FUNDING	(15.621)	(14.304)	(13.670)	(12.751)
Net (Surplus)/Deficit	0	0.870	2.502	3.277

37. All deficits and savings identified in the table 1 and in the remainder of this report are cumulative. For example the deficit of £2.502m in 2019/20 identified above is the result of a £0.870m deficit in 2018/19 and further budget pressures of £1.632m identified for 2019/20.
38. The cumulative budget deficits are based upon the reductions in funding described previously in the report and the key budget assumptions outlined in table 2. It should be noted that some of the assumptions are still potentially subject to change that may impact positively or negatively on the budget.

Table 2: Key Budget Assumptions

Key Assumptions	2018/19	2019/20	2020/21
Increase in Council Tax	0%	0%	0%
Growth in Council Tax Base	1.89%	1.5%	1.5%
Growth in Retained Business Rates	0%	0%	0%
Reduction in Revenue Support Grant or equivalent increase in business rates tariff	£0.435m	£0.299m	-
Total Forecast New Homes Bonus	£2.989m	£2.753m	£2.156m
Use of New Homes bonus to Fund the Capital Programme	(£0.400m)	(£0.400m)	(£0.400m)
Total Forecast New Homes Bonus Built Into the Base Budget	(£2.589m)	(£2.353m)	(£1.756m)
Future Service Pension Rate	14.4%	14.4%	14.4%
Additional Business Rates - Lancashire Pooling Arrangement or equivalent business rates retention regime	(£0.716m)	(£0.560m)	(£0.316m)
Income from LCC	(£0.096m)	(£0.096m)	(£0.096m)
Pension Fund Deficit Recovery	£0.841m	£0.966m	£1.016m
Pay Award	2%	2%	2%

39. A detailed breakdown of the 3 year budget including the gross budget deficit is provided in **Appendix D** of this agenda. Included in this appendix are the revenue budget implications regarding the Council's capital projects, as with other assumptions it should be noted that the profile of expenditure and income is potentially subject to change. Risks surrounding these budget assumptions will be managed through the use of general reserves as outlined at the end of this report. A full description of budget assumptions and risks are provided in **Appendix F** and in **Appendix J** of this agenda.

BRIDGING THE BUDGET GAP

40. A key influencing factor on the 2018/19 budget is the effective management of the budget in the preceding 2017/18 financial year. The Council recognised that reductions in funding and ongoing expenditure budget pressures have resulted in a budget gap of £0.870m in 2018/19. To bridge this immediate budget gap the Executive Cabinet has achieved and identified proposals for immediate budget savings of £0.345m in preparation for 2018/19. This is in addition to a total of £3.229m savings already achieved in prior years, summarised below in table 3.

Table 3: Efficiency Savings and Income 2014/15 to 2018/19

Saving/Increased Income	Achieved 2014/15 £m	Achieved 2015/16 £m	Achieved 2016/17 £m	Achieved 2017/18 £m	2018/19 £m	Total
Productivity Savings	0.367	0.017	0.314	0.207	0.220	1.125
Review of Contracts	0.035	0.200		0.059		0.294
Review of Base Budget	0.094	0.045	0.128	0.100	0.075	0.442
Review of Income Streams	0.442	0.446		0.050	0.050	0.988
Lancashire Business Rates Retention Pooling			0.725			0.725
Saving/Increased Income	0.938	0.708	1.167	0.416	0.345	3.574

Savings Achieved and Savings to be Achieved for 2018/19

41. Budget efficiency savings and increased income totalling £0.345m have been identified to help reduce the budget deficit in 2018/19. This is in addition to a review of reserves and financing that has identified one-off reductions in the budget deficit for 2018/19 of £400k and £150k respectively.
- Base Budget Review (£75k) – The management accounts team in conjunction with service managers have identified £75k of budgets that are underutilised or no longer required moving forward. The larger savings come from underutilised IT equipment and software budgets as well additional external funding for the maintenance of play areas.
 - Review of Fees and Charges (£50k) – a report will be submitted with this Executive Cabinet agenda that recommends increasing some of the Council's fees and charges to bring them in line with the cost of providing the services. This is forecast to generate an additional £50k income in 2018/19 and therefore reduce the subsidy the council tax payer is making towards these services and instead fund other key services.

- Productivity gains (£220k) – a report to Executive Cabinet in December 2017 outlined the proposed changes to be made to the Business, Development and Growth directorate. The changes will allow the directorate to be resourced to deliver its corporate strategy priorities including the delivery of income generation projects, the success of these projects being essential in balancing the budget in the latter stages of the MTFs. In addition, the new structure will deliver £200k efficiency savings and successfully meet the target set as part of the transformation strategy. Over and above this £200k saving, a review of overtime payments across the council will result in a reduction in overtime budgets of £20k.

42. Review of Reserves and Other One Off Savings

- Review and use of unutilised reserves (£400k) – a review of all reserves was undertaken in 2017/18 in order to free up resources to meet the budget deficit in 2018/19. The review has successfully identified £400k of unutilised reserves. This includes £300k of new homes bonus that was set aside to match fund a European funded employment support project. Unfortunately the European funding was not approved and as a result an alternative employment support service will now be delivered using existing council resources.
- Review of net financing (£150k) – a review of the Council’s capital programme has resulted in identifying a reduced need for borrowing in 2018/19. This is the result of the council’s continued access to low interest rate borrowing and a more detailed understanding of the profiling of capital expenditure in the coming 18 months. It is expected this will save £150k in 2018/19 with further potential one-off savings of £100k in 19/20 and 20/21 however this will be reviewed each year.

INCREASE IN COUNCIL TAX

43. The Council is proposing a 2.99% increase in council tax in 2018/19, a forecast increase in 2019/20 of 2.99% and a forecast 2% increase in 2020/21. 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.
44. Importantly, the reductions in Central Government funding announced in the provisional 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%. The funding mechanisms from central government will effectively penalise councils for freezing council tax, through a reverse tariff payment in 2019/20.

45. The final local government finance settlement 2018 recognised the increasing inflationary budget pressures councils are experiencing and as a result announced an uplift in the cap on council tax increases. This now means district councils can increase council tax by up to 3% in 2018/19 and 2019/20 without triggering a referendum. As outlined in this report, whilst the council continues to deliver efficiency savings, it also continues to experience reductions in funding and inflationary budget pressures. To continue to fund investments that deliver corporate strategy priorities the council is proposing to increase council tax by 2.99% in 2018/19 and to model increases of 2.99% in 2019/20 and 2% in 2020/21.
46. In addition, through freezing or reducing council tax in previous years, Chorley Council has one of the lowest precepts (excluding Parish precepts) in Lancashire as per the table below.

District Council	2016/17 £	2017/18 £	Increase 2017/18
Chorley	177.41	180.96	2.00%

Burnley	277.76	283.04	1.90%
Fylde	190.77	195.76	2.62%
Pendle	245.16	250.16	2.04%
Preston	290.73	296.51	1.99%
Ribble Valley	145.69	145.69	0.00%
South Ribble	208.38	208.38	0.00%
West Lancashire	186.76	191.76	2.68%
Wyre	183.31	188.31	2.73%

47. Increases in council tax do have a significant, cumulative and permanent effect on the budget deficit even over a short term period. Cumulative additional income the Council could generate from increases in council tax is shown in Table 4.

Summary of Proposals

48. Table 4 illustrates that through savings achieved to date, additional income identified, a review of net financing, the use of unutilised reserves and increases in council tax the Council is able to set a balanced budget in 2018/19 with some resources available to invest.

Table 4: Cumulative Budget Deficit

	2018/19 £m	2019/20 £m	2020/21 £m
Gross Budget Deficit	0.870	2.502	3.277
Review of Fees and Charges	(0.050)	(0.060)	(0.060)
Base Budget Review	(0.075)	(0.100)	(0.125)
Review and Use of Unutilised Resources	(0.400)	0	0
Review of Net Financing	(0.150)	(0.100)	(0.100)
Productivity Savings Achieved for 2018/19	(0.220)	(0.220)	(0.220)
2.99% Increase Council Tax 2018/19, 2.99% in 2019/20 & 2% in 2020/21	(0.198)	(0.408)	(0.559)
Adjusted Budget Deficit/(Available Resources)	(0.224)	1.614	2.213

49. The next section of the report outlines what the council's investment in corporate strategy priorities will be in 2018/19 onwards, including the use of the £224k available resources in 2018/19.

PLANNING AND DELIVERY OF THE COUNCILS CORPORATE STRATEGY

CORPORATE STRATEGY 2017/18 TO 2018/19

50. Chorley Council corporate strategy 2017/18 to 2018/19 was approved by Full Council on 21 November 2017. The focus of the Corporate Strategy to date has been on delivering schemes and initiatives that achieve visible and tangible outcomes against corporate priorities. All long term outcomes will be retained for 2017/18 to reflect a continued commitment to the priorities under which the administration were elected, ensuring the long term impact of strategic activity and investment. Resident feedback continues to positively reinforce activity towards meeting the priorities which remain critical given the current climate of budget reductions.

51. Table 5 details the year-on-year revenue investments that the Council continues to deliver despite the financial challenges it faces. These deliver services that matter most to our residents including;
 - Crime reduction and social disorder prevention
 - The Chorley Council events programme
 - Funding of neighbourhood preferred projects selected by residents
 - Encouraging digital inclusion
 - Improving enforcement services
 - Delivering more support to the homeless and those at risk of becoming homeless
 - Protecting services put at risk by cuts to funding and budget pressures at Lancashire County Council

52. Further details of the council's investment its Corporate Strategy over the medium term are outlined in appendix C to this report agenda.

Table 5: Recurrent Investments Included in the Base Budget from 2018/19 Onwards

RECURRENT ITEMS	COMMENT	Budget
Crime Reduction and Social Disorder Prevention Fund	The council will commit £110k per annum towards community safety measures to ensure that we continue to deliver against our corporate priority of clean, safe and healthy communities, in light of reduced government funding for the Police and reported increases in crime.	£110,000
Chorley Council Events Programme	The council's programme of award winning events continues to demonstrate significant benefits for the borough, attracting new visitors and raising the profile of Chorley. The budget will enable the continuation of the programme with a focus on those events that deliver the greatest economic impact.	£125,000
Neighbourhood Preferred Projects	Neighbourhood working reflects the councils' commitment to improving local places and spaces, enabling local people to agree the priorities for their area and deliver projects to make improvements. This budget will continue the delivery of neighbourhood working across the eight neighbourhood areas.	£50,000
Digital Inclusion Officer	This ongoing budget will ensure that all residents are able to access high quality public services and take an active part in their community. This budget will support and enable the delivery of the Council's digital strategy including digital inclusion activity.	£20,000
Chorley Works	Access to high quality employment and education opportunities is a priority for the Council. Chorley Works has been successful in delivering a number of employment-related interventions for local residents and going forward will form part of a wider wellbeing support offer for residents, providing help with skills for work and employment opportunities.	£39,000
Employee Health Scheme	Maintaining positive levels of staff wellbeing is important to ensuring a productive and efficient workforce, therefore this budget will continue the current healthcare cash plan scheme or a further year.	£20,000
Enhanced Enforcement Team	The new enforcement team brings together a range of functions including building control, licensing, empty properties, planning enforcement, four neighbourhood officers and 2.4 FTE customer service advisors. The new team will strengthen and improve the council's enforcement services, refocus the work of four neighbourhood officers and demonstrate the council's commitment to taking a more proactive approach to enforcement.	£44,500
Enhanced Homelessness Service	This budget will support the council's response to the requirements of the new Homelessness Reduction Bill by putting in place the necessary resources to fulfil new obligations for homelessness prevention.	£50,000
Refresh of the Local Plan	The council will be refreshing the local plan over the coming 3 years. This provision is put in place to support the refresh process with the majority of the costs, including staffing, assumed to be shared with South Ribble Borough and Preston City Councils. £100k represents Chorley Council's share of the annual ongoing costs.	£100,000
Ongoing fund to maintain services previously delivered by LCC	Chorley Council will continue its commitment to subsidise the running of key bus routes in the borough to mitigate the impact of county wide cuts and ensure that residents can access to the town centre and rural areas.	£115,000
TOTAL RECURRENT INVESTMENTS		£673,500

53. As well as the £673k of investment funding built into the base budget, the Council has identified one-off provisions to fund projects that will further deliver the Council's corporate strategy priorities in the next financial year. A £224k investment project fund will be created for 2018/19 to meet the funding requirements of projects outlined in table 6.

Table 6: Additional One -Off Investments from Available Resources in 2018/19

ONE-OFF INVESTMENTS	COMMENT	18/19 ONLY
Community development and volunteering (SPICE)	This budget will provide a contribution to SPICE for time credits infrastructure which includes access to the national earn and spend programme as well as an IT platform, expertise and evaluation.	£40,000
Support for the third sector	The funding will support the development of the third sector in Chorley to include facilitating communication with the wider network and representing the sector on key groups and bodies.	£15,000
Support to Food Provision Schemes	This budget will provide a contribution to the food bank in Chorley to provide food parcels, nutritious meals and other related assistance to those in most need as part of early intervention.	£15,000
16/17 Young Person's Drop In Centre	The budget will extend the current drop in service for young people at risk of homelessness, providing mediation and support with the aim of keeping young people at home as part of early intervention and prevention.	£15,000
In Bloom	A contribution to the In Bloom initiative to provide enhanced Streetscene provision across Chorley, supporting the work of the Chorley In Bloom group and increasing the attractiveness of the wider borough so that people take pride in their area.	£20,000
Supporting Communities to Access Grant Funding	The budget will pay for access to online grant funding search facilities, Grant Finder and Chorley4Community, to enable local third sector groups and organisations to secure funding as part supporting of a sustainable sector.	£4,500
Disabled and Dementia Online Venue Access Guides	This funding is for online venue access guides currently provided by Disabled Go, supporting and promoting the councils commitment to ensuring accessibility for all residents.	£5,000
Accommodation Finding Service	The accommodation finding service provides additional support for the housing options team in meeting our statutory duties. This budget will extend the current provision for a further year.	£30,000
Mediation Service for Anti-Social Behaviour	The budget will maintain access to third part mediation support for neighbourhood level concerns as part of early intervention and prevention for a further year.	£14,000
Employability Support Programme	Funding for a project to support individuals with multiple barriers to work over and above the current Chorley Works provision, to be delivered through the Early Intervention and Support directorate.	£65,000
TOTAL ONE-OFF EXPENDITURE IN 18/19		£223,500

MEETING THE MEDIUM TERM FINANCIAL CHALLENGE

54. Despite the budget savings identified in this report, as outlined below in Table 7 there remains forecast budget deficits of £1.614m in 2019/20 and £2.213m in 2020/21.

Table 7: Revised Medium Term Deficit

	2018/19 £m	2019/20 £m	2020/21 £m
Adjusted Budget Deficit/(Available Resources)	(0.224)	1.614	2.213
One-off 2018/19 Investment	0.224	0.000	0.000
Adjusted Budget Deficit/(Available Resources)	(0.000)	1.614	2.213

55. To achieve a sufficient reduction in net expenditure the Council's strategy, to be overseen by the council's Transformation Board, 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 the extension to Market Walk and developing council owned affordable housing available to rent.**

56. Further details of these strategies are given in the MTFS which can be found at Appendix C to the agenda of this report. The summary of the savings is given below in Table 8.

Table 8: Estimated Medium Term Financial Strategy Cumulative Budget Deficit and Cumulative Savings

	2019/20 £m	2020/21 £m
Forecast Budget Deficit	1.614	2.213
Renegotiate Contracts	(0.574)	(0.673)
Transformation – Productivity Gains including shared services	(0.790)	(1.040)
Income Generation – Delivering Market Walk Extension	(0.150)	(0.300)
Income Generation – Delivering Council Owned Housing Stock	(0.100)	(0.100)
Income Generation – Developing Council Owned Employment Land	-	(0.100)
Forecast Adjusted Medium Term Budget Deficit	(0.000)	(0.000)

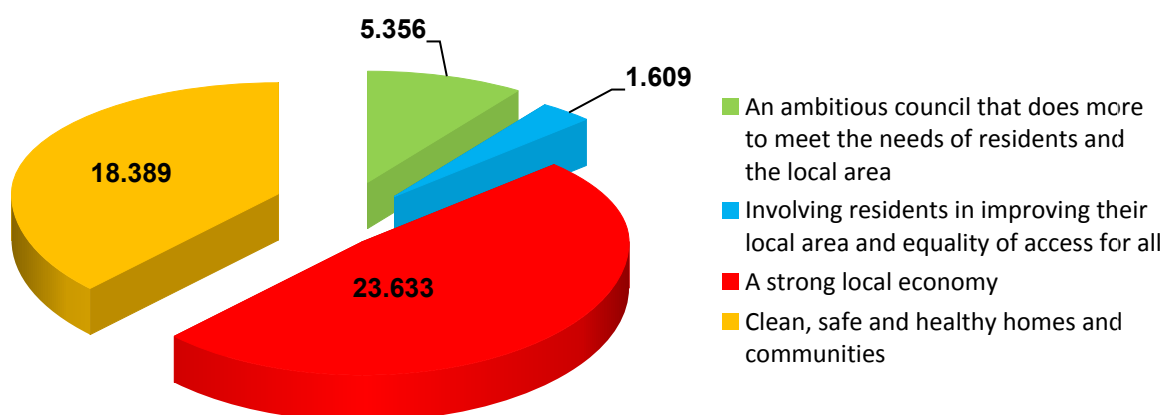
GENERAL FUND BALANCES

57. Through setting this budget and utilising underspends in 2017/18 the council has achieved, a year earlier than budgeted, its MTFS target of having **£4m set aside in general balances**. The forecast general fund balance at 31st March 2018 was reported to Executive Cabinet on 15 February 2018 and is forecast to be £4.008m
58. The council recognises that use of the general reserve may be required during the MTFS period. If, as expected, the new business rate retention scheme is introduced nationally in 2020/21, managing the risks inherent in this volatile funding stream will require a careful stewardship of reserves as a buffer. In addition, the profiling of income generating projects may result in net income not being realised until later in the MTFS period. The budget strategy ensures that the council maintains robust reserves to cater for these uncertainties.
59. As outlined in this report there is a £1.5m risk to general balances associated with two applications for mandatory charitable relief received from Lancashire Teaching Hospitals NHS Foundation Trust.

CAPITAL PROGRAMME 2017/18 to 2020/21

60. Details of the capital programme including new capital investment are outlined in the Appendix G1. The capital programme for 2017/18 to 2020/21 totals £49m and is an indication of how ambitious the Council is in delivering its Corporate Strategy and the priorities within it. A breakdown of the capital programme is detailed below.

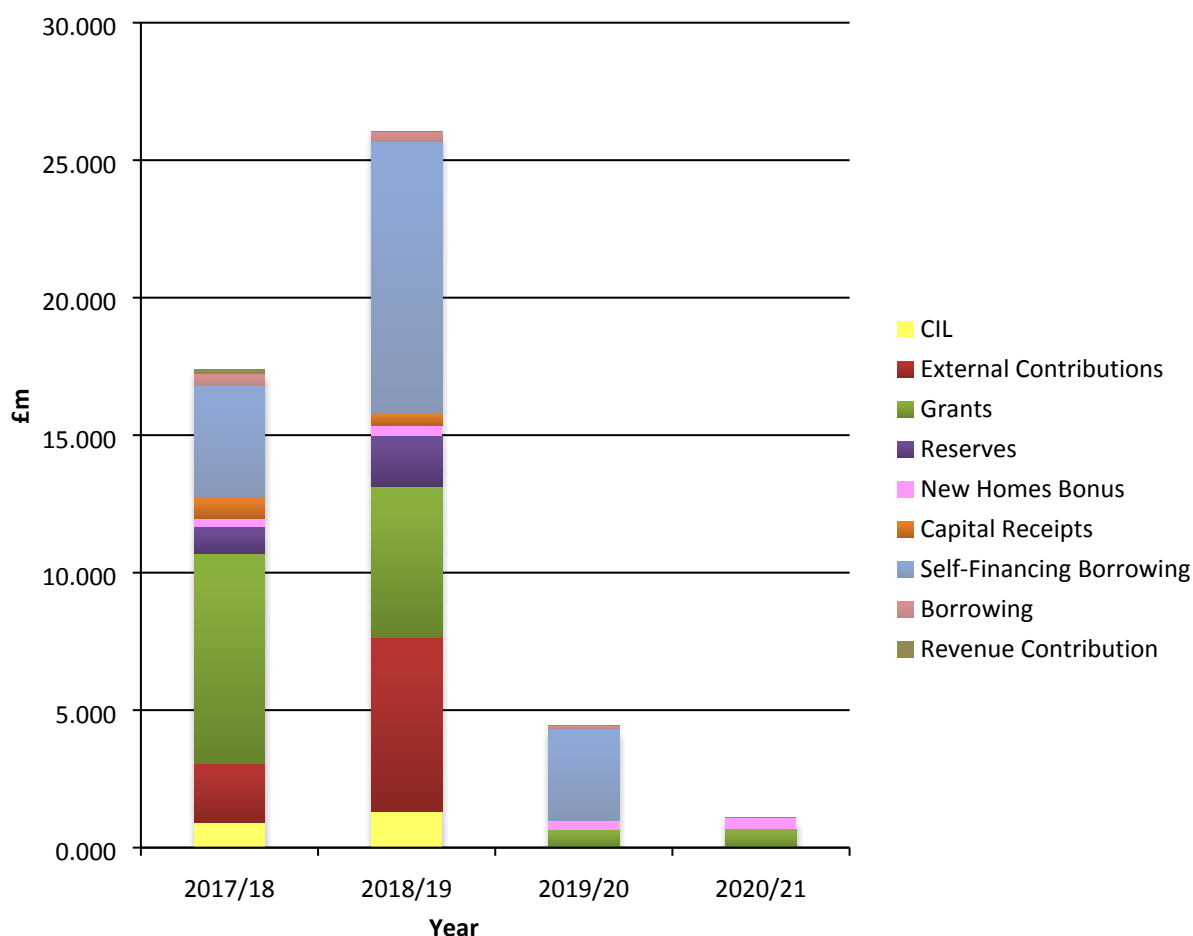
Capital Investment in Chorley Council's Corporate Strategy 2017/18 to 2020/21



CAPITAL FINANCING

61. The financing of the capital programme for the period 2017/18 to 2020/21 is set out in Appendix G2 and summarised in the proceeding chart.

Capital Expenditure & Financing 2017/18 to 2020/21



62. The capital programme includes a number of schemes that will generate revenue that will meet the annual cost of borrowing required to complete the project. These include the three major capital schemes; Market Walk Extension, Digital Office Park and Primrose Retirement Village.
63. The financing chart above demonstrates how successful the council has been in attracting external grant funding to deliver its capital programme. The grants include;
- c. £3.2m and £0.658m from Homes England towards Primrose Gardens and Cotswold House respectively,
 - d. £2.2m from Heritage Lottery Fund towards the restoration of Bank Hall,
 - e. £4.1m of European funding to deliver the Digital Office Park
64. The council will invest over £8m of contributions from developers to regenerate the town centre as well as the borough's play, open space and recreation grounds. A summary of s106 funding received and allocated is attached in appendix G3

CONCLUSIONS

65. This paper outlines for the Council the Executive’s budget proposals for 2018/19 which are:

- **A budget that mitigates against the reduction in Central Government grant and inflationary pressures, by increasing Council Tax by 2.99% in 2018/19 and including a forecast increase of 2.99% in 2019/20 and a forecast increase of 2% in 2020/21 as part of the medium term budget strategy.**
- **A budget that delivers budget efficiency savings and increased income of £0.345m in 2018/19 onwards**
- **The successful implementation of the MTFS has allowed the Council to include in the budget £0.897m of revenue investment packages in 2018/19 and £0.673m in 2019/20 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 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 I.**
 - 2. the proposed Treasury Management Strategy as set out in Appendix H**

66. The MTFS contains the updated budget forecasts to 2020/21 which identifies that further budget savings will be required to bridge the funding gap in future years. The forecasted budget deficit in 2020/21 is estimated to be £2.213m and the MTFS sets out options that can be considered to bridge this gap. Therefore

the MTF5 provides a plan to deliver a balanced budget over the longer term in Appendix C.

67. 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 business rates retention. 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.
68. The contents of this report are supplemented with additional reports, policies and statements to provide further details as referenced below:

Appendix A	Formal Council Tax Resolution 2018/19
Appendix B	Special Expenses & Parish Precepts 2018/19
Appendix C	Delivering Our Priorities - Chorley Council Medium Term Financial Strategy 2018/19 to 2020/21
Appendix D	Cumulative Budget Deficit & Budget Strategy 2018-19 to 2020-21
Appendix E	Variance Analysis – Movements from 2017/18 Original Estimates
Appendix F	Appendix F - General Fund Forecast Assumptions
Appendix G1	Capital Programme 2017/18 to 2020/21
Appendix G2	Capital Programme Financing 2017/18 to 2020/21
Appendix G3	Appendix G3 - Developer's Contributions 2015/16 to 2018/19
Appendix H	Treasury Management Strategy 2018/19 to 2020/21
Appendix H1	Advice of Treasury Management Consultants
Appendix I	Pay Policy 2018/19
Appendix J	Appendix J - Report of the Chief Finance Officer
Appendix K	Budget Consultation 2018/19
Appendix L	Assessing the Impact of 2018/19 Budget Proposals

IMPLICATIONS OF REPORT

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

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

COMMENTS OF THE STATUTORY FINANCE OFFICER

70. The financial implications of the above report are detailed in the report and furthermore in the MTFS 2018/19 to 2020/21 (Appendix C) and the Chief Finance Officer's Report (Appendix J).

COMMENTS OF THE MONITORING OFFICER

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

COMMENTS OF THE HEAD OF HR AND OD

72. 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 OF POLICY & GOVERNANCE

73. The potential equality implications of the proposal contained within this report are set out in Appendix L, and should be considered as part of the decision making process.

GARY HALL
CHIEF FINANCE OFFICER

Report Author	Ext	Date	Doc ID
James Thomson	5025	19/02/18	GENERAL FUND REVENUE AND CAPITAL BUDGET AND COUNCIL TAX 2018/19

Background Papers:

Background Papers			
Document	Date	File	Place of Inspection
2018/19 Draft Budget and Summary Budget Position Over the Medium Term	18/01/18		https://democracy.chorley.gov.uk/documents/s82206/201819%20Draft%20budget%20and%20summary%20budget%20position%20over%20the%20medium%20term.pdf