
Chief Executive's Office

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Date: 30 November 2007

Chief Executive: Donna Hall

Chorley
Council

Town Hall
Market Street
Chorley
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PR7 1DP

Dear Councillor

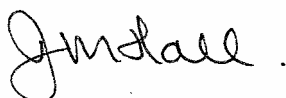
EXECUTIVE CABINET - THURSDAY, 6TH DECEMBER 2007

I am now able to enclose, for consideration at the above meeting of the Executive Cabinet, the following reports that were unavailable when the agenda was printed.

Agenda No Item

12. **Capital Programme, 2008/09 - 2010/11 (Pages 89 - 96)**
Report of Assistant Chief Executive (Business Transformation) (enclosed).
13. **Approval of draft Budget proposals for 2008/09 for consultation purposes (Pages 97 - 116)**
Report of Assistant Chief Executive (Business Transformation) (enclosed).
14. **Approval of Council's Mid-Term Financial Strategy for 2007/08 - 2009/10 (Pages 117 - 128)**
Report of Assistant Chief Executive (Business Transformation) (enclosed).
19. **Financial Shared Services (Pages 129 - 136)**
Report of Assistant Chief Executive (Business Transformation) (enclosed).

Yours sincerely



Chief Executive

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Distribution

To all members of the Executive Cabinet , Lead Members and Chief Officers for attendance.

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આ માહિતીનો અનુવાદ આપની પોતાની ભાષામાં કરી શકાય છે. આ સેવા સરળતાથી મેળવવા માટે કૃપા કરી, આ નંબર પર ફોન કરો: 01257 515822

ان معلومات کا ترجمہ آپ کی اپنی زبان میں بھی کیا جاسکتا ہے۔ یہ خدمت استعمال کرنے کیلئے براہ مہربانی اس نمبر پر ٹیلیفون

01257 515823 کیجئے:

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation)	Executive Cabinet	6 December 2007

CAPITAL PROGRAMME 2008/09 – 2010/11

PURPOSE OF REPORT

1. To present to Cabinet the Capital Programme commitments for the period 2008/09 and to propose the additional schemes for inclusion in a 3 year programme. This draft programme will be the subject of consultation as part of the budget consultation exercise for 2008/09.

RECOMMENDATION

2. That the draft programme be approved for consultation.

EXECUTIVE SUMMARY OF REPORT

3. The Council's Capital Programme is fundamental to delivering some of the key objectives contained in the Corporate Strategy. However any programme has to be affordable and be based upon prudence. The Executive has sought this year to focus on key priorities rather than pepper potting resources in order that the achievement of targets and measures is resourced but also that the spending has impact.
4. The Executive's ambition was to contain borrowing costs, as the revenue position required significant savings to be made in 2008/09 and additional borrowing would add to that burden. Additionally the Executive wanted to focus on the key priorities of in particular:
 - Affordable Housing
 - The Town Centre
5. Consequently the draft programme is framed around the priorities with lessor allocations being made in other areas. That said the programme as it is currently drafted also allows development in other key areas for the Council.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

6. The Council needs to review its medium term capital investment requirements in the contexts of the investment that is required to achieve its strategic objectives and to consider affordability.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

7. None.

CORPORATE PRIORITIES

8. This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the central Lancashire sub region	✓	Improved access to public services	✓
Improving equality of opportunity and life chance		Develop the character and feel of Chorley as a good place to live	✓
Involving People in their Communities		Ensure Chorley is a performing Organisation	✓

BACKGROUND

9. The Capital Programme sets out the Council's Strategic Investment Plans, and if these are not delivered it may not achieve in full its strategic objectives. The Capital Programme also carries financial risk. This is in terms of ensuring Value for Money, maximising resources available, and managing performance to ensure the least possible impact on the revenue account.
10. In order to construct a 3 Year Programme from 2008/09 onward assumptions have had to be made regarding the likely resource position. The reason for this is that firstly the Council is awaiting confirmation of grant allocations and secondly a programme of asset disposal will occur over the period and the sale proceeds can only be estimated at this stage. Should the resources not be received as estimated, some of the schemes within the programme may need to be re-phased or the level of external borrowing will need to rise.
11. Set out in the table below is a summary of the estimated resource position for 2008/09 – 2010/11.

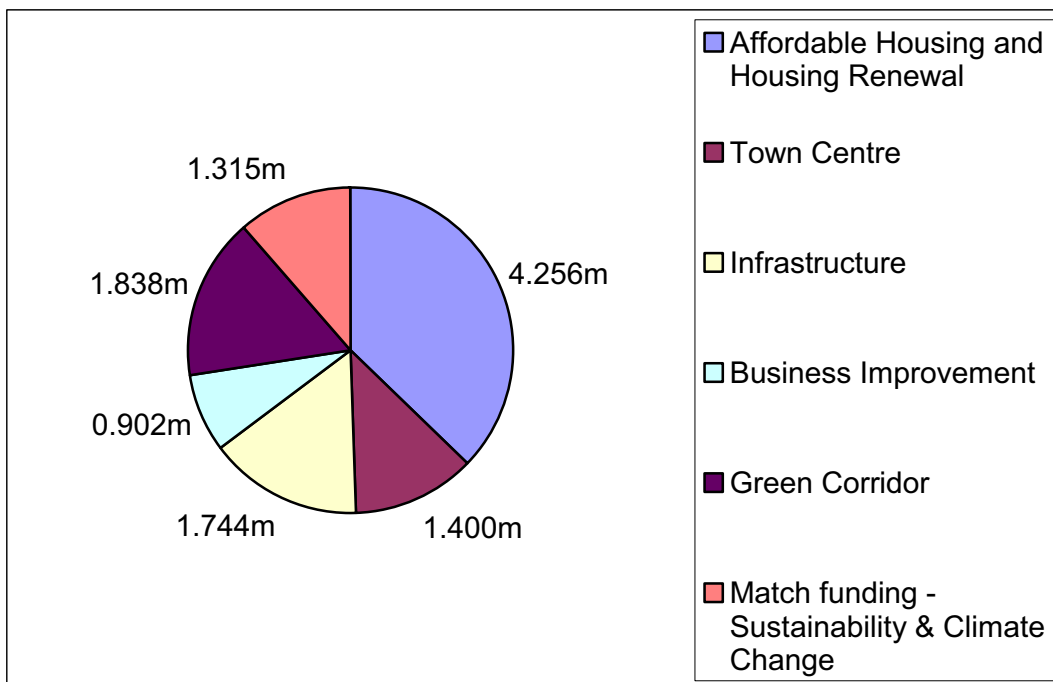
Table 1 – Estimated resource position

Resource	2008/09 £'000	2009/10 £'000	2010/11 £'000	TOTAL £'000
Prudential borrowing	0	.82	0.513	1095
Unrestricted capital receipts	0.497	.430	0.200	600
Housing restricted receipts	0.320	.142	0	461
Preserved RTBS from CCH	0.750	.500	500	1.750
CBC Resources	1.567	1.127	1.213	3.907
External Developer S106	3.278	1.086	0.055	4.419
Lottery	1.116	0	0	1.116
Dev	0.139	0	0	0.139
Govt grants – DFCIS	0.180	0.180	0.180	0.540
- DEFRA	0.045	0.045	0.045	0.135
Housing Capital Grant	0.500	0.500	0.500	1.500
TOTAL	6.825	2.938	1.993	11.755

- 12. The table shows that in order to finance the Programme £0.595m of borrowing will be required over the period, this represents only 5% of the total resources available to the Council over the period. This is a desirable strategy as the Council’s revenue position is such that any Capital Financing Costs will require additional saving to be made to balance the budget.
- 13. That said the overall resource position based upon the set of assumptions regarding Capital Grant and receipts shows that excluding borrowings just over £11m of resources are available, some of which are already committed. The position allows the Council a further £8m of investment over the period over and above that already committed.

CAPITAL PRIORITIES

- 14. It is important that the Council continues to use Capital Resources strategically and in recognition of this, the Executive have identified four key priority areas for investment over the planning period.
- 15. These priorities are based upon the key objectives contained in the Council’s refreshed Corporate Strategy and upon a measure of our performance to date against that Plan. Consequently the key priority areas are:
 - 1. Affordable Housing
 - 2. The Town Centre
 - 3 Sustainability and Climate Change
 - 4. Investment in the Council’s Infrastructure
- 16. Whilst these four areas will attract the majority of resources there are other projects that also require recognition and as such other areas of investment are also included ie development of the Green Corridor.
- 17. A draft Programme made up of individual schemes/projects is included at Appendix A. In drafting this programme all Directorates have had to submit outline Business Cases demonstrating what the projects will deliver. The programme as drafted would see the following resource allocations against the Council’s corporate priorities.



18. The diagram shows that the bulk of the resources available are to be committed to Affordable Housing and other housing projects, the Town Centre and the Council's Green Corridor. Importantly the Executive intend to continue to invest in the Council's own assets and infrastructure in order to both maintain and improve the standards of the Council's asset base.
19. In addition further funds are committed to an annual match funding pot so that schemes that may require matched funding can be developed and a sum of £185k is allocated to a climate change fund which will be used to support the Council's and the borough's aspirations to improve the carbon footprint. Whilst the sum allocated at this stage is relatively low this is because the Council is currently developing its strategic approach to delivering on this agenda and the resources implication will only be identified at this stage. As this priority is new for 2008/09 this incremental approach is sensible. At present no funds have been allocated to spend to schemes as has been done previously. The reasons for this are not that the schemes will not be developed, but that each scheme will stand or fall on the business case and the payback that is calculated. Only where schemes can demonstrate a return on investment will further borrowing be allowed.

IMPLICATIONS OF REPORT

20. As the programme is for consultation at this stage there are no implications for other directors.

GARY HALL
ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gary Hall	5480	22 November 2007	FINREP/2211LM1

Capital Programme - 2008/09 to 2010/11

Scheme	2008/09 Current Estimate £	Slippage from 2007/08 £	2008/09 Other Changes £	2008/09 Revised Estimate £	2009/10 Current Estimate £	2009/10 Other Changes £	2009/10 Revised Estimate £	2010/11 Current Estimate £	2010/11 Other Changes £	2010/11 Revised Estimate £	Total 2008/09 to 2010/11 £
<u>Town Centre Investment</u>											
Markets Action Plan (Phase I)			125,000	125,000		125,000	125,000			0	250,000
Town Centre Investment			325,000	325,000		825,000	825,000			0	1,150,000
Town Centre Investment Total	0	0	450,000	450,000	0	950,000	950,000	0	0	0	1,400,000
<u>Affordable Housing</u>											
Provision of Affordable Housing (S106 funded)	122,900	0 (122,900)		0							0
Homeless prevention Central Lancos Sanctuary Scheme Project			28,500	28,500							28,500
Affordable Housing HALS Project 2007/08 - 2008/09			920,000	920,000							920,000
Choice Based Lettings			20,000	20,000							20,000
Affordable Housing New Development Project 2008/09 - 2010/11			787,900	787,900		500,000	500,000		500,000	500,000	1,787,900
Affordable Housing Total	122,900	0	1,633,500	1,756,400	0	500,000	500,000	0	500,000	500,000	2,756,400
<u>Sustainability & Climate Change</u>											
Climate Change Pot			180,000	180,000							180,000
Sustainability & Climate Change Total	0	0	180,000	180,000	0	0	0	0	0	0	180,000
<u>Matched Funding Pot</u>											
Matched Funding Pot			100,000	100,000		100,000	100,000		100,000	100,000	300,000
Matched Funding Pot Total	0	0	100,000	100,000	0	100,000	100,000	0	100,000	100,000	300,000
<u>Performing Organisation - Investment in Infrastructure</u>											
<i>Assistant Chief Executive (Business Transformation)</i>											
Planned Maintenance of Fixed Assets	200,000	0	0	200,000	200,000		200,000		0	200,000	600,000
Financial Systems Development			62,000	62,000							62,000
Assistant Chief Executive (Business Transformation)	200,000	0	62,000	262,000	200,000	0	200,000	0	200,000	200,000	662,000

Scheme

Town Centre Investment

Markets Action Plan (Phase I)
Town Centre Investment

Town Centre Investment Total

Affordable Housing

Provision of Affordable Housing (S106 funded)

Homeless prevention Central Lancos Sanctuary Scheme Project
Affordable Housing HALS Project 2007/08 - 2008/09
Choice Based Lettings

Affordable Housing New Development Project 2008/09 - 2010/11

Affordable Housing Total

Sustainability & Climate Change

Climate Change Pot

Sustainability & Climate Change Total

Matched Funding Pot

Matched Funding Pot

Matched Funding Pot Total

Performing Organisation - Investment in Infrastructure

Assistant Chief Executive (Business Transformation)

Planned Maintenance of Fixed Assets
Financial Systems Development

Assistant Chief Executive (Business Transformation)

Capital Programme - 2008/09 to 2010/11

Scheme	2008/09 Current Estimate £	Slippage from 2007/08 £	2008/09 Other Changes £	2008/09 Revised Estimate £	2009/10 Current Estimate £	2009/10 Other Changes £	2009/10 Revised Estimate £	2010/11 Current Estimate £	2010/11 Other Changes £	2010/11 Revised Estimate £	Total 2008/09 to 2010/11 £	
Corporate Director (Neighbourhoods)												
Replacement of recycling/litter bins & containers				50,000	50,000		50,000	0	50,000	50,000	150,000	
Astley Park Woodland Management	30,000	0	0	30,000	30,000		30,000				60,000	
Play/Recreation Facilities (S106 funded)	19,630	0	0	19,630							19,630	
DEFRA Waste Performance & Efficiency Grant scheme	0	0	45,000	45,000	0	45,000	45,000	0	45,000	45,000	135,000	
Memorial Safety St Johns Churchyard			30,000	30,000							30,000	
Alleygates			25,000	25,000		25,000	25,000		25,000	25,000	75,000	
Refuse and Recycling Contract Revenue Mitigation			40,000	40,000		30,000	30,000		30,000	30,000	100,000	
MATAC CCTV Infrastructure Upgrades			1,000,000	1,000,000							1,000,000	
			25,000	25,000							25,000	
Corporate Director (Neighbourhoods)	99,630	0	1,165,000	1,264,630	80,000	100,000	180,000	0	150,000	150,000	1,594,630	
Corporate Director (People)												
Leisure Centres Capital Investment	229,050	0	0	229,050	237,070		237,070	0	244,180	244,180	710,300	
Duxbury Park Golf Course capital investment	34,850	0	0	34,850							34,850	
Astley Park Improvements - Construction	289,390	1,092,000	0	1,381,390							1,381,390	
CRM Process Optimisation	0	0	116,000	116,000		35,000	35,000				151,000	
Corporate Director (People)	553,290	1,092,000	116,000	1,761,290	237,070	35,000	272,070	0	244,180	244,180	2,277,540	
Performing Organisation - Investment in Infrastructure Total												
	1,686,990	1,123,750	1,527,900	4,338,640	791,270	596,850	1,388,120	0	1,393,530	1,393,530	7,120,290	
Capital Programme Total												
	1,809,890	1,123,750	3,891,400	6,825,040	791,270	2,146,850	2,938,120	0	1,993,530	1,993,530	11,756,690	

Capital Programme - 2008/09 to 2010/11

Scheme

Financing the Capital Programme

Prudential Borrowing
 Unrestricted Capital Receipts
 Housing Investment Programme Restricted Capital Receipts
 Preserved RTB Capital Receipts from CCH

CBC Resources

Ext. Contributions - Developers
 Ext. Contributions - Lottery Bodies
 Ext. Contributions - Other
 Government Grants - Disabled Facilities Grants
 Government Grants - DEFRA
 Government Grants - Housing Capital Grant

External Funding

Total capital resources

TOTAL CAPITAL FINANCING

Total additions to three-year programme

2008/09
 2009/10
 2010/11 onwards

	2008/09 Current Estimate £	Slippage from 2007/08 £	2008/09 Other Changes £	2008/09 Revised Estimate £	2009/10 Current Estimate £	2009/10 Other Changes £	2009/10 Revised Estimate £	2010/11 Current Estimate £	2010/11 Other Changes £	2010/11 Revised Estimate £	Total 2008/09 to 2010/11 £
	364,460	215,910	(580,370)	0	761,270	(679,450)	81,820	0	513,530	513,530	595,350
	508,930	12,400	(24,540)	496,790	0	403,210	403,210	0	200,000	200,000	1,100,000
	190,670	0	129,330	320,000	0	141,890	141,890	0	500,000	500,000	461,890
	0	0	750,000	750,000	0	500,000	500,000	0	500,000	500,000	1,750,000
	1,064,060	228,310	274,420	1,566,790	761,270	365,650	1,126,920	0	1,213,530	1,213,530	3,907,240
	172,530	0	3,105,400	3,277,930	30,000	1,056,200	1,086,200	0	55,000	55,000	4,419,130
	254,300	895,440	(33,420)	1,116,320	0	0	0	0	0	0	1,116,320
	139,000	0	0	139,000	0	0	0	0	0	0	139,000
	180,000	0	0	180,000	0	180,000	180,000	0	180,000	180,000	540,000
	0	0	45,000	45,000	0	45,000	45,000	0	45,000	45,000	135,000
	0	0	500,000	500,000	0	500,000	500,000	0	500,000	500,000	1,500,000
	745,830	895,440	3,616,980	5,258,250	30,000	1,781,200	1,811,200	0	780,000	780,000	7,849,450
	1,809,890	1,123,750	3,891,400	6,825,040	791,270	2,146,850	2,938,120	0	1,993,530	1,993,530	11,756,690
	1,809,890	1,123,750	3,891,400	6,825,040	791,270	2,146,850	2,938,120	0	1,993,530	1,993,530	11,756,690

3,891,400
 2,146,850
 1,993,530

8,031,780

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation) Statutory S151 Officer	Executive Cabinet	6 December 2007

DRAFT GENERAL FUND BUDGET FOR 2008/09

PURPOSE OF REPORT

1. To secure the Executive's agreement of the content of the draft revenue budget that will form the basis of further work in terms of delivering a balanced budget for 2008/09.

RECOMMENDATION(S)

2. The Executive Cabinet are recommended to:
 - Note my advice under S25 of the Local Government Act 2003 on the draft budget, particularly in relation to monitoring working balances within the range set out in the Medium Term Financial Strategy.
 - Agree to the consultation process outlined in the report.
 - Agree to consult on the savings proposals and the shape of the budget as outlined in the report.

EXECUTIVE SUMMARY OF REPORT

3. This report outlines the executives budget proposals for 2008/09. The report sets out how the Executive propose to:
 - Balance the Council's Budget
 - Continue to invest in priorities
 - Protect front line services
4. That said the financial position is such that significant savings have to be achieved, this is a result of the fact that firstly, the levels of additional government grant are likely to be contained and secondly, the current costs of the continuation of our services needs to be realigned.
5. The strategy for achieving a balanced budget has been to:
 - Focus on a line by line review of current spending
 - Identify where possible savings that are administrative in nature and do not affect front line services
 - Look for opportunities to generate additional income
6. The details of the strategy and proposal are set out in detail in the paper. Also included is a review of the level of the Council's working balances. The financial risk profile has changed due to a number of factor and as such working balance need to be maintained at a higher level that has been the case previously.

7. I am required as part of the budget process to review the assumptions and budget proposals in terms of their deliverability and my thoughts are set out in the paper, but essentially confirm that the basis of the budget is robust and that together with the changes proposed in the level of working balances, protects against the financial risks the Council face. The current forecasts and budget proposals show the following:

Table 1: Budget Position

	£'000	£'000
Budget gap based upon service continuation		640
Less proposals to balance and rebasing		- 315
		<hr/> 325
Savings proposals	-187	
Income generated	-223	
3% Council Tax Increase	-180	- 590
Headroom for Growth		<hr/> - 265

8. The analysis shows that under the current proposals a sum of £265k would be available to enhance the services the Council delivers. The Executive propose that this sum is used in the following way:

Table 2: Investment Proposals

	£'000
Cash spent in neighbourhoods	100
Projects delivered by the Council and 15 parties	90
Extending opening hours at Astley Hall	40
Events and Tourism Officer	25
Extend Get Up and Go Scheme	10
Total	265

9. More details of the investment plans are shown in the budget consultation document which will be tabled at the meeting.
10. This report should be read in conjunction with the report included elsewhere on his agenda, containing the Executive proposal for Capital Investment contained in the Capital Investment Programme.

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

11. To begin the budget consultation process for 2008/09.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- 12. None.

CORPORATE PRIORITIES

- 13. The budget is the ultimate expression of corporate priorities and it is the essential that the link between priorities and resources used is explicit in any budget proposal.

Put Chorley at the heart of regional economic development in the central Lancashire sub region	✓	Improved access to public services	✓
Improving equality of opportunity and life chance	✓	Develop the character and feel of Chorley as a good place to live	✓
Involving People in their Communities	✓	Ensure Chorley is a performing Organisation	✓

BACKGROUND

- 14. The policy context for this budget whilst driven to some extent by National, Regional and Sub-Regional issues is influenced most by the local issues highlighted in the Corporate Strategy.
- 15. The development of the refreshed Community Strategy and the objectives therein form the basis of the Council's own Corporate Strategy. Contained in that document are the key objectives, outcomes and targets the Council works to deliver as part of its contribution to the overall well-being of the area.
- 16. Some of the main local issues are:
 - Access to affordable housing.
 - The development of the local economy.
 - Continuing to develop the effectiveness of the Local Strategy Partnership.
 - Engagement, participation and satisfaction with local service delivery.
 - For the first time looking to improve the environment through developing measures to combat climate change.
- 17. The context is also in part, set by the proposed Medium Term Financial Strategy which forms the framework on which the budget is built, particular key targets of note include:

Working balances will not be used to finance recurrent expenditure.

Working balances will be maintained at a level between £1.25m - £1.50m with a review in light of the Council's financial risk profile after 18 months.

- 18. The risk profile has change significantly since the last Medium Term Financial Strategy was set and this is discussed later in this document.
- 19. The key debate in terms of the budget involves the means of resolving the conflict between various policy implications and the availability of resources including the level of Council Tax to be set.

RESOURCE CONTEXT

20. The government recently announced its spending plan for 2008/09 to 2010/11, the key messages from that Comprehensive Spending Review 2007 are:
- An increase in the funds/grants available to local government of 4.2% in 2008/09; 3.5% in 2009/10 and 3.4% in 2010/11. After accounting for inflation this amounts in real terms increases of 1.5%, 0.80% and 0.7% over the CSR period.
 - This is significantly less than the previous period and the important issue for this Council will be the level of additional grant it receives. Within that lessened resources figure the government's priorities will continue to be the services delivered by other public sector bodies and not those by district councils.
 - Additional grant has been allocated for the cost of implementing the new free concessionary travel scheme from April 2008. This will initially be paid direct to councils rather than through the rate support grant mechanism. Although this may change in later years with it being consumed into the grant settlement.
 - A 3% CASHABLE efficiency target for Local Councils over the CSR period.
21. There were a series of other announcements made, which could affect the Council in relation to the financing of Local Area Agreements. A change of specific grants to general grants which are NOT RING-FENCED will mean local priority will determine funding allocations. This may have significant implications if for instance community safety became less of a priority, the Council may lose a significant funding stream that has helped it to deliver on its Crime and Disorder Agenda?
22. The Government also expects that Local Authorities will keep Council Tax increase WELL BELOW 5% in each of the next three years.
23. At present no indicative figures are available in relation to any of the funding streams. This information will only become available in mid December. As such assumptions have been made which may or may not be accurate. I will report to members the impact of the settlements once more details become available as part of the final budget setting process.

CONSULTATION

24. For 2008/09, the process will consist of:
- Circulation of the draft budget papers to partners and stakeholders.
 - Publication of the detailed information on the Internet and Intranet, supplemented by a press release.
 - Specific meetings with Parish Councils and trade unions.
 - Review by the Overview and Scrutiny Committee and Panels of the draft budget.
 - Engagement with the refreshed Citizens Panel.
25. In previous years the feedback from the general public has been limited. The hope is that by engaging the Citizens Panel. In particular, the feedback may be more useful?

THE COST OF MAINTAINING CURRENT SERVICE LEVELS

26. Appendix 1 sets out the cost of maintenance of current service levels and any additional statutory requirements, adjusted for known changes that should have no impact on the level of service provided. This is summarised in the table below:

Table 3 – The Cost of maintaining current service levels and meeting statutory requirement

	£'000
2007/08 Budget requirement	14,088
Pay Inflation	458
Increments	107
Job Evaluation	(170)
Other Changes	381
Total	14,864

27. The figures represent a cost increase of 5.6% compared with the 2007/08 figures. However it should be borne in mind that much of the increase is beyond the Council's control.
- Pay awards are settled nationally and pension costs are at the mercy of the performance of the financial markets.
 - Contractual commitments.

CAPITAL FINANCING COSTS

28. Also included on this agenda is a draft Capital Programme for 2008/09 to 2010/11. Again this is predicated upon a number of key assumptions, particularly in relation to the levels of specific capital grant that the Council may receive. Once again the details of these sums will only become available later in the planning cycle.
29. The key issue as always for Members is how affordable are the Plans. As in previous years the Council's ability to deliver investment is dependent upon its ability to generate planning gain receipts and other capital receipts. The levels of borrowing are increasingly kept to a minimum as the pressure on the Council's revenue budget is sufficient to mean little headroom for investment is available. That said the Council has been particularly successful at attracting S106 funds but going forward these are likely to decrease over the medium term as the opportunities for attracting such funding decrease.
30. The expected levels of borrowing whilst still low in relation to the totality of the programme do have revenue consequences and these has been factored into future revenue budget forecasts.

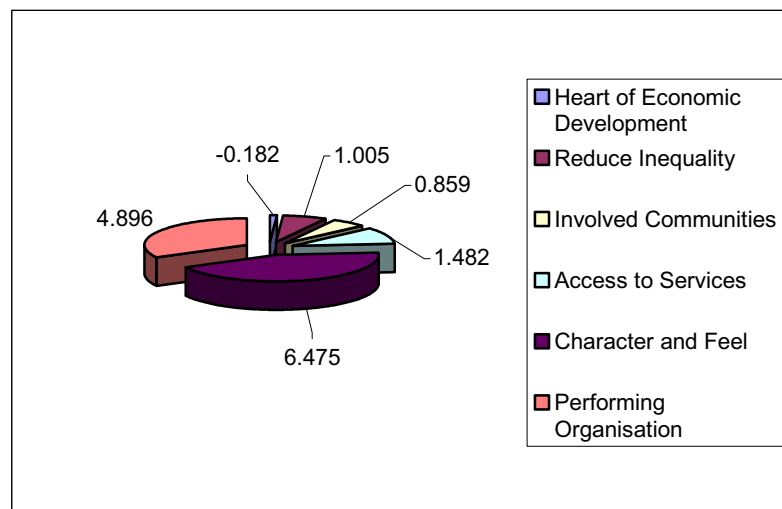
BALANCING THE BUDGET

31. All the figures that follow reflect a tax base of 35,296.10. The figure has been set under the powers delegated to the Director of Finance by the Council This is an increase of 331.10 (0.94%) on the last financial year and is in line with expectations.
32. The Strategy for bridging the budget gap is built on the following principles:
- Minimising the level of Council Tax increase.

- Creating headroom in the budget to continue investing in priorities.
 - Rebasing the Council's budget based upon historic performance and future expectations.
 - Maximising the Council's revenue earning opportunities.
 - Minimising the impact on service delivery.
33. A summary of the effect on the rebasing exercise and an analysis of the significant movements in budget year on year is shown in Appendices 2 and 3.
34. A summary of the proposals to make efficiencies and to maximise income opportunities are shown in Appendices 4 and 5 respectively.
35. In terms of the overall message from the proposals it is clear that all the above principles have been utilised in that:
- The proposed level of Council Tax is well below the 5% expected by the Government at 3%, currently the retail price index is at just over 4%.
 - Further investment in the Council's Corporate Priorities is proposed.
 - The line by line review of the base budget has elicited significant savings.
 - The review of revenue generating activities has identified some opportunities.
 - The number of changes in both the level and nature of the Councils staffing establishment is minimal.

POLICY CHOICES

36. The Administration in policy terms have determined that they wish to continue to have low Council Tax rises. In terms of its impact on services the overwhelming objective is to at least maintain service delivery at its current level given that in most cases the Council is performing well.
37. However within that context and within the Council's resources constraints some resources have been identified to be put into priority areas of the Corporate Strategy. A summary of the current 2007/08 budget resources mapped against the Council's priorities shows the following:

Diagram 4: Current Resource Allocation

38. The table shows that the bulk of the Council's resources are spent in developing the look and feel of Chorley and ensuring Chorley is a performing organisation. The draft budget for 2008/09 includes:
- Additional resources to develop the effectiveness of the LSP.
 - More money to develop the Council's emerging neighbourhood agenda.
 - Complimentary funds to ensure that the refurbishment of Astley Park is supplemented by additional opening hours.
 - More financing to develop the opportunity for events development and the borough's tourism officer and the Get Up and Go Programme.
39. However as investment is being made in some priority areas this ultimately means that in order to deliver a balanced budget savings from other areas have to be made, set out below is my assessment of the impact the proposals may have.
40. The bulk of the savings are being made from the two priorities of developing the character and feel of Chorley and ensuring Chorley is a performing organisation.

RISK ISSUES

41. In terms of the budget proposal there still remains a number of risk areas where actual performance may not match the assumptions made. In such an event this may impact on the Council's ability to deliver a balanced budget. The majority of these areas are not unique to Chorley and are recurrent issues in many cases, given the nature of local authority business.
42. The risk in almost all cases is a result of not having information on which to base future forecasts. This position is a result of either a budget being demand led, as is the case with Concessionary Travel or information on particular funding streams not being available until later in the year.

43. In respect of the key assumptions in the budget, these are as follows:

Table 5. Budget Assumptions

Assumption	%/£
Pay Award	+2.5%
Grant Settlement	+3.0%
Pension Contribution	+1.0%
Housing Planning Grant	+£75k
Concessionary Travel	+50%

44. In relation to each individual item I would make the following comments:

PAY AWARD

45. The assumption is based upon the 2007 settlement and the stated intention of the Government to restrain Public Sector Pay Awards.

GRANT SETTLEMENT

46. The Comprehensive Spending Review 2007 (CSR07) in terms of headlines indicates that for Local Government as a whole grant increases will be 1% in real terms (above inflation). However, it is not possible to identify the level of grant that will flow through in terms of settlement. However, every 0.5% difference will account for £40k.

PENSIONS CONTRIBUTION

47. A current revaluation is underway in relation to the Pension Scheme and this will set the employers contribution. Over the last 12 months there has been a general improvement in the pension deficit, due in the main to better investment performance. I have therefore assumed the following:

2008/09	+1%
2009/10	+0.5%
2010/11	+0.5%

48. Again the actual results will only be known later in the financial year, but before the budget setting meeting.

HOUSING AND PLANNING GRANT

49. This year 2007/08 is the last year of receipt for planning delivery grant. This specific grant has been paid to the Council and other Council's to invest in improving planning service. The successor of this grant is the Housing and Planning Delivery Grant. There is a paper elsewhere on this agenda that sets out the details of the new grant. I have assumed for budget planning purposes that the Council will receive some grant and this is based upon my assessment of current performance against the allocations criteria, which may change.

CONCESSIONARY TRAVEL

50. This particular element of the budget represents the greatest risk in terms of identifying accurately the likely cost of the new concessionary travel scheme which is to be implemented from April 2008. There are two key risk issues namely:

- we cannot estimate the potential take up in terms of additional concessionaries or the impact having a free service will have on travel patterns.
- At present Councils are charged based upon estimated rather than actual usages. With the introduction of the free scheme new smart Council technology will be introduced so that individual authorities can be charged on an actual basis. This means historic cost will not be an indication of future costs.

51. Whilst the gross extra cost of the new concession is estimated to be in the region of £320k, the Government has announced extra specific grant for Councils and I have assured the worst case scenario in terms of the level of grant we may receive at £207k.
52. The Government are currently consulting on the method of grant allocation, but nothing is yet finalised. In addition it is proposed that the current discretions granted by the Council in relation to both community transport and subsidised bus rates are maintained for 2008/09, with a review taking place in a year of the success or otherwise of maintaining those discretions.

EXPENDITURE SAVINGS

53. Turning to the savings and additional fees and charges Income proposed in the draft budget, I made the following comments, which is strategic in nature and also does not focus on the minute of individual proposals.
54. The budget proposals as they currently stand includes expected expenditure savings of £187k. The bulk of the savings £117k are non staffing related and focus on areas where the impact on the delivery on front line services is minimised. As such and given the scale of the individual savings proposals, it is unlikely that they will impact at all on the Council's ability to deliver its corporate priorities.
55. In relation to the savings from staffing costs in the context of the balancing of the Council's budget these are less severe than in previous years and focus on streamlining middle management costs and some minor reductions in benefit staffing. Again I anticipate that this will not significantly affect our overall ability to deliver the corporate plan targets and objectives but may impact on the levels of services being provided, but only at the margins. In relation to the rebasing exercise some of the more significant adjustments have been as a consequence of the transfer of the Council's housing stock to CCH. The impact of this was not fully realised in the 2007/08 budget.

INCOME PROGRAMME - FEES AND CHARGES INCOME

56. This year the Council has undertaken a strategic review of fees and charges with the objective of ensuring that the fees and charges were correct, covering costs and at a market rate. In many instances the Council has not raised charges for over 5 years.
57. The budget contains a number of proposals in relation to increasing those fees and charges that in some cases, for a number of years where they have been frozen. This applies particularly to car parking income.
58. In pure finance terms the restructuring of the fees and charges for car parking and the changing of market tolls is wholly appropriate.
59. The financial risk to the Council is that there is a degree of consumer resistance to the proposed charges. For this reason, I have adjusted a number of the fees and charges budgets that are subject to consumer choice and not taken the totality of the additional income that could be generated.

60. I believe that in this way a prudent approach has been adopted. A summary of the levels of income currently anticipated for the major income streams and those subject to some amendments to the fees and charges is shown in the table below:

Major Income Streams

Table 6 - Total Fees and Charge Income

	£'000
Licensing Fees	(161)
Local Land Searches	(189)
Parking Fees	(556)
Market Toll	(300)
Planning and Building Control Fees	(664)
Investment Portfolio	(414)
	(2,284)
	(2,284)

61. The table shows the importance of fees and charges income to the Council. Its historic approach of containing the levels of fees and charges is not sustainable unless used for the delivery of strategic objectives.

CONCLUSION OF THE ADEQUACY OF WORKING BALANCES AND THE ROBUSTNESS OF THE BUDGETED WORKING BALANCES

62. The current financial strategy that takes us up until the end of 2007/08 allocated for working balances to be in a range £780k-£1.25m. This was based upon the financial risk profile which to a great extent has remained unchanged over that financial planning period.
63. However, from 2008/09 a number of the external factors influencing the Council's ability to either attract funding or to influence expenditure has changed. This is the main due to the following reasons:
- The CSR07 means that there is a risk of less rate support grant over the planning period 2008/09-2010/11.
 - The full impact of the changes to the concessionary travel budget will not be known for at least 15 months in the new scheme.
 - The impact of the development of Market Walk on car parking fees and charges will be unknown.
 - The Government is capping capitalisation applications and as such the cost of change may need to be resourced from revenue.
64. The greatest potential impact is likely to come from the concessionary travel issue, but all of the issues have the propensity to affect the Council's ability to both balance its budget and continue to deliver effective services.
65. In this respect, I am minded to propose that working balances are kept at a higher level in the next 12-18 months in recognition of the risks. I therefore propose that working balances are kept in the range £1.25m-£1.50m for this period after which a further review needs to take place based upon the latest evidence.

66. As members will be aware, working balances are there to protect the Council's against the 'peaks and troughs' in expenditure and allows them to be able to manage any changes to be base level of expenditure that is required to bring the budget back into balance.
67. Sometimes this can take time so maintaining working balances means the Council does not have to make reactive changes that can significantly impact on service performance.
68. In terms of resource availability, members will be aware that the Council's overall working balances position is made up of balances in hand and those to be transferred from the Housing Revenue Account, following stock transfer. Whilst the exact date of the availability of these results is still subject to discussion with the CLG, they will become available over the planning period and as such will be available and this will mean that the working balances position is as follows:

Source	£'000
Estimated working balances based upon latest Revenue Monitoring Position 2007/08	637
Estimated transfer of working balance	879
Total	1,516

69. With regard to the robustness of the budget assumption for 2008/09 once again each Directorate has had a line by line review completed on their budget and whilst there are still some issues to resolve they represent adjustments that are reasonable and deliverable.
70. In previous years the Council has been faced with the prospects of making savings and 2008/09 will be exactly the same. The savings are necessary firstly to contain of Council Tax and secondly, to redirect resources into corporate priorities. This report has identified that more savings and investment plans are well developed but further work will be necessary as we work through the budget cycle and better and more up to date information becomes available.
71. Some inherent risks remain in the budget but the underlying assumptions I have made have been agreed by the executive and I believe they are reasonable. I have outlined my views and advice in relation to the level and adequacy of working balances and summarise the key risks and mitigation that are and should be put in place.

IMPLICATIONS OF REPORT

72. As this budget is for consultation only at this stage this has no impact on directorates.

GARY HALL
ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gary Hall	5480	20 November 2007	FINREP/2011LM1

Analysis of Budget Variations 2007/08 - 2010/11

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Base Budget Requirement	16,231	16,545	17,272	17,807
Less				
Recharges	3	-	-	-
Capital Charges	(2,581)	(1,998)	(1,984)	(1,984)
Cash Base Budget Requirement	13,654	14,547	15,288	15,823
Movements:				
Inflation				
Pay	325	371	361	357
Pensions	112	87	46	48
Non-Pay	62	37	43	27
Contractual	126	41	15	16
Income	13	(32)	(28)	(34)
Increments	96	107	65	38
Revenue Effects of the Capital Programme	10	120	-	-
Volume - Income	407	45	-	-
Volume - Expenditure	434	495	53	33
Investment	321	74	(20)	-
Savings - Star Chamber	(1,265)	(7)	-	-
Savings - Other	(416)	(10)	-	-
Senior Management Review	(114)	(174)	-	-
Base Budget Review	-	(315)	-	-
Effects of stock transfer - Reduction in cost - Other	55	41	-	-
Effects of stock transfer - Service Level Agreements	(76)	22	-	-
Contingency:				
- Genuine	(50)	(10)	-	-
- Management of the Establishment	10	18	-	-
- Salary Related Savings	(60)	-	-	-
- Procurement Savings	(35)	-	-	-
- Gershon Savings	(25)	-	-	-
- Job Evaluation	256	(170)	-	-
Directorate & Corporate Cash Budgets	14,567	15,288	15,823	16,307
Base Recharges	(3)	-	-	-
In year transfer of recharges to cash budgets	(17)	-	-	-
Capital:	1,684	1,998	1,984	1,984
Base Capital Charges				
In year transfer of capital	314	(14)	-	-
Total Recharges	1,978	1,984	1,984	1,984
Total Directorate & Corporate Budgets	16,545	17,272	17,807	18,291
Reversal of Capital Charges	(1,678)	(1,664)	(1,664)	(1,664)
Net Financing Transactions:				
- Net Interest/Premiums/Discounts	(314)	(440)	(440)	(440)
- MRP less Commutation Adjustment	6	16	172	222
Net Operating Expenditure	14,559	15,184	15,875	16,409
Use of Earmarked Reserves				
- Capital Financing Reserve re: Def Chge w/os	(320)	(320)	(320)	(320)
- Units Earmarked Reserves	(151)	-	-	-
Total Expenditure	14,088	14,864	15,555	16,089
Financed By				
Council Tax - Borough	(6,019)	(6,080)	(6,140)	(6,202)
Parish Precepts	535	535	535	535
Council Tax Parishes	(535)	(535)	(535)	(535)
Aggregate External Finance	(8,008)	(8,457)	(8,657)	(8,857)
Collection Fund Surplus	(60)	-	-	-
Total Financing	(14,088)	(14,536)	(14,797)	(15,058)
Net Expenditure	0	327	758	1,030
Analysis of Net Expenditure (Budget Gap)				
Net Expenditure Brought Forward	-	-	327	758
Net Expenditure in Year	-	327	430	273
Net Expenditure Carried Forward	-	327	758	1,030

Appendix 2

Analysis of Significant Movements in Budget between 2007/08 & 2008/09

	£'000
Pay	371
Pensions	87
Increments	107
Concessionary Travel	200
Concessionary Travel - impact of scheme changes	207
Housing Benefits - reduction in subsidy	141
Refuse Collection	97
Astley Park scheme - Grounds maintenance	70
Housing & Delivery Grant - new grant to replace PDG	70
Garage Rents	(48)
Revenue salaries charged to capital schemes	28
Local Development Framework - use of earmarked reserve	(52)
Bed & Breakfast costs	50
Non-Pay (Utilities/Leases/Insurances)	37
Telephony Review	(30)
Management/maintenance of Garages	20
Liberata Contract - revised charges	(36)
DPE Cash collection costs	35
Private Lifeline Alarms - function transferred to CCH	41
Senior Management Review	(174)
Base Budget Review	(315)
Job Evaluation	(170)
Other changes	5
	<u>741</u>

Appendix 3

Base Budget Review Savings 2008/09**Savings
£****Chief Executive's Office**

Conferences	(1,000)
Car Leases	(3,520)
Refreshments	(2,500)
Stationery/Computer Consumables	(6,000)
Photocopier Leases/Charges	(19,500)
Other Minor Budgets	(5,860)

(38,380)**Customer, Democratic & Legal Services**

Central Emergency Service	(9,940)
Photocopier Leases	(2,700)
Members Subsistence/Hospitality	(5,000)
Legal Publications	(5,000)
Legal Fees	(4,000)
Utilities - various	16,640
Gambling Premises income	(7,200)
Internet charges	(3,000)
Return of approx £3k lodged with court re CPO	(3,000)
Hire of Lancastrian	(22,850)
Other Minor Budgets	(570)

(46,620)**Development & Regeneration**

Stationery, directorate wide.	(2,000)
Development Control/Other Fees	(13,000)
Projects & Regen/Misc Expenses	(15,150)
Misc expenses (Projects & Regen.)	(5,150)
Stationery fees	(2,000)
Postages	(2,000)
Legal Fees (Development Control)	(3,000)
Other Fees (Development Control)	(5,150)
Urban Tree Scheme	(500)
Fences	(450)
Purchase/Maintenance of Furniture	(2,370)
Microfiche/Microfilming	(4,000)
Car Allowances	(4,000)

(58,770)**Finance**

Conferences	(900)
Saving on Financial Accountant post	(6,900)
Saving on Corporate Procurement Officer post	(8,990)
Overtime	(3,000)
Agency Staff	(2,000)
Lone Working System	(3,000)
Health & Safety contract with Bolton Council	(5,000)
Allpay cards	(6,500)
Anite contract	(10,000)

Base Budget Review Savings 2008/09

	Savings
	£
Other Minor Budgets	(2,390)
	<u>(48,680)</u>
 <u>Human Resources</u>	
Corporate Training	<u>(17,000)</u>
 <u>ICT Services</u>	
Stationery	(2,000)
Computer Equipment - Purchase	(16,000)
Computer Consumables	(2,600)
Computer Equipment/Software - Maintenance	5,700
Internet Charges	(5,760)
	<u>(20,660)</u>
 <u>Policy & Performance</u>	
Minor Budgets	<u>(490)</u>
 <u>Streetscene, Neighbourhoods & Environment</u>	
Refuse Collection: Target Bonus	20,000
Refuse Collection: External Contractors	(5,390)
Grounds Maintenance	(6,000)
Special Projects	(25,000)
Recycling income	(15,000)
Refuse Collection income from SRBC	(24,000)
Pest Control contracts	5,000
Maintenance of Street Furniture	(6,150)
Maintenance of Bus Shelters	(6,000)
Vehicle disposals -1 Tractor	(4,000)
Reductions in working hours to 29 hours	(8,220)
Reductions in working hours to 29 hours	(9,090)
	<u>(83,850)</u>
 TOTAL SAVINGS	 <u>(314,450)</u>

SCHEDULE OF POTENTIAL SAVINGS FOR DIRECTORATE SAVINGS TARGETS 2008/09

	2008/09	<u>Comments</u>
	£	
<u>CHIEF EXECUTIVES OFFICE</u>		
Corporate Services	(5,000)	Income from speaker's fees and events. Risk with level of income achievable.
<u>CORPORATE GOVERNANCE</u>		
Replace current Civic car with "Green" car	(3,000)	Civic car would possibly not be as grand as previously but greener
Stop Town Twinning	(4,000)	No town twinning expenditure in 07/08. Nothing planned for 08/09.
Not using agency staff at elections	(4,000)	Would mean using approx 12 council staff for upto 2 weeks. Direct impact on other services.
<u>BUSINESS</u>		
Heritage Conservation Grants	(8,000)	Dissatisfaction from listed property owners.
<u>BUSINESS IMPROVEMENT</u>		
Delete vacant part-time Benefits Officer post.	(13,310)	Current vacant post to be deleted from establishment. Additional pressures on existing staff.
Documents on Line	(8,000)	Stop accepting payments by cheque via Anite. Will impact on staffing resources.
<u>ICT SERVICES</u>		
Provision for adhoc purchases in year	(6,000)	Remaining budget to be used for printers only. Reinforce the need for staff to adopt the less expensive thin client units in place of more expensive equipment such as laptops.
Provision for misc support in year	(10,000)	Reduction will result in additional skills/resources being identified on a project by project basis and funded as part of project costs.
Provision computer support services in GIS/LLPG	(13,600)	Directorate will no longer be able to fund an apprentice. Remainder of this saving was to be used to 'pump-prime' the use of GIS within the Council by funding the purchase of useful datasets. These will now have to be funded through some other mechanism.
<u>PEOPLE</u>		
Reduce funding for Advice Centre project, Market Street	(10,000)	Our contribution will fall from £33k to £8K for LCC Welfare Rights advice centre.
Reduce size of BT listing	(1,000)	In line with a rationalisation of service DDI numbers. Smaller sized advert in BT listing.
Stop cash collection - reduce Securicor costs	(4,000)	Currently cash is collected daily from Union Street & weekly from Astley Hall. This would be reduced to weekly for Union Street & cease for Astley Hall.
Flare Licences	(5,000)	Subject to use of CRM and effective integration via NDL.

SCHEDULE OF POTENTIAL SAVINGS FOR DIRECTORATE SAVINGS TARGETS 2008/09

	2008/09 £	<u>Comments</u>
<u>POLICY & PERFORMANCE</u>		
Communications	(10,000)	Efficiency savings in provision for publicity.
APSE subscription	(5,000)	Cancel annual subscription.
Consultants Fees	(2,000)	Reduce provision for Best Value reviews/Performance Management, etc.
Website Development	(5,000)	Remove provision for one year only for 2008/09.
	<u>(116,910)</u>	
<u>STAFF RELATED OPTIONS</u>		
<u>CORPORATE GOVERNANCE</u>		
Merge Enforcement functions in Corporate Governance & Neighbourhoods.	(21,210)	Detailed work to be completed as part of the current value for money review to be completed in Feb 08
<u>NEIGHBOURHOODS</u>		
Restructure of Neighbourhoods middle management	(48,470)	
	<u>(69,680)</u>	
	<u>(186,590)</u>	
TOTAL SAVINGS OPTIONS		
FEES & CHARGES REVIEW OPTIONS	(223,301)	
TOTAL POTENTIAL SAVINGS	<u>(409,891)</u>	

PROPOSALS FOR INCREASING FEES & CHARGES IN 2008/09

DIRECTORATE	INCOME AREA	BUDGET 2007/08 £	PROPOSAL	ESTIMATED INCREASE £
Corp. Governance	Hackney/Prvt Carriage Licences	(63,410)	Increase charges to coincide with comparable local council charges	(2,246)
Corp. Governance	Other Licences	(1,800)	Increase charges to coincide with comparable local council charges	(1,937)
Business	Local Land Charge Searches	(188,950)	No proposed increase at this stage. Review to be carried out. CBC are in competition with other local authorities and private business. An increase in fees could risk customers going elsewhere.	0
Business	Tolls - General Market	(225,000)	3% inflationary increase on cabins Conversion of 10 unoccupied stalls into 7 cabins at higher rents Creation of café unit from 5 unoccupied stalls Letting 5 of 9 remaining unoccupied stalls following refurb All these options are feasible, there is high demand for cabins and expressions of interest in the café.	(6,750) (5,687) (2,708) (5,200)
Business	BCC'S Plans Fees	(137,040)	3% inflationary increase	(4,111)
	Inspection Fees Buildg Control	(176,130)	3% inflationary increase Comfortable to increase fees by 3%.	(5,284)
Business Improvement	Rail Pass Charge	(19,390)	Adding £1.00 to current overhead levied (currently 50p)	(1,175)
People	Casual Hire:Offices And Rooms	(30,430)	3% inflationary increase	(913)
People	Grant Of Right Of Burial Fees	(20,220)	Increase charges from £495 to £800. Which is market rate.	(12,200)
People	Interment Fees	(52,000)	Increase charges to £400 from current charge of £360. Introduce a new charge for cremated remains plots	(3,760) (3,200)
People	Indoor Leisure Charges	(25,000)	A combination of increases to reflect the level of investment in the centres and amending profit share formula	(25,000)

PROPOSALS FOR INCREASING FEES & CHARGES IN 2008/09

DIRECTORATE	INCOME AREA	BUDGET 2007/08 £	PROPOSAL	ESTIMATED INCREASE £
People	Get Up and Go		Implement charge for additional services. Difficult to collect monies for small amounts i.e. £1 to £2.	(5,000)
Neighbourhoods	Wheeled Bins	(15,570)	Increase from £32 to £40 per bin	(3,130)
Neighbourhoods	Emptying Dog Waste Bins	(4,610)	Expected new income from annual sponsorship of waste bins	(3,000)
Neighbourhoods	Pest Control Contracts	(21,480)	3% inflationary increase	(490)
Neighbourhoods	Parking Permits	(54,370)	Increase to £265 (from £220) and additional permits.	(22,990)
Neighbourhoods	Parking Fees	(540,800)	New Flat Iron stall layout - extra 50 parking spaces on Tuesdays 50 spaces x 52 weeks x £3.80 daily income/space = £9,880 Rationalisation of tariffs:- Short Stay car parks Rationalisation of tariffs:- Long Stay car parks 5% increase	(9,880) (38,600) (24,000) (27,040)
Neighbourhoods	Income from amortisation of commuted sums on Public Open Spaces		Based on £90,000 of receipts brought into revenue equally over 10 years.	(9,000)
			ESTIMATED ADDITIONAL INCOME	(223,301)

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Medium Term Financial Strategy 2008/09-2010/11



CONTENT

1. Foreward and Introduction
2. Policy Context
3. Financial Context
4. Revenue Budget Forecast
5. Capital Programme Forecast
6. Working Balances
7. Treasury Management

FOREWARD AND INTRODUCTION

Much has changed since the last Financial Strategy was written, the Council has a new administration and a refreshed Corporate Strategy. In addition external factors continue to shape and influence the Council's financial position. The completion of the comprehensive spending review by the Government in 2007, the introduction of the free concessionary travel scheme from April 2008 and the introduction of developing local solution to climate change as a priority for the Council, together with meeting the targets of the Lancashire Waste Strategy will all in varying degree affect how the Council manages its resources.

This document sets out the Council's financial strategy for the three years 2008/09 – 2010/11. This is an important period with the introduction of the Comprehensive Area Assessment for Council and the rise in importance of Local Area Agreements and the impact they may have on funding streams to the Council.

The aim of the strategy is to set out in financial terms the impact of the Council's existing policy commitments and the likely resources available to meet them. The strategy covers the general fund or Council Tax payers account and the Capital Investment Programme.

The forecasts in this strategy will be kept under continuous review with a formal update each year alongside the setting of the budget. However, it should be borne in mind that these are forecasts, not firm budgets, and they are only as accurate as the assumptions underlying them.

The administrations overarching aims which provide the framework for the Financial Strategy are:

- the desire to restrain the levels of Council Tax rises to below retail price inflation, which is currently running at just over 4%
- to continue to provide value for money for the Council Tax payers of Chorley
- to continue to invest in the services that matter to the people of Chorley

In a tight fiscal regime where the level of Government support is likely to diminish these overarching aims will be difficult to achieve, but set out in the Strategy are the ways in which we hope this can be achieved.

POLICY CONTEXT

This section of the strategy set out broadly the Council’s policy direction. This is important for the Financial Strategy because it has to facilitate the achievement of the Council policy objectives.

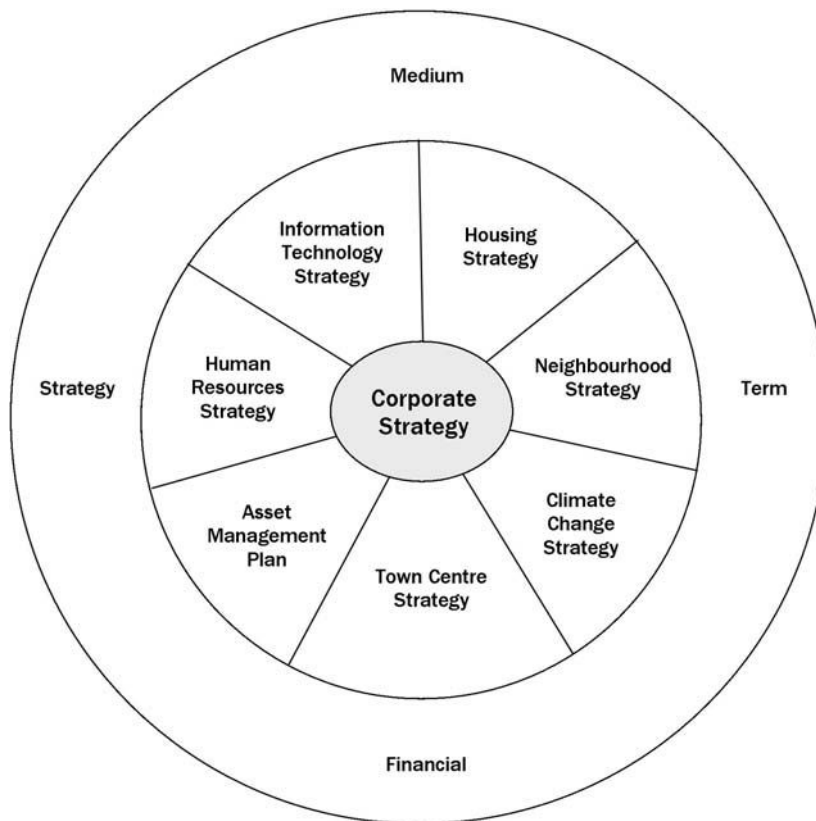
The Council has recently updated its Corporate Strategy, aligning it with the refreshed community strategy. The key priorities and objectives contained in that strategy are set out below:

Priority	Prosperity	People		Place		Performance
Strategic Objective	1. Put Chorley at the heart of regional economic development in the Central Lancashire sub-region	2. Improving equality of opportunity and life chances.	3. Involving people in their communities	4. Develop local solutions to climate change.	5. Develop the Character and feel of Chorley as a good place to live.	6. Ensure Chorley Borough is a performing organisation.
Long Term Outcome	1.1 A vibrant local economy. 1.2 Thriving Chorley Town Centre 1.3 Arrange earning in line with country average.	2.1 Number of SOA’s in worst 205 will reduce. 2.2 Improve the changes for young people and children. 2.3 Improved quality of life for the borough’s older people. 2.4 Healthier communities and reduced health inequalities. 2.5 Improved quality of life in rural communities.	3.1 Improved access to public services. 3.2 People will be involved in decision making and in improving the well being of their communities.	4.1 The Council’s environmental footprint will be reduced. 4.2 An improved local environment.	5.1 More people will be satisfied with Chorley as a place to live. 5.2 There will be a balanced housing market. 5.3 Safer communities.	6.1 Community aspirations are delivered through the efficient use of resources and effective performance management. 6.2 An excellent community leader. 6.3 A provider and procurer of high quality priority services. 6.4 An excellent Council that is continued striving to improve.

The overall aim of the financial strategy is to identify resources to meet the objectives, targets and measures contained in the Corporate Strategy.

Underpinning the Corporate Strategy are a series of other Council plans designed to facilitate the delivery of the Corporate Strategy. These are summarised pictorially below:

Diagram 1: Strategic Links



The Individual Strategies supporting the Corporate Strategy set out how the Council will achieve it's objectives.

In each case the resources required are broadly outlined and are summarised below:

Table 2: Investment Needs

	Revenue £'000	Capital £'000
Housing Strategy	-	4.256
Town Centre Strategy	0.195	1.400
Information Technology Strategy	-	0.621
Asset Management Plan	0.170	2.877
Neighbourhood Strategy	0.300	0.991
Climate Change/Sustainability Strategy		1.180
	0.615	11.325

The table shows that in order to meet is objectives the Council will need to spend £11.325m of capital and an additional £0.615m of revenue over the three year period.

The table also demonstrates that there are a number of key areas where the Council wants to focus its resources in the next 3 years, namely delivering on:

- Affordable housing targets
- Developing the town centre
- Continuing to improve recycling
- Developing the Council’s assets most used by its customers, leisure facilities and Astley Hall etc

FINANCIAL CONTEXT

This section sets out the Financial Planning Assumption that has been made in constructing the year on year forecasts and outlines the key strategies for delivering a balanced and affordable budget.

All forecasts are built upon a number of assumptions, which are based upon best information available at the time. In terms of constructing those estimates there is some important national context which to be considered, namely:

- The Comprehensive Spending Review 2007
- The Introduction of Free Concessionary Travel
- Financing for affordable housing

The results of the Comprehensive Spending Review are such that local authorities are likely to receive less cash in the form of grant than they have previously. That said district council functions have not been top priority for central government with the majority of any additional cash historically flowing to education and social services. The new Concessionary Travel Scheme will be funded by additional cash in the form of a direct grant to the Council. At this stage the method of distribution is unknown. For affordable housing the government has again indicated that additional money will become available to Councils but as yet the details are unknown.

On the basis of information to hand I have made the following key assumptions in relation to the Capital and Revenue budgets for the next 3 financial year:

Table 3: Assumption contained in 3 year forecasts

Revenue	2008/09	2009/10	2010/11
Pay award	+2.5%	+2.5%	+2.5%
Pension contribution	+1.0%	+0.5%	+0.5%
Concessionary Travel Scheme	+50%	-	-
Grant Settlement	+3.0%	+2.5%	+2.5%
Housing and Planning Grant	+75k	-	-

Capital	2008/09	2009/10	2010/11	Total
Prudential Borrowing	0	0.081	0.512	0.593
Preserved RTB Receipts	0.750	0.500	0.500	1.7500
Asset sales	0.200	0.200	0.200	0.600
Total	0.950	0.781	1.212	2.943

REVENUE FORECAST

On the basis of the assumption outlined above and the revenue budget predicted upon current levels of service, the forecast indicates that the following budget gap will exist over the three year period. A detailed analysis is shown at Appendix A.

Table 4: Budget Gap 2009/10 – 2010/11

Year	Budget Gap £'000
2008/09	0
2009/10	429
2010/11	271
Total	700

The table shows that over the financial planning period a further £700k will need to be found from the following sources:

- Further reductions in expenditure
- Additional income generation
- Increases in Council Tax

£750k represents 4.6% of the Council's current net spending.

In this respect the Council's Strategy will be:

- The aim to restrain Council Tax rises below the retail Price Index for the 3 year period 2008/09 – 2010/11.
- Deliver a balanced budget annually with no use of working balances to support the budget.
- Identify the savings required to balance the budget seeking to minimise the impact on service users.

In this respect it will look to:

- Make better use of its asset base.
- Maximise opportunities for better procurement.
- Undertake a 3 year Programme of Value For Money recovery on all Council activities.
- Undertake a year on year baseline review of expenditure.
- Maximise the opportunities to attract specific grants.

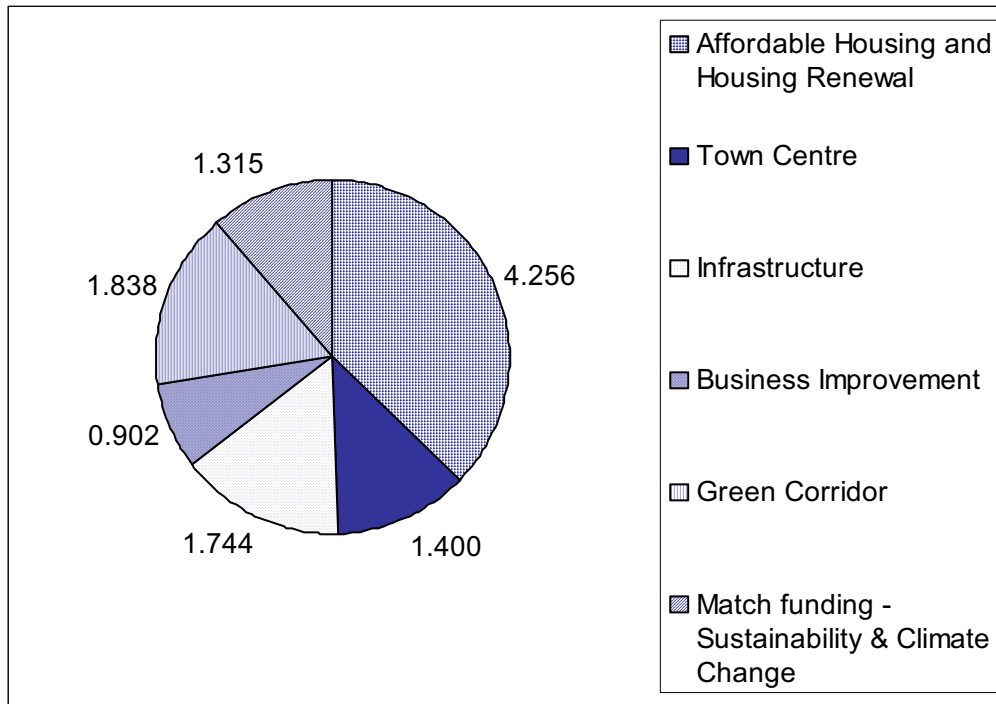
Capital Programme Forecasts

The Council's Capital Programme is fundamental to delivering some of its key objectives contained in the Corporate Strategy. However any programme has to be affordable and based upon prudence. In this respect the Capital Programme has been constructed based upon the following strategic objectives.

- The bulk of the resources available will be targeted at areas that deliver corporate objectives.
- Borrowing will be contained to ensure the impact on revenue is minimised.
- The Council will develop a land bank to assist in delivering its affordable housing targets.
- The Council's assets not producing the required rate of return on investment will be disposed of as part of a strategic review of the Council's asset base.
- The Council will continue to invest in its own infrastructure reviewing the Asset Management Plan annually to ensure the levels of investment are appropriate.
- The Council will look to maximise opportunities to attract external finance to sustain its Programme of Work.

As a consequence of adopting the strategy outlined the Council will invest as follows over the 3 year period.

Diagram 5 Priority Areas for Investment



The programme to be funded in the following way as outlined in the following Appendix A

Capital Programme - 2008/09 to 2010/11

Scheme	2008/09 Current Estimate £	Slippage from 2007/08 £	2008/09 Other Changes £	2008/09 Revised Estimate £	2009/10 Current Estimate £	2009/10 Other Changes £	2009/10 Revised Estimate £	2010/11 Current Estimate £	2010/11 Other Changes £	2010/11 Revised Estimate £	Total 2008/09 to 2010/11 £
Financing the Capital Programme											
Prudential Borrowing	364,460	215,910	(580,370)	0	761,270	(679,450)	81,820	0	513,530	513,530	595,350
Unrestricted Capital Receipts	508,930	12,400	(24,540)	496,790	0	403,210	403,210	0	200,000	200,000	1,100,000
Housing Investment Programme Restricted Capital Receipts	190,670	0	129,330	320,000	0	141,890	141,890	0	0	0	461,890
Preserved RTB Capital Receipts from CCH	0	0	750,000	750,000	0	500,000	500,000	0	500,000	500,000	1,750,000
CBC Resources	1,064,060	228,310	274,420	1,566,790	761,270	365,650	1,126,920	0	1,213,530	1,213,530	3,907,240
Ext. Contributions - Developers	172,530	0	3,105,400	3,277,930	30,000	1,056,200	1,086,200	0	55,000	55,000	4,419,130
Ext. Contributions - Lottery Bodies	254,300	895,440	(33,420)	1,116,320	0	0	0	0	0	0	1,116,320
Ext. Contributions - Other	139,000	0	0	139,000	0	0	0	0	0	0	139,000
Government Grants - Disabled Facilities Grants	180,000	0	0	180,000	0	180,000	180,000	0	180,000	180,000	540,000
Government Grants - DEFRA	0	0	45,000	45,000	0	45,000	45,000	0	45,000	45,000	135,000
Government Grants - Housing Capital Grant	0	0	500,000	500,000	0	500,000	500,000	0	500,000	500,000	1,500,000
External Funding	745,830	895,440	3,616,980	5,258,250	30,000	1,781,200	1,811,200	0	780,000	780,000	7,849,450
Total capital resources	1,809,890	1,123,750	3,891,400	6,825,040	791,270	2,146,850	2,938,120	0	1,993,530	1,993,530	11,756,690
TOTAL CAPITAL FINANCING	1,809,890	1,123,750	3,891,400	6,825,040	791,270	2,146,850	2,938,120	0	1,993,530	1,993,530	11,756,690

Total additions to three-year programme

2008/09

2009/10

2010/11 onwards

3,891,400

2,146,850

1,993,530

8,031,780

The programme will be funded from a variety of sources, which is predicated on the strategic objective outlined.

WORKING BALANCES

The current financial strategy that takes us up until the end of 2007/08 allowed for working balances to be in a range £750k-£1.25m. This was based upon the financial risk profile which to a great extent has remained unchanged over that financial planning period.

However, from 2008/09 a number of the external factors influencing the Council's ability to either attract funding or to influence expenditure has changed. This is the main due to the following reasons:

- The CSR07 means that there is a risk of less rate support grant over the planning period 2008/09-2010/11.
- The full impact of the changes to the concessionary travel budget will not be known for at least 15 months in the new scheme.
- The impact of the development of Market Walk on car parking fees and charges will be unknown.
- The Government is capping capitalisation applications and as such the cost of change may need to be resourced from revenue.

The greatest potential impact is likely to come from the concessionary travel issue, but all of the issues have the propensity to affect the Council's ability to both balance its budget and continue to deliver effective services.

In this respect, I am minded to propose that working balances are kept at a higher level in the next 12-18 months of recognition to the risks. I therefore propose that working balances are kept in the range £1.25m-£1.50m for this period after which a further review needs to take place based upon the latest evidence.

As members will be aware, working balances are there to protect the Council's against the 'peaks and troughs' in expenditure and allows them to be able to manage any changes to the base level of expenditure, that is required to bring the budget back into balance. Sometimes this can take time. Maintaining working balances means the Council does not have to make reactive changes that can significantly impact on service performance.

In terms of resource availability, members will be aware that the Council's overall working balances position is made up of estimated balances in hand and those to be transferred from the Housing Revenue Account, following stock transfer. Whilst the exact date of the availability of these resources is still subject to discussion with the CLG, they will become available over the planning period and as such will be available and this will mean that the working balances position is as follows:

Source	£'000
Estimated working balances based upon latest Revenue Monitoring Position 2007/08	637
Estimated transfer of working balance	879
Total	1,516

In previous years the Council has been faced with the prospects of making savings and 2008/09 will be exactly the same. The savings are necessary firstly to contain of Council Tax and secondly, to redirect resources into corporate priorities.

Some inherent risks remain in the budget by the underlying assumptions I have made have been agreed by the executive and I believe they are reasonable. I have outlined my views and advice in relation to the level and adequacy of working balances and summarise the key risks and mitigation that are and should be put in place. On the basis the Council's strategic objectives in relation to working balances will be:

- To maintain working balances in the range £1.25m-£1.50m for the first 18 months of the 3 year period.
- To review the financial risks facing the Council during 2009/10 taking into account the latest information available.

TREASURY MANAGEMENT

The Chartered Institute of Public Finance and Accounting publish a Code of Practice for Treasury Management, the Local Government Act 2003 also requires Council's to have regard to the prudential code. The primary requirements are to:

- Create and maintenance of a treasury management policy statement which sets out the policies and objectives to the Council's treasury management achievements.
- Create and maintenance of treasury management practices which set out the manner in which the Council will seek to achieve its policies and objectives.
- Provide the Executive with an annual strategy report.
- Delegation by the Council of responsibility for implementing and monitoring treasury management activities.

In all respect the Council complies with the requirement but as a measure of good practice should re adopt principles regularly.

In respect of Council Strategy for Treasury Management the principle will be as follows; the Council will:

- Have regard to the prudential code and set prudential indicators to ensure the Council's capital investment plans are affordable, prudent and sustainable.
- Make decision regarding borrowing and investment based upon the latest information and look to optimise returns on investment will minimise borrowing costs.
- Ensure the costs of borrowing are reflected in revenue forecasts.
- Comply with guidance relating to investments ensuring that:
 - capital is kept secure
 - liquidity is maintained at an appropriate level
- Not engage purely in borrowing to invest or lend on and make a return as this is unlawful.
- Agree a set of investment instrument which the Council can use based upon monitoring risk

The prudential indicators, targets and measures will be agreed as part of the budget setting process in February 2008, via the production of Annual Investment Strategy.

By virtue of paragraph(s) 1 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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