

Town Hall  
Market Street  
Chorley  
Lancashire  
PR7 1DP  
21 February 2008

Dear Councillor

**COUNCIL - TUESDAY, 26TH FEBRUARY 2008**

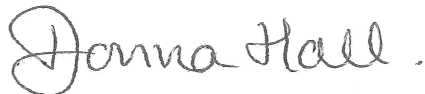
I am now able to enclose, for consideration at the above meeting of the Council, the following reports that were unavailable when the agenda was printed.

**Agenda No    Item**

6.    **General Fund Revenue and Capital Budget and Council Tax, 2008/09 (Pages 7 - 90)**

A report on the recommendations of the Council's Executive Cabinet at its meeting on 14 February 2008, the draft Council Tax resolution, the Statutory Section 25 report of the Assistant Chief Executive (Business Transformation) is enclosed.

Yours sincerely



Donna Hall  
Chief Executive

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**Distribution**

1.    Agenda and reports to all Members of the Council 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 آپکی اپنی زبان میں بھی کیا جاسکتا ہے۔ یہ خدمت استعمال کرنے کیلئے براہ مہربانی اس نمبر پر ٹیلیفون  
کیجئے: 01257 515823

Report of	Meeting	Date
Leader of the Council	Council	26 February 2008

## **GENERAL FUND REVENUE AND COUNCIL TAX 2008/09 AND CAPITAL PROGRAMME**

### **PURPOSE OF REPORT**

1. To seek approval of the Executive Cabinet's budget proposals including the levels of Council Tax increase for 2008/09.

### **RECOMMENDATIONS**

2. The Council is recommended to:
  - a) Approve the budget and Council Tax as set out in the resolution at Appendix 7 allowing for a 2½% increase in Council Tax levels.
  - b) Approve the Council's Capital Programme as set out in Appendix 5
  - c) Approve the pooling arrangement with regard to concessionary transport.
  - d) Note the advice of the Statutory Finance Officer in relation to the robustness of the budget and the risks contained in the budget, contained in the Statutory report with these papers and approve the Treasury Management Strategy and its core principles at Appendix 8.
  - e) Approve the fees and charges increases and car park tariff changes as set out in this report shown at Appendix 4.
  - f) Approve the Councils Medium Terms Financial Strategy.

### **EXECUTIVE SUMMARY OF REPORT**

3. This year's budget I believe needed to achieve a number of objectives, namely:
  - Ensure the Council continued to deliver a balanced budget.
  - The Council continued to deliver value for money for its residents.
  - The Council continued to invest in frontline services and priorities.
4. In terms of the key messages, there are many positives to report:
  - The proposed level of Council Tax increase is well below the current rate of inflation.
  - There will be significant investment in the continued improvement in front line services.

- Disruption to the current council services, which are performing well, has been kept to a minimum.

5. The Executive would have liked to do more, but continued pressure on expenditure means that we have to temper our ambitions. In particular the need to minimise the financial risk to the Council of implementing the free concessionary travel scheme means that the Executive have had to look at all the Council's revenue earning opportunities in order to create that headroom for investment.

**BACKGROUND**

6. The Executive published a draft budget at the beginning of December 2007 setting out its broad intention for spending and investment in the borough for the forthcoming financial year 2008/09. Some revision to that draft budget were made at the Executive's meeting held on the 14 February following consultation feedback and the receipt of an updated analysis of the financial position

**BUDGET CONSULTATION**

7. The draft budget was approved for consultation in December 2007. A summary of the conclusions from the consultation is shown at Appendix 1.

8. Executive Cabinet have considered the messages contained in the responses and considered that some amendments in its draft budget be made. A formal response to the issues raised by Scrutiny is also included in Appendix 2 to this report.

9. In general the consultation responses are supportive of the Council's investment priorities. However, no comments were received from the public consultation in relation to either:

- the level of proposed Council Tax increase or;
- the proposals for amendment to the fees and charges.

10. The Executive were asked by the Overview and Scrutiny Committee to consider:

- ensuring the additional cash was distributed so that extra was spent on:
  - Pest Control services
  - Street cleanliness in rural areas
  - Activities for those in areas where access to the Council's leisure facilities is limited

**BUDGET PROPOSALS**

11. Since the budget consultation document was published a number of adjustments have had to be made to the Continuation budget, based upon updated information. Shown in the table below is a summary of the movements.

	£'000	£'000
<b>Budget Gap reported in December Draft</b>		<b>327</b>
Savings Proposals	(187)	
Fees & Charges Review	(223)	
Growth/Investment	<u>265</u>	
		(145)
Council Tax Increase @ 3%		<u>(182)</u>
<b>Net Expenditure</b>		<b>0</b>
Changes in Directorate Budgets since December		(83)
<u>Changes in Financing:</u>		
Change in Special Expenses		24
Change in Aggregate External Finance		29
<b>Additional headroom available</b>		<u><b>(30)</b></u>

12. The table shows that whilst there have been movements in expenditure and income projections, the overall impact is that a small amount of headroom has been created in the budget. In terms of policy choices, the majority of amendments are based upon having better information and are changes the Statutory Finance Officer advises should be made to make the budget more robust.
13. Of the amendments made to the draft revenue budget three policy changes have been made namely:
- The proposed level of Council Tax increase has been reduced from 3% down to 2½%.
  - Funds have been diverted from the sums set aside for additional opening hours at Astley Hall into the Get Up and Go Programme in the sum of £20k.
  - A non-recurrent sum of £100k is to be used from working balances to spend on neighbourhood improvements to compliment the additional recurrent cash for neighbourhood working.
14. An explanation of the budget variations year on year and the savings and fees and charges proposals are shown at Appendices 3 and 4 respectively. The details of the Executive Cabinet's proposed to the Council are set out in the following Appendices:
- |          |    |  |
|----------|----|--|
| Appendix | 1  | Summary of Consultation Responses            |
|          | 2  | Executives Response to Scrutiny              |
|          | 3  | Significant Budget Movements Year on Year    |
|          | 4  | Savings Items and Fees and Charges Proposals |
|          | 5  | Capital Programme 2008/09 – 2010/11          |
|          | 6  | Special Expenses and Parish Precepts         |
|          | 7  | Note on Concessionary Travel                 |
|          | 8  | Formal Council Resolution                    |
|          | 9  | Treasury Management Strategy                 |
|          | 10 | Medium Terms Financial Strategy              |
15. Pressure continues to be placed on the Council's budget from the cost of recycling and the cost of benefits. A significant new risk is the introduction of the free concessionary travel scheme from April 2008. The reasoning is that it is impossible to predict the likely total cost of the scheme and its impact on the Council's budget. The proposed pooling arrangement mitigates the risk to some extent but cannot and will not protect the Council completely.
16. On a positive note the Job Evaluation Scheme has been completed and the additional costs are now factored into the 2008/09 base budget. The result from a financial perspective is that costs have been contained and the completed scheme will not destabilise the Council financially. However, we await the outcome of any potential equal pay claims.
17. In terms of the budget itself the Council is able to continue to redirect resources to its key priorities. The growth areas represent the Council's contribution to improving services in the following areas:
- Direct Services in Neighbourhoods
  - The Get Up and Go Programme
  - The commissioning of work with the Local Strategic Partnership
  - Marketing the town and organising events for residents
  - Extending the opening hours at Astley Hall

18. Members may note that the additional costs for services in Neighbourhoods is in a direct result of the Overview and Scrutiny Committee’s review of neighbourhood working and the response by the Executive to the review which has now been approved.
19. The administration’s aim was to keep the level of Council Tax increase low and the proposed 2½% increase will mean the average increase for the last two years being only 1.25%. The increase is necessary to pay for some of the cost pressures in the budget, but in particular the potential cost of concessionary travel which continues to increase over and above the sums budgeted.
20. The headroom for growth has been reached through continuing to drive out costs but increases in fees and charges are necessary to ensure the Council:
  - recovers its costs
  - is competitive but charges a fair price
21. In many cases it is some years since any of the charges have increased. With regard to the headroom now available in the budget and as a result of feedback from budget consultation, the following is proposed in terms of growth.

	£000
Investment in frontline neighbourhood services	100
Project delivered in partnership with the LSP	90
Extended opening hours at Astley Hall	20
Events and Tourism Officer	25
Extended Get Up and Go scheme with a focus on rural areas	30
<b>TOTAL</b>	<b>265</b>

**THE CAPITAL PROGRAMME**

22. The Executive again issued its draft Capital Programme in December 2007. The Programme reflected the Executive’s intention to focus on the Council’s Corporate priorities and the key priorities for investment were identified as:
  - Affordable Housing
  - The Town Centre
  - Sustainability and Climate Change
  - Investment in the Council’s infrastructure
23. No specific responses were received in relation to capital and the programme will remain unchanged apart from the following:

It has been updated to take account of slippage of expenditure from 2007/08 to 2008/09 and vice versa. Additionally the Council has now been notified that its allocation of housing capital grant for 2008/09 is likely to be £311k. This is less than originally anticipated and in terms of help from the Government for dealing with housing related issues is going to have a marginal impact.

Further consideration has been given to the Programme by the Executive and three further changes to the draft budget has been made namely:

- A bid has been submitted to the Government for grant towards rebuilding the Council's homelessness hostel, namely £3.2m.
- £300k over the next 3 years has been committed to improving the Council's football pitches as part of the Council's aim to encourage physical activity.
- A further £150k has been committed to making the Council's building more energy efficient and fit for purpose.

24. All of the above will be completed without the need for any additional borrowing over the three years and which amounts to the £600k as identified in the draft budget. Further resources have been identified from asset sales specifically from the proposed disposal of land at Friday Street to offset the extra spending. A detailed programme is shown at Appendices 5

## CONCLUSION

25. The budget continues to direct resources into the Council's key priorities and address concerns identified by Borough Citizens. The administration ambition to contain the level of Council Tax increase whilst continuing to invest in services has been achieved. Particular focus for 2008/09 has been on resourcing the Council's refreshed Corporate Strategy.
26. There are some significant risks contained in the budget which in the worst case scenario could have a negative affect on the Council's budget and ability to continue to develop services. However, in line with the Statutory Finance Officer's advice the level at which the Council's working balances are kept has been increased to reflect this risk.
27. The Council's Council Tax increase must be viewed in the context of our partner authorities who have increased their element of the Council Tax as follows:

Lancashire County Council	2.95%
Lancashire Fire Authority	4.74%
Lancashire Police Authority	7.95%

## FUTURE YEARS PROSPECTS

29. In terms of future years prospects the forecasts show that in the two years following 2008/09 an average saving of £527k will be required to balance the councils budget. This will need to come from either extra council tax or further savings.
30. This sum has increased since the draft budget was approved mainly as a result of the notification of the amount the Council can expect in grant from the government. For the financial planning period the cash increases are to be as follows:
- |         |               |
|---------|---------------|
| 2008/09 | +£213k (2.6%) |
| 2009/10 | +£137k (1.7%) |
| 2010/11 | +£129k (1.5%) |
31. These sums are less than originally forecast and very poor. The main reason for the reduction is that cash has been switched to upper tier and unitary councils in an attempt to deal with in particular pressure for social care costs.

32. As a result and even after allowing for inflationary council tax rises the savings required will be in the region of £536k in 2009/10 and £199k in 2010/11 based upon the current continuation budget. These figures allow for no further growth
33. The Council will have to work extremely hard to achieve this level of savings given the scale of the savings previously made. If the Council is to minimise the impact on services it will need to be innovative in its approach. Two determining factors could significantly affect this forecast. The first will be the ultimate outcome of the pooling discussions for concessionary transport and the ultimate cost of the scheme. The second will be the arrangement for decriminalised parking with the County Council which will change from 2009 onwards. Details of the forecasts and the Councils approach to the issues are contained in the Medium Term Financial Strategy shown at Appendix 9.

GARY HALL  
 ASSISTANT CHIEF EXECUTIVE  
 (BUSINESS TRANSFORMATION)

<b>Background Papers</b>			
<b>Document</b>	<b>Date</b>	<b>File</b>	<b>Place of Inspection</b>
Draft Budget Proposal	6/12/2007	Executive Cabinet	Town Hall
Budget Update Report	14/2/2008	Executive Cabinet	Town Hall

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
Gary Hall	5480	14/02/08	ACE(Bi)/reports/2008/Council/ General Fund Rev and Council Tax



**GENERAL FUND REVENUE AND COUNCIL TAX 2008/09 AND  
CAPITAL PROGRAMME REPORT**

**SCHEDULE OF APPENDICES**

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2	Executives Response to Budget Scrutiny (report to Council 28/02/08)	23-25
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8	Formal Council Resolution	45-50
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10	Medium Terms Financial Strategy	58-88
10(a)	Changes from Budget Assumptions made 06/12/07	89

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Report of	Meeting	Date
Assistant Chief Executive (Business Transformation and Improvement)	Members	4 February 2008

Appendix 1

## **BUDGET CONSULTATION 2008**

### **PURPOSE OF REPORT**

1. To update Members on the results of the consultation carried out around the draft budget.

### **RECOMMENDATION(S)**

2. That Members note the results and the Executives response.

### **EXECUTIVE SUMMARY OF REPORT**

3. Consultation on the draft budget 2008 was carried out by undertaking a straw poll on the markets to gain a broad understanding of the views of members of the public and a more detailed consultation workshop with members of the Making Chorley Smile panel. In addition, the Council's Overview and Scrutiny panels, and the committee, have completed their scrutiny.

The results of the consultation were positive, with positive comments about most of the priorities for investment. At the workshop, support was strongest for, increasing the Get Up and Go! activities, improving local neighbourhoods and improving the town centre. More detailed comments were made by the group on each area, and these are outlined in the report.

The views expressed by the Making Chorley Smile panel were mirrored by the Council's Overview and Scrutiny panels, who were keen to see more resources put into neighbourhood working, particularly around street cleansing in rural areas and youth activities in areas where there is limited access to the Council's and CLS leisure facilities.

### **REASONS FOR RECOMMENDATION(S)**

**(If the recommendations are accepted)**

4. N/A

### **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

5. N/A

**CORPORATE PRIORITIES**

6. This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the Central Lancashire sub-region		Develop local solutions to climate change.	
Improving equality of opportunity and life chances		Develop the Character and feel of Chorley as a good place to live	
Involving people in their communities	✓	Ensure Chorley Borough Council is a performing organization	

**BACKGROUND**

7. Consulting on the budget, and taking in consideration the views of the public and other stakeholders is an important process in ensuring the Council is able to take account of the views and needs of the community it serves. The consultation that has been undertaken provides information that Members can use when making their decisions in the budget setting process.

This report contains details of the results of the consultation carried out for the 2008 budget cycle. It has included; taking a straw poll in the covered market of what people saw as a priority for Chorley, a workshop with representatives from the Making Chorley Smile panel and meetings with the scrutiny panels and Committee.

**INTRODUCTION TO CONSULTATION**

8. In each public consultation, people were asked to comment on the areas identified for investment. These were:

- Improving your neighbourhood
- Helping organisations work together to improve Chorley
- Open Astley Hall more
- Put on more Get Up and Go! activities
- Invest in more events and tourism
- Helping create more affordable housing
- Improving your town centre, including the markets

The main qualitative and quantitative results have come from a workshop held with 29 members of the Making Chorley Smile Panel on the 30<sup>th</sup> January. Where appropriate, the views expressed during the consultation with members of the public have been fed into the results.

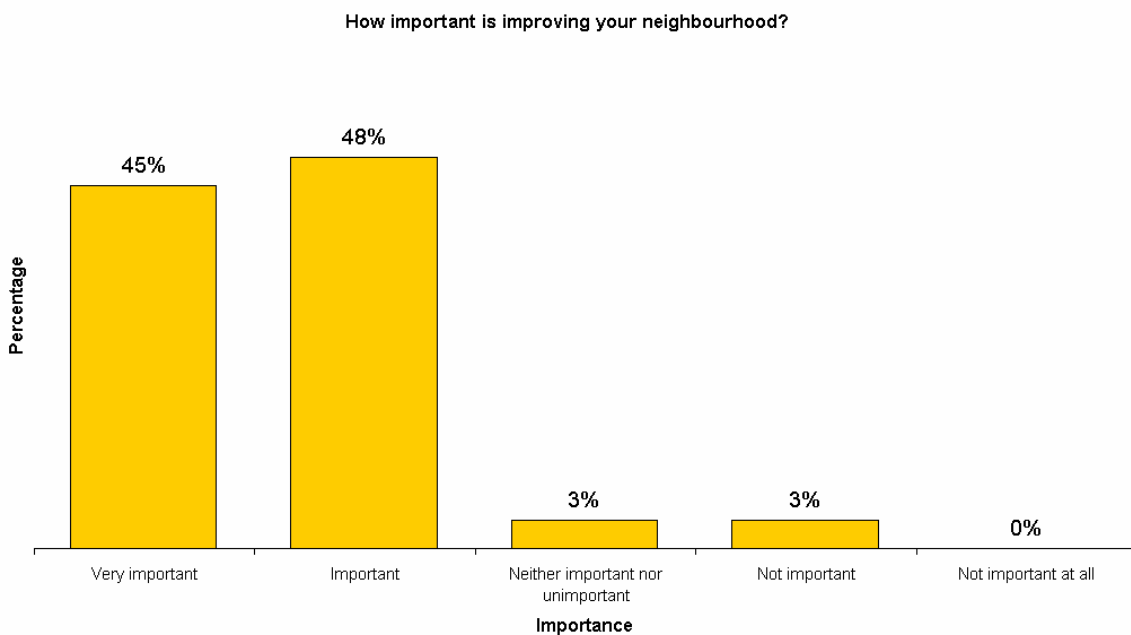
The following section outlines the responses received from the public about each priority investment area. The percentages referred to are a result of voting by the Making Chorley Smile Panel.

9. **Improving your neighbourhood**

93% of the workshop thought that improving their local neighbourhood was either ‘very important’ or ‘important’. This priority was also a popular option during the consultation on the markets, with a large number of people selecting it as a priority.

When asked what they meant when thinking about their ‘neighbourhood’, the panel indicated that they would be talking about the areas within walking distance from their home, and particularly the streets in the immediate vicinity. Those members from more rural areas would normally consider their village to be their ‘neighbourhood’.

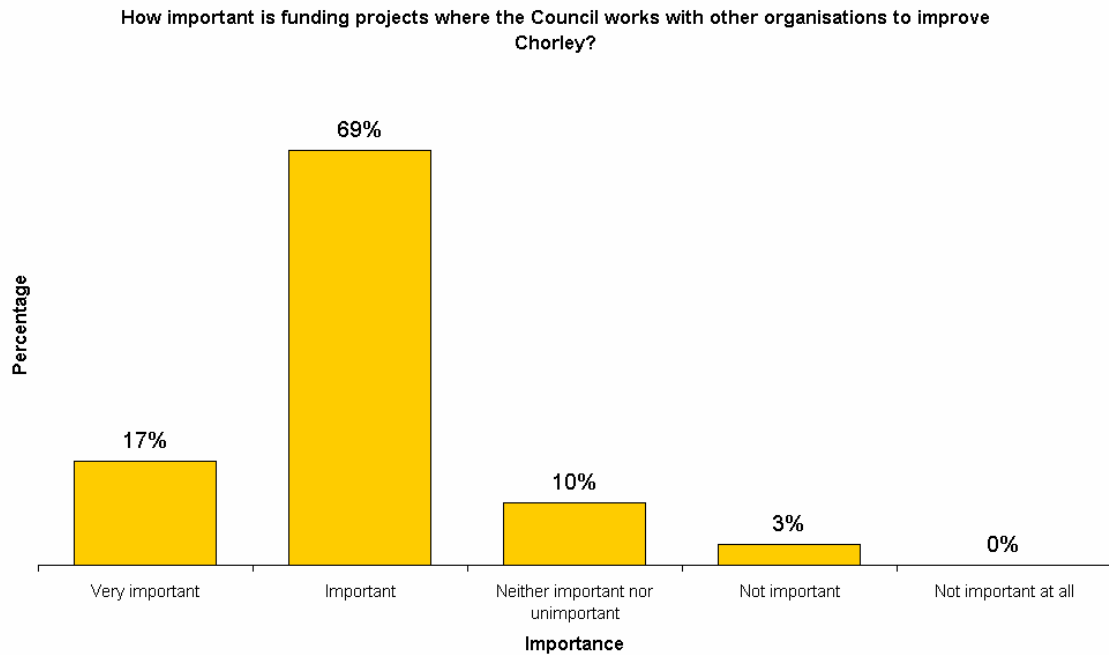
The issues that were identified as important in improving neighbourhoods were largely based around environmental quality (street cleansing and parks and open spaces particularly), activities for young people, community assets and tackling low level anti-social behaviour.



10. **Helping organisations work together to improve Chorley**

86% of the panel thought that investment in this area was ‘very important’ or ‘important’, although a majority only thought it was ‘important’, a weaker endorsement of this priority than was seen with neighbourhood working.

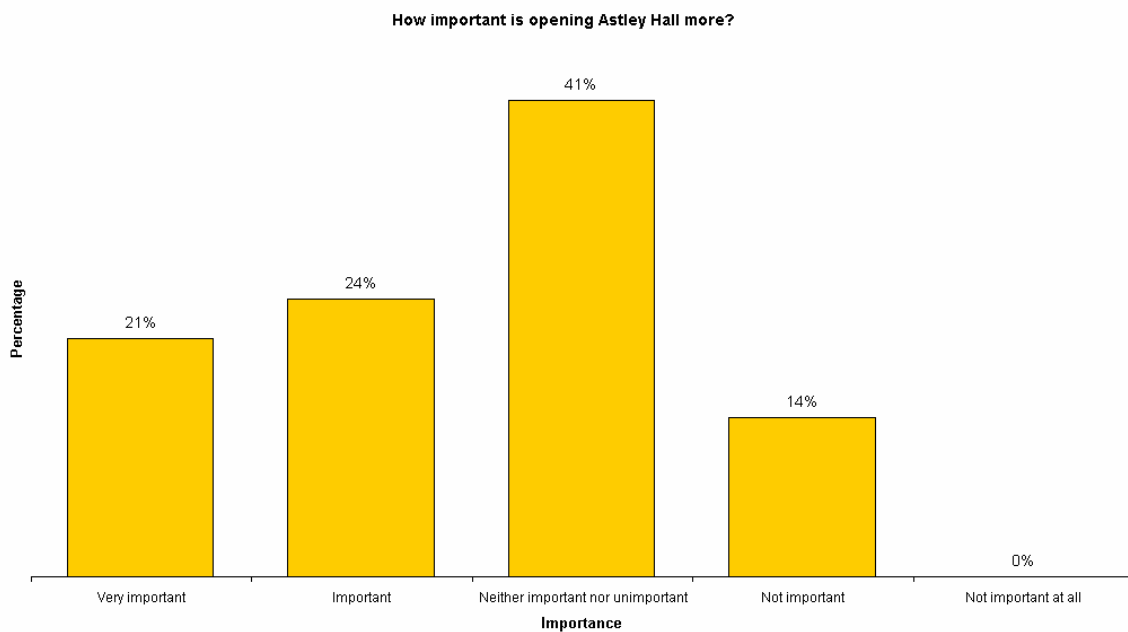
The workshop group did not understand why the partners on the Local Strategic Partnership could not work together without funding being made available to them. In addition, there was some concern that the success or otherwise of projects may not be fully monitored and that the bodies receiving money may not be held to account. One comment was that the work of the LSP needed to be better communicated.



**11. Open Astley Hall more**

45% of participants in the workshop indicated that they thought that opening Astley Hall more should be a priority. A majority (41%) thought that it was neither important nor unimportant. A similar message came from the consultation carried out on the market, with only a small number supporting this as a priority.

The workshop group emphasised that they thought the work in Astley Park was positive, and that Astley Hall was an asset for the area. They felt, however, that with limited resources, it was not a priority. They particularly felt that the provision of activities for young people should not be detrimentally affected by increased provision of Astley Hall.

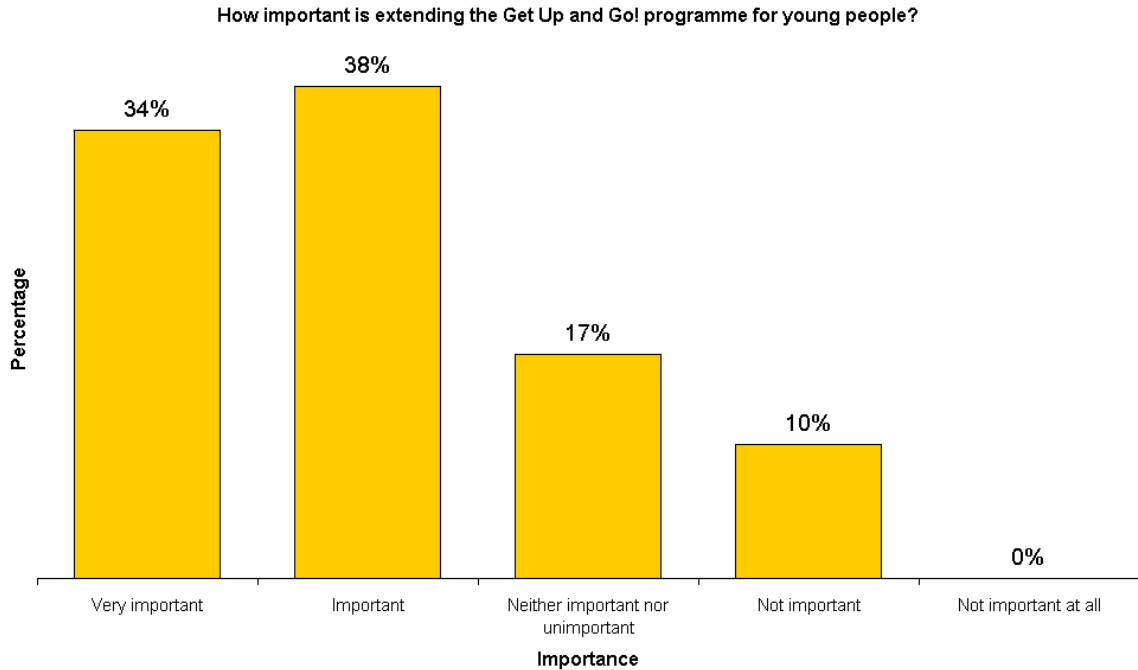


**12. Put on more get Up and Go! activities**

The panel felt strongly that the Get Up and Go! programme could have a positive impact on young people and, in addition, help to tackle anti-social behaviour by providing diversionary activities. The programme needs to be developed to target those older age

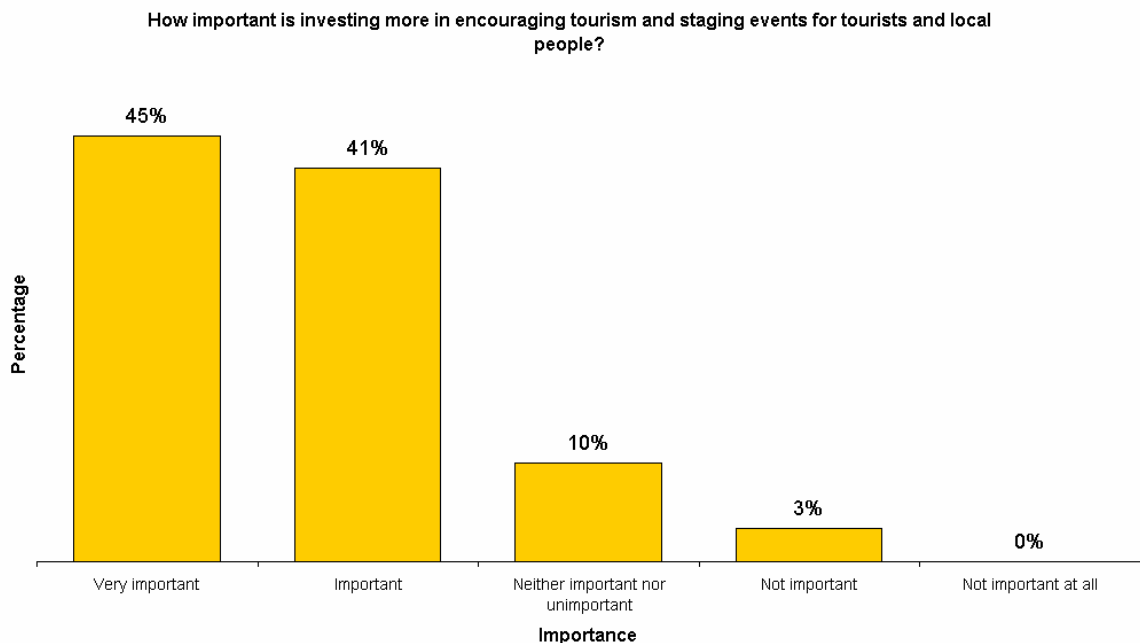
groups and rural areas. If the programme is to be successful, it was felt that young people need to be consulted with to ensure that the activities available are attractive and suitable for them. In addition, the programme should be sustained, rather than just offering short term diversionary activities.

The straw poll on the markets also showed a strong support for the provision and extension of Get Up and Go! activities.



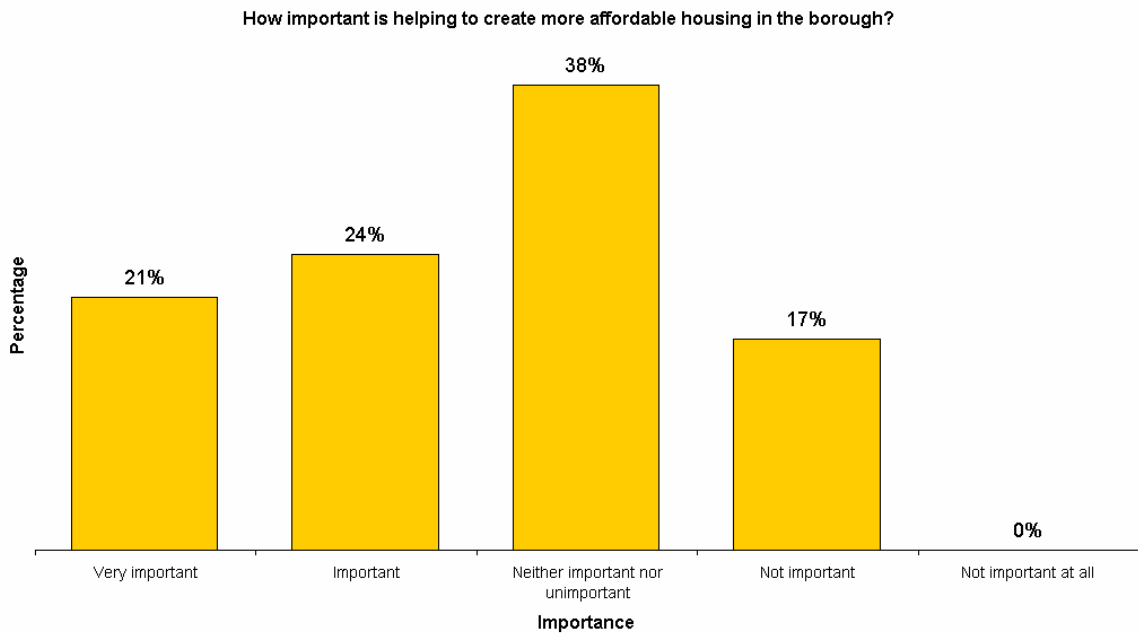
**13. Invest in more events and tourism**

The workshop group supported the marketing of Chorley, particularly if it is linked to securing more inward investment and jobs creation. The comments made by the group centred around the need for Chorley to be better marketed to attract more visitors, but that this need needed to be balanced to ensure that facilities such as car parking, could cope with additional visitor numbers.



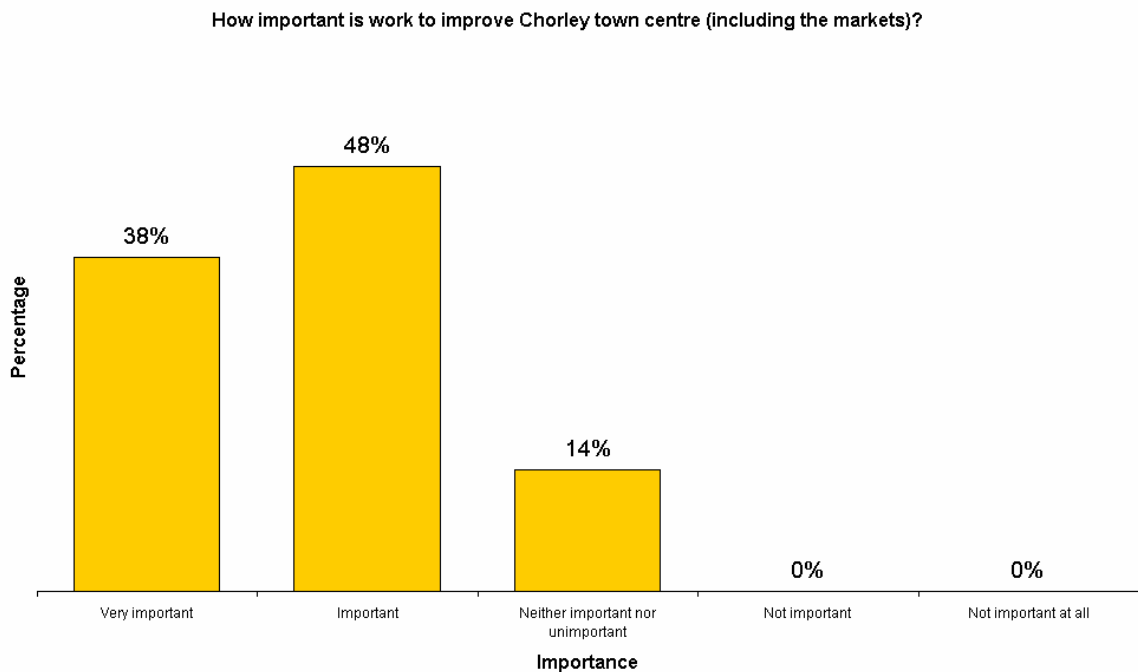
14. **Help create more affordable housing**

The group was supportive of the proposal, but felt that they would need more information about how the proposal would work. For example, they would need information about where housing would be located and what type of affordable housing is being referred to. For these reasons, there was generally less support for investment in this area.



15. **Improve the town centre, including the markets**

There was general support from the consultation workshop for developing and improving the town centre. The group felt it was important that the Council are aware of the need to retain the balance between attracting new, chain shops to Chorley and retaining its distinctive character and shopping experience.

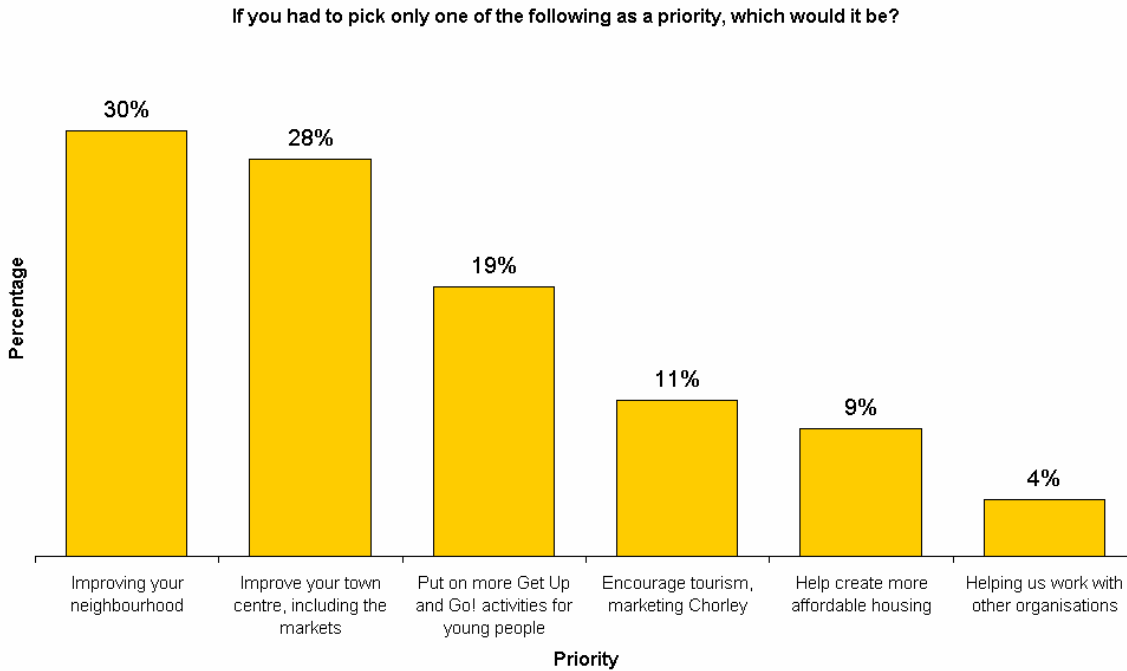




16. **Top Priority**

At the Making Chorley Smile panel consultation workshop, the group were asked to selected one priority that they saw as the most important. The majority of the group felt that improving their neighbourhood would be the top priority, if they had to choose one.

The graph below illustrates the combined responses from the consultation workshop and the straw poll on the markets.



17. **Conclusion**

Many of those involved in the consultation around the 2008 budget expressed satisfaction that the Council was trying to ensure that the views of the public were taken into account when decisions were been made around the budget and making additional investment in priority areas.

Generally, most support was received, from both the market consultation and the workshop, for the work around improving local neighbourhoods, improving Chorley town centre and further developing the Get Up and Go! programme of activities, particularly in rural areas and for older age groups.

**IMPLICATIONS OF REPORT**

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

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal		No significant implications in this area	

**COMMENTS OF THE ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION AND IMPROVEMENT)**

19. As this report will influence the budget setting process, it has financial implications. The implications of any decisions made by Members will be covered in budget setting meetings.

GARY HALL  
ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION)

There are no background papers to this report.

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
Chris Sinnott	5337	31 <sup>st</sup> January 2008	Budget Consultation Report

Report of	Meeting	Date
Leader of the Council	Council	28/02/08

Appendix 2

## **EXECUTIVES RESPONSE TO BUDGET SCRUTINY**

### **PURPOSE OF REPORT**

1. To inform Councillors of the Executives Cabinet response to the issues raised by the Overview and Scrutiny Committee in relation to its review of the 2008/09 budget proposals.

### **RECOMMENDATION(S)**

2. That the Council notes the response made to the issues raised by the Overview and Scrutiny Committee during the budget consultation.

### **EXECUTIVE SUMMARY OF REPORT**

3. The report outlines the issues raised by the Overview and Scrutiny Committee during consultation and how the Executive have responded:
4. The response demonstrates that in many cases the Executive have recognised the issues raised by the Overview and Scrutiny Panels and Committee and are seeking to address them through introducing alternative ways of working and where appropriate providing additional resources.

### **REASONS FOR RECOMMENDATION(S)**

#### **(If the recommendations are accepted)**

4. To inform Council of the Executives response to issues raised by Overview and Scrutiny during the budget consultation.

### **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

5. None.

### **CORPORATE PRIORITIES**

6. This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the Central Lancashire sub-region	✓	Develop local solutions to climate change.	✓
Improving equality of opportunity and life chances	✓	Develop the Character and feel of Chorley as a good place to live	✓
Involving people in their communities	✓	Ensure Chorley Borough Council is a performing organization	✓

The budget and its impact has the propensity to affect any of the Council's strategic objectives.

## **BACKGROUND**

7. For 2008/09 a similar methodology was adopted to budget scrutiny that had been undertaken for the last two financial years. Members of the Overview and Scrutiny Panels and Committee was provided with both contextual information regarding services in the form of performance and financial data.
8. The aim of the exercise was to try to demonstrate how the Council performed when compared to other like Council's. Against this backdrop the Scrutineers were also given details of the Council's budget and asked to focus on whether:
  - The proposals would contribute towards the achievement of the Council's Corporate priorities.
  - Their experience as Ward Councillors indicated whether the balance of resourcing allocated to individual services was correct.
9. The individual Scrutiny Panels had the opportunity to ask questions, particularly on significant policy items. The outcome of that work was subsequently fed back to the Overview and Scrutiny Committee who endorsed their recommendations to Cabinet. The outcome of that work has been directly fed in to the Executive through the budget consultation process.
10. A response to the issues raised by Scrutiny is therefore set out in this report and a summary is now provided. The Overview and Scrutiny Committee asked the Executive to consider:
11. **Increasing the number of Neighbourhood Wardens and the resources allocated to street cleansing outside the urban core including lobbying the County Council where appropriate.**

### **Response**

12. The Executive is Committed to spending additional resources on front line services and is allocating a further £100k of recurrent expenditure and a further £150k of non recurrent expenditure to improving the look and feel of neighbourhoods, which will include street cleansing. The additional money will be spent determining and identifying priorities for individual neighbourhoods. With regard to the County Council, part of the neighbourhood working agenda will be to pick up such issues and work with our partners including the County Council to resolve them.
13. **Increasing the usage of the machine that removes chewing gum throughout the borough.**

### **Response**

Additional resource will be put into this as part of the Council's spring clean-up programme.

14. **Providing members with schedules of work for street cleaning and grounds maintenance.**

**Response**

Part of the neighbourhood working agenda will be to engage ward member in determining what needs to be done in their neighbourhoods. Part of this engagement will be supplying information to members on how the service is currently delivered.

15. **Identifying where there are gaps in provision of recreational activities particularly in rural areas and look at providing improved transport links where appropriate.**

**Response**

16. The Executive budget proposals include significant extra cash for the Get up and Go Programme with a focus on rural areas where access to services such as leisure facilities is more difficult. Part of the extra cash may be put into transportation to ensure those in rural areas can access the programmes of activities that are provided. The exact details of how the extra money will be spent is yet to be determined but our intention is that the access issue to recreational facilities and activities is addressed.

17. **To explore complimentary concessionary arrangements with South Ribble Borough Council the access to recreational facilities.**

**Response**

The current passport to leisure operates across local boundaries in Preston, Leyland and Ribble Valley so Chorley residents with a Passport to Leisure pass can get discounted rates at facilities other than those within the borough.

18. **That the proposed increase for grant of right of burial fees is phased in.**

**Response**

The Executive considers that the increase should be implemented immediately. This service has been subsidised for many years and even with the increase still represents a subsidy. For this reason the Executive consider the phasing of the increase unnecessary.

GARY HALL  
ASSISTANT CHIEF EXECUTIVE  
(BUSINESS TRANSFORMATION)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gary Hall	5480	14/02/08	ACE(BI)/Reports/2008/Council/ Executives Response to Budget

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**Changes from Budget Assumptions made 06/12/07**

	<b>Assumption 06/12/07 £</b>	<b>Revised Figures £</b>	<b>Change £</b>
<b><u>Directorate &amp; Corporate Cash Budgets</u></b>			
Benefits Admin. Grant - less grant to be received	(711,510)	(705,100)	6,410
Homelessness Grant - more grant to be received	(23,000)	(30,000)	(7,000)
Employee Costs & impact of Job Evaluation - additional cost			28,950
Planning Fees - national rate increase of 20% is being proposed by the Government.	(351,000)	(421,000)	(70,000)
Dev Control salary costs - additional resources to cover workload.			16,000
Liberata Contract (Property Services) - less savings than anticipated	379,830	389,150	9,320
Delay in Telephony contract (ICT Services) - less savings than anticipated.	19,300	36,000	16,700
Public Conveniences cleaning - saving as a result of better prices from tendering	88,030	78,050	(9,980)
External Audit Fees - national increase of 14% proposed	109,460	121,510	12,050
Contact Centre SLA to continue in 08/09 - not included in original draft.	0	(20,000)	(20,000)
Assistance to Public Transport - no contractual commitment	10,610	0	(10,610)
Market Walk Ph2 - Car Parking Income	(556,470)	(806,470)	(250,000)
Pooling of Concessionary Travel			165,000
Pest Control Income - excluded from draft budget	(740)	(12,000)	(11,260)
Neighbourhoods Restructure - delay in implementation			35,000
Other minor changes			6,780
<b>Total Changes in Directorate &amp; Corporate Cash Budgets</b>			<b><u>(82,640)</u></b>
<b><u>Financing</u></b>			
Aggregate External Finance - less grant to be received	(8,249,650)	(8,221,000)	28,650
Special Expenses - lost income due to changes from stock transfer			23,590
<b>Total Changes in Financing</b>			<b><u>52,240</u></b>
<b>TOTAL CHANGES</b>			<b><u>(30,400)</u></b>
Cost of 0.5% reduction in Council Tax increase			<b>30,400</b>

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**PROPOSALS FOR INCREASING FEES & CHARGES IN 2008/09**

DIRECTORATE	INCOME AREA	BUDGET 2007/08 £	PROPOSAL	ESTIMATED INCREASE £
<b>Corp. Governance</b>	Hackney/Prvt Carriage Licences	(63,410)	Increase charges by 3.5% to coincide with comparable charging local council	(2,246)
<b>Corp. Governance</b>	Other Licences	(1,800)	Increase charges to coincide with comparable charging local council	(1,937)
<b>Business</b>	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
<b>Business</b>	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) (2,700) (5,200)
<b>Business</b>	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)
<b>Business Improvement</b>	Rail Pass Charge	(19,390)	Adding £1.00 to current overhead levied (currently 50p)	(1,175)
	Garage Rents	(47,980)	4.4% increase in line with CCH Garage Rents increase.	(2,280)
<b>People</b>	Casual Hire:Offices And Rooms	(30,430)	3% inflationary increase	(915)
<b>People</b>	Grant Of Right Of Burial Fees	(20,220)	Increase charges from £495 to £800 in line with market rate.	(12,200)
<b>People</b>	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)

**PROPOSALS FOR INCREASING FEES & CHARGES IN 2008/09**

DIRECTORATE	INCOME AREA	BUDGET 2007/08 £	PROPOSAL	ESTIMATED INCREASE £
People	Indoor Leisure Charges	(25,000)	A combination of increases to reflect the level of investment in the centres and amending the profit share formula.	(25,000)
People	Get Up and Go		Additional activities for which we currently charge. Typically 3 day activities offering added value eg, visits. Payments to be made on-line.	(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	(9,880)
			Rationalisation of tariffs:- Short Stay car parks (see note attached)	(38,600)
			Rationalisation of tariffs:- Long Stay car parks (see note attached)	(24,000)
			5% increase	(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)
			<b>ESTIMATED ADDITIONAL INCOME</b>	<b>(225,580)</b>

Appendix 5

**Capital Programme - 2007/08 to 2010/11**

Scheme

**Town Centre Investment**

Delivering the Chorley Town Centre Strategy  
Marketing Chorley  
Markets Action Plan (Phase I)  
Town Centre Investment

**Town Centre Investment Total**

**Affordable Housing**

Homelessness Prevention Central Lancs Sanctuary Scheme  
Affordable Housing Halliwell Street Project 2007-2010  
Affordable Housing HALS Project 2007/08 - 2008/09  
Choice Based Lettings  
Affordable Housing New Development Project 2008/09 - 2010/11  
Affordable Housing Project (Site Assembly)

**Affordable Housing Total**

**Sustainability & Climate Change**

Climate Change Pot

**Sustainability & Climate Change Total**

2007/08 Revised Estimate £	2008/09 Consultation Programme £	2009/10 Consultation Programme £	2010/11 Consultation Programme £	Total 2007/08 to 2010/11 £	Change since 6/12/07 £	Notes
100,000				100,000	0	
10,000				10,000	0	
	250,000	0		250,000	0	1
	325,000	825,000		1,150,000	0	
<b>110,000</b>	<b>575,000</b>	<b>825,000</b>	<b>0</b>	<b>1,510,000</b>	<b>0</b>	
	57,000			57,000	0	
	79,000			79,000	0	
	880,000			880,000	(500,000)	2
	20,000			20,000	0	
	599,400	311,500	377,000	1,287,900	(500,000)	3
					(580,000)	4
<b>0</b>	<b>1,635,400</b>	<b>311,500</b>	<b>377,000</b>	<b>2,323,900</b>	<b>(1,580,000)</b>	
	180,000			180,000	0	
<b>0</b>	<b>180,000</b>	<b>0</b>	<b>0</b>	<b>180,000</b>	<b>0</b>	

**Capital Programme - 2007/08 to 2010/11**

Scheme

**Matched Funding Pot**

Matched Funding Pot

**Matched Funding Pot Total**

**Performing Organisation - Investment in Infrastructure**

**Assistant Chief Executive (Business Transformation)**

Capitalised Restructuring Costs  
 Town Hall Disabled Access and Refurbishment  
 Gillibrand Link Road - land assembly  
 Planned Maintenance of Fixed Assets  
 Financial Systems Development  
 Investment in Council Assets

**Assistant Chief Executive (Business Transformation)**

**Assistant Chief Executive (Policy & Performance)**

Project Management Support Capitalisation  
 Website Refresh  
 Contribution to Pitch Drainage Bishop Rawsthorne School  
 External Funding Pot  
 - Charnock Richard FC  
 Pump priming the Local Public Services Board  
 Performance Management

**Assistant Chief Executive (Policy & Performance)**

2007/08 Revised Estimate £	2008/09 Consultation Programme £	2009/10 Consultation Programme £	2010/11 Consultation Programme £	Total 2007/08 to 2010/11 £	Change since 6/12/07 £	Notes
	100,000	100,000	100,000	300,000	0	
<b>0</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>300,000</b>	<b>0</b>	
700,000				700,000	33,000	5
11,290				11,290	(10)	5
748,730				748,730	17,730	5
100,000	300,000	200,000	200,000	800,000	0	6
	62,000	0	0	62,000	0	
	150,000			150,000	150,000	7
<b>1,560,020</b>	<b>512,000</b>	<b>200,000</b>	<b>200,000</b>	<b>2,472,020</b>	<b>200,720</b>	
40,000	40,000	40,000	40,000	160,000	0	
15,050				15,050	210	5
19,990				19,990	0	
0	9,650			9,650	0	6
6,000				6,000	0	
0	10,000			10,000	(40,000)	8
<b>81,040</b>	<b>59,650</b>	<b>40,000</b>	<b>40,000</b>	<b>220,690</b>	<b>(39,790)</b>	

**Capital Programme - 2007/08 to 2010/11**

Scheme	2007/08 Revised Estimate £	2008/09 Consultation Programme £	2009/10 Consultation Programme £	2010/11 Consultation Programme £	Total 2007/08 to 2010/11 £	Change since 6/12/07 £	Notes
<b><u>Corporate Director (Business)</u></b>							
Disabled Facilities Grants	355,000	371,450	300,000	300,000	1,326,450	71,450	9
Housing Renewal	105,000	200,000	200,000	200,000	600,000	(95,220)	9
- Home Repair Grants	101,880				105,000	0	
- Energy Grants	10,000				101,880	0	
- Handyperson Scheme	40,000	3,200,000			10,000	0	
Refurbishment of Cotswold House Homeless Unit		110,000			3,240,000	3,200,000	7
EAGA Energy Efficiency	18,660	23,770			110,000	0	
Other housing-related capital expenditure	103,220	103,220	70,000	70,000	42,430	23,770	9
Regeneration Projects - Design Fees	33,080				346,440	0	
Town Centre Paving Project	12,480				33,080	0	
eDevelopment and Building Control Project	1,214,150				12,480	(20,010)	5
Eaves Green Link Road - contribution to LCC scheme					1,214,150	0	
	<b>1,993,470</b>	<b>4,008,440</b>	<b>570,000</b>	<b>570,000</b>	<b>7,141,910</b>	<b>3,179,990</b>	
<b><u>Corporate Director (Governance)</u></b>							
Pump Priming the Area Forum						(50,000)	8
Legal Case Management System		31,750			31,750	0	
	<b>0</b>	<b>31,750</b>	<b>0</b>	<b>0</b>	<b>31,750</b>	<b>(50,000)</b>	
<b><u>Director of Human Resources</u></b>							
e-Enabling HR systems - Training	0	30,000			30,000	0	6
HR Management System	18,000	50,500			68,500	0	6
	<b>18,000</b>	<b>80,500</b>	<b>0</b>	<b>0</b>	<b>98,500</b>	<b>0</b>	

Scheme

**Corporate Director (Business)**

- Disabled Facilities Grants
- Housing Renewal
- Home Repair Grants
- Energy Grants
- Handyperson Scheme
- Refurbishment of Cotswold House Homeless Unit
- EAGA Energy Efficiency
- Other housing-related capital expenditure
- Regeneration Projects - Design Fees
- Town Centre Paving Project
- eDevelopment and Building Control Project
- Eaves Green Link Road - contribution to LCC scheme

**Corporate Director (Business)**

**Corporate Director (Governance)**

- Pump Priming the Area Forum
- Legal Case Management System

**Corporate Director (Governance)**

**Director of Human Resources**

- e-Enabling HR systems - Training
- HR Management System

**Director of Human Resources Total**

**Capital Programme - 2007/08 to 2010/11**

**Scheme**

**Corporate Director (Neighbourhoods)**

- Litter/Dog Waste/On-street recycling bins
- Replacement of recycling/litter bins & containers
- Enhanced Recycling/Kerbside Collection
- Various traffic calming/local road safety schemes
- Highway improvements - Gillibrand estate/Southlands
- Intelligent Management Information
- Building Safer Communities/Safer Stronger Communities
- Waste Performance & Efficiency Grant scheme
- Alleygates
- Refuse and Recycling Contract Revenue Mitigation
- MATAC CCTV Infrastructure Upgrades

**Corporate Director (Neighbourhoods)**

**Corporate Director (ICT)**

- Website Development (incl. ICT salary capitalisation)
- Thin Client/Citrix (started 2007/08)
- Telephony
- Data Storage Solution
- OS Positional Accuracy Improvement
- Server Virtualisation
- Web Accessibility

**Corporate Director (ICT)**

2007/08 Revised Estimate £	2008/09 Consultation Programme £	2009/10 Consultation Programme £	2010/11 Consultation Programme £	Total 2007/08 to 2010/11 £	Change since 6/12/07 £	Notes
24,660				24,660	8,270	9
24,000	69,760	50,000	50,000	193,760	(6,240)	6,9
130,100	14,380			144,480	(13,520)	6,9
18,000				18,000	0	
90,000				90,000	0	
13,790	65,520			79,310	0	6
26,760	20,070			46,830	20,070	7
44,970				44,970	(135,000)	3
51,490	40,000	30,000	30,000	151,490	11,490	9
	1,000,000			1,000,000	0	
	25,000			25,000	0	
<b>423,770</b>	<b>1,234,730</b>	<b>80,000</b>	<b>80,000</b>	<b>1,818,500</b>	<b>(114,930)</b>	
30,000	30,000	30,000	30,000	120,000	0	
251,150	21,850	44,850	159,350	477,200	0	
137,000				137,000	0	
0	67,350			67,350	0	6
	38,900			38,900	0	
	101,000	51,200		152,200	0	
	20,000			20,000	0	
<b>418,150</b>	<b>279,100</b>	<b>126,050</b>	<b>189,350</b>	<b>1,012,650</b>	<b>0</b>	

**Capital Programme - 2007/08 to 2010/11**

**Scheme**

**Corporate Director (People)**

Leisure Centres/Swimming Pool Refurbishment  
 Duxbury Park Golf Course capital investment  
 Improvements to Sports Pitches  
 Astley Park Improvements - Construction  
 Astley Park Woodland Management (S106 funded)  
 Astley Hall/Park CCTV  
 Adlington Play Development (S106 funded)  
 Harpers Lane Recreation Ground Imps (S106 funded)  
 Ulnes Walton Play/Leisure Schemes (S106 funded)  
 Corporate Play Development Plan  
 Coppull Playzone  
 Play/Recreation Facilities (S106 funded)  
 Lighting at Coronation Recreation Ground  
 Village Hall & Community Centres Projects  
 Cemetery Development  
 Chorley Cemetery Lodge Refurbishment  
 Memorial Safety St Johns Churchyard  
 Memorial Safety  
 Adlington Rail Station Improvements (S106 funded)  
 Common Bank - Big Wood Reservoir  
 Groundwork Projects  
 Chorley Strategic Regional Site  
 CRM Process Optimisation

**Corporate Director (People)**

**Performing Organisation - Investment in Infrastructure Total**

**Capital Programme Total**

2007/08 Revised Estimate £	2008/09 Consultation Programme £	2009/10 Consultation Programme £	2010/11 Consultation Programme £	Total 2007/08 to 2010/11 £	Change since 6/12/07 £	Notes
831,250	304,050	237,070	244,180	1,616,550	0	
210,090	290,000			500,090	46,400	6
	100,000	100,000	100,000	300,000	300,000	7
1,048,820	1,381,390			2,430,210	0	
56,000	30,000			116,000	0	
34,000				34,000	0	
25,450				25,450	450	5
30,000				30,000	0	
0	10,630			10,630	0	6
50,000				50,000	0	
0	25,000			25,000	0	6
10,250	47,260			57,510	0	6
0	60,000			60,000	4,000	6
30,000	90,000			120,000	0	6
7,330	6,500			13,830	6,500	6
13,490				13,490	490	5
20,000	30,000			50,000	0	
	25,000	25,000		75,000	0	
7,500				7,500	0	
389,100	99,000			488,100	19,100	1
29,050	15,000			44,050	0	
0	576,530			576,530	0	6
15,000	101,000	35,000		151,000	0	1
<b>2,807,330</b>	<b>3,191,360</b>	<b>427,070</b>	<b>369,180</b>	<b>6,794,940</b>	<b>376,940</b>	
<b>7,301,780</b>	<b>9,397,530</b>	<b>1,443,120</b>	<b>1,448,530</b>	<b>19,590,960</b>	<b>3,552,930</b>	
<b>7,411,780</b>	<b>11,887,930</b>	<b>2,679,620</b>	<b>1,925,530</b>	<b>23,904,860</b>	<b>1,972,930</b>	

**Capital Programme - 2007/08 to 2010/11**

**Scheme**

**Financing the Capital Programme**

Prudential Borrowing  
 Unrestricted Capital Receipts  
 Housing Investment Programme Restricted Capital Receipts  
 Capital Receipt earmarked for Strategic Regional Site  
 Preserved RTB Capital Receipts from CCH  
 Revenue Budget - Specific Revenue Reserves or Budgets

**CBC Resources**

Ext. Contributions - Developers  
 Ext. Contributions - Lottery Bodies  
 Ext. Contributions - Other  
 Government Grants - Disabled Facilities Grants  
 Government Grants - WPEG  
 Government Grants - Housing Capital Grant  
 Government Grants - LPSA1  
 Government Grants - LABGI  
 Government Grants - Planning Delivery Grant  
 Government Grants - Other

**External Funding**

**TOTAL CAPITAL FINANCING**

**Programme as at 6 December 2007**

**Change**

2007/08 Revised Estimate £	2008/09 Consultation Programme £	2009/10 Consultation Programme £	2010/11 Consultation Programme £	Total 2007/08 to 2010/11 £	Change since 6/12/07 £	Notes
1,394,880	1,374,760	400,000	455,000	3,624,640	0	1
1,330,040	1,375,000	460,030	413,530	3,578,600	1,158,600	
369,030	320,000	141,890		830,920	10,490	
0	576,530			576,530	0	
1,200,000	1,000,000	500,000	500,000	3,200,000	450,000	
75,070	39,650			114,720	3,060	
4,369,020	4,685,940	1,501,920	1,368,530	11,925,410	1,622,150	
1,465,330	1,942,380	686,200	0	4,093,910	(1,660,770)	
817,940	1,170,320			1,988,260	0	
370,000	105,000			475,000	4,000	10
180,000	180,000	180,000	180,000	720,000	0	
44,970				44,970	(135,000)	3
15,280	1,084,220	311,500	377,000	1,788,000	(500,000)	3
10,000				10,000	(40,000)	8
100,000				100,000	(50,000)	8
12,480				12,480	12,480	10
26,760	2,720,070			2,746,830	2,720,070	10
3,042,760	7,201,990	1,177,700	557,000	11,979,450	350,780	
<b>7,411,780</b>	<b>11,887,930</b>	<b>2,679,620</b>	<b>1,925,530</b>	<b>23,904,860</b>	<b>1,972,930</b>	
<b>10,175,240</b>	<b>6,825,040</b>	<b>2,938,120</b>	<b>1,993,530</b>	<b>21,931,930</b>		
<b>(2,763,460)</b>	<b>5,062,890</b>	<b>(258,500)</b>	<b>(68,000)</b>	<b>1,972,930</b>		



**Capital Programme - 2007/08 to 2010/11**

2007/08 Revised Estimate £	2008/09 Consultation Programme £	2009/10 Consultation Programme £	2010/11 Consultation Programme £	Total 2007/08 to 2010/11 £	Change since 6/12/07 £	Notes

**Scheme**

**Notes**

1. Expenditure/financing has been rephased
2. Budget reduced to enable Cotswold House Refurbishment
3. Estimated grant allocation reduced
4. No expenditure planned within programme period
5. Budget increased or reduced to match actual expenditure in 2007/08
6. Expenditure expected to slip from 2007/08 to 2008/09
7. Additional project to help achieve Council corporate objectives
8. Projects are included in revenue budget 2007/08 or not due to be implemented until further consideration
9. Virement between projects
10. Estimated increase in grant allocation

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**Special Expenses**

Parish	Taxbase		Grounds Maintenance Costs		Borough Special Expenses at Band D		Borough General Expenses		Borough Services Council Tax		2008/09		2007/08		Percentage Increase %
	No.	£	£	£	£	£	£	£	£	£	Band D Parish Precept	Combined Borough and Parish	Band D Parish Precept	Combined Borough and Parish	
Adlington	1,966.00	9,000	4.58	155.48	160.06	18,000	9.16	169.22	9.01	178.64	1.7%	178.64	9.01	178.64	-5.3%
Anderton	494.30	973	1.97	155.48	157.45	4,000	8.09	165.54	8.02	161.71	0.9%	161.71	8.02	161.71	2.4%
Anglezarke	16.50	-	-	155.48	155.48	-	-	155.48	-	151.69	0.0%	151.69	-	151.69	2.5%
Astley Village	1,110.10	28,110	25.32	155.48	180.80	22,660	20.41	201.21	19.78	196.12	3.2%	196.12	19.78	196.12	2.6%
Bretherton	291.10	-	-	155.48	155.48	8,443	29.00	184.48	29.71	181.40	-2.4%	181.40	29.71	181.40	1.7%
Brindle	459.60	2,071	4.51	155.48	159.99	6,600	14.36	174.35	13.24	169.38	8.5%	169.38	13.24	169.38	2.9%
Charnock Richard	671.90	2,541	3.78	155.48	159.26	25,000	37.21	196.47	30.77	186.16	20.9%	186.16	30.77	186.16	5.5%
Clayton le Woods	4,735.80	171,407	36.19	155.48	191.67	118,395	25.00	216.67	25.00	211.93	0.0%	211.93	25.00	211.93	2.2%
Coppull	2,351.90	33,612	14.29	155.48	169.77	76,900	32.70	202.47	31.87	197.56	2.6%	197.56	31.87	197.56	2.3%
Croston	1,034.00	9,170	8.87	155.48	164.35	21,890	21.17	185.52	20.07	180.39	5.5%	180.39	20.07	180.39	2.6%
Cuerden	41.10	435	10.58	155.48	166.06	1,025	24.94	191.00	21.84	183.82	14.2%	183.82	21.84	183.82	3.9%
Eccleston	1,559.10	7,241	4.64	155.48	160.12	41,040	26.32	186.44	26.32	182.56	0.0%	182.56	26.32	182.56	2.2%
Euxton	3,388.40	59,978	17.70	155.48	173.18	104,000	30.69	203.87	29.56	199.07	3.8%	199.07	29.56	199.07	2.8%
Heapey	381.00	6,281	16.49	155.48	171.97	8,980	23.57	195.54	23.56	191.43	0.0%	191.43	23.56	191.43	2.1%
Heath Charnock	797.10	15,976	20.04	155.48	175.52	5,000	6.27	181.79	6.28	177.53	-0.2%	177.53	6.28	177.53	2.4%
Heskin	347.30	1,380	3.97	155.48	159.45	9,724	28.00	187.45	22.00	177.57	27.3%	177.57	22.00	177.57	5.0%
Hoghton	364.00	2,337	6.42	155.48	161.90	4,400	12.09	173.99	10.97	168.91	10.2%	168.91	10.97	168.91	3.0%
Mawdesley	748.80	969	1.29	155.48	156.77	24,000	32.05	188.82	30.81	183.76	4.0%	183.76	30.81	183.76	2.8%
Rivington	51.90	-	-	155.48	155.48	1,400	26.97	182.45	21.87	173.56	23.3%	173.56	21.87	173.56	5.0%
Ulnes Walton	260.90	-	-	155.48	155.48	5,306	20.34	175.82	17.23	168.92	18.0%	168.92	17.23	168.92	4.1%
Wheilton	395.80	-	-	155.48	155.48	10,820	27.34	182.82	26.42	178.11	3.5%	178.11	26.42	178.11	2.6%
Whittle Woods	1,925.30	42,657	22.16	155.48	177.64	29,233	15.18	192.82	15.00	189.32	1.2%	189.32	15.00	189.32	1.8%
Withnell	1,256.10	10,178	8.10	155.48	163.58	28,570	22.75	186.33	21.12	180.78	7.7%	180.78	21.12	180.78	3.1%
All other parts of the Council's area	10,648.10	280,301	26.32	155.48	181.80	-	-	181.80	-	177.55	0.0%	177.55	-	177.55	2.0%
<b>Total</b>	<b>35,296.10</b>	<b>684,617</b>	<b>19.40</b>	<b>155.48</b>	<b>174.88</b>	<b>575,386</b>	<b>16.30</b>	<b>191.18</b>	<b>15.73</b>	<b>187.26</b>	<b>3.7%</b>	<b>187.26</b>	<b>15.73</b>	<b>187.26</b>	<b>2.6%</b>

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Report of	Meeting	Date
Assistant Chief Executive Statutory Finance Officer	Council	26 Feb 2008

Appendix 7

## **CONCESSIONARY TRANSPORT SCHEME 2008**

### **PURPOSE OF REPORT**

1. To appraise Members of the impending introduction of the new national free scheme for travel and the impact it is likely to have financially on the Council.

### **RECOMMENDATION(S)**

2. That the report be noted.

### **EXECUTIVE SUMMARY OF REPORT**

3. The report summarises the fact that:
  - A new free travel concession scheme will be implemented from April 2008 .
  - The total costs of the scheme are almost impossible to predict, as is the impact on Chorley Council.
  - Extra funding has been received by all the authorities in Lancashire providing a scheme, but this may not be sufficient to cover the increase in total costs.
  - To mitigate some of the financial risk some of the local discretions around travel hire have been removed but there will be little impact on Chorley residents.
  - The Lancashire Authorities are currently working on arranging a pooling system whereby the current costs of the scheme plus the extra grant raised will be pooled. This is likely to mean paying into the pool £938k in 2008/09.

### **BACKGROUND**

4. This report provides information on the new 2008 national scheme for concessionary transport. The key issue within the report is the potential financial implications for the Council arising from the new scheme.

### **POTENTIAL FINANCIAL IMPLICATIONS OF THE NEW SCHEME**

5. There are some, potentially significant, financial implications of the new national scheme to consider namely:

- The change in the basis of cost allocation from residence to beginning of the journey.

Under the new scheme Chorley will be responsible for the Concessionary travel costs of all journeys beginning in their area.

As this is a change to the current basis of cost allocation, it is likely that there will be significant ‘shifts’ in costs between authorities, but it is not possible to accurately predict what the shifts could be. This change in cost allocation is possible due to the introduction of smartcard technology which will be able to record individual journeys.

- Estimated potential additional cost of new schemes

A key issue for the Council is the potential costs of the new scheme. It is possible using a number of assumptions to calculate a potential additional cost for Lancashire. It must however be noted that such estimates are speculative and do not purport to be a robust analysis of any potential cost increase.

The broad assumptions are that:

- Pass take up will increase by 20%
- Publicity for new scheme will increase journey by 10%
- New passholders will make a proportion of the current trips made by existing cardholders.

6. The table below provides an estimate of the total additional costs of the new scheme in Lancashire based upon these assumptions.

	£
Estimated cost of existing scheme 2007/08	19.0
Assumed inflation for 2008/09 at 5%	<u>1.0</u>
	20.0
Estimated additional costs	
i) Cost of current 50p scheme becoming free	1.2
ii) Cost of 10% extra trips	2.6
iii) Cost of extra card take up 20%	<u>1.4</u>
Estimated total cost for 2008/09	25.2

7. Therefore based upon these assumptions, costs would increase in the order of £5.2m for the new scheme in 2008/09.

8. It is not known whether the assumptions set out above are accurate. Whilst based on the government expectations, experience shows that concessionary passenger behaviour does not always conform to expectations. In terms of sensitivity analysis, if the assumptions are changed to:

- increased ridership of 15% rather than 10%
- additional take up of 30% rather than 20%

then the additional costs would be £7.2m rather than £5.2m.

**FUNDING THE SCHEME**

9. The Lancashire districts are currently working on setting up a Pooling arrangement (excluding community transport) with an annual review mechanism whereby the estimated cost of the scheme for 2007/08 of £19m will be pooled along with the extra grant that the district received from the Government which amounts to £5.6m. Therefore the pool for 2008/09 will be £24.6m and a shortfall will arise if the current assumptions are proven.

Clearly if the sensitivity analysis shows both take up and ridership increases even further then this gap would widen, with all authorities having to take up a share of the deficit.

**PLANNED MITIGATION**

- 10. To mitigate some of the financial risk some of the current discretionary element of the scheme ie free travel before 9.30am and travel after 11.30pm will be stopped. This means that the full statutory scheme will be implemented.
- 11. In terms of the Councils budget, it has been constructed on the following basis:

	<b>£000</b>	
Payments to the Pool	938	£728k cost 07/08 less community transport £65k plus additional grant £275k
Community transport	65	
Extra allowance for growth	207	
Gross Cost	1210	
Less Grant	(275)	
Net Cost in Budget 2008/09	935	

*The budget therefore allows for a 68% increase over and above that originally budgeted in 07/08 of £556k and an increase of £28% based upon the expected costs in 2007/08 which is more than the 20% assumption made regarding potential increases in cost outlined in this report*

GARY HALL  
 ASSISTANT CHIEF EXECUTIVE  
 (BUSINESS TRANSFORMATION)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gary Hall	5480	18/02/08	ACE(BT)/Reports/2008/Council/Concessionary Travel

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**FORMAL COUNCIL RESOLUTION*****Draft resolution on setting of 2008/09 Council Tax for the Borough to be passed in approving the Executive Cabinet's recommendations for the Council's Budget.***

1. That it be noted that acting under delegated powers the Director of Finance calculated the amount of 35,296.10 as its Council Tax Base for the year 2008/09 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33(5) of the Local Government Finance Act 1992.
- (a) 35,296.10 being the amount calculated by the Council, in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its Council Tax Base for the year.
- (b) being the amounts calculated by the Council, in accordance with Regulation 6 of the Regulations, as the amounts of its Council Tax Base for the year for dwellings in those parts of its area to which one or more special items relate.

	<b>(b)Part of the Council's area</b>	<b>2008/09</b>
		<b>£</b>
<b>Parish of:</b>	Adlington	1,966.00
	Anderton	494.30
	Anglezarke	16.50
	Astley Village	1,110.10
	Bretherton	291.10
	Brindle	459.60
	Charnock Richard	671.90
	Clayton le Woods	4,735.80
	Coppull	2,351.90
	Croston	1,034.00
	Cuerden	41.10
	Eccleston	1,559.10
	Euxton	3,388.40
	Heapey	381.00
	Heath Charnock	797.10
	Heskin	347.30
	Hoghton	364.00
	Mawdesley	748.80
	Rivington	51.90
	Ulnes Walton	260.90
	Wheelton	395.80
	Whittle Woods	1,925.30
	Withnell	1,256.10
	All other parts of the Council's area	10,648.10
	<b>Total</b>	<b>35,296.10</b>

2. That the following amounts be now calculated by the Council for the year 2008/09 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:
- (a) £43,067,230 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act;

- (b) £28,098,250 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act;
- (c) £14,968,980 being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year;
- (d) £8,221,000 being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates, Revenue Support Grant, increased by the amount of the sums which the Council estimates will be transferred in the year from its collection fund to its general fund in accordance with Section 97(3) of the Local Government Finance Act 1988;
- (e) £191.18 being the amount at 2(c) above less the amount at 2(d) above, all divided by the amount at 1(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year;
- (f) £1,260,003 being the aggregated amount of all special items referred to in Section 34(1) of the Act;
- (g) £155.48 being the amount at 2(e) above less the result given by dividing the amount at 2(f) above by the amount at 1(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special items relates;

<b>(h)Part of the Council's area</b>		
		£
<b>Parish of:</b>	Adlington	169.22
	Anderton	165.54
	Anglezarke	155.48
	Astley Village	201.21
	Bretherton	184.48
	Brindle	174.35
	Charnock Richard	196.47
	Clayton le Woods	216.67
	Coppull	202.47
	Croston	185.52
	Cuerden	191.00
	Eccleston	186.44
	Euxton	203.87
	Heapey	195.54
	Heath Charnock	181.79
	Heskin	187.45
	Hoghton	173.99
	Mawdesley	188.82
	Rivington	182.45
	Ulnes Walton	175.82
	Wheelton	182.82
	Whittle le Woods	192.82
	Withnell	186.33
	All other parts of the Council's area	181.80

being the amounts given by adding to the amount at 2(g) above to the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 1(b) above, calculated by the Council in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate;

(i) **Part of the Council's Area**

	<b>(i)Part of the Council's area</b>							
	<b>Valuation Bands</b>							
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
	£	£	£	£	£	£	£	£
<b>Parish of:</b>								
Adlington	112.81	131.62	150.42	169.22	206.82	244.43	282.03	338.44
Anderton	110.36	128.75	147.15	165.54	202.33	239.11	275.90	331.08
Anglezarke	103.64	120.93	138.19	155.48	190.02	224.57	259.12	310.95
Astley Village	134.14	156.50	178.85	201.21	245.92	290.64	335.35	402.42
Bretherton	122.99	143.48	163.98	184.48	225.48	266.47	307.47	368.96
Brindle	116.23	135.61	154.98	174.35	213.09	251.84	290.58	348.70
Charnock Richard	130.98	152.81	174.64	196.47	240.13	283.79	327.45	392.94
Clayton le Woods	144.45	168.52	192.60	216.67	264.82	312.97	361.12	433.34
Coppull	134.98	157.48	179.97	202.47	247.46	292.46	337.45	404.94
Croston	123.68	144.29	164.91	185.52	226.75	267.97	309.20	371.04
Cuerden	127.33	148.56	169.78	191.00	233.44	275.89	318.33	382.00
Eccleston	124.29	145.01	165.72	186.44	227.87	269.30	310.73	372.88
Euxton	135.91	158.57	181.22	203.87	249.17	294.48	339.78	407.74
Heapey	130.36	152.09	173.81	195.54	238.99	282.45	325.90	391.08
Heath Charnock	121.19	141.39	161.59	181.79	222.19	262.59	302.98	363.58
Heskin	124.97	145.79	166.62	187.45	229.11	270.76	312.42	374.90
Hoghton	115.99	135.33	154.66	173.99	212.65	251.32	289.98	347.98
Mawdesley	125.88	146.86	167.84	188.82	230.78	272.74	314.70	377.64
Rivington	121.63	141.91	162.18	182.45	222.99	263.54	304.08	364.90
Ulnes Walton	117.21	136.75	156.28	175.82	214.89	253.96	293.03	351.64
Wheulton	121.88	142.19	162.51	182.82	223.45	264.07	304.70	365.64
Whittle le Woods	128.55	149.97	171.40	192.82	235.67	278.52	321.37	385.64
Withnell	124.22	144.92	165.63	186.33	227.74	269.14	310.55	372.66
All other parts of the Council's area	121.20	141.40	161.60	181.80	222.20	262.60	303.00	363.60

being the amounts given by multiplying the amounts at 2(g) and 2(h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

3. That it be noted that for the year 2008/09 the Lancashire County Council, Lancashire Police Authority, and the Lancashire Combined Fire Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

	<b>Valuation Bands</b>							
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
	£	£	£	£	£	£	£	£
<b>Precepting authority</b>								
Lancashire County Council *	718.04	837.71	957.39	<b>1,077.06</b>	1,316.41	1,555.75	1,795.10	2,154.12
Lancashire Combined Fire Authority *	40.11	46.79	53.48	<b>60.16</b>	73.53	86.90	100.27	120.32
Lancashire Police Authority*	90.64	105.75	120.85	<b>135.96</b>	166.17	196.39	226.60	271.92

\* These values will be confirmed at the Council meeting

4. That, having calculated the aggregate in each case of the amounts at 2(i) and 3 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2008/09 for each of the categories of dwellings shown below:

(i) **Part of the Council's Area**

	<b>Valuation Bands</b>							
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>Parish of:</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Adlington	961.60	1,121.86	1,282.14	1,442.40	1,762.94	2,083.48	2,404.01	2,884.80
Anderton	959.14	1,119.00	1,278.87	1,438.72	1,758.44	2,078.17	2,397.87	2,877.44
Anglezarke	952.44	1,111.18	1,269.93	1,428.66	1,746.14	2,063.63	2,381.11	2,857.32
Astley Village	982.93	1,146.74	1,310.58	1,474.39	1,802.04	2,129.68	2,457.33	2,948.78
Bretherton	971.77	1,133.74	1,295.71	1,457.66	1,781.58	2,105.52	2,429.44	2,915.32
Brindle	965.02	1,125.86	1,286.70	1,447.53	1,769.20	2,090.88	2,412.56	2,895.06
Charnock Richard	979.77	1,143.06	1,306.37	1,469.65	1,796.24	2,122.84	2,449.43	2,939.30
Clayton le Woods	993.24	1,158.76	1,324.32	1,489.85	1,820.93	2,152.01	2,483.10	2,979.70
Coppull	983.77	1,147.72	1,311.70	1,475.65	1,803.58	2,131.50	2,459.43	2,951.30
Croston	972.46	1,134.55	1,296.63	1,458.70	1,782.85	2,107.02	2,431.17	2,917.40
Cuerden	976.12	1,138.81	1,301.50	1,464.18	1,789.55	2,114.93	2,440.31	2,928.36
Eccleston	973.09	1,135.26	1,297.45	1,459.62	1,783.98	2,108.36	2,432.72	2,919.25
Euxton	984.70	1,148.82	1,312.94	1,477.05	1,805.28	2,133.53	2,461.76	2,954.10
Heapey	979.14	1,142.34	1,305.53	1,468.71	1,795.08	2,121.48	2,447.85	2,937.42
Heath Charnock	969.98	1,131.65	1,293.31	1,454.97	1,778.29	2,101.64	2,424.96	2,909.94
Heskin	973.76	1,136.05	1,298.35	1,460.63	1,785.21	2,109.80	2,434.40	2,921.26
Hoghton	964.78	1,125.57	1,286.39	1,447.17	1,768.77	2,090.36	2,411.96	2,894.34
Mawdesley	974.67	1,137.11	1,299.57	1,462.00	1,786.89	2,111.78	2,436.68	2,924.00
Rivington	970.42	1,132.16	1,293.90	1,455.63	1,779.10	2,102.59	2,426.06	2,911.26
Ulnes Walton	966.00	1,127.00	1,288.01	1,449.00	1,771.00	2,093.01	2,415.01	2,898.00
Wheelton	970.67	1,132.44	1,294.23	1,456.00	1,779.56	2,103.12	2,426.68	2,912.00
Whittle le Woods	977.33	1,140.23	1,303.12	1,466.00	1,791.77	2,117.57	2,443.34	2,932.00
Withnell	973.01	1,135.17	1,297.35	1,459.51	1,783.85	2,108.19	2,432.53	2,919.02
All other parts of the Council's area	969.99	1,131.65	1,293.33	1,454.98	1,778.31	2,101.65	2,424.98	2,909.96

5. That the Statutory Finance Officer and his officers be authorised to take any action necessary to ensure collection and recovery of the Council Tax and Non-Domestic Rates.

## EXPLANATION OF COUNCIL TAX SETTING RESOLUTION

### RESOLUTION 1

(a) Before we can calculate the Council Tax to be charged, we first have to calculate the Council Tax base. The Council Tax base is the amount which a Band D Council Tax of £1.00 would raise. For 2008/09 we estimate that a £1.00 Council Tax at Band D would raise £35,296.10 in the Chorley area.

(b) This shows the “base” figure for each Parish in the area. For example, a £1.00 Band D Council Tax in Adlington would raise £1,966.00.

### RESOLUTION 2

(a) This is the grand total of money which the Council estimates it will spend on all services in 2008/09. It also includes £575,386 which Parish Councils need to run their services.

(b) This is the grand total of money which the Council estimates it will receive from various sources in the year. This includes, for example, car park charges, investment income, government grants in respect of benefits, etc.

(c) This is the difference between 2(a) and 2(b) and is in effect the Council’s and Parishes net spending on services.

(d) This is the amount that the Government will contribute towards the cost of our services. Also included is extra Council Tax resulting from new properties and expected collection rates in previous years.

(e) The difference between 2(c) and 2(d) is £6,747,980 and this is the amount we need to charge Council Taxpayers. This is divided by the base (see 1(a) above) and the resulting figure of £191.18 is the average Band D Council Tax for all Borough and Parish services.

(f) The total of all the amounts needed from Council Taxpayers by the Parish Councils in the area and for Chorley Borough Special Expenses.

(g) This is the Band D Council Tax for Chorley Borough Council’s own services, ie excluding Parish Council spending and Special Expenses

(h) This table shows the Band D Council Tax for all parishes including the cost of the Parish Councils and Chorley Borough Council. For example, Adlington’s Band D Council Tax is £155.48 for Chorley Borough services and £9.16 for Adlington Town Council services and £4.58 for Chorley Borough Special Expenses.

(i) The rate for each property Band is calculated by reference to the Band D charge. The following ratios apply:

Band A	$\frac{6}{9}$ ths of Band D
Band B	$\frac{7}{9}$ ths of Band D
Band C	$\frac{8}{9}$ ths of Band D
Band D	$\frac{9}{9}$ ths of Band D
Band E	$\frac{11}{9}$ ths of Band D
Band F	$\frac{13}{9}$ ths of Band D
Band G	$\frac{15}{9}$ ths of Band D
Band H	$\frac{18}{9}$ ths of Band D

For Adlington Band A, for example, the charge is £169.22 x  $\frac{6}{9}$  = £112.81; for Band B it is £169.22 x  $\frac{7}{9}$  = £131.62.

**RESOLUTION 3**

Lancashire County Council, Lancashire Fire Authority and Lancashire Police Authority are separate bodies who have worked out their own estimates of spending and income for 2007/08 and have set taxes in a similar way to Chorley Borough Council. This resolution notes their final decision.

**RESOLUTION 4**

This pulls together the Council Taxes for Lancashire County Council, Lancashire Fire Authority, Lancashire Police Authority, Chorley Borough Council and the Parish Councils. For example, the Band D for Adlington is £1,442.40 made up as follows:

	£
Lancashire County Council (as in 4 above)	1,077.06
Lancashire Fire Authority (as in 4 above)	60.16
Lancashire Police Authority (as in 4 above)	135.96
Chorley Borough Council (as in 3(g) above)	155.48
Adlington Town Council	9.16
Special Expenses	4.58

**RESOLUTION 5**

Formally authorise the necessary staff to take legal action to collect arrears as and when this is necessary. **For the vast majority of taxpayers, this is not needed**

Report of	Meeting	Date
Assistant Chief Executive Statutory Finance Officer (Introduced by the Executive Member for Resources)	Council	26/02/08

Appendix 9

## **STATUTORY REPORT ON THE BUDGET AND ANNUAL TREASURY MANAGEMENT STRATEGY**

### **PURPOSE OF REPORT**

1. To provide advice required under S25 of the Local Government Act 2003 and to seek approval of the Annual Treasury Management Strategy.

### **RECOMMENDATION(S)**

2. The Council are recommended to:
  - (a) Note the Statutory Finance Officers comments and advice under S25 of the Local Government Act 2003 set out in this report and have regard to it when considering the budget for 2008/09.
  - (b) Approve the Treasury Management Strategy for 2008/-9 and the key principles contained in the Strategy that require:
    - The creation and maintenance of a Treasury Management Policy Strategy.
    - The creation and maintenance of Treasury Management Practices.
    - Delegation is given to the Strategy Finance Officer to implement and monitor treasury management activities.
    - Adoption of the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management

### **EXECUTIVE SUMMARY OF REPORT**

3. The report is as required by statute and requires the Statutory Finance Officer to set out how the budget has been constructed and the assumptions that underpin that budget. The Statutory Officer is then required to comment on the Executive's budget proposals so that the Council can make an informed judgement as to the robustness of those assumptions.
4. Having reviewed the underlying assumptions and commented on the need to mitigate the indicated financial risk facing the Council by maintaining working balances higher than in the previous financial cycle, I have concluded that the budget is reasonable and deliverable and if my recommendations on the level of working balances is accepted then to a great extent the immediate risks are mitigated.

**REASONS FOR RECOMMENDATION(S)**

**(If the recommendations are accepted)**

- 5. To comply with the Statutory requirement to produce a S25 report.

**ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

- 6. None.

**CORPORATE PRIORITIES**

- 7. This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the Central Lancashire sub-region	✓	Develop local solutions to climate change.	✓
Improving equality of opportunity and life chances	✓	Develop the Character and feel of Chorley as a good place to live	✓
Involving people in their communities	✓	Ensure Chorley Borough Council is a performing organization	✓

The robustness and deliverability of the budget has the propensity to affect in some way all the Council’s strategic objectives.

**BACKGROUND**

- 8. Under the requirements of S25 of the Local Government Act 2003 the Statutory Finance Officer is required to advise members when setting the budget as to the robustness of the budget and the adequacy of reserves. Treasury Management issues are also now included as a specific requirement following the introduction of the Prudential Code for Capital Finance in Local Authorities. This report aims to fulfil all these various requirements.

**LEVEL OF RESERVES**

- 9. The Council for some time has established a budget based upon not using working balances to fund recurrent expenditure. Clearly this is good practice that delivers a prudent and sustainable budget.
- 10. The level of balances is a matter of judgement, however set out in the table below is a summary of the anticipated working balances and reserves the Council will have in hand over the medium term.

	<b>Balance at 1/4/08 £'000</b>	<b>Balance at 1/4/09 £'000</b>	<b>Balance at 1/4/10 £'000</b>
Working balances	698	1,467	1,467
Earmarked reserves	40	0	
	<b>738</b>	<b>1,467</b>	<b>1,467</b>

Working balances for 2009/2010 and 2010/2011 include the balance transferred from the Housing Revenue Account and assume no use of balances in-year.



**THE ROBUSTNESS OF THE ESTMATE AND RISK ISSUES**

- 11. 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.
- 12. 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 as with the Housing and Planning Grant.
- 13. In respect of the key assumptions in the budget, these are as follows:

Table 5. Budget Assumptions

<b>Assumption</b>	<b>%/£</b>
Pay Award	+2.5%
Pension Contribution	+1.0%
Housing and Planning Grant	+£75k
Concessionary Travel Net Cost Increase	+68%

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

**PAY AWARD**

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

**PENSIONS CONTRIBUTION**

- 16. 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 but further increases in the employers contribution rate are required following the actuarial valuation which has recently been completed. I have therefore confirmed that the rate will be 16.8% in 2008/09 rising to 18.8% by 2010/11.

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

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

**HOUSING AND PLANNING GRANT**

- 18. 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 Councils to invest in improving planning service. The successor of this grant is the Housing and Planning Delivery 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, but the actual allocation has not yet been received from the DCLG.

### **CONCESSIONARY TRAVEL**

19. 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.
20. Whilst the gross extra cost of the new concession and the scheme is estimated to be in the region of £657k over and above that previously budgeted, the Government has announced extra specific grant for Councils of £275k which will be pooled if an agreement can be reached.
21. 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. More details are provided in the note on concessionary travel included in these papers

### **EXPENDITURE SAVINGS**

22. Turning to the savings and additional fees and charges income proposed in the draft budget, I made the following comments, which are strategic in nature and also do not focus on the minute of individual proposals.
23. The budget proposals as they currently stand includes expected expenditure savings of £466k. The bulk of the savings £418k 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.
24. 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**

25. 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.
26. The budget contains a number of proposals in relation to increasing those fees and charges that in some cases, for a number of years have been frozen. This applies particularly to car parking income.

- 27. In pure finance terms the restructuring of the fees and charges for car parking and the changing of market tolls is wholly appropriate.
- 28. 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.
- 29. 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)

	<b>£'000</b>
Licensing Fees	(165)
Local Land Searches	(189)
Parking Fees	(924)
Market Toll	(320)
Planning and Building Control Fees	(744)
Investment Portfolio	(416)
	(2,284)

- 30. 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**

- 31. The current financial strategy that takes us up until the end of 2007/08 concluded that 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.
- 32. However, from 2008/09 a number of the external factors influencing the Council's ability to either attract funding or to influence expenditure have changed. This is the main due to the following reasons:
  - The CSR07 means that there is less Revenue 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 Government is capping capitalisation applications and as such the cost of change may need to be resourced from revenue.
- 33. 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.
- 34. 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.

- 35. 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.
- 36. 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.
- 37. 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	698
Estimated transfer of working balance from HRA	869
Less commitment to spending in neighbourhoods 2008/09	(100)
<b>Estimate 31.03.09</b>	<b>1,467</b>

- 38. 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.
- 39. 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 most 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.
- 40. 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.

**TREASURY MANAGEMENT STRATEGY**

- 41. Appended to this report is the Annual Treasure Management Strategy which guides the Council in terms of its approach to borrowing and cash investments for 2008/09. In 2008/09 the Council continues to the relatively cash rich as a result of the stock transfer process.
- 42. Consequently getting the investment strategy right is important if we are to achieve the targets included in the Council’s base budget.

43. Equally borrowing at the right time to fund the Council’s capital investment programme is essential.
44. Whilst the strategy is quite technical the messages are relatively simple:
- Invest now and for a fixed period as investment rates are likely to fall.
  - Borrow as required when rates are at 4.5%
  - The Council’s borrowing is forecast to be well within the boundary set by the prudential code and is affordable.
45. Estimated prudential borrowing to finance capital investment over the period 2008/09 to 2010/11 exceeds that reported to Executive Cabinet on 6 December 2007, when the three-year capital programme was approved for consultation purposes. The main reasons for this increase are slippage of expenditure that would have been financed by borrowing from 2007/08 to 2008/09; and changes to the financing of the 2007/08 programme to minimise borrowing in that year, thereby reducing capital financing costs in 2008/09. Over the four years 2007/08 to 2010/11, prudential borrowing is the same as reported on 6 December 2007 but the phasing has been amended to reflect the slippage and financing changes. Furthermore, I will continue to review the availability of other capital resources, in particular receipts from the sale of surplus assets and contributions from developers, with a view to reducing the level of borrowing over the next three years.
- The Councils treasury advisors suggest that investment rates will peak at 5% in 2008/09 although I would anticipate a small margin over and above that figure

**CONCLUSIONS**

46. This report sets out the Council’s overall financial position in relation to reserves and working balances and the delivery of a robust budget.
47. I have concluded that the budget is deliverable and that an increase in the level of working balances is prudent to protect against the key financial risks the Council now faces.

GARY HALL  
 ASSISTANT CHIEF EXECUTIVE  
 (BUSINESS TRANSFORMATION)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gary Hall	5480	18/02/08	ACE(BI)/Reports/2008/Council/ Statutory Report – Budget and Treasury (26-2)



**Treasury Management  
Strategy Statement**

**and**

**Annual Investment  
Strategy**

**2008/09 –2010/11**

## **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2008/09**

### **1. INTRODUCTION**

The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act) (included as paragraph 9); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The suggested strategy in respect of the following aspects of the treasury management function is based upon the statutory finance officers views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor. The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Council;
- Prudential Indicators;
- the current treasury position;
- the borrowing requirement;
- prospects for interest rates;
- the borrowing strategy;
- debt rescheduling;
- the investment strategy;
- any extraordinary treasury issues

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

1. increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
2. any increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

### **2. TREASURY LIMITS FOR 2008/09 TO 2010/11**

It is a statutory duty under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Limit represents the legislative limit specified in section 3 of the Local Government Act 2003.

The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is 'acceptable'.

Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

**3. PRUDENTIAL INDICATORS FOR 2008/09 – 2010/11**

The following Prudential Indicators (in table 2 below) are relevant for the purposes of setting an integrated treasury management strategy.

The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management.



PRUDENTIAL INDICATOR	2006/07	2007/08	2008/09	2009/10	2010/11
(1). EXTRACT FROM BUDGET AND RENT SETTING REPORT	£'000	£'000	£'000	£'000	£'000
	actual	probable outturn	estimate	estimate	estimate
<b>Capital Expenditure</b>					
Non - HRA	11,369	7,412	11,888	2,680	1,925
HRA (applies only to housing authorities)	1,900	0	0	0	0
TOTAL	13,269	7,412	11,888	2,680	1,925
<b>Ratio of financing costs to net revenue stream</b>					
Non - HRA	2.3%	-3.0%	-2.9%	-0.9%	-0.9%
<b>Net borrowing requirement</b>					
brought forward 1 April	(1,674)	(3,526)	(275)	(8,257)	(6,735)
carried forward 31 March	(3,526)	(275)	(8,257)	(6,735)	(6,659)
in year borrowing requirement	(1,852)	(3,251)	(7,982)	1,522	75
<b>Capital Financing Requirement as at 31 March</b>					
Non – HRA	6,903	8,230	9,454	9,547	9,692
TOTAL	6,903	8,230	9,454	9,547	9,692
<b>Annual change in Cap. Financing Requirement</b>					
Non – HRA	(4,760)	1,327	1,224	93	145
TOTAL	(4,760)	1,327	1,224	93	145
<b>Incremental impact of capital investment decisions</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>
Increase in council tax (band D) per annum	0.00	0.00	3.46	3.27	0.72

PRUDENTIAL INDICATOR	2006/07	2007/08	2008/09	2009/10	2010/11
<b>(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>actual</b>	<b>probable outturn</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
<b>Authorised Limit for external debt -</b>					
borrowing	10,000	12,880	13,880	13,880	13,880
other long term liabilities	20	120	120	120	120
TOTAL	10,020	13,000	14,000	14,000	14,000
<b>Operational Boundary for external debt -</b>					
borrowing	9,000	8,880	9,880	9,880	9,880
other long term liabilities	20	120	120	120	120
TOTAL	9,020	9,000	10,000	10,000	10,000
<b>Upper limit for fixed interest rate exposure</b>					
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%	100%
<b>Upper limit for variable rate exposure</b>					
Net principal re variable rate borrowing / investments	30%	30%	30%	30%	30%
<b>Upper limit for total principal sums invested for over 364 days</b> (per maturity date)	£10m	£10m	£10m	£10m	£10m

<b>Maturity structure of fixed rate borrowing during 2008/09</b>	upper limit	lower limit
under 12 months	10%	0%
12 months and within 24 months	10%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	50%	0%
10 years and above	100%	0%

#### 4. CURRENT PORTFOLIO POSITION

The Council's treasury portfolio position at 31/01/08 comprised:

		<b>Principal</b>		<b>Ave Rate</b>
		£m		%
Fixed rate funding	PWLB	0.0		
	Market	0.0	0.0	n/a
Variable rate funding	PWLB	0.0		
	Market	0.0	0.0	n/a
Other long term liabilities			0.0	n/a
<b>TOTAL DEBT</b>			<b>0.0</b>	<b>n/a</b>
<b>TOTAL INVESTMENTS</b>			<b>7.7</b>	<b>6.1</b>

#### 5. BORROWING REQUIREMENT

	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
	£'000	£'000	£'000	£'000	£'000
	<b>actual</b>	<b>probable</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
New borrowing	0	1,395	1,375	400	455
Alternative financing arrangements	0	0	0	0	0
Replacement borrowing	0	6,830	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>8,225</b>	<b>1,375</b>	<b>400</b>	<b>455</b>

Total new borrowing for the four years 2007/08 to 2010/11 is the same as previously reported. However, the phasing of the borrowing has been revised to reflect slippage of expenditure from 2007/08 to 2008/09; and changes to the timing of the use of other capital resources, in particular receipt and contributions. The replacement borrowing in 2007/08 is required to bring external debt for financing of capital investment to approximately the level of the Capital Financing Requirement and to replace the use of internal cash balances. The Council plans to only borrow an additional £600k between 2007/08 and 2010/11 over and above that previously planned.

## 6. PROSPECTS FOR INTEREST RATES

The Council has appointed Sector Treasury Services as treasury adviser to the Council and part of their service is to assist the Council to formulate a view on interest rates. Appendix A draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following table gives the Sector central view.

### Sector interest rate forecast – 1 February 2008

	Q/E1 2008	Q/E2 2008	Q/E3 2008	Q/E4 2008	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009	Q/E1 2010	Q/E2 2010	Q/E3 2010	Q/E4 2010	Q/E1 2011	Q/E2 2011
Bank Rate	5.25%	5.00%	4.75%	4.75%	4.75%	4.75%	4.75%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
5yr PWLB rate	4.55%	4.55%	4.50%	4.50%	4.55%	4.65%	4.70%	4.75%	4.80%	4.85%	4.85%	4.85%	4.85%	4.85%
10yr PWLB rate	4.60%	4.55%	4.50%	4.50%	4.55%	4.55%	4.65%	4.70%	4.75%	4.80%	4.85%	4.85%	4.85%	4.80%
25yr PWLB rate	4.55%	4.50%	4.50%	4.50%	4.50%	4.55%	4.60%	4.65%	4.70%	4.70%	4.75%	4.75%	4.75%	4.75%
50yr PWLB rate	4.50%	4.45%	4.45%	4.45%	4.45%	4.50%	4.55%	4.60%	4.60%	4.65%	4.65%	4.65%	4.65%	4.60%

Sector’s current interest rate view is that Bank Rate: -

- started on a downward trend from 5.75% to 5.50% in December 2007
- to be followed by further cuts in Q1 2008 to 5.25%, to 5.00% in Q2 2008 and to 4.75% in Q3 2008
- then unchanged until an increase in Q4 2009 to 5.0%
- unchanged then for the rest of the forecast period
- there is downside risk to this forecast if inflation concerns subside and therefore opens the way for the MPC to be able to make further cuts in the Bank Rate

## ECONOMIC BACKGROUND

### Introduction

- The sub prime crisis and the major downturn in the housing market in the US has prompted fears around the world of the potential impact on world banking systems and on world growth. This has led to a sharp downturn in economic sentiment at the start of 2008 which caused the U.S. Fed to take emergency action in January to counteract these hugely negative developments. These have led some forecasters to make a sharp downward re-assessment of forecast interest rates in 2008 and 2009.

### International

- The US, UK and EU economies have all been on the upswing of the economic cycle during 2005 and 2006 and so interest rates were successively raised in order to cool their economies and to counter the build up of inflationary pressures.
- The US is ahead of both the UK and EU in the business cycle and started on the downswing of the economic cycle during 2007. The Fed. rate peaked at 5.25% and was first cut in September by 0.5% to 4.75%. This was a response to the rapidly deteriorating prospects for the economy in the face of the downturn in the housing market, the sub prime mortgage crisis and the ensuing liquidity crisis which started in August 2007 and has subsequently resulted in banks making major write offs of losses on debt instruments containing sub prime mortgages. Banks have also tightened their lending criteria which has hit hard those consumers with poor credit standing.
- The Fed cut its rate again, to 4.5% in October 2007 and to 4.25% in December. A steep plunge in equity markets around the world in January precipitated by widespread concerns

as to recession in the US, the financial viability of bond insurers in the US as a result of the sub-prime crisis and the unwinding of huge unauthorised positions taken by a rogue trader at the French bank SocGen, triggered an emergency between meetings cut of 0.75% by the Fed followed by another cut of 0.50% at its regular meeting a few days later on 30 January.

- More cuts may be required to try to further stimulate the economy and to ameliorate the extent of the expected downturn. However, the speed and extent of these cuts may be inhibited by inflationary pressures arising from oil prices, the falling dollar increasing the costs of imports, etc. The US could be heading into stagflation in 2008 – a combination of inflation and a static economy (but the economy could even tip into recession if the housing downturn becomes severe enough).
- The major feature of the US economy is a steepening downturn in the housing market which is being undermined by an excess stock of unsold houses stoked by defaulting sub prime borrowers pushed into forced sales. Falling house prices will also undermine household wealth and so lead to an increase in savings (which fell while house prices were rising healthily) and so conversely will lead to a fall in consumer expenditure. Petrol prices have trebled since 2003 and, with similar increases in the price of home heating oil, this will also depress consumer spending with knock on effects on house building, employment etc.
- The downturn in economic growth in the US in 2008 will depress world growth, (especially in the western economies), which will also suffer directly under the impact of high oil prices. However, strong growth in China and India will partially counteract some of this negative pressure.
- EU growth has been strong during 2006 and 2007 but will be caught by the general downturn in world growth in 2008.

## UK

- GDP: growth has been strong during 2007 and hit 3.3% year on year in Q3 and 2.9% in Q4 despite expectations of a significant slowdown in the pace of the economy. Growth is expected to cool to 2.0% in 2008.
- Higher than expected immigration from Eastern Europe has underpinned strong growth and dampened wage inflation.
- House prices started on the downswing in Q3 2007 and this is expected to continue into 2008.
- The combination of increases in Bank Rate and hence mortgage rates, short term mortgage fixes expiring and being renewed at higher rates, food prices rising at their fastest rate since 1993 and increases in petrol prices, have all put consumer spending power under major pressure.
- Banks have also tightened their lending criteria since the sub prime crisis started and that will also dampen consumer expenditure via credit cards and on buying houses through obtaining mortgages.
- Government expenditure will be held under a tight reign for the next few years, undermining one of the main props of strong growth during this decade.
- The MPC is very concerned at the build up of inflationary pressures, especially the rise in the oil price to reach \$90 – 100 per barrel from time to time (was \$30 in 2003) and the consequent likely knock on effects on general prices. The prices of UK manufactured goods have risen at the fastest rate in 16 years in December 2007 – 5.0%. Food prices have also risen at their fastest rate for fourteen years (7.4% annual increase) driven by strong demand from China and India. Consequently, the MPC is going to be much more cautious about cutting rates compared to the Fed in the face of these very visible inflationary pressures. In addition, UK growth was still strong in Q4 (despite expectations of a significant cooling off). The downward trend in Bank Rate is now expected to be faster than at first thought after the initial cut in December 2007 to 5.50% in view of the MPC minutes which showed a unanimous MPC vote for a cut and the consideration given to a half per cent cut. This demonstrated how concerned the MPC is at the potential impact of the credit crunch on the economies of the western world. However, the MPC's room for cutting rates is currently limited by concerns over inflationary pressures. If those pressures subside, then there is further downward risk to the Sector forecast which currently only allows for 0.25% cuts to reach 4.75% in Q3 2008.

## 7. BORROWING STRATEGY

The Sector forecast is as follows. (These forecasts are based around an expectation that there will normally be variations of +/- 25bp during each quarter around these average forecasts in normal economic and political circumstances. However, greater variations can occur if should there be any unexpected shocks to financial and/or political systems.) These forecasts are for the PWLB new borrowing rate: -

- **The 50 year PWLB rate is expected to fall marginally from 4.50% in Q1 2008 to 4.45% in Q2 2008 before rising back again to 4.50% in Q2 2009 to eventually reach 4.65% in Q2 2010.**
- **The 25 year PWLB rate is expected to fall from 4.55% to 4.50% in Q2 2008 and then to rise in gradual steps from Q2 2009 to reach 4.75% in Q3 2010.**
- **The 10 year PWLB rate is expected to fall from 4.60% in Q1 2008 to 4.55% in Q2 and to 4.50% in Q3 2008 and to then gradually rise from Q1 2009 to reach 4.85% in Q3 2010.**
- **The 5 year PWLB rate is expected to fall from 4.55% in Q2 2008 to 4.50% in Q3 2008 and to then gradually rise starting in Q1 2009 to reach 4.85% in Q2 2010.**

This forecast indicates, therefore, that there is a range of options available for borrowing strategy for 2008/09. Variable rate borrowing is expected to be more expensive than long term borrowing and will therefore be unattractive throughout the financial year compared to taking fixed rate borrowing. There is expected to be little difference between 5 – 50 year PWLB rates so this may open up a range of choices for new borrowing for authorities that want to spread their debt maturities away from a concentration in long dated debt. There is also expected to be little variation in rates during the year so borrowing could be undertaken at any time in the year.

Against this background caution will be adopted with the 2008/09 treasury operations. The Statutory finance officer will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions at the next available opportunity.

**Sensitivity of the forecast** - The main sensitivities of the forecast are likely to be the two scenarios below. The Council officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:

- *if it were felt that there was a significant risk of a sharp rise in long and short term rates, perhaps arising from a greater than expected increase in world economic activity or further increases in inflation, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.*
- *if it were felt that there was a significant risk of a sharp fall in long and short term rates, due to e.g. growth rates weakening, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term funding will be considered.*

## 8. DEBT RESCHEDULING

If the Council chooses to borrow, opportunities to restructure long term debt will be monitored on an ongoing basis.

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;

- help fulfil the strategy outlined in paragraph 7 above; and
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

The introduction of different PWLB rates on 1 November 2007 for new borrowing as opposed to early repayment of debt, and the setting of a spread between the two rates (of about 40 – 50 basis points for the longest period loans narrowing down to 25 – 30 basis points for the shortest loans), has meant that PWLB to PWLB debt restructuring is now much less attractive than before that date. However, significant interest savings will still be achievable through using LOBOs (Lenders Option Borrowers Option) loans and other market loans.

All rescheduling will be reported at the next available opportunity following its action.

## **9. ANNUAL INVESTMENT STRATEGY**

### **9.1 Investment Policy**

The Council will have regard to the ODPM's Guidance on Local Government Investments ("the Guidance") issued in March 2004 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are: -

- (a) the security of capital and
- (b) the liquidity of its investments.

The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

**SPECIFIED INVESTMENTS**

(All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum ‘high’ rating criteria where applicable)

	<b>Minimum ‘High’ Credit Criteria</b>	<b>Use</b>
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies **	Short-term <b>F1</b> , Long-term <b>A</b> , Individual <b>C</b> , Support <b>2</b>	In-house and fund managers

Certificates of deposits issued by banks and building societies	Short-term <b>F1</b> , Long-term <b>A</b> , Individual <b>C</b> , Support <b>2</b>	In-house buy and hold and fund managers
UK Government Gilts	Long term <b>AAA</b>	In-house and Fund Managers
Bonds issued by multilateral development banks	Long term <b>AAA</b>	In-house and fund managers
Bonds issued by a financial institution which is guaranteed by the UK government	Long term <b>AAA</b>	In-house and for fund managers
Sovereign bond issues (i.e. other than the UK govt)	<b>AAA</b>	In house and Fund Managers
Treasury Bills	--	Fund Managers
<b>Collective Investment Schemes structured as Open Ended Investment Companies (OEICs):</b> -		
1. Money Market Funds	Short-term <b>AAA</b> Long-term <b>A</b> volatility rating	In-house and fund managers
2. Enhanced cash funds	Short-term <b>AAA</b> Long-term <b>A</b> volatility rating	In-house and fund managers
3. Bond Funds	long-term <b>A</b> volatility rating	In-house and Fund Managers
4. Gilt Funds	long-term <b>A</b> volatility rating	In-house and Fund Managers

\*\* If forward deposits are to be made, the forward period plus the deal period should not exceed one year in aggregate.



**NON-SPECIFIED INVESTMENTS**

**1. Maturities of ANY period.**

	<b>Minimum Credit Criteria</b>	<b>Use</b>	<b>*** Max % of total investments</b>	<b>Max. maturity period</b>
<b>Fixed term deposits with variable rate and variable maturities: -</b>				
1. Callable deposits	Short-term <b>F1</b> , Long-term <b>A</b> , Individual <b>C</b> , Support <b>2</b>	In-house	<b>25%</b>	<b>5 years</b>
2. Range trade	Short-term <b>F1</b> Long-term <b>A</b> , Individual <b>C</b> , Support <b>2</b>	In-house		
3. Snowballs	Short-term <b>F1</b> , Long-term <b>A</b> , Individual <b>C</b> , Support <b>2</b>	In-house		
Corporate Bonds : <i>the use of these investments would constitute capital expenditure</i>	Short-term <b>F1</b> , Long-term <b>AA</b> , Individual <b>C</b> , Support <b>2</b>	In house and Fund Managers	25%	10 years
Floating Rate Notes : <i>the use of these investments would constitute capital expenditure unless they are issued by a multi lateral development bank</i>	Long-term <b>AA</b> ,	Fund managers	25%	5 years

**2. Maturities in excess of 1 year**

Term deposits – local authorities	--	In-house	25%	5 years
Term deposits – banks and building societies	Short-term <b>F1</b> , Long-term <b>A</b> , Individual <b>C</b> , Support <b>2</b>	In-house	25%	5 years
Certificates of deposits issued by banks and building societies	Short-term <b>F1</b> , Long-term <b>A</b> , Individual <b>C</b> , Support <b>2</b>	In house and Fund managers	25%	5 years
UK Government Gilts	<b>AAA</b>	In house and Fund Managers	100%	10 years
Bonds issued by multilateral development banks	<b>AAA</b>	In-house and fund managers	25%	10 years
Bonds issued by a financial institution which is guaranteed by the UK government	<b>AAA</b>	In-house and fund managers	25%	10 years
Sovereign bond issues (i.e. other than the UK govt)	<b>AAA</b>	In house and Fund Managers	100%	10 years
<b>Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)</b>				
1. Bond Funds	long-term <b>AA</b> volatility rating	In-house and Fund Managers		
2. Gilt Funds	long-term <b>AA</b> volatility rating	In-house and Fund Managers		

The Council uses Fitch ratings to derive its counterparty criteria. Where a counterparty does not have a Fitch rating, the equivalent Moody's rating will be used. All credit ratings will be monitored monthly. The Council is alerted to changes in Fitch ratings through its use of the Sector creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

## 9.2 Investment Strategy

The Council's funds are managed on a non-discretionary basis by Sector Treasury Services who are contractually required to comply with this strategy.

The Council will discuss with its adviser instruments that they consider may be prudently used to meet the Council's investment objectives. The Council will evaluate the risk-reward characteristics of asset categories to decide whether to use instruments that complied with the Guidance.

The management agreement between the Council and the adviser formally document the terms for management, including guidelines and instruments they can use within pre-determined limits.

**Interest rate outlook:** Bank Rate started on a downward trend from 5.75% with the first cut to 5.50% in December 2007. This is forecast to continue with further cuts to 5.25% in Q1 2008, 5.00% in Q2 and 4.75% in Q3 2008. It is then expected to rise back to 5.0% in Q4 2009 and stabilise there for the foreseeable future.

Councils should, therefore, seek to lock in longer period investments at higher rates ahead of these cuts for some element of their investment portfolio which represents their core balances. For 2008/09 clients should budget for an investment return of 4.90% - 5.0% on investments placed during 2008/09.

The Council has identified the following Minimum Investment Levels for investments as follows:

<< 5.20% >> for 1 year lending

<< 5.30% >> for 2 year lending

<< 5.35% >> for 3 year lending

<< 5.50% >> for 4 year lending

<< 5.60% >> for 5 year lending

The Minimum Investment Levels will be kept under review and discussed with Sector so that investments can be made at the appropriate time.

For its cash flow generated balances, the Council will seek to utilise its business reserve accounts and short-dated deposits (over night to three months) in order to benefit from the compounding of interest.

### **End of year investment report**

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

**APPENDIX A**

**INTEREST RATE FORECASTS**

The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy). The final one represents summarised figures drawn from the population of all major City banks and academic institutions.

The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

**1. INDIVIDUAL FORECASTS**

**Sector interest rate forecast – 1 February 2008**

	Q/E1 2008	Q/E2 2008	Q/E3 2008	Q/E4 2008	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009	Q/E1 2010	Q/E2 2010	Q/E3 2010	Q/E4 2010	Q/E1 2011	Q/E2 2011
Bank Rate	5.25%	5.00%	4.75%	4.75%	4.75%	4.75%	4.75%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
5yr PWLB rate	4.55%	4.55%	4.50%	4.50%	4.55%	4.65%	4.70%	4.75%	4.80%	4.85%	4.85%	4.85%	4.85%	4.85%
10yr PWLB rate	4.60%	4.55%	4.50%	4.50%	4.55%	4.55%	4.65%	4.70%	4.75%	4.80%	4.85%	4.85%	4.85%	4.80%
25yr PWLB rate	4.55%	4.50%	4.50%	4.50%	4.50%	4.55%	4.60%	4.65%	4.70%	4.70%	4.75%	4.75%	4.75%	4.75%
50yr PWLB rate	4.50%	4.45%	4.45%	4.45%	4.45%	4.50%	4.55%	4.60%	4.60%	4.65%	4.65%	4.65%	4.65%	4.60%

**Capital Economics interest rate forecast – 12 December 2007**

	Q/E4 2007	Q/E1 2008	Q/E2 2008	Q/E3 2008	Q/E4 2008	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009
Bank rate	5.50%	5.25%	5.00%	4.75%	4.50%	4.25%	4.00%	4.00%	4.00%
5yr PWLB rate	4.65%	4.45%	4.35%	4.05%	3.95%	4.05%	4.25%	4.35%	4.75%
10yr PWLB rate	4.65%	4.45%	4.25%	4.15%	4.15%	4.25%	4.45%	4.65%	4.85%
25yr PWLB rate	4.65%	4.55%	4.45%	4.45%	4.35%	4.45%	4.55%	4.75%	4.95%
50yr PWLB rate	4.55%	4.55%	4.45%	4.35%	4.25%	4.35%	4.55%	4.65%	4.75%

**UBS interest rate forecast (for quarter ends) – 25 January 2008**

	Q/E1 2008	Q/E2 2008	Q/E3 2008	Q/E4 2008	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009
Bank Rate	5.25%	5.00%	4.75%	4.25%	4.25%	4.25%	4.25%	4.25%
10yr PWLB rate	4.65%	4.60%	4.55%	4.55%	4.55%	4.55%	4.65%	4.75%
25yr PWLB rate	4.50%	4.50%	4.50%	4.45%	4.45%	4.45%	4.55%	4.65%
50yr PWLB rate	4.43%	4.40%	4.45%	4.45%	4.50%	4.55%	4.65%	4.75%

**2. SURVEY OF ECONOMIC FORECASTS**

**HM Treasury** – January 2008 summary of forecasts of 24 City and 13 academic analysts for Q4 2007 and 2008. (2009 – 2011 are based on 21 forecasts)

BANK RATE FORECASTS		quarter ended		annual average Bank Rate		
	actual	Q4 2007	Q4 2008	ave. 2009	ave. 2010	ave. 2011
Median	5.50%	5.50%	4.88%	5.20%	5.24%	5.27%
Highest	5.50%	5.75%	6.25%	6.25%	6.25%	6.25%
Lowest	5.50%	5.00%	4.25%	4.80%	4.50%	4.50%

# Medium Term Financial Strategy

2008/09 - 2010/11







Youngsters from local high schools took part in Local Democracy Week, October 2007



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# Foreword and Introduction

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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
<b>Strategic Objective</b>	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.
<b>Long Term Outcome</b>	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.

Recycling in Chorley is among the best in the country, with residents recycling almost 50% of all waste



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**

	<b>Revenue £'m</b>	<b>Capital £'m</b>
<b>Housing Strategy</b>	-	7.282
<b>Town Centre Strategy</b>	0.195	1.410
<b>Information Technology Strategy</b>	-	0.922
<b>Asset Management Plan</b>	0.170	4.047
<b>Neighbourhood Strategy</b>	0.300	1.643
<b>Climate Change/Sustainability Strategy</b>		1.189
	<b>0.615</b>	<b>16.493</b>

The table shows that in order to meet its objectives the Council will need to spend £16.493m 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%	+1.0%	+1.0%
Concessionary Travel Scheme	+68%	-	-
Grant Settlement	+2.6%	+1.7%	+1.5%
Housing and Planning Grant	+75K	-	-

Capital	2008/09	2009/10	2010/11	Total
	£'m	£'m	£'m	£'m
Prudential Borrowing	1.375	0.400	0.455	2.230*
Preserved RTB Receipts	1.000	0.500	0.500	2.000
Asset sales	1.375	0.460	0.414	2.249
<b>Total</b>	<b>3.750</b>	<b>1.360</b>	<b>1.369</b>	<b>6.479</b>

\*Includes £1.637m slippage from 2007/08. Borrowing assumed for four years 2007/08 to 2010/11 is unchanged.

# 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.

**Table 3: Assumption contained in 3 year forecasts**

Year	Budget Gap £'000
2008/09	0
2009/10	692
2010/11	362
<b>Total</b>	<b>1,054</b>

The table shows that over the financial planning period a further £1,054k will need to be found from the following sources:

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

£1,054k represents 7.3% 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:

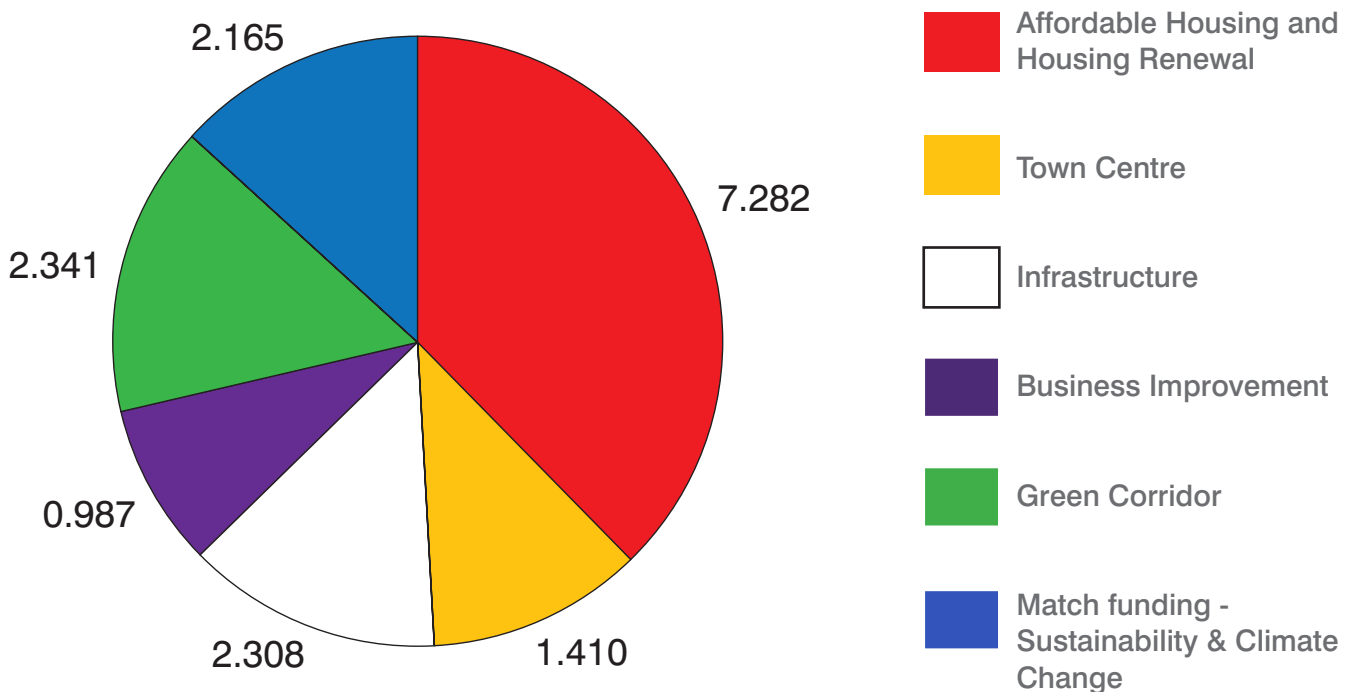
- Make better use of its asset base.
- Maximise opportunities for better procurement.
- Undertake a 3 year Programme of Value For Money recovery on all Council activities.
- Undertake a year on year baseline review of expenditure.
- Maximise the opportunities to attract specific grants.

# 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 £16.493m as follows over the 3 year period.



The programme to be funded in the following way as outlined in the table on page 13.









# Capital Programme - 2008/09 to 2010/11

<u>Capital Programme - 2008/09 to 2010/11</u>	2008/09 £'000	2009/10 £'000	2010/11 £'000	Total £'000
<u>Financing the Capital Programme</u>				
Prudential Borrowing	1,375	400	455	2,230
Unrestricted Capital Receipts	1,375	460	414	2,249
Housing Investment Programme Restricted Capital Receipts	320	141		461
Capital Receipt earmarked for Strategic Regional Site	576			576
Preserved RTB Capital Receipts from CCH	1,000	500	500	2,000
Revenue Budget - Specific Revenue Reserves or Budgets	40			40
<b>CBC Resources</b>	4,686	1,501	1,369	7,556
Ext. Contributions - Developers	1,943	686		2,629
Ext. Contributions - Lottery Bodies	1,170			1,170
Ext. Contributions - Other	105			105
Government Grants - Disabled Facilities Grants	180	180	180	540
Government Grants - Housing Capital Grant	1,084	312	377	1,773
Government Grants - Other	2,720			2,720
<b>External Funding</b>	7,202	1,178	557	8,937
<b>TOTAL CAPITAL FINANCING</b>	<b>11,888</b>	<b>2,679</b>	<b>1,926</b>	<b>16,493</b>

\*2008/09 figures include slippage of expenditure from 2007/08.

## 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 revenue 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	698
Estimated transfer of working balance	869
Less commitment to spending in neighbourhoods 2008/09	(100)
<b>Total</b>	<b>1,467</b>

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.



This information can be made available to you in larger print or on audio tape, or translated into your own language. Please telephone 01257 515325 to access this service.

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

کیجئے: 01257 515823



**Changes from Budget Assumptions made 06/12/07**

	<b>Assumption 06/12/07 £</b>	<b>Revised Figures £</b>	<b>Change £</b>
<b><u>Directorate &amp; Corporate Cash Budgets</u></b>			
Benefits Admin. Grant - less grant to be received	(711,510)	(705,100)	6,410
Homelessness Grant - more grant to be received	(23,000)	(30,000)	(7,000)
Employee Costs & impact of Job Evaluation - additional cost			28,950
Planning Fees - national rate increase of 20% is being proposed by the Government.	(351,000)	(421,000)	(70,000)
Dev Control salary costs - additional resources to cover workload.			16,000
Liberata Contract (Property Services) - less savings than anticipated	379,830	389,150	9,320
Delay in Telephony contract (ICT Services) - less savings than anticipated.	19,300	36,000	16,700
Public Conveniences cleaning - saving as a result of better prices from tendering	88,030	78,050	(9,980)
External Audit Fees - national increase of 14% proposed	109,460	121,510	12,050
Contact Centre SLA to continue in 08/09 - not included in original draft.	0	(20,000)	(20,000)
Assistance to Public Transport - no contractual commitment	10,610	0	(10,610)
Market Walk Ph2 - Car Parking Income	(556,470)	(806,470)	(250,000)
Pooling of Concessionary Travel			165,000
Pest Control Income - excluded from draft budget	(740)	(12,000)	(11,260)
Neighbourhoods Restructure - delay in implementation			35,000
Other minor changes			6,780
<b>Total Changes in Directorate &amp; Corporate Cash Budgets</b>			<b><u>(82,640)</u></b>
<b><u>Financing</u></b>			
Aggregate External Finance - less grant to be received	(8,249,650)	(8,221,000)	28,650
Special Expenses - lost income due to changes from stock transfer			23,590
<b>Total Changes in Financing</b>			<b><u>52,240</u></b>
<b>TOTAL CHANGES</b>			<b><u>(30,400)</u></b>
Cost of 0.5% reduction in Council Tax increase			<b>30,400</b>

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