Chorley Council

COUNCIL

TUESDAY, 26TH FEBRUARY 2019, 6.30 PM
COUNCIL CHAMBER, TOWN HALL, CHORLEY

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 published.

Agenda No	Item	
5	**2019/20 DRAFT BUDGET AND SUMMARY BUDGET POSITION OVER THE MEDIUM TERM** To seek approval to recommendations from the Executive contained in the attached report of the Chief Finance Officer (Introduced by the Executive Member for Resources) and within the appendices listed below.	(Pages 3 - 28)
A	**APPENDIX A FORMAL COUNCIL TAX RESOLUTION 2019/20**	(Pages 29 - 34)
B	**APPENDIX B SPECIAL EXPENSES & PARISH PRECEPTS 2019/20**	(Pages 35 - 36)
C	**APPENDIX C DELIVERING OUR PRIORITIES - CHORLEY COUNCIL MEDIUM TERM FINANCIAL STRATEGY 2019/20 TO 2021/22**	(Pages 37 - 70)
D	**APPENDIX D CUMULATIVE BUDGET DEFICIT & BUDGET STRATEGY 2018-19 TO 2020-21**	(Pages 71 - 72)
E	**APPENDIX E VARIANCE ANALYSIS - MOVEMENTS FROM 2018/19 ORIGINAL ESTIMATES**	(Pages 73 - 74)
F	**APPENDIX F GENERAL FUND FORECAST ASSUMPTIONS**	(Pages 75 - 80)
G	**APPENDIX G CAPITAL PROGRAMME** Appendix G1 Capital Programme 2018/19 to 2021/22 Appendix G2 Capital Programme Financing 2018/19 to 2021/22 Appendix G3 Developer's Contributions 2017/18 to 2020/21	(Pages 81 - 88)
H	**APPENDIX H CAPITAL STRATEGY**	(Pages 89 - 106)
I	**APPENDIX I TREASURY MANAGEMENT** Appendix I Treasury Management Strategy 2019/20 to 2021/22 Appendix I1 Advice of Treasury Management Consultants	(Pages 107 - 132)

Meeting contact Ruth Rimmington on 01257 515119 or email ruth.rimmington@chorley.gov.uk

GARY HALL
CHIEF EXECUTIVE

Electronic agendas sent to Members of the Council

If you need this information in a different format, such as larger print or translation, please get in touch on 515151 or chorley.gov.uk

Chorley Council

Report of	Meeting	Date
Chief Finance Officer (Introduced by the Executive Member for Resources)	Full Council	26 February 2019

2019/20 DRAFT BUDGET AND SUMMARY BUDGET POSITION OVER THE MEDIUM TERM

PURPOSE OF REPORT

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

RECOMMENDATION(S)

2. The Executive recommends that Council:

a) Approve the budget and proposals set out in this report including:
   - Council Tax set out in the resolutions (at Appendix A)

b) Note Special Expenses and Parish Precepts (at Appendix B)

c) Approve the Council's Medium Term Financial Strategy (MTFS) (Appendix C)

d) Note the Council's cumulative budget deficit & budget strategy 2019-20 to 2021-22 (Appendix D)

e) Note significant budget movements from the 2018/19 Budget (at Appendix E)

f) Note the general fund forecast assumptions (at Appendix F)

g) Approve the capital programme for 2019/20 and note the indicative programme to 2021/22 (Appendices G1, G2 & G3)

h) Approve the Capital Strategy (Appendix H)

i) Approve the Treasury Management Strategy (Appendix I) and note the advice of the treasury management consultants (Appendix I1)

j) Approve the Council's Pay Policy (at Appendix J) and publication on the Council's website from April 2019

k) Note the advice of the Statutory Finance Officer in relation to the robustness of the budget and the risks contained within it as set out in the Statutory Report (Appendix K).

l) Note the Budget Consultation 2019/20 Report (at Appendix L)

m) Note the Assessing the Impact of Budget Proposals 2018/19 Report (at Appendix M)

EXECUTIVE SUMMARY OF REPORT

3. There have been some positive developments in 2019/20 regarding the council's funding levels. The bid to become part of a Lancashire Business Rates Pilot was successful and the estimated benefit of this, as well as additional government funding for small business rate support, have resulted in Chorley Council's retained business rates income increasing by £600k for 2019/20. It is assumed that this additional funding is a one-off for 2019/20 only. In addition to this the government did not adjust the allocation methodology for New Homes Bonus funding for 2019/20 which could have resulted in significant reductions in council funding. Finally, the Government did not implement the negative RSG allocation that would have reduced funding to the council by £156k

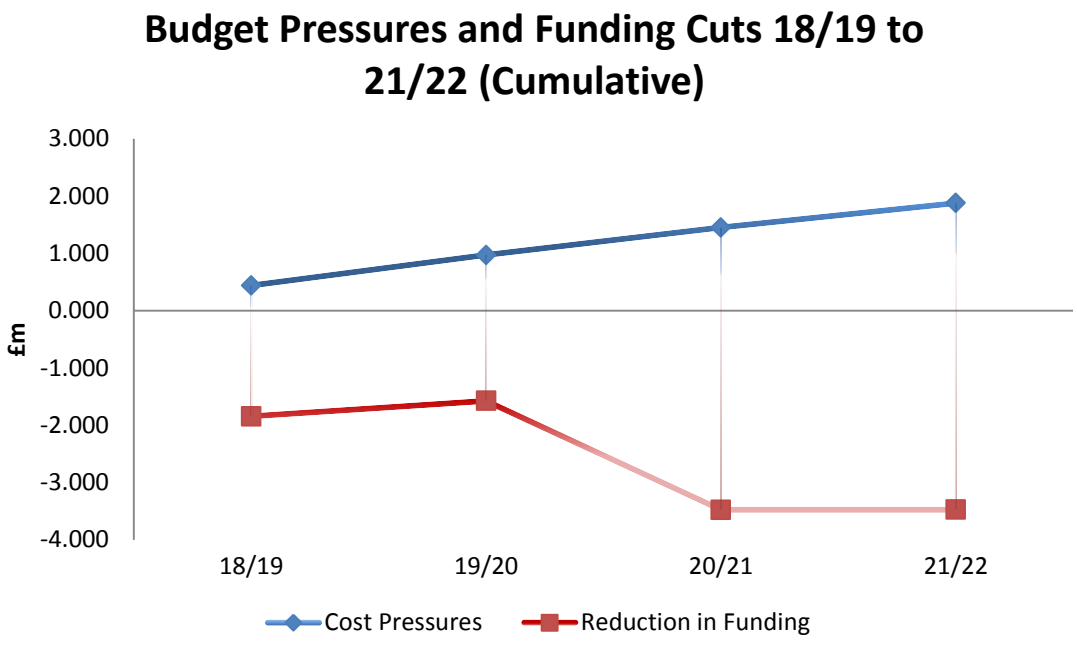
4. Despite the announcement from the Government that austerity has ended, it is expected the council could experience significant reductions in funding over the next three years as well as managing inflationary budget pressures. The previous spending review allocated funds on the assumption that councils would increase council tax close to the referendum limit and, due to the large uncertainty regarding Government reforms for 2020/21, there is a risk the Government will continue to take this approach. The Government has indicated that the future needs assessment formula will include a 'resource equalisation' component. This is a reduction in funding to reflect each authority's assumed ability to fund services using locally-generated income, mostly council tax. As a result of this, Chorley Council will look to increase Council Tax by 2.99% in 2019/20 to position itself to manage the risk of a possible future reduction in Government support from 2020/21 onwards.

5. There is great uncertainty in funding levels in 2020/21 onwards due to the expected implementation of the 75% business rates retention system and fair funding review. There is a great amount of risk to council funding levels and it is assumed that over the medium term the council could experience a reduction in funding of over £1.3m. This may be a reduction in retained business rates, if more income is allocated to upper tier authorities, or it could be the potential elimination of New Homes Bonus if it is brought into the calculation of council's baseline funding level. At this point in time it is not possible to forecast exactly how the reforms will impact the council.

6. The council has maintained effective budgetary planning and has delivered efficiency savings of £1.484m for 2019/20. This figure also includes additional income the council has raised through sources other than council tax. The council will continue to deliver efficiency savings through transforming the way it delivers services and through the procurement of contracts. Efficiency savings however will not be enough for the council to meet its budget gap in the future. The council must strive to become more self-sufficient. The focus of the medium term financial strategy will therefore be to use capital investment to generate income from council owned land and buildings. The council has a good track record of delivering returns on these investments and it will continue to identify other future opportunities within the borough.

7. The budget is set to ensure the objectives of the council's Corporate Strategy priorities are met. The strategy is focussed on the delivery of large scale capital projects as well as alternative models of service delivery. By making policy decisions early on the council is resourced to deliver the Corporate Strategy priorities and commit to recurrent investments such as investing in neighbourhood projects, preventing the cancellation of bus routes in the borough and continuing to provide anti-social behaviour services. The budget provides additional resources of £60k to support additional early intervention services and £50k to deliver more street cleansing services.

8. The chart below emphasises the scale of the challenge the council faces in bridging the budget gap over the next 3 years. The chart illustrates the budget gap the council could face if it did not generate efficiencies and income and if it did not increase council tax. The increase in funding in 2019/20 is the result of the council's membership of the Lancashire Business Rates Pilot. This is forecast to be a temporary benefit prior to the new funding regime being introduced in 2020/21.



9. The Executive presents a budget that:-

Mitigates the expected future reduction in Central Government funding by increasing council tax by 2.99% in 2019/20 and including a forecast 2.00% increase in 2020/21 and a forecast 2% increase in 2021/22 as part of the medium term budget strategy.

Delivers budget efficiency savings and increased income of £1.484m in 2019/20 onwards

Continues to deliver ongoing investment in strategic priorities of approximately £1m

Seeks to bridge the forecasted budget gap, in particular through investing in projects that generate net income streams as well as the procurement of its contracts and through investment in its services, assets and staff enabling the council to deliver services more efficiently.

Sets aside £300k to mitigate the impact that the UK leaving the EU could have on local businesses and Corporate Priorities.

Is consistent with the council's Corporate Strategy and Medium Term Financial Strategy.

Minimises the revenue impact of the council's borrowing commitment to fund the capital programme.

Confidential report Please bold as appropriate	Yes	**No**

Key Decision? Please bold as appropriate	**Yes**	No

Reason Please bold as appropriate	**1, a change in service provision that impacts upon the service revenue budget by £100,000 or more**	2, a contract worth £100,000 or more
	3, a new or unprogrammed capital scheme of £100,000 or more	4, Significant impact in environmental, social or physical terms in two or more wards

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

10. To ensure the Council complies with the requirement to set a balanced budget for 2019/20

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

11. None, setting the budget is a statutory responsibility

CORPORATE PRIORITIES

12. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all	✓	A strong local economy	✓
Clean, safe and healthy communities	✓	An ambitious council that does more to meet the needs of residents and the local area	✓

B**ACKGROUND**

13. The Executive published the 2019/20 Draft Budget and Summary Budget Position over the Medium Term at Executive Cabinet on 17 January 2019.The report set out the Executive's intention for spending and investment in the borough for the forthcoming financial year 2019/20. These papers expand upon that report and set out in more detail for Council the Executive's budget proposals in 2019/20.

BUDGET CONSULTATION RESULTS

14. Consultation ran from the 21st January to the 10th of February 2019. The consultation was publicised through a structured digital campaign including 26,029 emails delivered to residents signed up to receive communications via the My Account feature on the council website. The emails received 8,680 unique views (33.34%) and 2,413 link clicks (8.31%). Awareness was also raised through traditional media outlets and local networks.

15. The formal consultation received 476 qualitative responses through an open-ended question format using two questions, via an online survey which provided detailed feedback. This is a lower level of feedback compared to last year's survey where 780 individuals responded to the online survey which only included one open question. This decline could be due to a number of factors such as the effect of GDPR. From two posts and an advert on Facebook, we received a total of 27,019 post views and 203 comments reaching a wide representation of the population. The feedback and summary analysis of the consultation is shown at Appendix L.

16. The responses have been collated and analysed to identify the main key words or phrases and then grouped together based on whether they indicated a positive or negative response to the proposals. A proportion of the comments offered suggestions for improvement or highlighted concerns, rather than a definable positive or negative view point and these have been grouped together as 'neutral'. It should be noted that responses often included more than one comment or suggestion, covering more than one area. Where this occurred, the main area of comment was selected.

17. The following table shows the distribution of positive, negative and neutral viewpoints. It should be noted that 6% of responses could not be categorised.

Positive view of the proposals	**43.70%**
Neutral point of view	**11.97%**
Negative view of the proposals	**39.71%**
Non-applicable comments	**4.62%**

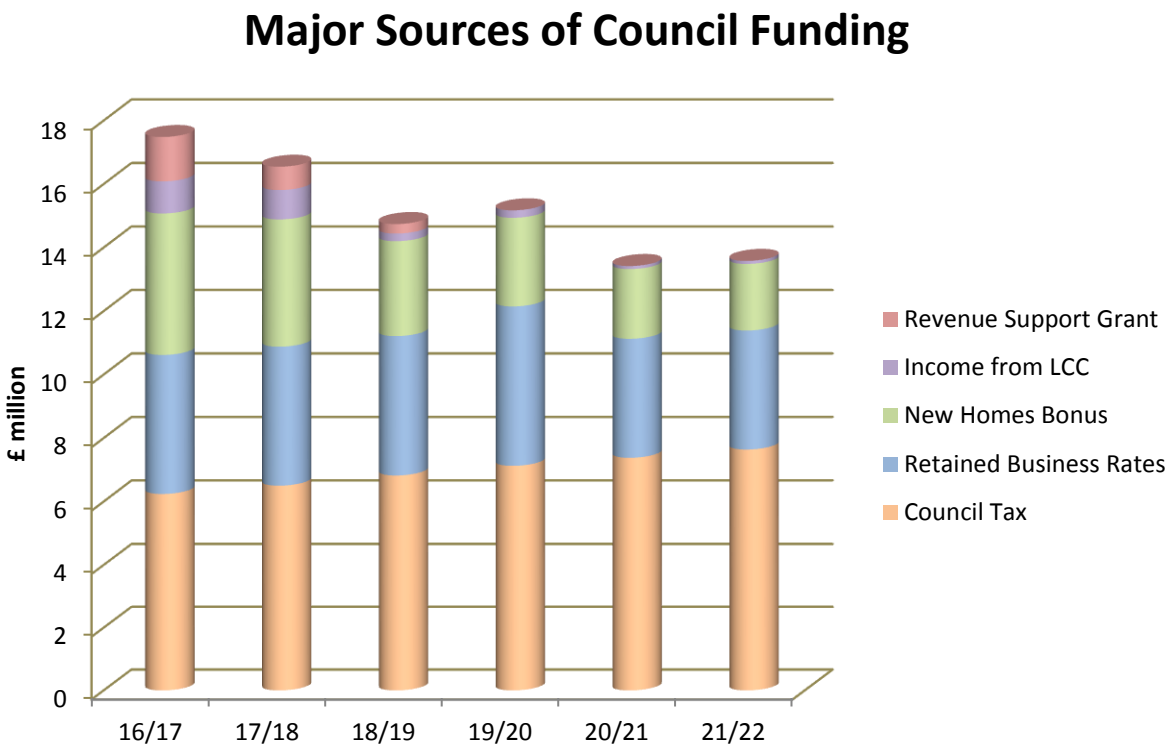
18. The majority of positive comments (63%) indicated general acceptance of the proposals, with many stating that they were 'reasonable' and 'fair'. Comments also referenced a positive view of new and current developments with 10% of residents feeling positive towards the new developments within the borough. In addition to this, around 24% accept the rise in council tax it if it meant the proposals are met and services are maintained.

19. The majority of negative comments (28%) relate to the increase in council tax. A large number of respondents (23%) have concerns regarding the overall budget investment items and 13% indicated that they would prefer investment in large developments to be directed towards other priorities. In addition to this, concerns were highlighted regarding partner delivered services such as highways (8%) with respondents urging the council to lobby these partner services to operate more efficiently.

20. The consultation report at Appendix L sets out the planned council activity in response to feedback; this includes the increase to council tax, concerns around future developments, investment in the wider borough and concerns around partner delivered services.

THE BUDGET – REDUCTIONS IN FUNDING SOURCES

21. Chorley Council has experienced, and may continue to experience in the coming 3 years, large reductions in its major funding sources. The reductions in the largest funding sources are outlined in the chart below. The benefit from being a member of the Lancashire Business Rates Pilot is assumed to be temporary in 2019/20 until the new business rate regime is introduced in 2020/21.



Revenue Support Grant

22. On 16 November 2016 the Council received confirmation from DCLG regarding its four year RSG settlement. 2018/19 will be the final year that the council receives an RSG allocation of £299k. The provisional local government finance settlement 2019/20, announced on 13 December 2018, withdrew the proposed 'negative' RSG that would impact on councils across the country. Chorley's original negative allocation was £156k, the reduction in RSG in 2019/20 was therefore £299k.

New Homes Bonus

23. The 2016 consultation regarding New Homes Bonus resulted in allocations falling from six years to four years as well as allocations not been received for the first c150 homes built (the deadweight adjustment). The reductions in new homes bonus will continue due to:
    - higher than average annual allocations dropping out of the four year funding cycle, such as the £1m 2016/17 allocation dropping out in 2020/21.
    - an assumed slowing down of housing expansion in the borough in the coming years.

24. The final local government finance settlement announced that no adjustment would be made to the deadweight adjustment of 0.4% of the housing stock base. It is assumed in the budget

that no further adjustment to the deadweight is made throughout the medium term, however the government may choose to adjust this in 2020/21 onwards. Every 0.1% increase would result in a £60k reduction in new homes bonus allocations year-on-year.

25. The future of New Homes Bonus is uncertain, the 2019/20 finance settlement did not adjust the system of allocation, however the funding may be brought into the business rates retention system in 2020/21. There is close to £1bn of New Homes Bonus funding allocated across the country and so it is envisaged that, if the funding were brought into the business rates retention calculation, a transitional funding system would be introduced for council's that experience large reductions in funding levels.

Lancashire County Council

26. The remaining funding from LCC in 2019/20 will be
    - £96k per annum relating to the maintenance of highway green space that is managed within current council resources.
    - £140k to support the integrated homes improvement service, it is assumed that as a result of LCC's 2019/20 budget proposals, this support will cease in 2020/21 onwards.

Council Tax

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

	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20 Forecast**
New Band D equivalent dwellings brought in base	1,259	677	751	680	c.520
Growth (year-on-year)	3.8%	2.0%	2.1%	1.89%	1.42%
Additional council tax income to CBC each year	£223k	£120k	£133k	£123k	£97k

28. Chorley Borough has experienced fast expansion of housing over the past few years, over twice as much as Lancashire on average. Although the expansion results in additional income for the council it is clear from the table above that the additional income is insufficient to meet the inflationary pressures placed on the Councils budget. In addition the expansion of the council tax base has resulted in a faster reduction in the council's grant funding resulting in 2018/19 being the final year it received an RSG allocation.

29. The council expects a slowdown in house building over the coming three years as larger housing development sites are already nearing completion and new sites in which to develop housing become increasingly scarce. However it should be noted that as at 1st April 2018 there were 2,283 dwellings with planning permission that were left to be built. A prudent 1.5% expansion of the base is forecast in 2020/21 and 2021/22.

Business Rates

30. As part of the 2019/20 budget consultation fourteen Lancashire Councils as well as Lancashire Fire & Rescue placed a bid to be included in a 75% business rates retention pilot. It was announced on 13 December 2018 that this bid has been successful. Under the current pooling system the £25m of Non-Domestic Rating (NDR) income raised in Chorley is first split with 50% going to the government and the rest to be shared between Chorley Council, LCC and Lancashire Fire and Rescue. Under the pilot this initial split will change to 25% government and 75% local preceptors. This increases the reward possible from growth of NDR income, but there is also a greater risk of adverse consequences if income declines.

31. This increased split means the members of the pilot are expected to increase the expected share of NDR income growth by a total of £10m. This will be split:

- Districts: 56%
- County Council: 17.5%
- Unitaries: 73.5%
- Fire: 1.5%

32. The growth will first be top sliced as follows:
    - The pilot will set aside 5% of growth towards a resilience fund that will mitigate against any losses in business rate income below baseline funding levels
    - A further 25% of the additional growth will be set aside to create a Lancashire-wide fund to be used to target strategic economic growth and to improve financial sustainability. This will be allocated based on decisions of the Lancashire Leaders Business Rates Pilot Group

33. The outcome of all this is that Chorley Council's retained NDR increased by approximately £360k. In addition, the Government announced further support to small businesses through the business rates relief system. The Government compensates the council for the impact of such policies and this has resulted in an additional £250k for the council in 2019/20. The benefit of these gains is budgeted for as only temporary for 2019/20 due to the new funding regime being introduced the following year.

34. The government continues its ambition to implement a new 75% business rates retention scheme for all local authorities by 2020/21. The current pilot is expected to benefit the council in terms of retaining more NDR income. However the final scheme will differ predominately for two reasons:

    - The current pilot uses historic baseline funding levels; however the result of the government's fair funding review will see this baseline adjusted with the potential for Chorley Council to receive less of its retained NDR income. This includes the possibility of the review bringing New Homes Bonus into the baseline calculation and removing the grant.
    - The government may introduce a less favourable split between lower and upper tier authorities (in the current pilot 56%/17.5% lower/upper split) meaning more of Chorley Council's retained business rates income is paid to LCC.

    The government is consulting about the reforms due to be implemented in 2020/21, and there is a deadline for responses of 21 February 2019.

35. A large risk associated with business rates income relates to two applications for mandatory charitable relief received from Lancashire Teaching Hospitals NHS Foundation Trust. If successful the application would be back dated to 2010 and therefore have a significant impact on the Council's revenue budget. A headline figure is a potential £2.4m impact on the Council's general fund and a further c£280k reduction in ongoing retained business rates. The LGA is representing affected councils nationwide and retain the view that NHS trusts and foundation trusts are not charities and therefore not eligible for mandatory non domestic rate reliefs.

36. A final consideration to the council's retained business rates income is the potential for there to be a national economic slow-down. A more detailed analysis of this is given in Appendix F – General Fund Forecast Assumptions. In brief this may result in an increase in the number of appeals against rateable values as well as reducing local economic activity and therefore reducing retained business rates. The council has increased the appeals provision by £1.2m to £2.9m, in addition, the council will set aside £1.4m by 2021/22 to fund large one-off falls in retained business rates income.

37. For the reasons highlighted above the Council will also assume no inflation in its retained business rates budget. Although the Council will continue to focus resources on expanding local businesses, there are still large uncertainties that may erode progress on retained business rates income.

Other Budget Assumptions

38. As part of a **triennial pension review** the Lancashire County Pension Fund (LCPF) announced an increase in employer pension contributions for 2017/18 to 2019/20 to meet the future costs of the scheme. The contributions have increased from 11.1% to 14.4% resulting in an increase in the council's contribution of approximately £250k per annum. Early indications from LCPF are that this contribution rate will increase in 2020/21 onwards and so a rate of 17.1% is assumed in the medium term financial strategy.

39. The LCPF as a whole is currently no longer in deficit and so council's across Lancashire have challenged whether the annual contribution to the prior year deficit should be stopped – in 2019/20 Chorley Council's contribution will be £966k. The pension fund has provided figures that forecast Chorley Council's contribution to the prior year deficit can reduce by up to £400k however this is based on a number of assumptions that may change and could reduce this potential saving.

40. It is possible the saving from reduced pension deficit contributions will outweigh the increase in costs from the uplift in future pension contribution rates. The council will make a prudent assumption regarding its expenditure towards pensions and assume that the impact of both is budget neutral. This will be reviewed for 2020/21 when the next triennial pension review takes place.

41. The estimates for 2019/20 are based upon the approved **pay award**, future years are based upon the fact that pay increases are on average estimated to be 2% in 2020/21 and 2021/22. The budgeted increase is much higher for those on lower grades.

Brexit

42. Concerns remain about the impact of the United Kingdom's withdrawal from the European Union (BREXIT) scheduled for 29 March 2019. Much speculation continues around the likely financial effects of this but it is clear that continued uncertainty has presented significant issues across the economy and the stock market. The potential risks to the Council include changes to interest rates and inflation, a slowdown in the local economy affecting rental and

property values and income from retained business rates and planning fees. These risks will be closely monitored and reported throughout the period of the MTFS. Further analysis is given in Appendix F of this report.

Budget Deficit

43. The Council's gross budget deficit is summarised in table 1 and is based upon the reductions in funding described above and the following key budget assumptions. It should be noted that some of the assumptions are still potentially subject to change that may impact positively or negatively on the budget.

44. It should also be noted that the table presents a continuation budget and does not include any policy changes or interventions.

Table 1: Cumulative Gross Budget Deficit as at January 2019

	2019/20 £m	2020/21 £m	2021/22 £m
Gross Budget Deficit	**1.416**	**3.399**	**3.855**

45. All deficits and savings identified in the table 2 and in the remainder of this report are cumulative. For example the deficit of £3.399m in 2020/21 identified above is the result of a £1.416m deficit in 2019/20 and further budget pressures and reduced funding of £1.983m identified for 2020/21.

Table 2: Key Budget Assumptions

Key Assumptions	2019/20	2020/21	2021/22
Growth in Council Tax Base	1.42%	1.50%	1.50%
Growth in Retained Business Rates	0%	0%	0%
New Homes Bonus Baseline Adjustment	0.4%	0.4%	0.4%
Total Forecast New Homes Bonus	£2.790m	£2.196m	£2.097m
Future Service Pension Rate	14.4%	17.1%	17.1%
Additional Business Rates - Lancashire Pool	(£0.676m)	£0.000m	£0.000m
Additional Business Rates - Lancashire Pilot	(£0.360m)	£0.000m	£0.000m
Income from LCC	(£0.236m)	(£0.096m)	(£0.096m)
Pension Fund Deficit Recovery	£0.966m	£0.781m	£0.831m
Pay Award	2%	2%	2%

46. The cumulative budget deficits are based upon the reductions in funding described previously in the report and the key budget assumptions outlined in table 2. It should be noted that some of the assumptions are still potentially subject to change that may impact positively or negatively on the budget.

47. A detailed breakdown of the 3 year budget including the gross budget deficit is provided in Appendix D of this agenda. Included in this appendix are the revenue budget implications regarding the Council's capital projects, as with other assumptions it should be noted that the

profile of expenditure and income is potentially subject to change. Risks surrounding these budget assumptions will be managed through the use of general reserves as outlined at the end of this report. A full description of budget assumptions and risks are provided in Appendix F and in Appendix K of this agenda.

BRIDGING THE BUDGET GAP

48. A key influencing factor on the forthcoming budget is the effective management of the budget in the preceding financial year. The Council recognised that reductions in funding and ongoing expenditure budget pressures have resulted in a budget gap of £1.416m in 2019/20. To bridge this immediate budget gap the Executive Cabinet has achieved and identified proposals for immediate permanent budget savings of **£1.484m** in preparation for 2019/20. This is in addition to a total of £3.574m savings already achieved in prior years, summarised below.

Table 3: Efficiency Savings and Income Generation 2014/15 to 2019/20

Saving/Increased Income	Achieved 2014/15 £m	Achieved 2015/16 £m	Achieved 2016/17 £m	Achieved 2017/18 £m	Achieved 2018/19 £m	2019/20 £m	Total £m
Efficiency Savings	0.367	0.017	0.314	0.207	0.220	0.115	**1.240**
Review of Contracts	0.035	0.200		0.059		1.100	**1.394**
Review of Base Budget	0.094	0.045	0.128	0.100	0.075	0.020	**0.462**
Review of Income Streams		0.446		0.050	0.050	0.145	**0.691**
Lancashire Business Rates Retention Pooling			0.725				**0.725**
Review of Financing	0.442						**0.442**
Review of Investment Projects						0.104	**0.104**
Saving/Increased Income	**0.938**	**0.708**	**1.167**	**0.416**	**0.345**	**1.484**	**5.058**

Savings Achieved and Savings to be Achieved for 2019/20

49. Budget efficiency savings and increased income totalling **£1.484m** have been identified to help reduce the budget deficit in 2019/20. This is in addition to a review of financing that has identified reductions in net financing of £300k.

- Productivity Savings (£0.115m) – A total of £110k savings have been identified across a number of services by reviewing budgets and looking at those that are no longer needed and therefore will not impact on service delivery, and also by reviewing how we do things to both improve the service and reduce the cost. Examples include sewer baiting and reducing external postage costs as letters and documents are increasingly sent electronically.

- Review of Contracts (£1.100m) – a report to Executive Cabinet on 2 August 2018 approved the award of the new waste contract for 2019/20. An extensive procurement exercise was

undertaken by officers to identify the most economically advantageous contractor whilst enhancing the waste collection service provided to residents. The outcome of the contract award was a £1.100m (30%) saving to the council.

- Base Budget Review (£20k) – The management accounts team in conjunction with service managers have identified £20k of budgets that are underutilised or no longer required moving forward. Small savings were identified from a number of low value budgets that have consistently underspent in previous years.

- Review of Fees and Charges (£145k) – a report to Executive Cabinet on 17 January 2019 approved the recommendation to Council to increase some of the Council's fees and charges to bring them in line with the cost of providing the services. This is forecast to generate an additional £100k income in 2019/20 and therefore reduce the subsidy the council tax payer is making towards these services and instead fund other key services. In addition, increasing the charge of council staff time to DFG and CIL admin has achieved an additional £45k income to the council year-on-year.

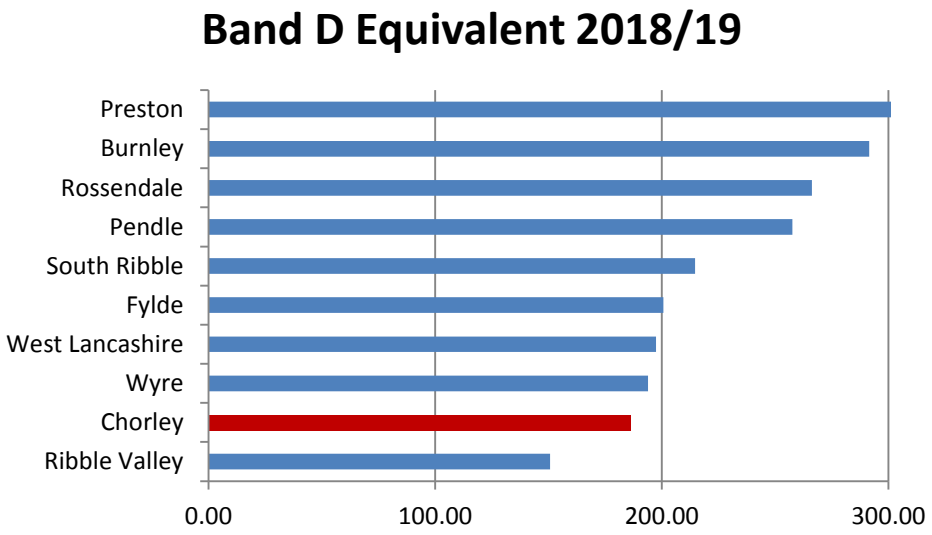
- Review of Investment Items (£104k) – the council continually reviews its services including the investment it makes in the corporate strategy priorities. The transformation of council services has meant that many previously stand alone investments are now 'business as usual. For example the integrated community and health and wellbeing services delivering employability support, saving £65k and the Chorley Youth Zone delivering an arts service, saving £10k. There is also a £10k reduction in the contribution to the time credits programme as this is now well established and more self-sufficient. The total saving from delivering these investments more efficiently through the council's core budget totals £104k per annum.

INCREASE IN COUNCIL TAX

50. The provisional finance settlement 2018 recognised the increasing inflationary budget pressures councils are experiencing and as a result announced an uplift in the cap on council tax increases. This means district councils can increase council tax by up to 3% in 2019/20 without triggering a referendum.

51. Despite the announcement from the Government that austerity has ended, it is expected the council could experience significant reductions in funding over the next three years as well as managing inflationary budget pressures. The previous spending review allocated funds on the assumption that councils would increase council tax to the referendum limit to compensate for the reduction in Government support. There is a risk that the new spending review and reforms of business rates in 2019 will also adopt this approach. As a result of this uncertainty from Government reforms, Chorley Council will look to increase Council Tax by 2.99% in 2019/20 to position itself for the expected reduction in Government support from 2020/21 onwards. This is necessary to continue to fund investments that deliver corporate strategy priorities the council is proposing.

52. Through freezing or reducing council tax in previous years, Chorley Council has one of the lowest district council precepts (excluding Parish precepts) in Lancashire as per the chart below.



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

Summary of Proposals

54. Table 4 illustrates that through savings achieved to date, additional income identified, a review of net financing and increases in council tax the council is able to set a balanced budget with some available resources for re-investment in 2019/20. These figures include approximately £1m investment in corporate strategy priorities.

Table 4: Cumulative Budget Deficit

	2019/20 £m	2020/21 £m	2021/22 £m
Gross Budget Deficit	**1.416**	**3.399**	**3.855**
Review of Fees and Charges	(0.145)	(0.170)	(0.195)
Base Budget Review	(0.020)	(0.020)	(0.020)
Review of Net Financing	(0.300)	(0.300)	(0.100)
Review of Contracts	(1.100)	(1.138)	(1.138)
Productivity Savings Achieved	(0.115)	(0.115)	(0.115)
Review of Investment Projects	(0.104)	(0.104)	(0.104)
2.99% Increase Council Tax 2019/20, 2.00% in 2020/21 & 2.00% in 2021/22	(0.207)	(0.355)	(0.510)
Adjusted Budget Deficit/(Available Resources)	**(0.575)**	**1.196**	**1.672**

MEETING THE MEDIUM TERM FINANCIAL CHALLENGE

Despite the budget savings identified in this report, as outlined above there remain large forecast budget deficits of £1.196m in 2020/21 and £1.672m in 2021/22. To achieve a sufficient reduction in net expenditure the Council's strategy will be:

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

55. Further details of these strategies are given in the MTFS which can be found at Appendix C to the agenda of this report. The summary of the savings is given below in Table 5.

Table 5 – Chorley Borough Council Transformation Programme

	2019/20 £m	2020/21 £m	2021/22 £m
Adjusted Budget Deficit/(Available Resources)	**(0.575)**	**1.196**	**1.672**
Contract Savings			
Leisure Centre Management (expires October 2020)	-	(0.217)	(0.446)
Income Generation			
Market Walk Extension	(0.125)	(0.300)	(0.300)
Strawberry Fields Digital Hub	-	(0.139)	(0.174)
Primrose Gardens Residential Village	-	(0.006)	(0.014)
Parking Income	-	(0.180)	(0.180)
Employment Sites	-	-	(0.200)
Total Income Generation	**(0.125)**	**(0.625)**	**(0.868)**
Efficiency Savings			
Efficiency Savings	(0.085)	(0.355)	(0.358)
Adjusted Budget Deficit/(Available Resources)	**(0.785)**	**0.000**	**0.000**
Commercialisation of Council Owned Assets	0.485	-	-
Support for Local Businesses & Corporate Priorities	0.300	-	-
Final Budget Deficit/(Available Resources)	**0.000**	**0.000**	**0.000**

SUPPORTING CORPORATE STRATEGY PRIORITIES

56. The budget figures summarised in tables 4 and 5 include approximately £1m of annual revenue investment that will deliver the corporate strategy priorities through a programme of activities designed to meet the fundamental needs of local residents, like health housing and jobs, while continuing to get Chorley in the best social and economic position for the future. These are summarised in Table 6.

Table 6: Investment Items Included in the Ongoing Revenue Budget

INVESTMENT ITEM	DESCRIPTION	BUDGET
Chorley Youth Zone	The council will commit £100k to support the ongoing work of the Youth Zone to continue delivering high quality, diversionary and wellbeing activities for young people in Chorley.	£100,000
Prevention and Early intervention	The council will commit £60k per year towards providing support to its multi-agency approach to supporting vulnerable people and improving health and wellbeing. This will ensure we deliver against our corporate priority of clean, safe and healthy communities.	£60,000
Additional Street Cleansing	The council will commit an additional £50k per year towards enhancing its street cleansing services to continue to deliver against our corporate priority of clean, safe and healthy communities	£50,000
Chorley Council Events Programme	The council's programme of award winning events continues to demonstrate significant benefits for the borough, attracting new visitors and raising the profile of Chorley. The budget will enable the continuation of the programme with a focus on those events that deliver the greatest economic impact.	£125,000
Neighbourhood Preferred Projects	Neighbourhood working reflects the councils' commitment to improving local places and spaces, enabling local people to agree the priorities for their area and deliver projects to make improvements. This budget will continue the delivery of neighbourhood working across the eight neighbourhood areas.	£50,000
Digital Inclusion	This ongoing budget will ensure that all residents are able to access high quality public services and take an active part in their community. This budget will support and enable the delivery of the Council's digital strategy including digital inclusion activity.	£20,000
Chorley Works	Access to high quality employment and education opportunities is a priority for the Council. Chorley Works has been successful in delivering a number of employment-related interventions for local residents and going forward will form part of a wider wellbeing support offer for residents, providing help with skills for work and employment opportunities	£39,000
Employee Health Scheme	Maintaining positive levels of staff wellbeing is important to ensuring a productive and efficient workforce and is well used by employees, therefore this budget will continue the current healthcare cash plan scheme for a further year.	£20,000
Enhanced Enforcement Team	To strengthen and improve the council's enforcement services, refocus the work of the neighbourhood officers and demonstrate the council's commitment to taking a more proactive approach to enforcement.	£44,500

INVESTMENT ITEM	DESCRIPTION	BUDGET
Enhanced Homelessness Service	This service supports the council's response to the requirements of the new Homelessness Reduction Act by putting in place the necessary resources to fulfil new obligations for homelessness prevention.	£50,000
Refresh of the Local Plan	The council will be refreshing the local plan over the coming 3 years. This provision is put in place to support the refresh process with the majority of the costs, including staffing, assumed to be shared with South Ribble Borough and Preston City Councils. £100k represents Chorley Council's share of the annual ongoing costs.	£100,000
Ongoing fund to maintain services previously delivered by LCC	Chorley Council will continue its commitment to subsidise the running of key bus routes in the borough to mitigate the impact of county wide cuts and ensure that residents can access to the town centre and rural areas.	£115,000
Community development and volunteering (SPICE)	Contribution to SPICE for time credits infrastructure including access to national earn and spend programme as well as IT platform, expertise and evaluation. This provides residents with support to volunteer within the community.	£30,000
Partnership Connectivity	This investment will fund solutions to address gaps in provision and improve connectivity between partner services as a result of wider budget cuts. This may include developing new networks, supporting existing services or identifying alternative provision.	£15,000
Support to Food Provision Schemes	Contribution to operation of the Living Waters Food Bank. Demand is currently increasing with no other provision locally to support vulnerable individuals.	£15,000
16/17 Young Person's Drop In Centre	Well utilised service supporting vulnerable young people as part of early intervention and prevention. Provision of drop-in support for young people who are at risk of being homeless, or considering leaving home without financial support. Includes the provision of advice and support.	£15,000
In Bloom	Contribution to the In Bloom competition which has provided enhanced Streetscene provision. Opportunity to align priorities with neighbourhood working and work more closely with In Bloom group to develop longer term sustainability.	£20,000
Supporting Communities to Access Grant Funding	Annual contract provided by IDOX. In previous years included Grantfinder and Open4Community resources, reduced to Open4Community only in 2018, following evaluation of usage. Approximately 5,910 visits to the site from Chorley each year, resulting in 365 searches for funding.	£4,500
Accommodation Finding Service	Budget supports the accommodation finding service which provides additional support for the housing options team in meeting our statutory duties.	£30,000
Core Funding Grants	These core funding grants provide support for organisations which support; older people, family support service, vulnerable adults in particular women and homelessness, community safety support and small community funding grants to aid community organisations.	£66,500
	TOTAL	**£969,500**

57. Some of these projects, including those contained within the council's capital programme, are illustrated below.

- £750k towards the modernisation of ICT
- £130k towards the modernisation of Streetscene Services
- £100k to fund an enhanced Enforcement Team and Homelessness Service
- £90k to support the continued provision of local bus routes

An ambitious council that does more to meet the needs of residents and the local area

Develop Astley Hall and park as a visitor destination

- £1m to improve the Hall and visitor experience
- £400k adventure golf
- £140k improvements to pathway lighting
- £100k Garden of Remembrance

Support people across the borough to be digitally included

- £60k per year to fund a Digital Inclusion Officer and training sessions across the borough

Involving residents in improving their local area and equality of access for all

A strong local economy

Deliver the Market Walk Extension

- £16.3m capital budget
- 8 units including a cinema
- New decked parking

Deliver the Strawberry Fields Digital Hub

- £8m capital budget
  - £4m ERDF funding
- 50,000 sqft office space

Bring Forward Employment Sites

- 33.7 acres of council owned mixed use land
- £700k income generation reserve set aside for master planning, site investigations and options appraisals

Clean, safe and healthy homes and communities

Deliver improvements to the playing pitches in the borough

- £3m capital budget for play, recreation and open space projects
  - £2.5m external contributions
- Ongoing project delivery support of £90k per year

Deliver Primrose Gardens Residential Village

- £10.5m capital budget
  - £3.2m Homes England funding
  - £1m LCC funding
- 65 affordable units to open in May 2019

Deliver Housing Units

- £13.8m capital budget
  - 71 Private Rent
  - 50 Affordable Rent
- £100k per year to develop local plan

ADDITIONAL INVESTMENT IN CORPORATE STRATEGY PRIORITIES

Making Astley Hall, Coach House and Park a top visitor attraction

58. The council received notification in December 2018 that its bid for £2.4m of grant funding from the Heritage Lottery Fund towards an ambitious £2.8m redevelopment of Astley Hall has been unsuccessful. Despite this the council will continue its ambition to transform the visitor experience at Astley Hall and the surrounding park and to continue the conservation of the Astley Hall building and its culturally significant contents.

59. Works to the building will still be required and will be phased over the next 5 years. The cost to install new windows to the front elevations and rectify the disrepair associated with the render is estimated to cost within the region of £700k. There is other conservation work required including repairs to the roof, floors internal plastering and chimneys that will be in the region of £200k.

60. The council proposes to improve the visitor experiences at the hall and the surrounding park and in doing so generate additional income to fund additional and ongoing investment. These investments include:

    - £200k improving the hall's visitor route and creating a new shop, new entrance staircase and enhanced digital interpretations technology

    - £400k to create an adventure golf experience in the park

    - £250k to bring Ackhurst Lodge back into use. The lodge has been empty for more than 16 years, but is has potential to be transformed into an office, leisure unit or heritage centre in a beautiful part of the park and adjacent to a new car park.

61. The total cost of this investment is £1.7m with £200k already set aside in the Astley 2020 budget. It is proposed to use £130k from the sale of the council's gold coins in 2017/18 to part fund the works to Ackhurst Lodge. The remaining £1.4m will require additional borrowing with an annual revenue cost of approximately £70k. Introducing an entry fee for Astley Hall is something that the council will consider to help make the site more sustainable and to meet part of this annual cost of borrowing. In addition, the council will also look to review the potential commercial return from the farm house and Ackhurst Lodge.

Support for Local Businesses and Corporate Priorities

62. The continued uncertainty surrounding the way in which the UK will withdraw from the EU has impacted on the national economy with recent ONS data reporting slower growth in the UK economy at the end of 2018. The impact the exit will have on businesses in Chorley is uncertain however it may affect the labour market, construction industry as well as national retailers. A contraction in the economy may place additional pressures on the council's services including employment and housing support as well as council tax and benefits advice.

63. As a result of this uncertainty the council will set aside £300k from the resources available in 2019/20 to provide additional support to local businesses and residents through the delivery of the council's Corporate Priorities.

GENERAL FUND BALANCES

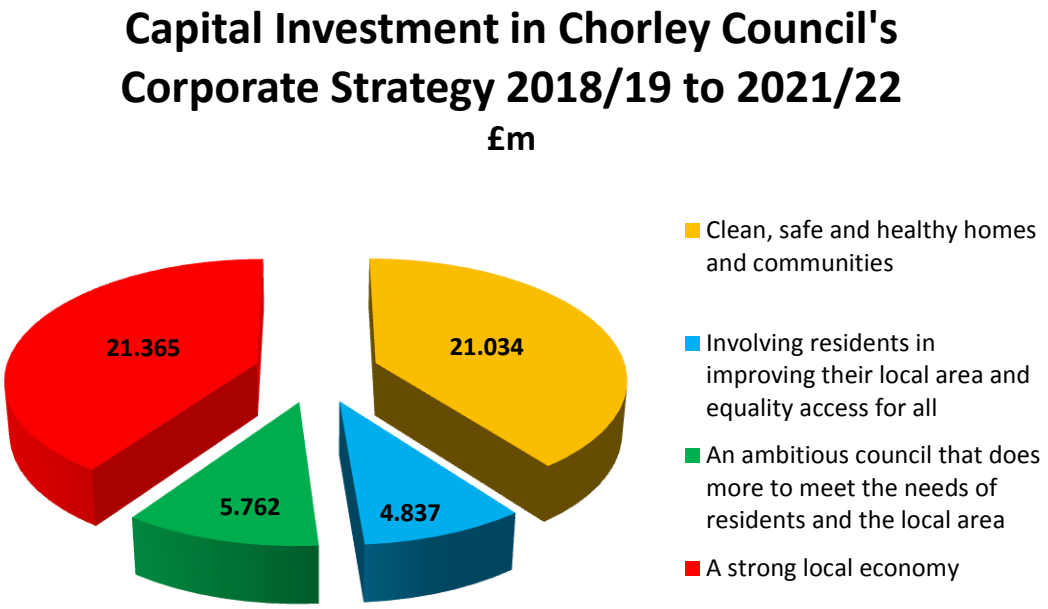
64. The council faces a number of risks over the medium term that may impact on revenue budgets. A number of these are managed through specific reserves including:
    - Market Walk Income Equalisation reserve – this managed short term reductions in income from unbudgeted voids
    - Business Rates Income Equalisation reserve – this manages any short term reductions in retained business rates
    - Business rates appeals provision – this provision manages any reductions in income, including backdated reductions, that may be incurred through businesses appealing against rateable values.

65. The council holds a £4m general fund to manage budget risks not covered by earmarked reserves or provisions. This will manage, for example, the risks associated with its major capital investments and the effects this may have on revenue budgets. This includes re-profiling of occupancy rates or managing the risk to revenue budgets of providing capital incentives to the future occupants of extension to Market Walk.

66. Finally, a large risk associated with business rates income relates to two applications for mandatory charitable relief received from Lancashire Teaching Hospitals NHS Foundation Trust. If successful the application would be back dated to 2010 and therefore have a significant impact on the Council's revenue budget. A headline figure is a potential £2.4m impact on the Council's general fund and a further c£280k reduction in ongoing retained business rates. The LGA is representing affected councils nationwide and retain the view that NHS trusts and foundation trusts are not charities and therefore not eligible for mandatory non domestic rate reliefs. This risk will be managed through the general fund.

CAPITAL PROGRAMME 2019/20 to 2021/22

67. Details of the capital programme including new capital investment are outlined in the Appendix G1. The capital programme for 2018/19 to 2021/22 totals £53m and is an indication of how ambitious the council is in delivering its Corporate Strategy and the priorities within it. An overview of the capital programme is detailed below.



68. Within the capital programme are the proposed changes made in the draft budget as described below in Table 7

Table 7: Changes to the Capital Programme

Project	Additional Budget £m	FUNDING			
		Borrowing	S106 & CIL	Grant Funding	Revenue
Union Street Offices	1.000	1.000			
Town Hall	0.300	0.300			
Market Walk Office	0.485				0.485
Astley	1.500	1.370			0.130
West Way Playing Fields	1.750		1.050	0.700	
TOTAL	**5.035**	**2.670**	**1.050**	**0.700**	**0.615**

69. £1.3m for investment in customer service centres and the Lancastrian including:

- £1m to vastly enhance the customer experience at Union Street by creating a centralised customer service point and creating a self-service area. It will also create more meeting space and increase office space by up to 40%.
- £300k to create a mezzanine overlooking the Lancastrian to provide modern break out space to enhance the functionality of the Lancastrian and its commercial appeal.

- This investment will allow the council to rationalise its offices to improve efficiency and generate savings

70. To continue to both support new and small businesses and the town centre the council proposes to utilise the £485k resources available in 2019/20 to convert the vacant unit above the Iceland store in Market Walk into town centre office space. It will provide office space for one or more small businesses, in an ideal location near car parking, rail and bus transport. This scheme will also generate a small an ongoing revenue income stream for the Council.

    485k investment to convert the council owned unit above the Iceland store in Market Walk into a lettable office space.

71. £1.750m investment in Astley Hall and Park including:
    - £700k investment to Astley Hall infrastructure through rectifying the disrepair to the outer rendering and installation of new windows as well as £200k additional conservation work
    - £200k to improve the customer experience through changing the visitor route and creating a gift shop.
    - £400k to create an adventure golf experience in the park
    - £250k to bring Ackhurst Lodge back into use for heritage or commercial purposed

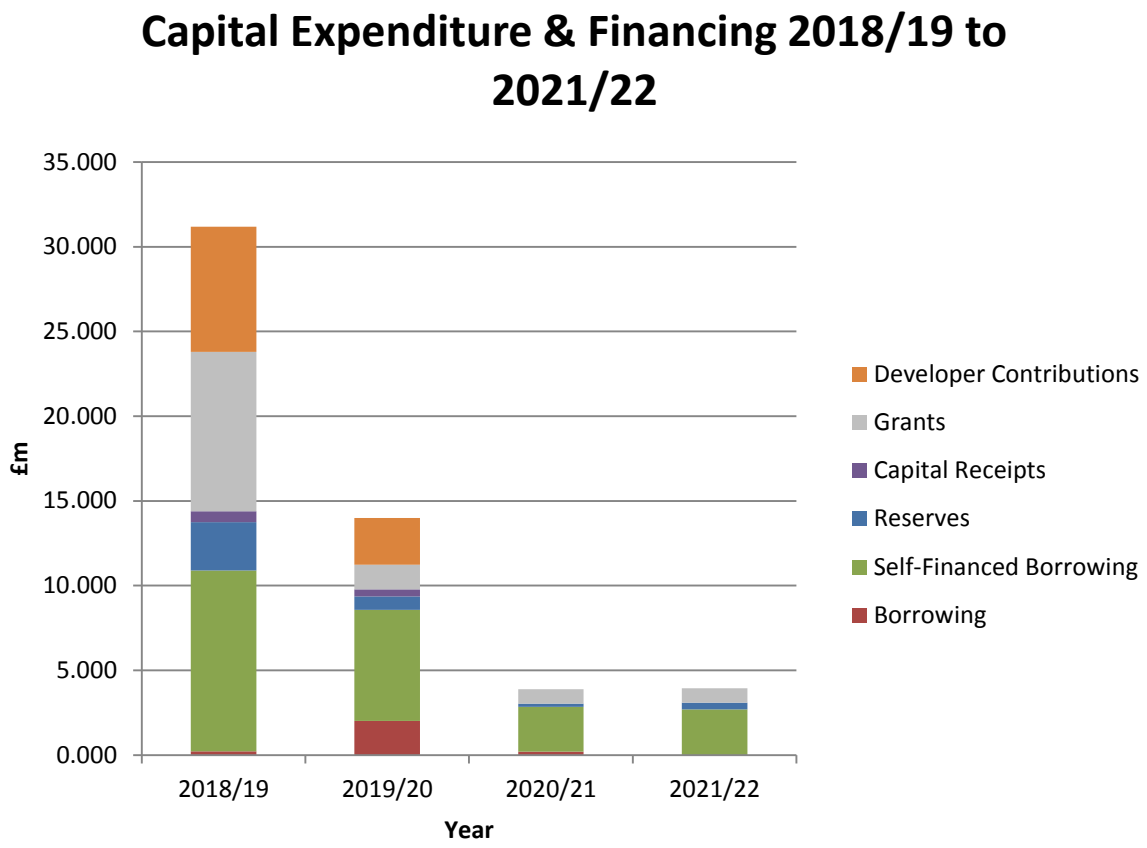
72. The council's current capital programme includes £950k to fund a new sports facility at West Way playing fields. The ambition of the project has now been extended and the council will increase the capital budget to £2.7m that will create:
    - Changing facilities which meet the Football Association and Sport England Standards with an enhanced entrance off West Way and associated car parking;
    - A fenced Artificial Grass Pitch (AGP) which meets Football Association standards;
    - Pitch drainage improvements
    - Enhanced events car parking to support large events in Astley Park.
    - Works to pathways that will provide a link between Astley Park and the new playing fields

    Funding for this project will increase to meet the new budget and will consist of a £700k bid to the Football Foundation as well as additional S106, CIL and overage contributions.

73. Table 7 outlines an increase in the capital programme of £5.035m of which £2.670m is currently forecast to be funded through additional borrowing. The revenue budget has been increased to take account of this borrowing. Alternative sources of financing will be considered as and when capital expenditure is incurred to limit the impact on revenue budgets, these include the use of revenue reserves, capital receipts and external contributions such as s106, CIL and overage.

CAPITAL FINANCING

74. The financing of the capital programme for the period 2018/19 to 2021/22 is set out in Appendix G2 and summarised in the proceeding chart.



75. The capital programme includes a number of schemes that will generate revenue that will meet the annual cost of borrowing required to complete the project. These include the four major capital schemes; Market Walk Extension, Digital Office Park, Primrose Retirement Village and Deliver Housing Units. In addition, it is assumed that some of additional investment in Astley Hall and Park and town hall will also generate revenue for the council.

76. The financing chart above demonstrates how successful the council has been in attracting external grant funding to deliver it capital programme. The grants include;
    - £3.2m from Homes England and £1m from LCC towards Primrose Gardens Retirement Village
    - £2.2m from Heritage Lottery Fund towards the restoration of Bank Hall,
    - £4.1m of European funding to deliver the Digital Office Park

77. The council will invest over £10m of contributions from developers to regenerate the town centre as well as the borough's play, open space and recreation grounds. A summary of s106 funding received and allocated is attached in appendix G3

CAPITAL STRATEGY

78. Appendix H to this report outlines the council's capital strategy including specific risks within the programme, performance indicators and the council's capital ambition beyond the three year budget cycle.

CONCLUSIONS

79. This paper outlines for the Council the Executive's budget proposals for 2019/20 which are:

- **A budget that mitigates against the risk to council funding that has been created by the uncertainty surrounding Government reforms expected in 2020/21, by increasing Council Tax by 2.99% in 2019/20 and including a forecast increase of 2% in 2020/21 and a forecast increase of 2% in 2021/22 as part of the medium term budget strategy.**

- **A budget that delivers budget efficiency savings and increased income of £1.484m in 2019/20 onwards**

- **The successful implementation of the MTFS has allowed the Council to include in the budget approximately £1m of revenue investment packages in 2019/20 budget.**

- **The successful implementation of the MTFS has allowed the Council to create resources to create an earmarked reserve of £300k to support local businesses and Corporate Priorities during the uncertainty of the UK's withdrawal from the EU.**

- **Investments will be made in key areas to support the new Corporate Strategy:**

    1. ***INVOLVE RESIDENTS IN IMPROVING THEIR LOCAL AREA AND EQUALITY OF ACCESS FOR ALL.***
    2. ***CLEAN, SAFE AND HEALTHY COMMUNITIES.***
    3. ***AN AMBITIOUS COUNCIL THAT DOES MORE TO MEET THE NEEDS OF RESIDENTS AND THE LOCAL AREA.***
    4. ***A STRONG LOCAL ECONOMY.***

- **The assumptions included in the budget have been assessed in the light of the latest information available at this time. They are also compatible with:**
    1. **the proposed Pay Policy as set out in Appendix J.**
    2. **the proposed Treasury Management Strategy as set out in Appendix I**

80. The MTFS contains the updated budget forecasts to 2021/22 which identifies that further budget savings will be required to bridge the funding gap in future years. The forecasted budget deficit in 2021/22 is estimated to be 1.672m and the MTFS sets out options that can be considered to bridge this gap. Therefore the MTFS provides a plan to deliver a balanced budget over the longer term in Appendix C.

81. The council will need to continue working extremely hard, be innovative and creative to continue to make efficiencies and at the same time minimise the impact on services. There are still factors that may affect the current forecast financial position namely the scheduled reform in business rates retention. The focus of the council's approach will be to identify and deliver income generating projects as well as generate further efficiencies. This set out in the Medium Term Financial Strategy which is appended to this report.

82. The contents of this report are supplemented with additional reports, policies and statements to provide further details as referenced below:

Appendix A	Formal Council Tax Resolution 2019/20
Appendix B	Special Expenses & Parish Precepts 2019/20
Appendix C	Delivering Our Priorities - Chorley Council Medium Term Financial Strategy 2019/20 to 2021/22
Appendix D	Cumulative Budget Deficit & Budget Strategy 2018-19 to 2020-21
Appendix E	Variance Analysis – Movements from 2018/19 Original Estimates
Appendix F	General Fund Forecast Assumptions
Appendix G1	Capital Programme 2018/19 to 2021/22
Appendix G2	Capital Programme Financing 2018/19 to 2021/22
Appendix G3	Developer's Contributions 2017/18 to 2020/21
Appendix H	Capital Strategy
Appendix I	Treasury Management Strategy 2019/20 to 2021/22
Appendix I1	Advice of Treasury Management Consultants
Appendix J	Pay Policy 2019/20
Appendix K	Report of the Chief Finance Officer
Appendix L	Budget Consultation 2019/20
Appendix M	Assessing the Impact of 2019/20 Budget Proposals

IMPLICATIONS OF REPORT

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

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

COMMENTS OF THE STATUTORY FINANCE OFFICER

84. The financial implications of the above report are detailed in the report and furthermore in the MTFS 2019/20 to 2021/22 (Appendix C) and the Chief Finance Officer's Report (Appendix K).

COMMENTS OF THE MONITORING OFFICER

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

COMMENTS OF THE HEAD OF HR AND OD

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

COMMENTS OF DIRECTOR OF POLICY & GOVERNANCE

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

GARY HALL
CHIEF FINANCE OFFICER

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
James Thomson	5025	18/02/19	

This page is intentionally left blank

Appendix A

FORMAL COUNCIL TAX RESOLUTION

Draft resolution on setting of the 2019/20 Council Tax for the Borough to be passed in approving the Executive Cabinet's recommendations for the Council's Budget.

1. It be noted that on 14 January 2019 the Chief Executive as Statutory Finance Officer calculated the Council Tax Base 2019/20

(a) for the whole Council area as 37,134.39 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")] ; and

(b) for dwellings in those parts of its area to which a Parish precept relates (as in the attached Table 2).

2. Calculate that the Council Tax requirement for the Council's own purposes for 2019/20 (excluding Parish precepts) is £7,127,735

3. That the following amounts be calculated for the year 2019/20 in accordance with Sections 31 to 36 of the Act:

(a) £59,342,300 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.

(b) £51,528,960 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

(c) £7,813,340 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).

(d) £210.40 being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).

(e) £1,449,459 being the aggregate amount of all special items (Special Expenses and Parish precepts) referred to in Section 34(1) of the Act (as in the attached Table 1).

(f) £171.37 being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (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 Parish precept relates.

4. To note that the County Council, the Police Authority and the Fire Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below.

5. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the

amounts of Council Tax for 2019/20 for each part of its area and for each of the categories of dwellings.

VALUATION BANDS

CHORLEY BOROUGH COUNCIL

A	B	C	**D**	E	F	G	H
114.25	133.29	152.33	**171.37**	209.45	247.53	285.62	342.74

LANCASHIRE COUNTY COUNCIL

A	B	C	**D**	E	F	G	H
897.73	1,047.35	1,196.97	**1,346.59**	1,645.83	1,945.07	2,244.32	2,693.18

POLICE & CRIME COMMISSIONER FOR LANCASHIRE

A	B	C	**D**	E	F	G	H
134.30	156.68	179.07	**201.45**	246.22	290.98	335.75	402.90

LANCASHIRE COMBINED FIRE AUTHORITY

A	B	C	**D**	E	F	G	H
46.32	54.04	61.76	**69.48**	84.92	100.36	115.80	138.96

AGGREGATE OF COUNCIL TAX REQUIREMENTS

A	B	C	**D**	E	F	G	H
1,192.60	1,391.36	1,590.13	**1,788.89**	2,186.42	2,583.94	2,981.49	3,577.78

6. 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.

7. As the Council's basic amount of Council Tax for 2019/20 has increased by 2.99% and is in line with the permitted increase for 2019/20, it is considered not excessive in accordance with principles approved under Section 52ZB Local Government Finance Act 1992.

Appendix A

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 2019/20 we estimate that a £1.00 Council Tax at Band D would raise £37,134.39 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 £2,021.54.
RESOLUTION 2
This shows the Council's net spending for 2019/20 excluding the cost of Parish precepts.
RESOLUTION 3
(a) This is the grand total of money which the Council estimates it will spend on all services in 2019/20. It also includes £723,901 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 Central Government and business rates, 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) The difference between 2(a) and 2(b) is £7,813,340 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 £210.40 is the average Band D Council Tax for all Borough and Parish services.
(e) The total of all the amounts needed from Council Taxpayers by the Parish Councils in the area and for Chorley Borough Special Expenses.
(f) This is the Band D Council Tax for Chorley Borough Council's own services, ie. excluding Parish Council spending and Special Expenses
RESOLUTION 4
Lancashire County Council, Lancashire Fire Authority and the Police & Crime Commissioner for Lancashire are separate bodies who have worked out their own estimates of spending and income for 2019/20 and have set taxes in a similar way to Chorley Borough Council. This resolution notes their final decision.

RESOLUTION 5

This pulls together the Council Taxes for Chorley Borough Council, Lancashire County Council, the Police & Crime Commissioner for Lancashire and Lancashire Fire Authority. For example, the aggregate amount for Band D is £1,788.89 made up as follows:

	£
Chorley Borough Council	171.37
Lancashire County Council	1,346.59
Lancashire Police Authority	201.45
Lancashire Fire Authority	69.48

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

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

The aggregate charge for Band A, for example, the charge is £1,788.89 x 6 ÷ 9 = £1,192.60; for Band B it is £1,788.89 x 7 ÷ 9 = £1,391.36.

RESOLUTION 6

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***

Chorley Borough Council - Council Tax 2019/20

Table 1

		Band A		Band B		Band C		Band D		Band E		Band F		Band G		Band H	
Lancashire County Council		897.73		1,047.35		1,196.97		1,346.59		1,645.83		1,945.07		2,244.32		2,693.18	
Chorley Borough Council (Excluding Special Expenses)		114.25	-	133.29	-	152.33	-	171.37		209.45	-	247.53	-	285.62	-	342.74	-
Police & Crime Commissioner for Lancashire		134.30		156.68		179.07		201.45		246.22		290.98		335.75		402.90	
Lancashire Fire Authority		46.32		54.04		61.76		69.48		84.92		100.36		115.80		138.96	
Sub Total		**1,192.60**		**1,391.36**		**1,590.13**		**1,788.89**		**2,186.42**		**2,583.94**		**2,981.49**		**3,577.78**	
Parish and town councils	Total Parish precept	Special Expenses	Parish Precept	Special Expenses	Parish Precept	Special Expenses	Parish Precept	Special Expenses	Parish Precept	Special Expenses	Parish Precept	Special Expenses	Parish Precept	Special Expenses	Parish Precept	Special Expenses	Parish Precept
Adlington	£18,500.00	3.47	5.50	4.05	6.42	4.63	7.33	5.21	8.25	6.37	10.08	7.53	11.92	8.68	13.75	10.42	16.50
Anderton	£5,100.00	1.48	6.50	1.73	7.58	1.97	8.67	2.22	9.75	2.71	11.92	3.21	14.08	3.70	16.25	4.44	19.50
Anglezarke	£0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Astley Village	£24,566.00	19.52	14.67	22.77	17.11	26.03	19.56	29.28	22.00	35.79	26.89	42.29	31.78	48.80	36.67	58.56	44.00
Bretherton	£13,080.00	-	29.08	-	33.93	-	38.77	-	43.62	-	53.31	-	63.01	-	72.70	-	87.24
Brindle	£6,800.00	3.37	9.42	3.94	10.99	4.50	12.56	5.06	14.13	6.18	17.27	7.31	20.41	8.43	23.55	10.12	28.26
Charnock Richard	£29,500.00	2.78	29.13	3.24	33.98	3.71	38.84	4.17	43.69	5.10	53.40	6.02	63.11	6.95	72.82	8.34	87.38
Clayton le Woods	£119,730.00	27.14	14.67	31.66	17.11	36.19	19.56	40.71	22.00	49.76	26.89	58.80	31.78	67.85	36.67	81.42	44.00
Coppull	£96,700.00	5.71	25.31	6.66	29.53	7.61	33.75	8.56	37.97	10.46	46.41	12.36	54.85	14.27	63.28	17.12	75.94
Croston	£24,500.00	6.67	14.42	7.79	16.82	8.90	19.23	10.01	21.63	12.23	26.44	14.46	31.24	16.68	36.05	20.02	43.26
Cuerden	£1,150.00	8.19	18.37	9.56	21.43	10.92	24.49	12.29	27.55	15.02	33.67	17.75	39.79	20.48	45.92	24.58	55.10
Eccleston	£47,290.00	3.49	18.27	4.07	21.31	4.65	24.36	5.23	27.40	6.39	33.49	7.55	39.58	8.72	45.67	10.46	54.80
Euxton	£166,899.00	12.24	23.56	14.28	27.49	16.32	31.41	18.36	35.34	22.44	43.19	26.52	51.05	30.60	58.90	36.72	70.68
Heapey	£9,250.00	12.51	15.82	14.59	18.46	16.68	21.09	18.76	23.73	22.93	29.00	27.10	34.28	31.27	39.55	37.52	47.46
Heath Charnock	£8,100.00	15.21	6.48	17.74	7.56	20.28	8.64	22.81	9.72	27.88	11.88	32.95	14.04	38.02	16.20	45.62	19.44
Heskin	£12,295.00	1.56	22.00	1.82	25.67	2.08	29.33	2.34	33.00	2.86	40.33	3.38	47.67	3.90	55.00	4.68	66.00
Hoghton	£6,000.00	4.92	11.11	5.74	12.96	6.56	14.81	7.38	16.66	9.02	20.36	10.66	24.06	12.30	27.77	14.76	33.32
Mawdesley	£31,504.00	0.97	26.89	1.13	31.37	1.29	35.85	1.45	40.33	1.77	49.29	2.09	58.25	2.42	67.22	2.90	80.66
Rivington	£2,500.00	-	29.93	-	34.92	-	39.91	-	44.90	-	54.88	-	64.86	-	74.83	-	89.80
Ulnes Walton	£6,095.00	-	15.57	-	18.17	-	20.76	-	23.36	-	28.55	-	33.74	-	38.93	-	46.72
Wheelton	£12,772.00	-	19.71	-	23.00	-	26.28	-	29.57	-	36.14	-	42.71	-	49.28	-	59.14
Whittle le Woods	£52,300.00	15.15	13.81	17.67	16.12	20.20	18.42	22.72	20.72	27.77	25.32	32.82	29.93	37.87	34.53	45.44	41.44
Withnell	£29,270.00	6.21	15.31	7.24	17.86	8.28	20.41	9.31	22.96	11.38	28.06	13.45	33.16	15.52	38.27	18.62	45.92
All other parts of the Council's area		19.18	-	22.38	-	25.57	-	28.77	-	35.16	-	41.56	-	47.95	-	57.54	-

PARISH COUNCIL PRECEPTS

Parish Council	2018/19 Tax Base	2018/19 Precepts £	2018/19 Council Tax Band D (£)	2019/20 Tax Base	2019/20 Precepts £	2019/20 Council Tax Band D (£)	C Tax Increase
Adlington	2,016.68	18,500	8.27	2,021.54	18,500	8.25	-0.02
Anderton	493.09	5,000	9.54	492.99	5,100	9.75	0.21
Anglezarke	18.91	-	0.00	20.88	-	0.00	0.00
Astley Village	932.70	24,397	22.00	940.38	24,566	22.00	0.00
Bretherton	293.92	13,010	42.86	290.38	13,080	43.62	0.76
Brindle	457.73	6,800	14.26	461.90	6,800	14.13	-0.13
Charnock Richard	671.55	28,000	41.18	667.24	29,500	43.69	2.51
Clayton le Woods	4,832.09	117,763	22.00	4,921.42	119,730	22.00	0.00
Coppull	2,256.66	96,140	37.92	2,268.25	96,700	37.97	0.05
Croston	1,065.49	24,040	21.21	1,066.01	24,500	21.63	0.42
Cuerden	42.06	1,100	26.11	41.67	1,150	27.55	1.44
Eccleston	1,653.93	46,960	27.40	1,666.13	47,290	27.40	0.00
Euxton	4,437.48	160,709	35.83	4,674.28	166,899	35.34	-0.49
Heapey	374.60	9,220	23.74	376.00	9,250	23.73	-0.01
Heath Charnock	793.62	7,750	9.34	798.71	8,100	9.72	0.38
Heskin	357.14	12,330	33.00	356.08	12,295	33.00	0.00
Hoghton	351.55	6,000	16.59	350.17	6,000	16.66	0.07
Mawdesley	756.38	29,613	38.10	761.38	31,504	40.33	2.23
Rivington	54.02	2,500	43.15	51.92	2,500	44.90	1.75
Ulnes Walton	253.27	6,125	23.37	252.10	6,095	23.36	-0.01
Wheelton	415.44	12,400	28.81	417.25	12,772	29.57	0.76
Whittle Woods	2,518.74	52,130	20.70	2,523.66	52,300	20.72	0.02
Withnell	1,203.08	29,270	23.10	1,209.98	29,270	22.96	-0.14
All other parts of the Council's area	10,364.05	-	-	10,504.07	-	-	
TOTAL / AVERAGE	**36,614.18**	**709,757**	**18.34**	**37,134.39**	**723,901**	**18.46**	**0.12**

Special Expenses 2019-20

Parish	Tax Base 2019/20 No	Borough General Expenses 2019/20 £	Borough Special Expenses 2019/20 £	Borough Services Council Tax 2019/20 £	Parish Precept 2019/20 £	Parish Top-up 2019/20 £	Parish Yield 2019/20 £	Band D Parish Charge 2019/20 £	Band D Parish Charge 2018/19 £	Change in Parish Charge 2019/20 %	Total Charge 2018/19 £	Total Charge 2019/20 £
Adlington	2,021.54	171.37	5.21	176.58	18,500	1,816	16,684	8.25	8.27	-0.24%	179.72	184.83
Anderton	492.99	171.37	2.22	173.59	5,100	294	4,806	9.75	9.54	2.20%	178.09	183.34
Anglezarke	20.88	171.37	-	171.37	-	-	-	-	-	0.00%	166.39	171.37
Astley Village	940.38	171.37	29.28	200.65	24,566	3,877	20,689	22.00	22.00	0.00%	216.82	222.65
Bretherton	290.38	171.37	-	171.37	13,080	414	12,666	43.62	42.86	1.77%	209.25	214.99
Brindle	461.90	171.37	5.06	176.43	6,800	273	6,527	14.13	14.26	-0.91%	185.56	190.56
Charnock Richard	667.24	171.37	4.17	175.54	29,500	345	29,155	43.69	41.18	6.10%	211.62	219.23
Clayton Le Woods	4,921.42	171.37	40.71	212.08	119,730	11,458	108,272	22.00	22.00	0.00%	227.92	234.08
Coppull	2,268.25	171.37	8.56	179.93	96,700	10,576	86,124	37.97	37.92	0.13%	212.62	217.90
Croston	1,066.01	171.37	10.01	181.38	24,500	1,440	23,060	21.63	21.21	1.98%	197.32	203.01
Cuerden	41.67	171.37	12.29	183.66	1,150	2	1,148	27.55	26.11	5.52%	204.43	211.21
Eccleston	1,666.13	171.37	5.23	176.60	47,290	1,636	45,654	27.40	27.40	0.00%	198.87	204.00
Euxton	4,674.28	171.37	18.36	189.73	166,899	1,709	165,190	35.34	35.83	-1.37%	220.05	225.07
Heapey	376.00	171.37	18.76	190.13	9,250	327	8,923	23.73	23.74	-0.04%	208.35	213.86
Heath Charnock	798.71	171.37	22.81	194.18	8,100	335	7,765	9.72	9.34	4.07%	197.88	203.90
Heskin	356.08	171.37	2.34	173.71	12,295	544	11,751	33.00	33.00	0.00%	201.66	206.71
Hoghton	350.17	171.37	7.38	178.75	6,000	167	5,833	16.66	16.59	0.42%	190.15	195.41
Mawdesley	761.38	171.37	1.45	172.82	31,504	794	30,710	40.33	38.10	5.85%	205.90	213.15
Rivington	51.92	171.37	-	171.37	2,500	169	2,331	44.90	43.15	4.06%	209.54	216.27
Ulnes Walton	252.10	171.37	-	171.37	6,095	205	5,890	23.36	23.37	-0.04%	189.76	194.73
Wheelton	417.25	171.37	-	171.37	12,772	432	12,340	29.57	28.81	2.64%	195.20	200.94
Whittle Le Woods	2,523.66	171.37	22.72	194.09	52,300	-	52,300	20.72	20.70	0.10%	209.15	214.81
Withnell	1,209.98	171.37	9.31	180.68	29,270	1,483	27,787	22.96	23.10	-0.61%	198.53	203.64
Other parts of the Boroug	10,504.07	171.37	28.77	200.14	-	-	-	-	-		194.32	200.14
	37,134.39	**171.37**	**20.57**	**191.94**	**723,901**	**38,296**	**685,605**	**18.46**	**18.34**	**0.65%**	**204.71**	**210.40**

Note:

£38,296 represents the top-up to Parish Precept income in respect of the Council Tax Support Scheme.

There is no change in the value of the Top-up payment from 2018/19

This page is intentionally left blank

APPENDIX C

DELIVERING OUR PRIORITIES

Chorley Council
Medium Term Financial Strategy

2019/20 to 2021/22

chorley.gov.uk

Chorley Council

Table of Contents

FOREWORD

Councillor Peter Wilson
Deputy Leader of Chorley Council

We are committed to providing the best possible services for residents however we have to get the balance correct between delivering the very best for the borough and meeting the financial challenges we face.

Through fundamental reviews of services, reducing the costs of contracts and by generating additional income the council has managed to bridge the budget gap year-on-year.

Despite announcements from Government that austerity is over, we continue to expect funding will fall over the coming three years. This could be a reduction in retained business rates or a reduction in New Homes Bonus funding which is income we receive for building new homes.

In light of this and to continue to deliver our services we are asking for an average band D household to pay an extra eleven pence per week in council tax. It is only the third time in ten years that the council has increased council tax and Chorley's rates remain one of the lowest in Lancashire.

Looking further forward, the council has plans in place to meet the financial challenges it faces. The council has always been innovative when delivering it services and that is why we will continue to transform services to deliver efficiencies as well as investing in income generating projects such as the extension to Market Walk or the Strawberry Fields digital office park, both of which will open in the coming year.

The uncertainty surrounding the budget increases over time but the council will continue to deliver its priorities as set out in this Medium Term Financial Strategy to make Chorley a better place for everyone.

CHORLEY COUNCIL MEDIUM TERM FINANCIAL STRATEGY 2019/20 to 2021/22

INTRODUCTION

1. The approval of the Annual Budget is an important stage in the council's annual planning and budgetary process, as the revenue estimates form the basis for setting the Council Tax for the following year. This section aims to put finance into its corporate context. Not all matters can be covered in detail, but it is intended to give a flavour of how finance influences the way Chorley Borough Council operates and is governed.

FINANCE AND CORPORATE PLANNING

2. Within the framework of legislation and Government controls, local authorities retain responsibility for determining the level of their budgets and how those budgets will be spent, subject to legislation and grant conditions.

3. The purpose of the council's budget is;
    - To enable the council to fulfil its statutory duty to set a Council Tax each financial year
    - To ensure that use of the council's financial resources is planned and that a balanced budget is set in 2019/20.
    - To set financial targets for service managers against which their use of financial resources can be measured and controlled.
    - To facilitate the delivery of the council's corporate strategy and subsequent priorities by allocating resources between services according to agreed strategies and plans.

4. The first is a statutory requirement and the council's, if it does nothing else, must fulfil this obligation. All these points are important especially the last regarding the delivery of the council's corporate strategy. It means that finance always needs to be seen in the context of other council plans, whether at service level or, ultimately, at corporate level. Chorley Borough Council will ensure that its financial resources, subject to all other constraints, are allocated in accordance with council priorities.

5. In practice there are a number of constraints that might prevent the council from spending purely in accordance with its current priorities, for example:-

    - Government constraints over use of resources
    - Legal requirements to provide certain services
    - Financial and legal commitments, and other agreements, e.g. staff contracts
    - Costs incurred in implementing change

- Limited availability of resources
- Time needed to plan for change
- Pressure to maintain and improve services and not to cut back

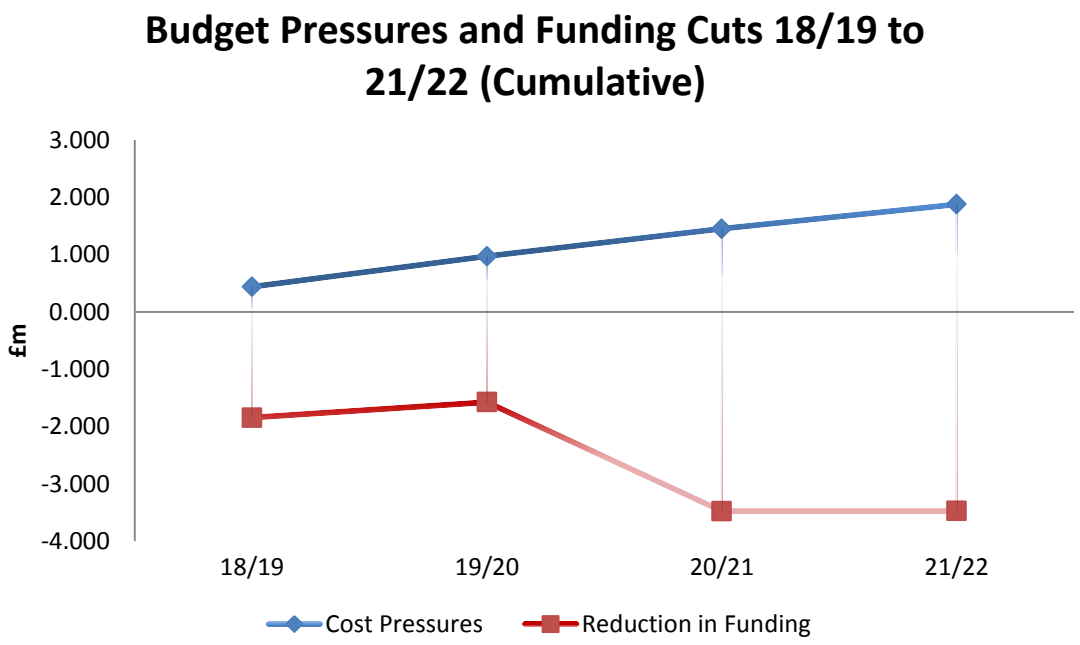
6. It is important for the council to recognise these constraints and to plan the use of resources over the short and medium term.

THE FINANCIAL CONTEXT

7. Setting the council's annual revenue budget has been a challenging process for a number of years. The reductions in Government support as contained in both the 2010 and 2015 Spending Reviews have resulted in an unprecedented level of savings and additional income being required. This, coupled with budget pressures, has meant that savings and additional income of £5m million have been delivered since 2014/15.

8. There have been some positive developments in 2019/20 regarding the council's funding levels. The bid to become part of a Lancashire Business Rates Pilot was successful and the estimated benefit of this, as well as additional government funding for small business rate support, have resulted in Chorley Council's retained business rates income increasing by £600k for 2019/20. It is assumed that this additional funding is a one-off for 2019/20 only. In addition to this the government did not adjust the allocation methodology for New Homes Bonus funding for 2019/20 which could have resulted in significant reductions in council funding. Finally, the Government did not implement the negative RSG allocation that would have reduced funding to the council by £156k

9. The chart below emphasises the scale of the challenge the council faces in bridging the budget gap over the next 3 years. The chart illustrates the budget gap the council could face if it did not generate efficiencies and income and if it did not increase council tax. The increase in funding in 2019/20 is the result of the council's membership of the Lancashire Business Rates Pilot. This is forecast to be a temporary benefit prior to the new funding regime being introduced in 2020/21.

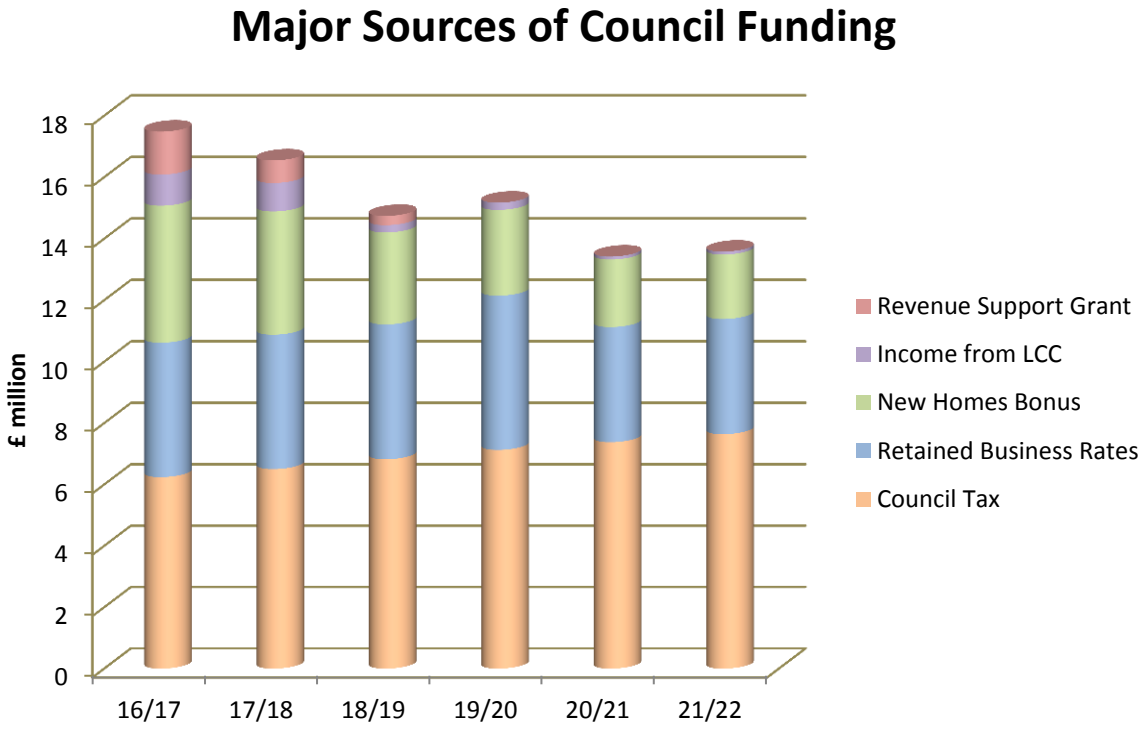


10. Despite the announcement from the Government that austerity has ended, it is expected the council could experience significant reductions in funding over the next three years as well as managing inflationary budget pressures. The previous spending review allocated funds on the assumption that councils would increase council tax close to the referendum limit and, due to the large uncertainty regarding Government reforms for 2020/21, there is a risk the Government will continue to take this approach. The Government has indicated that the future needs assessment formula will include a 'resource equalisation' component. This is a reduction in funding to reflect each authority's assumed ability to fund services using locally-generated income, mostly council tax. As a result of this, Chorley Council will look to increase Council Tax by 2.99% in 2019/20 to position itself to manage the risk of a future reduction in Government support from 2020/21 onwards.

11. There is great uncertainty in funding levels in 2020/21 onwards due to the expected implementation of the 75% business rates retention system and fair funding review. It is assumed that over the medium term the council will experience a reduction in funding of over £1.3m. This may be a reduction in retained business rates, if more income is allocated to upper tier authorities, or it could be the potential elimination of New Homes Bonus if it is brought into the calculation of council's baseline funding level. At this point in time it is not possible to forecast exactly how the reforms will impact the council

Changes in the Level of Funding

12. Chorley Council has experienced, and may continue to experience in the coming three years, large reductions in its major funding sources. The reductions in the largest funding sources are outlined in the chart below.



Revenue Support Grant

13. On 16 November 2016 the Council received confirmation from DCLG regarding its four year RSG settlement. 2018/19 will be the final year that the council receives an RSG allocation of £299k. The provisional local government finance settlement 2019/20, announced on 13 December 2018, withdrew the proposed 'negative' RSG that would impact on councils across the country. Chorley's original negative allocation was £156k, the reduction in RSG in 2019/20 was therefore £299k.

New Homes Bonus

14. The 2016 consultation regarding New Homes Bonus resulted in allocations falling from six years to four years as well as allocations not been received for the first c150 homes built (the deadweight adjustment). The reductions in new homes bonus will continue due to:
    - higher than average annual allocations dropping out of the four year funding cycle, such as the £1m 2016/17 allocation dropping out in 2020/21.
    - an assumed slowing down of housing expansion in the borough in the coming years.

15. The final local government finance settlement announced that no adjustment would be made to the deadweight adjustment of 0.4% of the housing stock base. It is assumed in the budget that no further adjustment to the deadweight is made throughout the medium term, however the government may choose to adjust this in 2020/21 onwards. Every 0.1% increase would result in a £60k reduction in new homes bonus allocations year-on-year.

16. The future of New Homes Bonus is uncertain, the 2019/20 finance settlement did not adjust the system of allocation, however the funding may be brought into the business rates retention system in 2020/21. There is close to £1bn of New Homes Bonus funding allocated across the country and so it is envisaged that, if the funding were brought into the business rates retention calculation, a transitional funding system would be introduced for council's that experience large reductions in funding levels.

Lancashire County Council

17. The remaining funding from LCC in 2019/20 will be
    - £96k per annum relating to the maintenance of highway green space that is managed within current council resources.
    - £140k to support the integrated homes improvement service, it is assumed that as a result of LCC's 2019/20 budget proposals, this support will cease in 2020/21 onwards.

Council Tax

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

Table 1: Growth in Council Tax Base

	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20 Forecast**
New Band D equivalent dwellings brought in base	1,259	677	751	680	c.520
Growth (year-on-year)	3.8%	2.0%	2.1%	1.89%	1.42%
Additional council tax income to CBC each year	£223k	£120k	£133k	£123k	£97k

19. Chorley Borough has experienced fast expansion of housing over the past few years, over twice as much as Lancashire on average. Although the expansion results in additional income for the council it is clear from table 1 that the additional income is insufficient to meet the inflationary pressures placed on the Councils budget. In addition the expansion of the council tax base has resulted in a faster reduction in the council's grant funding resulting in 2018/19 being the final year it received an RSG allocation.

20. The council expects a slowdown in house building over the coming three years as larger housing development sites are already nearing completion and new sites in which to develop housing become increasingly scarce. However it should be noted that as at 1st April 2018 there were 2,283 dwellings with planning permission that were left to be built. A prudent 1.5% expansion of the base is forecast in 2020/21 and 2021/22.

Business Rates

21. As part of the 2019/20 budget consultation fourteen Lancashire Councils as well as Lancashire Fire & Rescue placed a bid to be included in a 75% business rates retention pilot. It was announced on 13 December 2018 that this bid has been successful. Under the current pooling system the £25m of Non-Domestic Rating (NDR) income raised in Chorley is first split with 50% going to the government and the rest to be shared between Chorley Council, LCC and Lancashire Fire and Rescue. Under the pilot this initial split will change to 25% government and 75% local preceptors. This increases the reward possible from growth of NDR income, but there is also a greater risk of adverse consequences if income declines.

22. This increased split means the members of the pilot are expected to increase the expected share of NDR income growth by a total of £10m. This will be split:
    - Districts: 56%
    - County Council: 17.5%
    - Unitaries: 73.5%
    - Fire: 1.5%

23. The growth will first be top sliced as follows:
    - The pilot will set aside 5% of growth towards a resilience fund that will mitigate against any losses in business rate income below baseline funding levels
    - A further 25% of the additional growth will be set aside to create a Lancashire-wide fund to be used to target strategic economic growth and to improve financial sustainability. This will be allocated based on decisi
    - ons of the Lancashire Leaders Business Rates Pilot Group

24. The outcome of all this is that Chorley Council's retained NDR increased by approximately £360k. In addition, the Government announced further support to small businesses through the business rates relief system. The Government compensates the council for the impact of such policies and this has resulted in an additional £250k for the council in 2019/20. The benefit of these gains is budgeted for as only temporary for 2019/20 due to the new funding regime being introduced the following year.

25. The government continues its ambition to implement a new 75% business rates retention scheme for all local authorities by 2020/21. The current pilot is expected to benefit the council in terms of retaining more NDR income. However the final scheme will differ predominately for two reasons:

    - The current pilot uses historic baseline funding levels; however the result of the government's fair funding review will see this baseline adjusted with the potential for Chorley Council to receive less of its retained NDR income. This includes the possibility of the review bringing New Homes Bonus into the baseline calculation and removing the grant.
    - The government may introduce a less favourable split between lower and upper tier authorities (in the current pilot 56%/17.5% lower/upper split) meaning more of Chorley Council's retained business rates income is paid to LCC.

26. A large risk associated with business rates income relates to two applications for mandatory charitable relief received from Lancashire Teaching Hospitals NHS Foundation Trust. If successful the application would be back dated to 2010 and therefore have a significant impact on the Council's revenue budget. A headline figure is a potential £2.4m impact on the Council's general fund and a further c£280k reduction in ongoing retained business rates. The LGA is representing affected councils nationwide and retain the view that NHS trusts and foundation trusts are not charities and therefore not eligible for mandatory non domestic rate reliefs.

27. A final consideration to the council's retained business rates income is the potential for there to be a national economic slow-down. A more detailed analysis of this is given in Appendix F of the 2019/20 budget report. In brief this may result in an increase in the number of appeals against rateable values as well as reducing local economic activity and therefore reducing retained business rates. The council has increased the appeals provision by £1.2m to £2.9m, in addition, the council will set aside £1.4m by 2021/22 to fund large one-off falls in retained business rates.

28. For the reasons highlighted above the Council will also assume no inflation in its retained business rates budget. Although the Council will continue to focus resources on expanding local businesses, there are still large uncertainties that may erode progress on retained business rates income.

Other Budget Assumptions

29. As part of a **triennial pension review** the Lancashire County Pension Fund (LCPF) announced an increase in employer pension contributions for 2017/18 to 2019/20 to meet the future costs of the scheme. The contributions have increased from 11.1% to 14.4% resulting in an increase in the council's contribution of approximately £250k per annum. Early indications from LCPF are that this contribution rate will increase in 2020/21 onwards and so a rate of 17.1% is assumed in the medium term financial strategy.

30. The LCPF as a whole is currently no longer in deficit and so council's across Lancashire have challenged whether the annual contribution to the prior year deficit should be stopped – in 2019/20 Chorley Council's contribution will be £966k. The pension fund has provided figures that forecast Chorley Council's contribution to the prior year deficit can reduce by up to £400k however this is based on a number of assumptions that may change and could reduce this potential saving.

31. It is possible the saving from reduced **pension deficit contributions** will outweigh the increase in costs from the uplift in future pension contribution rates. The council will make a prudent assumption regarding its expenditure towards pensions and assume that the impact of both is budget neutral. This will be reviewed for 2020/21 when the next triennial pension review takes place.

32. The estimates for 2019/20 are based upon the approved **pay award**, future years are based upon the fact that pay increases are on average estimated to be 2% in 2020/21 and 2021/22. The budgeted increase is much higher for those on lower grades.

Brexit

33. Concerns remain about the impact of the United Kingdom's withdrawal from the European Union (BREXIT) scheduled for 29 March 2019. Much speculation continues around the likely financial effects of this but it is clear that continued uncertainty has presented significant issues across the economy and the stock market. The potential risks to the Council include changes to interest rates and inflation, a slowdown in the local economy affecting rental and property values and income from retained business rates and planning fees. These risks will be closely monitored and reported throughout the period of the MTFS. Further analysis is given in Appendix F of the 2019/20 budget report.

PLANNING AND DELIVERY OF THE COUNCILS CORPORATE STRATEGY

34. Despite these financial challenges Chorley Council continues to deliver projects that meet the priorities of its residents. These projects are outlined as part of the Council's Corporate Strategy. The Corporate Strategy provides a clear statement of what the Council aims to achieve over the next three years. The strategy sets out not only the Council's vision, priorities, and long term outcomes for the period 2018/19 to 2020/21 but also priority activities to be delivered through the corporate projects and how we intend to measure success over the year ahead. The Corporate Strategy identifies our key priorities as a council which are: -

    a. Involving residents in improving their local area and equality of access for all;
    b. Clean, safe and healthy communities;
    c. A strong local economy; and
    d. An ambitious council that does more to meet the needs of residents and the local area.

CORPORATE STRATEGY 2018/19 TO 2020/21

35. Chorley Council corporate strategy 2018/19 to 2020/21 was approved by Full Council on 20 November 2018. The focus of the Corporate Strategy to date has been on delivering schemes and initiatives that achieve visible and tangible outcomes against corporate priorities. The same Corporate Strategy priorities will be retained for 2018/19 to reflect a continued commitment to the priorities under which the administration were elected, ensuring the long term impact of strategic activity and investment. For 2018/19 to 2020/21, the Corporate Strategy vision and long term outcomes have been refreshed to reinforce the council's commitment to supporting all residents in both rural and urban areas, and ensuring access to services via both traditional and digital channels. Resident feedback continues to positively reinforce activity towards meeting the priorities which remain critical given the current climate of budget reductions.

36. Outlined below is the Council's Corporate Strategy as well as just a few of the key projects that will be delivered over the next 3 years. The Medium Term Financial Strategy delivers a budget that is robust and sustainable and that also delivers both the capital and revenue commitments required to deliver the corporate strategy priorities.

Corporate Strategy 2018

Chorley Council

An ambitious council that does more to meet the needs of residents and the local area

We will:

- Transform the way the council delivers services
- Deliver a borough wide programme of improvements to street services
- Deliver a review of our approach to partnership working

Involving residents in improving their local area and equality of access for all

We will:

- Develop Astley Hall and park as a visitor destination
- Support people from across the borough to be digitally included
- Develop a framework for building community resilience and delivery of identified projects

A strong local economy

We will:

- Bring forward key sites for development
- Deliver the Market Walk extension
- Deliver the Digital Office Park

Clean, safe and healthy homes and communities

We will:

- Deliver the Housing Company
- Deliver improvements to the playing pitches in the borough
- Deliver the Primrose Gardens retirement village

Our vision:

A proactive community leader, supporting the borough and all its residents, whether in rural or urban areas, to reach their full potential through working in partnership to deliver services that achieve the best outcomes for local people and protect vulnerable people.

AN AMBITIOUS COUNCIL THAT DOES MORE TO MEET THE NEEDS OF RESIDENTS AND THE LOCAL AREA

OUR ACHIEVEMENTS

The Chorley Public Service Reform partnership continues to lead the way in developing effective and sustainable public services that will meet the needs of our residents in years to come. We have developed a new system to support referrals between services and continue to deliver the model for locality working through the integrated referral hub to support vulnerable adults, children and families which has delivered better outcomes for individuals, more effective use of resources and reduced duplication.

To date we have committed over £600k to protect vital services which were at risk due to county wide cuts, including local and rural bus routes to ensure residents have good access to transport links. We have also investing up to £130k to continue modernising our streetscene services and this year we have delivered an improved grass cutting service with an average of 93% of all works completed on time and 84% of residents satisfied with their neighbourhood.

LOOKING AHEAD

We will continue to transform the way in which the council delivers services to achieve a more operationally efficient organisation that can continue to meet the needs of local residents through quality services and achieve savings of £400k by reviewing our major contracts and generate approximately £900k additional income per year income through investments in income generation projects within the borough.

We will continue to modernise our streetscene services and will continue to invest to deliver an improved street cleaning and litter bin emptying service.

In 2019/20 we will invest £70k in the Chorley Public Service Reform Partnership to develop new, innovative ways of working. We will continue to work closely with our partners to progress two workstreams around economic reform and leadership and development in public services and will conduct a review of our current partnership working arrangements to ensure that the organisation has a fit for purpose approach to achieve future priorities.

INVESTMENT FOR 19/20

- **£85k to support the continued provision of local bus routes**
- **£130k towards the modernisation the streetscene service**
- **£100k to fund an enhanced Enforcement Team and Homelessness Service**

INVOLVING RESIDENTS IN IMPROVING THEIR LOCAL AREA AND EQUALITY OF ACCESS FOR ALL

OUR ACHIEVEMENTS

This year we have committed £200k towards making significant improvements to Astley Hall and park to further enhance both as visitor destinations and support the future ambitions, this has included, £80k to deliver improvements to Hallgate car park which has created 21 additional car parking spaces enabling more visitors and £100k to deliver the Garden of Reflection. This commemorated 100 years since the end of WW1 and provides a covered performance area with seating and a stone carving of a soldier.

This year we have invested £60k in digital inclusion to support residents in gaining the skills and resources to access more services online. This investment has enabled 1,057 residents to have accessed digital skills courses, delivered 60 digital courses including 15 new courses and created 7 new digital access points.

We have also invested £50k in the neighbourhood priority projects which were identified by the community to improve their local neighbourhoods.

LOOKING AHEAD

We will invest to further improve digital inclusion across the borough through making significant improvements to our website to enable residents to access services easier online, delivering more targeted work around digitally excluded groups with basic online and digital skills training to specific and deliver more digital access points in rural areas.

We will continue to build stronger, healthier and more cohesive communities developing a framework to better understand the needs of our communities and inform how we better target our work in areas where it will have the most impact. This evidence base and framework will help support communities to help themselves and reduce pressure and demand on wider public services.

We will invest £1.750m in Astley Hall and Park to make vital conservation works, improve the visitor experience and deliver attractions to help make the Hall and Park more sustainable.

INVESTMENT FOR 19/20

- **£50k to deliver 24 neighbourhood priority projects which were identified by the community to improve their local neighbourhoods.**
- **£30k to support community development and volunteering opportunities for residents**
- **£60k to improve digital inclusion across the borough**

STRONG LOCAL ECONOMY

OUR ACHIEVEMENTS

This year we have invested £3.7m to deliver enabling works for the Market Walk Extension, town centre improvements such as the PALS memorial refurbishment and creating an additional 199 car parking spaces across the town centre. All of this work is in preparation for the final build phase to begin in 2019 which will deliver the extension to the Market Walk Shopping Centre which already generates £900k net income to the Council.

This year we have invested £38k in our project to help people overcome barriers to employment, this has enabled 125 residents to be referred into the employability provision which provides intensive one to one support and training, 28 residents to source 8 week work experience placements and 33 residents to secure paid employment.

We have continued to provide multiple events for the residents of Chorley throughout the year and this year these events have brought over 65,000 visitors to the borough.

LOOKING AHEAD

We will continue to contribute to the strong local economy through investing £8.1m in the delivery of the joint ERDF funded Digital Office Park. The Digital Office Park will provide state of the art digital office accommodation for digital businesses and will provide bespoke digital office space, start up accommodation and events and training space. This new development will put both Chorley and Lancashire at the centre of the expanding digital economy and will bring new businesses to the area providing vital high value jobs in the borough.

We will continue to drive forward economic growth in the borough through progressing a number of key sites, totaling 33.7 acres, that have been identified as suitable for employment and to attract inward investment. Chorley Council will invest over £700k to develop planning applications, master planning, ecological works and site preparations to enable these sites to be offered to businesses for development.

INVESTMENT FOR 19/20

- **£125k to deliver the council's ambitious annual events programme to bring visitors to the borough and contribute to the local economy**
- **Over £700k to progress and bring forward key employment sites to continue to drive forward economic growth**

CLEAN SAFE AND HEALTHY HOMES

OUR ACHIEVEMENTS

This year we have invested £100k in the Chorley Youth Zone and this was completed this year. The Youth Zone now provides the young people of Chorley with world class facilities which includes a football kick pitch, a sports hall, a climbing wall, performing arts suites, a radio suite, boxing ring, arts and crafts facilities, a fitness centre, film and multimedia suite, a restaurant, kitchen and health and wellbeing activities. This state of the art facility, close to the town centre and local transport connections provides high quality, diversionary and wellbeing activities for Chorley's young people.

We have developed a housing strategy which sets out the Council's ambitions to ensure that everyone living in the borough has access to the high quality accommodation that they need, to improve resident's lives and reduce demand on public services. It sets out an action plan of delivery for the next year against each of the priorities.

LOOKING AHEAD

We will be investing over £3m in improvements to the playing pitches across the borough as part of the wider Parks, Open Space and Play Pitch Strategy. This will deliver improved drainage, new changing facilities, improved pathways and improved car parking facilities; all of which will create more accessible sports facilities and an increased sporting offer for the residents of Chorley. The majority of this will be funded through developer contributions.

The Primrose Gardens Retirement Village is due to open in March 2019, Chorley Council has invested £10m, £4m grant funded, into this facility, which will deliver an exciting new living space in Chorley for those aged 55 and above. This flagship, highlight quality purpose built accommodation is ideally located and will provide a unique, modern space for residents so that they can live independently, integrate with the local community and gain access to support and care when needed.

INVESTMENT FOR 19/20

- **£100k to support the Chorley Youth Zone**
- **£100k to develop the local plan**
- **£90k revenue and over £3m capital to deliver improvements to the playing pitches in the borough**

MEETING THE FINANCIAL CHALLENGE – THE TRANSFORMATION STRATEGY

37. The last medium term financial strategy reported to Full Council on 27 February 2018 set out the Council's approach in meeting the financial challenges over the period 2018/19 to 2020/21. The Council's Transformation Strategy was put in place to focus on bridging the gap and delivering a balanced budget through:

- Renegotiation of Contracts
- Productivity Savings
- Income Generation

38. Since February 2018 the Council has continued working towards delivering the transformation strategy. A Transformation Board has been set up to oversee this delivery.

THE TRANSFORMATION BOARD

39. The purpose of the Transformation Board is to:

- Monitor project progress and issues
- Ensure proposals meet with the overall objectives of the Transformation Strategy and anticipated savings
- Consider dependencies between projects to make sure that activity is coordinated (particularly with regard to consultation/service reviews) and monitor overall demands on capacity

40. There are currently over 10 separate projects that the transformation board monitors and supports in order to deliver the transformation strategy.

WHAT IS THE BUDGET GAP?

The estimated budget gap based prior to the actions been taken to balance the budget is:

Table 2: Gross Cumulative Budget Deficit

	2019/20 £m	2020/21 £m	2021/22 £m
Gross Cumulative Budget Deficit	**1.416**	**3.399**	**3.855**

41. All deficits and savings identified in the table 2 and in the remainder of this report are cumulative. For example the deficit of £3.399m in 2020/21 identified above is the result of a £1.416m deficit in 2019/20 and further budget pressures and reduced funding of £1.983m identified for 2020/21.

WHAT HAS BEEN ACHIEVED?

42. A key influencing factor on the forthcoming budget is the effective management of the budget in the preceding financial year. The council recognised that reductions in funding and ongoing expenditure budget pressures have resulted in a budget gap of £1.416m in 2019/20. To bridge this immediate budget gap the Executive Cabinet has achieved and identified proposals for immediate permanent budget savings of **£1.484m** in preparation for 2019/20. This is in addition to a total of £3.574m savings already achieved in prior years, summarised below.

Table 3: Efficiency Savings and Income Generation 2014/15 to 2019/20

Saving/Increased Income	Achieved 2014/15 £m	Achieved 2015/16 £m	Achieved 2016/17 £m	Achieved 2017/18 £m	Achieved 2018/19 £m	2019/20 £m	Total £m
Efficiency Savings	0.367	0.017	0.314	0.207	0.220	0.115	**1.240**
Review of Contracts	0.035	0.200		0.059		1.100	**1.394**
Review of Base Budget	0.094	0.045	0.128	0.100	0.075	0.020	**0.462**
Review of Income Streams		0.446		0.050	0.050	0.145	**0.691**
Lancashire Business Rates Retention Pooling			0.725				**0.725**
Review of Financing	0.442						**0.442**
Review of Investment Projects						0.104	**0.104**
Saving/Increased Income	**0.938**	**0.708**	**1.167**	**0.416**	**0.345**	**1.484**	**5.058**

Savings Achieved and Savings to be Achieved for 2019/20

43. Budget efficiency savings and increased income totalling **£1.484m** have been identified to help reduce the budget deficit in 2019/20. This is in addition to a review of financing that has identified one-off reductions in the budget deficit of £300k.

- Productivity Savings (£0.115m) – A total of £110k savings have been identified across a number of services by reviewing budgets and looking at those that are no longer needed and therefore will not impact on service delivery, and also by reviewing how we do things to both improve the service and reduce the cost. Examples include sewer baiting and reducing external postage costs as letters and documents are increasingly sent electronically.

- Review of Contracts (£1.100m) – a report to Executive Cabinet on 2 August 2018 approved the award of the new waste contract for 2019/20. An extensive procurement exercise was undertaken by officers to identify the most economically advantageous contractor whilst enhancing the waste collection service provided to

residents. The outcome of the contract award was a £1.100m (30%) saving to the council.

- Base Budget Review (£20k) – The management accounts team in conjunction with service managers have identified £20k of budgets that are underutilised or no longer required moving forward. Small savings were identified from a number of low value budgets that have consistently underspent in previous years.

- Review of Fees and Charges (£145k) – a report to Executive Cabinet on 17 January 2019 approved the recommendation to council to increase some of the council's fees and charges to bring them in line with the cost of providing the services. This is forecast to generate an additional £100k income in 2019/20 and therefore reduce the subsidy the council tax payer is making towards these services and instead fund other key services. In addition, increasing the charge of council staff time to DFG and CIL admin has achieved an additional £45k income to the council year-on-year.

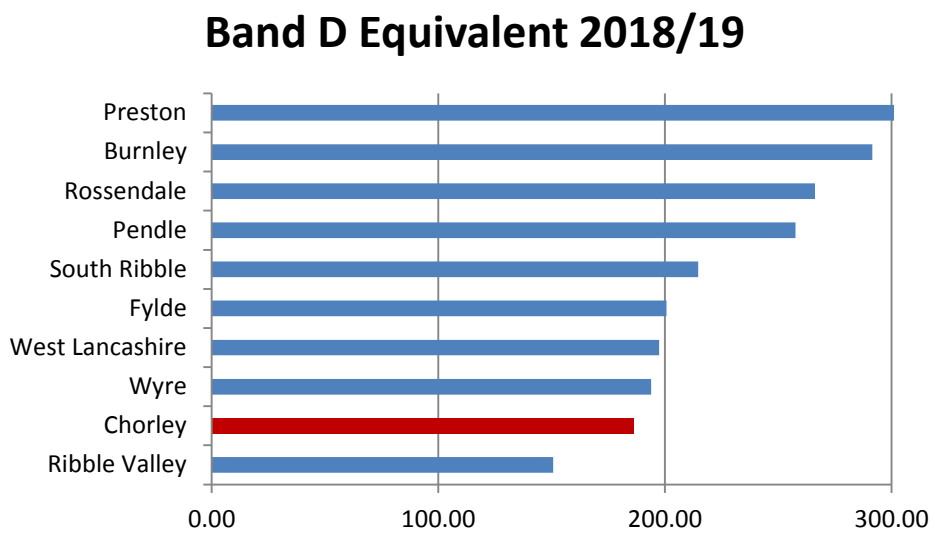
- Review of Investment Items (£104k) – the council continually reviews its services including the investment it makes in the corporate strategy priorities. The transformation of council services has meant that many previously stand alone investments are now 'business as usual. For example the integrated community and health and wellbeing services delivering employability support, saving £65k and the Chorley Youth Zone delivering an arts service, saving £10k. There is also a £10k reduction in the contribution to the time credits programme as this is now well established and more self-sufficient. The total saving from delivering these investments more efficiently through the council's core budget totals £104k per annum.

INCREASE IN COUNCIL TAX

44. The provisional finance settlement 2018 recognised the increasing inflationary budget pressures councils are experiencing and as a result announced an uplift in the cap on council tax increases. This means district councils can increase council tax by up to 3% in 2019/20 without triggering a referendum.

45. Despite the announcement from the Government that austerity has ended, it is expected the council could experience significant reductions in funding over the next three years as well as managing inflationary budget pressures. The previous spending review allocated funds on the assumption that councils would increase council tax close to the referendum limit and, due to the large uncertainty regarding Government reforms for 2020/21, there is a risk the Government will continue to take this approach. The Government has indicated that the future needs assessment formula will include a 'resource equalisation' component. This is a reduction in funding to reflect each authority's assumed ability to fund services using locally-generated income, mostly council tax. As a result of this, Chorley Council will look to increase Council Tax by 2.99% in 2019/20 to position itself to manage the risk of a future reduction in Government support from 2020/21 onwards.

46. Through freezing or reducing council tax in previous years, Chorley Council has one of the lowest precepts (excluding Parish precepts) in Lancashire as per the chart below.



Summary of Proposals

47. Table 4 illustrates that through savings achieved to date, additional income identified, a review of net financing and increases in council tax the council is able to set a balanced budget with some available resources for re-investment in 2019/20. These figures include approximately £1m investment in corporate strategy priorities.

Table 4: Cumulative Budget Deficit

	2019/20 £m	2020/21 £m	2021/22 £m
Gross Budget Deficit	**1.433**	**3.399**	**3.855**
Review of Fees and Charges	(0.145)	(0.170)	(0.195)
Base Budget Review	(0.020)	(0.020)	(0.020)
Review of Net Financing	(0.300)	(0.300)	(0.100)
Review of Contracts	(1.100)	(1.138)	(1.138)
Productivity Savings Achieved	(0.115)	(0.115)	(0.115)
Review of Investment Projects	(0.104)	(0.104)	(0.104)
2.99% Increase Council Tax 2019/20, 2.00% in 2020/21 & 2.00% in 2021/22	(0.207)	(0.355)	(0.510)
Adjusted Budget Deficit/(Available Resources)	**(0.558)**	**1.196**	**1.672**

MEETING THE MEDIUM TERM FINANCIAL CHALLENGE

Despite the budget savings identified in this report, as outlined above there remain large forecast budget deficits of £1.196m in 2020/21 and £1.672m in 2021/22. To achieve a sufficient reduction in net expenditure the Council's strategy will be:

1. **To make the Council more financially self-sufficient with specific emphasis on creating investment that generates income. This includes identifying future uncommitted resources and commits the balances to support income generating schemes.**

2. **To realise savings through the procurement of its contracts**

3. **To identify the efficiencies through investment in infrastructure, ICT and through exploring alternative delivery models that will enable the Council to balance the budget whilst seeking to minimise the impact on front line service users**

48. The summary of the savings is given below in Table 5.

Table 5 – Chorley Borough Council Transformation Programme

	2019/20 £m	2020/21 £m	2021/22 £m
Adjusted Budget Deficit/(Available Resources)	**(0.558)**	**1.196**	**1.672**
Contract Savings			
Leisure Centre Management (expires October 2020)	-	(0.217)	(0.446)
Income Generation			
Market Walk Extension	(0.125)	(0.300)	(0.300)
Strawberry Fields Digital Hub	-	(0.139)	(0.174)
Primrose Gardens Residential Village	-	(0.006)	(0.014)
Parking Income	-	(0.180)	(0.180)
Employment Sites	-	-	(0.200)
Total Income Generation	**(0.125)**	**(0.625)**	**(0.868)**
Efficiency Savings			
Efficiency Savings	(0.085)	(0.355)	(0.358)
Adjusted Budget Deficit/(Available Resources)	**(0.785)**	**0.000**	**0.000**
Investment in Council Owned Assets	0.485	-	-
Support for Local Businesses & Corporate Priorities	0.300	-	-
Final Budget Deficit/(Available Resources)	**0.000**	**0.000**	**0.000**

TRANSFORMATION STRATEGY

Realising Savings through the Procurement of Contracts

49. During the MTFS period the council will undertake procurement exercises on its contracts that are coming to the end of the contract agreement periods. The ambition for the council is that through these procurement exercises it will transform its delivery of key services whilst generating cost savings and continuing to provide excellent service delivery. The council's current leisure management contract will expire in October 2020. The council encourages an innovative approach to service delivery and it is the council's ambition, through investment in its leisure centres, that it will achieve a revenue neutral leisure management contract with enhanced services to Chorley residents.

Efficiency Savings

50. The transformation strategy covers many aspects of change both within the council and in partnership with other organisations. At this stage the main strands of the strategy that could generate savings are outlined further below.

51. The Transformation Strategy has facilitated a greater integration of public services. In partnership with Lancashire Care NHS Foundation Trust (LCFT) the council has implemented an **Integrated Community Wellbeing Service**. The innovative service integrates functions that promote the wider determinants of health and community resilience. By so doing, it is anticipated it will generate opportunities for savings across public services over the long term.

52. The integrated community wellbeing service has included work arrangements around supporting people into employment. A review of services and interventions available around employability has identified a new pathway across public services to support our residents. This has meant the capacity that would have used the £65k investment previously identified is not needed. Instead, work will draw on services within the council, LCFT and other funded programmes.

53. The **Digital Strategy** was approved by Executive Cabinet in June 2017. The strategy incorporates 32 separate projects that seek to increases digital take up and inclusion, promote smarter working and develop positive work cultures.

- The Digital Strategy will develop and implement the '**WorkSmart**' programme. This will facilitate a shared culture of smarter working, maximising the use of technology and digital information. Cost savings are expected through process/productivity improvements and consolidation of office space.

- Efficiencies are also expected through the further increase in digital take up of council services, enabling customers to access council services online when and wherever they like, while also reducing the demand on more expensive channels such as face to face and over the phone

54. The **Streetscene Modernisation Strategy** was approved by Executive Cabinet in January 2017. The Streetscene service aims to introduce a number of change themes designed to challenge current working practices and modernise and introduce improvements to deliver high quality services in a co-ordinated way.

55. Developing these strategies requires investment by the council in its infrastructure. Through the WorkSmart programme the council's ambition is to consolidate its portfolio of offices to reduce costs and improve efficiency across its services. To do this the council will set aside £1.3m in the capital programme from 2019/20 onwards to modernise its customer service centres as well as the Lancastrian.

56. There are a range of benefits that will be achieved from this work including improving the customer facing areas to improve residents' customer experience when visiting the Union Street offices. This will include and encourage the use of self-service terminals and link to one of the digital strategy projects to refresh the council's website, however it will also continue to include a one stop shop for customers who still want to speak to someone face to face. The changes will lead to a better use of space and therefore create additional capacity in the civic offices to enable all office based staff at Bengal Street to move to the Union St building, which will lead to operational savings from rationalising office based staff from across three to two buildings. Improvements in the facilities in the town hall will enhance the commercial offer of the Lancastrian as well as providing additional facilities such as meeting rooms and break out areas.

Income Generation

57. The council strives to deliver efficiency savings and deliver best value from its contracts but it also recognises that future savings from these sources will become increasingly limited. It must therefore focus on generating additional income from reviewing its fees and charges and, more importantly, from investing in income generating assets within the borough.

58. The council has already been successful in income generation through the purchase of Market Walk shopping centre as well as the expected net income stream from the development of the Strawberry Fields Digital Hub. The council realises that further work must be undertaken to recognise fully the potential revenue streams the council is able to create. Further details of the projects can be found in the Capital Strategy Appendix H to the budget report.

Market Walk Extension

59. The income generation targets outlined in table 5 include £125k net income in 19/20 and £300k in 2020/21 onwards for the extension of Market Walk shopping centre. Building work to the new shopping centre will continue in 2019/20 with expected completion in November 2019. Two tenancies are complete with another having signed heads of terms. Extensive work will be undertaken in the coming year to ensure the units are filled with the ideal mix of retail and leisure offers.

Primrose Gardens Residential Village

60. The £10m project is due to complete in March 2018 with the first of the 65 rooms to become occupied at the start of 2019/20. Primrose Gardens will provide a unique, modern space for residents so that they can live independently, integrate with the local community and gain access to support and care when needed. It is expected that in the medium to long term, as occupancy increases, Primrose Gardens will generate a net income to the council.

Strawberry Fields Digital Hub

61. Chorley Council won over £4.1m funding from the European Regional Development Fund (ERDF) towards creating the new £8.4m advanced Digital Office Park. The 54,000sq ft state-of-the-art office space will provide high value jobs for hundreds of people and will put Chorley on the map as the centre of the rapidly growing digital sector in Lancashire. The Strawberry Fields Digital Hub is due to open in May 2019 and should begin to generate a net income to the council in 2020/21.

Developing Council Owned Employment Land

62. The agreed acquisition of HCA employment land as part of a land swap resulted in Chorley Council acquiring 33.7 acres of land, the majority identified as development for employment purposes. A key priority within the Economic Development Strategy is to promote and increase inward investment in Chorley through maximising best use of available employment land and buildings in the borough in order to support economic growth and provide a mix of well paid, high and low skilled jobs.

63. The council currently has three sites that have been identified as a priority to bring forward for employment, Land East of Wigan Road, Alker Lane and Cowling Farm site. Site investigations and assessments are being undertaken and option appraisals are being developed to model how the sites can be developed. It is envisaged that the sites will generate capital receipts as well as ongoing net income for the council. The development of the master plans and delivery models and receiving planning approval will take time and so it is assumed that the sites will generate £200k income to the council in 2021/22.

Investment in Council Owned Assets

64. Over recent years the council has been proactive in supporting and enabling businesses into the town centre. Recently working with Lancashire Teaching Hospitals to support them in locating office based staff into the former tax office, our integrated wellbeing service with Lancashire Care Foundation Trust has brought in 120 staff who co-locate with us at our Union Street Offices and the Market Walk and Youth Zone developments are also key to improving the resilience of the town centre. Additional people working in the town centre during the day, all help to support the local economy.

65. To continue to both support new and small businesses and the town centre the council proposes to utilise the £485k resources available in 2019/20 to convert the vacant unit above the Iceland store in Market Walk into town centre office space. It will provide office space for one or more small businesses, in an ideal location near car parking, rail and bus transport. This scheme will also generate an ongoing revenue income stream for the Council.

INVESTMENT AMBITION

66. The council will continue its ambition to invest within the Borough to generate net income. Some of this investment will go beyond the three year cycle of the MTFS. Projects will be added to the capital programme when approval is given by Full Council, some projects are described below

Deliver Housing Units

67. The council has already approved an ambitious plan to invest £14m in the coming six years in both private and affordable rental properties. In partnership with neighbouring boroughs the council is reviewing it local plan to identify further sites to develop housing. The council encourages an innovative approach to service delivery, the council will purchase and manage its rental stock through one or more wholly owned companies with the council providing loans to develop sites, purchase the stock and manage operations. The funding for this ambitious programme will come from additional borrowing to be repaid through the income generated from the housing sites and the loan repayments from the wholly owned companies.

Investment in Leisure Centres

68. The management of the council's leisure centre services will be renewed in October 2020. The council is seeking to utilise CIL and other funding, including borrowing, to invest in its leisure centres and the services they deliver. This will benefit residents through improved facilities and services and a lower annual cost of the leisure services management contract with the council's ambition to deliver a revenue neutral contract saving over £400k per year.

GP Surgery

69. The proposal is for a new GP surgery in the area of Clayton-le-Woods as the current surgery is no longer operationally fit for purpose putting pressure on the current doctor's surgery. This has been a concern for residents for some time and this potential investment will give the local services a long term future and provide enough space for them to grow and continue to meet the needs of the local community. The cost of the CIL request would be up to £1 million with part funding from borrowing and the NHS. It is expected this will deliver improved health services to residents as well as a financial return to the council.

One Public Estate

70. The council has made two bids for government grant funding through its One Public Estate project. One Public Estate encourages partnership working between public and private sector organisations with ultimate goal of breaking down historical barriers to get the best use of public land and property.

71. Through this project the council is looking to develop its Bengal Street and Tatton Recreation sites and support the release of these windfall sites in public ownership for new homes, play and recreation as well as developing a centre of excellence in community and health services. It has the potential to regenerate key sections of the town centre and result in capital receipts depending upon the redevelopment strategy adopted as a consequence of the feasibility work.

GENERAL BALANCES & EARMARKED RESERVES

General Fund Balances

72. The council holds a £4m general fund to manage budget risks not covered by earmarked reserves or provisions. This will manage, for example, the risks associated with its major capital investments and the effects this may have on revenue budgets. This includes re-profiling of occupancy rates or managing the risk to revenue budgets of providing capital incentives to the future occupants of extension to Market Walk.

73. There is also a large risk associated with business rates income relates to two applications for mandatory charitable relief received from Lancashire Teaching Hospitals NHS Foundation Trust. If successful the application would be back dated to 2010 and therefore have a significant impact on the Council's revenue budget. A headline figure is a potential £2.4m impact on the Council's general fund and a further c£280k reduction in ongoing retained business rates. The LGA is representing affected councils nationwide and retain the view that NHS trusts and foundation trusts are not charities and therefore not eligible for mandatory non domestic rate reliefs. This risk will be managed through the general fund.

Earmarked Reserves

74. Other monies are set aside to fund future events or liabilities, these earmarked reserves totalled £8.322 at the start of 2018/19. The amount of earmarked reserves the council holds at the end of one year is difficult to forecast as it is dependent upon the profile of the expenditure it is set aside to fund as well as movements into the reserves throughout the year. With this in mind Table 6 provides the current forecast level of earmarked reserves in 2018/19 and 2019/20.

Table 6: Forecast Earmarked Reserves Balance 2018/19 to 2019/20

Type of Earmarked Reserve	Balance 1st Apr 2018 £'000	Out £'000	(In) £'000	Balance 31-Mar 2019 £'000	Out £'000	(In) £'000	Balance 31-Mar 2020 £'000
Rephasing of planned expenditure	**(1,222)**	950	0	**(272)**	185	0	**(86)**
Rephasing of New Investment Projects	**(1,494)**	1,076	(60)	**(477)**	160	0	**(317)**
Grants reserved for specific expend.	**(164)**	109	0	**(54)**	13	0	**(42)**
Financing of capital expenditure	**(2,702)**	2,479	(139)	**(362)**	485	(524)	**(401)**
Planning purposes including appeals	**(220)**	150	0	**(70)**	165	(100)	**(6)**
Restructuring of services	**(412)**	250	0	**(162)**	162	0	**0**
Retail Investment	**(114)**	30	0	**(84)**	30	0	**(54)**
Apprenticeships for young people	**(52)**	0	0	**(52)**	45	0	**(8)**
Resource equalisation	**(1,114)**	371	(290)	**(1,034)**	0	(287)	**(1,321)**
Maintenance of Council buildings	**(494)**	398	(50)	**(146)**	97	(50)	**(99)**
Maintenance of Grounds	**(14)**	20	(10)	**(4)**	14	(10)	**0**
Elections	**(90)**	29	0	**(61)**	0	0	**(61)**
Other	**(229)**	186	(10)	**(53)**	38	0	**(15)**
Total	**(8,322)**	**6,048**	**(559)**	**(2,833)**	**1,394**	**(971)**	**(2,411)**

75. Many of these reserves are set aside to ensure the council remains fit for purpose in delivering its Corporate Strategy and day-to-day activities. These include the maintenance and elections reserves as well the reserve to fund the costs of restructuring the council's services.

76. Some of the council's reserves are set aside to ensure that any sudden reductions in resources available to the council can be temporarily met through the use of reserves. These reserves include:

- Market Walk Income Equalisation Reserve – this reserve manages any reductions in income that could be experienced through units becoming void. A contribution of £50k per annum is budgeted each year to this reserve. The ongoing high level of occupancy of the Market Walk Shopping Centre has resulted in increased income to the council, to date it has not been required to utilise this reserve and it is estimated to be £440k by the end of 2019/20.

- Business Rates Retention – this reserve manages any unbudgeted surpluses or deficits from the council's collection and retention of business rates. The balance of this reserve is forecast to be £880k at the end of 2019/20.

77. Some of the reserves are set aside to fund specific investment projects that benefit the council's residents, these include:

- Rephasing Investment Projects – as the delivery on these schemes will be made over more than one year, these reserves enable unspent balances to be carried forward to future years. They include projects to deliver digital inclusion, public realm works, community action plans, bringing forward employment sites and grants to help local businesses.

- Financing of capital expenditure – these reserves represent financing of the capital programme from revenue resources. £1.5m relates to reserves set aside to fund the extension of the Market Walk Shopping centre. In addition £400k is carried forward to fund the continued improvements to Astley Hall and the surrounding park and car park. £200k is set aside to fund the modernisation of the council's IT infrastructure.

Support for Local Businesses and Corporate Priorities

78. The continued uncertainty surrounding the way in which the UK will withdraw from the EU has impacted on the national economy with recent ONS data reporting slower growth in the UK economy at the end of 2018. The impact the exit will have on businesses in Chorley is uncertain however it may affect the labour market, construction industry as well as national retailers. A contraction in the economy may place additional pressures on the council's services including employment and housing support as well as council tax and benefits advice.

79. As a result of this uncertainty the council will **set aside £300k** from the resources available in 2019/20 to provide additional support to **local businesses and residents** through the delivery of the council's Corporate Priorities.

CIL, S106 and Overage

80. In addition to the reserves identified in Table 6 the council holds income received through the development of housing within the borough.

81. The council currently holds approximately £4.5m of CIL funding to be spent against projects identified in the council's regulation 123 list. Some of the projects will be managed by Chorley Council including investment in leisure centres and a GP Surgery.

82. The council holds approximately £7m of s106 contributions to be allocated across projects such as the extension to Market Walk as well as Play and Open Space projects including large redevelopments of recreation grounds. Further details can be found in Appendix G3 to the main budget report.

83. The council has been in dispute with two developers regarding amounts owed through section 106 overage agreements. The council and both developers continued to disagree as to the interpretation of what should be paid with both Developers continuing to believe that the owed less than what the council had calculated. In October 2018 the matter was heard in court and found in the council's favour. The total amount owed is estimated to be £5m, with total overage received to date at £3.8m. Of this £2.3m has been committed to fund the extension of Market Walk shopping centre and £600k towards improvements at Westway playing fields.

CAPITAL PROGRAMME

84. The Council's Capital Programme forms part of the Council's overall financial strategy to deliver some of its key objectives contained in the Corporate Strategy. In accordance with CIPFA's Prudential Code the Council's Chief Finance Officer is required to have full regard for affordability, sustainability and prudence when making recommendations about the Council's future capital programme. The capital programme is constructed on the following strategic objectives:

The resources available will be targeted at areas that deliver corporate priorities as described in the annual Corporate Strategy

Borrowing will be managed to ensure the future impact on revenue is minimised

The council will consider the purchase and/or development of assets to generate a sustainable revenue stream to counteract against the risk of future reductions in grant funding and year to year fluctuations in locally sourced funding and to invest in regeneration of the Borough

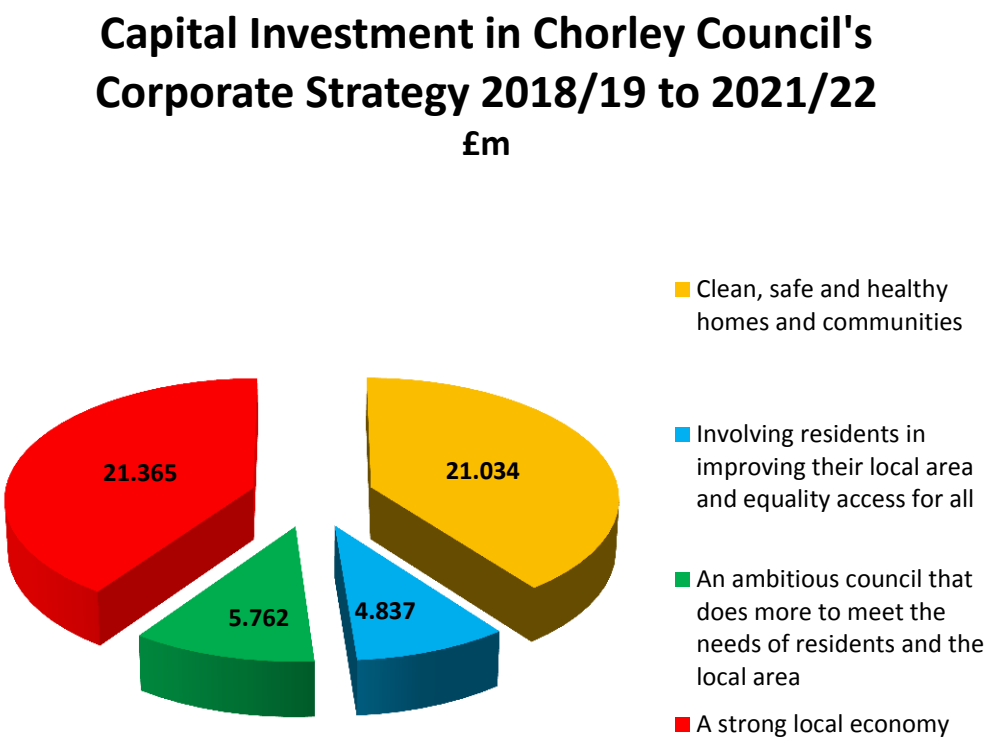
The council will consider working with partners to assist them to meet both their objectives and the council's objectives; this must have no impact on revenue budgets. This support may include granting loans to organisations at a rate that generates a greater return to the council.

The council will continue to identify land to assist in delivering its affordable housing targets.

The council will look to maximise opportunities to attract external finance to sustain its programme of work

85. The capital programme is updated continually for agreed changes and reported to Executive Cabinet during the financial year on a quarterly basis. A prudent approach is taken when preparing the programme to ensure that financing resources are only estimated for when there is relative certainty that they will be received.

86. Details of the capital programme including new capital investment are outlined in the Appendix G1. The capital programme for 2018/19 to 2021/22 totals £53m and is an indication of how ambitious the Council is in delivering its Corporate Strategy and the priorities within it. A breakdown of the capital programme is detailed below.



87. Appendix H to the budget report outlines the council's capital strategy including specific risks within the programme, performance indicators and the council's capital ambition beyond the three year budget cycle.

A strong local economy

- The completion of the Market Walk extension project that includes an enhanced town centre parking offer - **£15.6m**
- The completion of the Digital Office Park, a new prestigious development that will provide 5,000 m² of Council owned bespoke digital office and start up accommodation - **£8.1m**

Clean, safe and healthy home and communities

- The completion of Primrose Gardens retirement living, the council's **£10m** extra care facility
- Continued delivery of c. **£600k** per year of home adaptations to enable Chorley residents to continue independent living
- **£2.3m** of investment in the council's play and open space s
- Invest **£6m** in the coming 3 years deliver housing units that will provide local properties at an affordable rent while improving the standard of homes in the private rented sector.

An ambitious council that does more to meet the needs of residents and the local areas

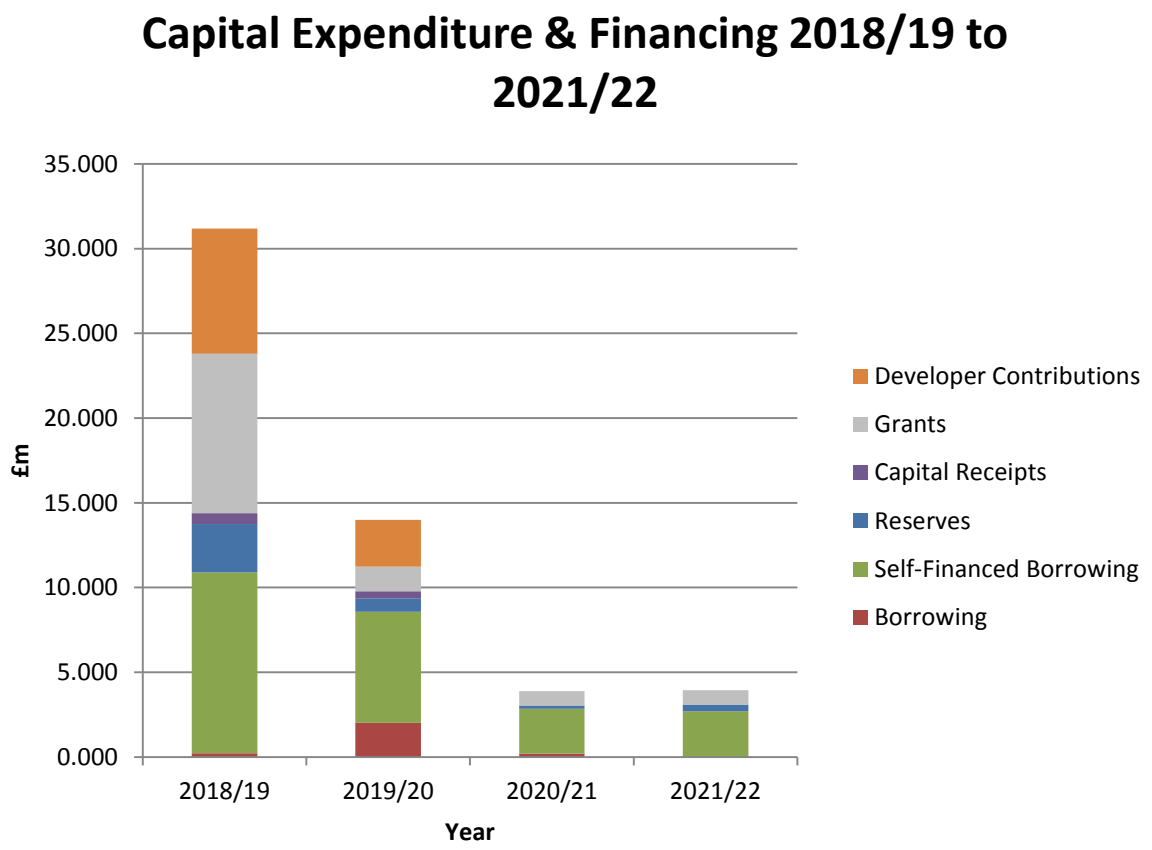
- Chorley Council is facilitating the **£2.2m** Heritage Lottery Fund (HLF) investment in the redevelopment of Bank Hall, Bretherton. The proposals will completely restore the building's external envelope for Chorley residents to enjoy.
- Chorley Council will invest a further **£1.7m** in modernising its ICT and customer service centre including improving its web based services for Chorley residents and Union St customer facing areas.

Involving residents in of access for all improving their local area and equality

- The Council will invest **£1.7m** in Astley Hall and the surrounding park including improvements to the Hall and customer experience, adventure golf, the refurbishment of Ackhurst lodge and improvements to footpath lighting.
- Invest **£2.7m** redeveloped Westway Playing Fields scheme that will bring new changing facilities, artificial and grass playing pitches and additional car parking for residents.

CAPITAL FINANCING

88. The financing of the capital programme for the period 2018/19 to 2021/22 is set out in appendix G2 to the budget report and summarised in the proceeding chart.



89. The capital programme includes a number of schemes that will generate revenue that will meet the annual cost of borrowing required to complete the project. These include the four major capital schemes; Market Walk Extension, Digital Office Park, Primrose Retirement Village and the Housing Company. In addition, it is assumed that some of additional investment in Astley Hall and Park and town hall will also generate revenue for the council.

90. The financing chart above demonstrates how successful the council has been in attracting external grant funding to deliver it capital programme. The grants include;
    - £3.2m from Homes England and £1m from LCC towards Primrose Gardens Retirement Village
    - £2.2m from Heritage Lottery Fund towards the restoration of Bank Hall,
    - £4.1m of European funding to deliver the Digital Office Park

91. The council will invest over £10m of contributions from developers to regenerate the town centre as well as the borough's play, open space and recreation grounds. A summary of s106 funding received and allocated is attached in appendix G3 of the budget report.

TREASURY MANAGEMENT STRATEGY

92. The Chartered Institute of Public Finance and Accounting published Code of Practice for Treasury Management (Local Government Act 2003) requires Councils to have regard to the prudential code. The primary requirements are to:

- Create and maintain a treasury management policy statement which sets out the policies and objectives to the Council's treasury management achievements.
- Create and maintain 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.
- Specify to whom the responsibility for implementing and monitoring treasury management activities is delegated.

93. In all respects the Council complies with the above and reviews these requirements in the annual Treasury Strategy and also in the Treasury Mid-Year Review reports. In respect of Council Strategy for Treasury Management the principles 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 decisions regarding borrowing and investment based upon the latest information, look to optimise returns on investment, and to 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, and liquidity is maintained at an appropriate level.
- Not engage purely in borrowing to invest or lend on to make a return, as this is unlawful.
- Agree a set of investment instruments 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 2019, via the production of the annual Treasury Management Strategy

CONCLUSION

94. The review of the MTFS has again been undertaken against a background of significant reductions funding and increasing costs. These factors present a risk to the Council's sustainable financial position unless budget savings continue to be delivered and additional income opportunities are provided alongside the delivery of the council's Corporate Strategy priorities.

95. The MTFS covers three years between 2019/20 and 2021/22, the report outlines how the budget has been balanced for 2019/20 through a combination of large procurement savings, efficiency savings income generation.

96. The Council has a successful record of balancing the budget and has delivered budget efficiency savings alongside additional income of over £5m since 2014/15. This has been achieved whilst delivering a large number of Corporate Strategy priorities and an ambitious capital programme.

97. The financial context continues to be increasingly challenging and uncertain. Strategies are outlined in the MTFS as to how the budget gap of £1.196m (2020/21) and £1.672 (2021/22) can be addressed. The strategies build on the council's record of innovative approaches to service delivery as well as its record of investing in income generating assets.

98. The Council will continue to keep the MTFS under review given:

- the level of efficiency savings and income generation required to balance the budget over the medium term. The timing of the delivery of these targets will need to be closely managed and where necessary reserves utilised to meet temporary delays in transformation strategy net budget reductions.

- the high degree of uncertainty surrounding the changes to Government policy such as business rates retention and the fair funding review as well as the uncertainty regarding how the UK will leave the EU.

APPENDIX D

Cumulative Budget Deficit & Budget Strategy 2019/20 to 2021/22

		2019/20 ESTIMATE £'000	2020/21 ESTIMATE £	2021/22 ESTIMATE £
CASH BASE BUDGET REQUIREMENT		**14,251**	**15,388.83**	**15,451**
Cash Movements:				
Inflation	Pay	295	204	202
	Pensions	27	16	25
	Pensions Rate Adj.	126	50	50
	Non-Pay	(17)	(12)	5
	Contractual	76	79	138
	Income	25	(1)	7
Staffing funded by CIL Admin		30	0	0
Transfer to Net Financing		(75)	0	0
Increments		47	37	10
Volume Expenditure		442	(497)	(297)
Volume Income		97	200	0
Deliver Housing Units		65	(14)	(2)
DIRECTORATE CASH BUDGETS		**15,389**	**15,451**	**15,590**
Contingency:				
- Management of the Establishment		(150)	(150)	(150)
Directorate & Corporate Budgets		**15,239**	**15,301**	**15,440**
Net Financing				
- Minimum Revenue Provision - capital financing		570	655	668
- Interest		741	655	642
sub total (excluding borrowing for major projects)		**1,310**	**1,310**	**1,310**
TOTAL EXPENDITURE		**16,549**	**16,612**	**16,750**
Financed By:				
Council Tax - Borough		(6,921)	(7,025)	(7,130)
Parish Precepts		686	686	686
Council Tax Parishes		(686)	(686)	(686)
Revenue Support Grant		0	0	0
Retained Business Rates		(2,312)	(2,819)	(2,819)
Business Rates Pooling		(676)	0	0
Business Rates Pooling - Lancashire Pilot Scheme		(360)	0	0
Government Section 31 Grants		(2,144)	(1,190)	(1,190)
Business Rates Retention Reserve		237	261	261
Collection Fund (Surplus)/Deficit - Business Rates		234	0	0
New Homes Bonus		(2,790)	(2,197)	(2,097)
Council Tax Discount Family Annexes Grant		0	0	0
New Burdens Grants		(58)	(20)	0
Collection Fund (Surplus)/Deficit - Council Tax		(70)	0	0
Transfers to/(from) Earmarked Reserves		(274)	(223)	80
TOTAL FINANCING		**(15,133)**	**(13,213)**	**(12,895)**
CUMULATIVE GROSS BUDGET DEFICIT POSITION		**1,416**	**3,399**	**3,855**
Review of Fees & Charges		(145)	(170)	(195)
Base Budget Review		(20)	(20)	(20)
Review of Net Financing		(300)	(300)	(100)
Review of Contracts		(1,100)	(1,138)	(1,138)
Productivity Savings Achieved for 2019/20		(115)	(115)	(115)
Review of Investment Projects		(104)	(104)	(104)
2.99% Increase Council Tax 2019/20 & 2% in 2020/21 & 2021/22		(207)	(355)	(510)
Adjusted Forecast Cumulative Budget Surplus Position		**(575)**	**1,196**	**1,672**
Future Savings				
Renegotiate Contracts		0	(217)	(446)
Transformation – Efficiency Savings		(85)	(355)	(358)
Transformation - Income Generation				
Market Walk Extension		(125)	(300)	(300)
Strawberry Fields Digital Hub		0	(139)	(174)
Primrose Gardens Residential Village		0	(6)	(14)
Parking Income		0	(180)	(180)
Employment Sites		0	0	(200)
Forecast Adjusted Medium Term Budget Gap		**(785)**	**0**	**0**
Commercialisation of Council Owned Assets		485	0	0
Support for Local Businesses & Corporate Priorities		300		
Forecast Medium Term Budget Gap		**0**	**0**	**0**

This page is intentionally left blank

Variance Analysis - Movements from 2018/19 Original Estimates

Description	Details	2019/20 Budget Changes £	2019/20 Budget Changes £
	DIRECTORATE CASH BUDGETS		**14,250,550**
STAFFING	Increase in staffing costs of 2% pay award, increments, and impact on N.I. & Pension.		
	- Employees - Pay Awards	295,050	
	- Employees - Pay Increments	46,600	
	- Impact of pay award on cost of pensions	27,480	
	- Change in Pension deficit charges for 2018/19	125,800	
	- Staffing funded by CIL Admin.	30,000	
			524,930
CONTRACTS			
Waste contract	Inflationary increase in contract price plus property growth and vehicle replacement cost less £1.1m waste contract saving	15,300	
Active Nation leisure contract	Annual inflationary increase in costs for the Council's leisure centres contract.	11,920	
ICT Contracts	Annual inflationary increases in contract costs for various computer equipment/software contracts.	11,380	
Insurance Services	Inflationary increase on Council's insurance premiums plus increase in Insurance Premium Tax (IPT).	12,400	
			51,000
OTHER			
Non Domestic Rates	Increase in business rates for Council offices & premises.	11,090	
Property Services	Increase in Asset Maintenance for Council offices and buildings.	50,000	
Performance & Partnerships	Policy Officer fixed term posts - funding for 2018/19 only	(65,160)	
Housing Benefits	Estimated reduction in housing benefit costs based on forecasts for 2018/19	(26,540)	
Legal Services	Temporary Solicitor post in 2018/19 only, funded by slippage from 2016/17 held in reserves.	(26,320)	
ICT Services	EPIM's Data Entry Assistant (Fixed Term) for 2018/19 only.	(25,930)	
Transfer to Net Financing	Transfer of budget from Streetscene vehicle leasing to Net Financing for procurement of vehicles.	(74,860)	
Misc	Various minor changes	29,470	
			(128,250)
INCOME GENERATION			
Planning Services	Reduction in Planning Application Fees	100,000	
Land Charges	Loss of income from some of the Land Charges once service transferred to Land Registry.	13,000	
Waste and Recycling Services	Reduction in Buckshaw Waste Collection following contract ending with by Veolia	10,000	
			123,000
INCOME (GOVERNMENT GRANTS)			
Housing Benefit Administration	Estimated reduction in Housing Benefit Admin Subsidy Grant receivable in 2019/20	32,780	
Housing Benefit Administration	Reduction in Universal Credit & New Burdens funding for 2019/20	2,370	
			35,150
INCOME (OTHER GRANTS & CONTRIBUTIONS)			
Residents Parking Permits	Administration of Residents Parking Scheme transferred back to LCC in July 2018	11,500	
Home Improvement Grants	Integrated Home Improvement Service (IHIS) - agreement with Lancashire County Council to continue for 2019/20	(20,000)	
Waste & Streetscene Services	Increase in income from S106 Maintenance of Public Open Spaces	(7,990)	
			(16,490)
ADJUSTMENT FOR GROWTH ITEMS			
Income Generation - Strategic Projects	Strategic Projects Officer posts funded from Income Generation Reserve.	159,910	
Customer Services	Apprentice posts funded from earmarked reserve.	44,500	
Democratic Services	Democratic Services succession planning funded from earmarked reserve.	19,540	
Planning Services	Planning Services restructure.	15,840	
Regulatory Services	Regulatory Services restructure.	15,200	
			254,990
TRANSFORMATION STRATEGY			
Retirement Village	Net cost of retirment village including temporary manager	120,540	
Housing	Deliver Housing Units	65,200	
Digital Park	Business Support Package and Service Charge Costs	63,210	
Car Parking	Anticipated reduction in off-street parking income from work on Flat Iron	45,000	
			293,950
	DIRECTORATE CASH BUDGETS		**15,388,830**

This page is intentionally left blank

GENERAL FUND FORECAST ASSUMPTIONS

APPENDIX F

The following assumptions have been made as part of delivering a balanced budget in 2019/20 as well as reducing the deficit to £1.196m and £1.672 in 2020/21 and 2021/21 respectively.

Key Assumption	19/20	20/21	21/22	Comment
INCOME/FUNDING				
Increase in Council Tax	2.99%	2.00%	2.00%	These increases are in line with the referendum limits outlined in December's provisional finance settlement
Growth in Council Tax Base	1.42%	1.50%	1.50%	A prudent estimate based on housebuilding in prior years and large sites being developed in the coming 3 years
Growth in Retained Business Rates	0%	0%	0%	Revaluations, appeals and possible changes to the baseline mean that the Council assumed no growth in the business rates base
Additional Business Rates - Lancashire Pilot arrangement or equivalent business rates retention regime	£1.036m	£0.100m	£0.100m	The 2019/20 figure is the additional business rates retained by Chorley Council as part of the new Lancashire business rates pilot, as well as the past benefits of being in the Lancashire Pool. It is assumed in 2020/21 that the new funding regime will reduce Chorley Council's retained business rates to levels close to those prior to pilot or pool membership.
Business Rates Equalisation Reserve	£0.880m	£1.141m	£1.401m	The council has set aside and will continue to set aside resources to manage any one-off large reductions in retained business rates. A reserve of £1.4m equates approximately to a 10% reduction in local business rates.

Key Assumption	19/20	20/21	21/22	Comment
Reduction in revenue support grant or equivalent increase in business rates tariff	£0.299m	-	-	The revenue support grant is removed in 19/20
Total Forecast New Homes Bonus	£2.790m	£2.197	£2.097	The reduction in New Homes Bonus is primarily due to the assumption that the number of large developable sites in the borough will become increasingly scarce. It is assumed there will be no future adjustment to the deadweight.
Planning Fee Income	£550k	£550k	£550k	There are a number of large sites due to gain planning approval in the coming years. However the potential impact from Brexit suggests planning income could fall. The budget of £550k is therefore deemed prudent and achievable.
Increase Parking Income	£0	£180k	£180k	Parking charges were reduced in 2017/18 as the town centre is significantly redeveloped. The charges are assumed to increase back to previous levels when development is complete in 2020/21.
Income from Lancashire County Council (LCC)	£236k	£96k	£96k	£140k of funding has been approved in 2019/20 only for LCC contribution to the integrated home improvement and handy person service. All other grant funding from LCC has been cut from 2020/21 onwards with the exception of an allocation towards the maintenance of highways

EXPENDTIURE

Key Assumption	19/20	20/21	21/22	Comment
Pay Award	2%	2%	2%	Based on current information, an average 2% pay increase has been assumed for 2019/20 to 2020/21. The increase is much higher for staff on lower grades and this is accounted for in the budget.
Vacancy Saving	£150k	£150k	£150k	The council has achieved larger savings in vacancies in prior years however some new structures have been approved and posts permanently recruited to. Other temporary structures still exist but some posts are filled by more expensive agency staff.
Future Service Pension Rate	14.4%	17.1%	17.1%	The triennial pension review of 2017 announced an increase in employer pension contributions for 2017/18 to 2019/20. A recent update from the pension fund management suggests an increase in this contribution rate in 2020/21 onwards.
Pension Fund Deficit Recovery	£0.966m	£0.781m	£0.831m	The Lancashire pension fund as a whole is 100% funded. Chorley's element of the fund still requires some contributions to the recovery of the past deficit however it is assumed these contributions will reduce in 2020/21 due to the improved performance of the fund.
General Price Inflation	Approx. 3%	Approx. 2%	Approx. 2%	Inflation forecasts from the Office of National Statistics (ONS) have been used to inform the budget over the coming 3 years. This will be reviewed annually to ensure budgets are sufficient to meet inflationary pressures.

Risk

The uncertainty in the coming years relates to primarily:

- to future government funding, due to the Fair Funding Review, the localisation of business rates from 2020-2021 and the Comprehensive Spending Review 2019,
- the impact of Brexit on the national and local economy

Chorley Borough Council is becoming increasingly reliant on income generating services and therefore may be adversely affected by the current economic uncertainty as a result of Brexit and reforms to government funding.

Capital Strategy

The council's Capital Strategy outlines the assumptions and risks to its current and future income generating assets.

The **Market Walk** shopping centre generates £0.9m net income and £1.7m gross income for the council. Voids at the current Market Shopping Centre, after being at an all-time low, have started to increase. Renegotiation of recent rent renewals have also resulted in reduced rents; this is in-line with national trends exhibiting a slowdown in the retail industry. The council mitigates these risks by annually reinvesting £50k of surplus from the shopping centre into an income equalisation reserve that now stands at £390k (23% of total income). In addition, the council employs local letting agents to source new tenants and the council offers business grants to stimulate economic interest in the Borough.

The council's capital programme includes major **income generating projects** including the extension to Market Walk shopping centre and the Strawberry Fields digital office park. The net income from these projects in 2021/22 is forecast to be £440k with gross income of £2.5m. Falls in occupancy levels as well as increases in interest rates could reduce the returns from these projects.

The extension to the Market Walk shopping centre will attract commercial interest from national leisure and retail providers. As part of any retail development the landlord offers upfront capital incentives to tenants as part of the lease agreement. The costs of these incentives are spread over the length of the rental agreement. There is a risk that a significant shock to the national economy could result in the insolvency of some tenants. If this were to happen the total cost of the capital incentives would be charged to the council's revenue budget. It should be noted that the risk reduces year-on-year as the capital incentives are offset against the rental income and therefore reduced over the length of the agreement. This risk will be managed through the general fund.

Business Rates

The uncertainty surrounding the way on which Brexit will be implemented has caused disruption to the UK economy causing volatility in the exchange rate, stock market, house prices and reduced investment in UK business[1].

The effect on the business rates retained by the council is twofold:

- Private sector investment in the local economy is reduced or the local economy shrinks
- Local businesses submit increased numbers of appeals against their rateable values. When constructing rateable values the Valuation Office assesses the rent at which the site may reasonably be expected to let.

The first outcome would result in stagnated or lower retained business rates to the council in the short and possibly medium term. Approximately speaking a 10% reduction in total business rates within the borough would reduce the council's budget by £1.5m.

To mitigate the impact of a contraction in the local economy the council has set aside a **Business Rates Income Equalisation Reserve.** The reserve will stand at £1m by 2020/21 and £1.4m by 2021/22. This reserve can be used to smooth out the short term impact that a slowdown in the local economy may present to retained business rates. However, permanent or prolonged reductions in business rates would result in a reduction in the council's budget.

The council holds a provision to mitigate the impact that appeals have on the business rates collection fund, included the backdated impact on the council's resources. It is possible that any slowdown experienced from Brexit could result in businesses appealing against their rateable value. The current provision has been increased by £1.2m to £2.9m which represents 4.7% of Chorley Councils annual business rates liability and is comparable with other district council provision.

Other uncertainty to business rates comes from the proposed reforms to the business rates retention system in 2020/21. The fair funding review will change the distribution of retained income across England and the outcomes are uncertain. As well as setting aside the income equalisation reserve, the council has been prudent in its medium term budgeting and assumed that of the £1m benefit of being in the Lancashire Pool/Pilot in 2019/20, only £100k benefit will be realised in future years. The outcome of the business rates reform will not be known until late in 2019 however it is assumed that the council will benefit, albeit in a relatively small way, from the proposed 75% retention regime.

Finally, a large risk associated with business rates income relates to two applications for mandatory charitable relief received from Lancashire Teaching Hospitals NHS Foundation Trust. If successful the application would be back dated to 2010 and therefore have a significant impact on the Council's revenue budget. The potential cost to the Council increases because of membership of the 75% retention pilot pool in 2019/20. Though the Council benefits from pool membership by retaining 56% of net income, it also funds 56% of any reliefs which are not financed by Section 31 Grants: mandatory charitable relief falls into

[1] ONS figures on Gross fixed capital formation (GFCF)

this category. A headline figure is a potential £2.4m impact on the Council's general fund for relief from 2010/11 to 2018/19; a further c£280k reduction in retained business rates in respect of 2019/20; and possibly a similar sum in subsequent years, depending on the nature of the 75% retention regime. The LGA is representing affected councils nationwide and retain the view that NHS trusts and foundation trusts are not charities and therefore not eligible for mandatory non domestic rate reliefs. This risk will be managed through the general fund.

Other Budgets

The impact of uncertainty that has resulted from Brexit has resulted in a reduction in investment within the construction industry. In addition, Brexit could impact further on the UK construction industry as it is significantly dependent on EU migrant workers and EU construction materials. Perhaps the largest impact this may have on the council's budget is through reductions in planning fee income. An expected slow-down in developments within the borough will reduce the number of applications processed by the council. As a result the council has reduced its expected planning fee income by £100k (15%).

The largest contract the council will manage in 2019/20 will be with the new waste collection services provider. Similar risks will present themselves in terms of availability of workers and the supply of plant. This is deemed a low risk problem as the contractor uses a local workforce and although it orders plant from within the EU, it also has a contingency fleet available to the council.

Grant Funding

The council was successful in securing £4m of ERDF funding towards the Strawberry Fields Digital Hub. The MHCLG has confirmed that Brexit will not impact on the security of this funding. The council has already drawn-down the majority of this funding as the project comes to a close.

The government has announced £35k of one-off funding for district councils across two years to help manage the transition post-Brexit.

General Fund

As outlined in this appendix the council holds many different specific reserves to manage the financial risks it is exposed to. The largest reserve the council holds is the general fund which is forecast to be £4m by the end of 2018/19. Chorley Council holds a large general fund relative to its size and relative to other Lancashire District Councils, as a result it is in a position to manage the financial risks it is exposed to.

CAPITAL PROGRAMME 2017/18 TO 2020/21 APPENDIX G1

Customer & Digital	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Puffin Crossing Collingwood Rd	0.048	0.000	0.000	0.000	0.048
ICT Modernisation	0.458	0.000	0.000	0.000	0.458
Bank Hall Restoration	1.694	0.000	0.000	0.000	1.694
Path Works to Cemeteries	0.168	0.000	0.000	0.000	0.168
Works to Muslim Burial Shelter	0.072	0.000	0.000	0.000	0.072
	2.439	**0.000**	**0.000**	**0.000**	**2.439**
Policy & Governance					
Astley 2020	0.347	1.750	0.000	0.000	2.097
	0.347	**1.750**	**0.000**	**0.000**	**2.097**
Early Intervention					
Chorley Adaptation Grant	0.934	0.666	0.666	0.666	2.932
Leisure Centres Improvements	0.070	0.100	0.100	0.100	0.370
Deliver Housing Units***	0.000	1.103	2.816	2.875	6.793
	1.004	**1.869**	**3.582**	**3.641**	**10.095**
Regeneration & Inward Investment					
Asset Improvements	0.554	0.400	0.300	0.300	1.554
Market Walk Extension*	4.942	5.582	0.000	0.000	10.524
Investment in Council Offices	0.000	1.300	0.000	0.000	1.300
Conversion of Unit in Market Walk	0.000	0.485	0.000	0.000	0.485
Oak House Car Park*	0.372	0.000	0.000	0.000	0.372
Decked Parking*	1.605	0.000	0.000	0.000	1.605
Arley Street Car Park*	0.070	0.000	0.000	0.000	0.070
Brunswick Street Improvements*	0.050	0.000	0.000	0.000	0.050
Steeley Lane Gateway	0.060	0.000	0.000	0.000	0.060
Yarrow Meadows	0.108	0.000	0.000	0.000	0.108
Buckshaw Village Rail Station	0.696	0.000	0.000	0.000	0.696
Eaves Green Play Development	0.053	0.000	0.000	0.000	0.053
Play, Recreation and Open Space Projects	2.054	0.000	0.000	0.000	2.054
Rangletts Recreation Ground	0.011	0.000	0.000	0.000	0.011
Recreation Strategy	0.105	0.000	0.000	0.000	0.105
Primrose Retirement Village**	6.649	0.000	0.000	0.000	6.649
Westway Playing Fields Sports Campus	0.100	2.600	0.000	0.000	2.700
Strawberry Fields Digital Hub**	7.309	0.000	0.000	0.000	7.309
Digital Office Park – Enabling Works	0.900	0.000	0.000	0.000	0.900
Buckshaw Bus Stops	0.040	0.000	0.000	0.000	0.040
Purchase of Properties	1.672	0.000	0.000	0.000	1.672
Park Rd Car Parking	0.050	0.000	0.000	0.000	0.050
	27.400	**10.367**	**0.300**	**0.300**	**38.366**
	31.191	**13.986**	**3.882**	**3.941**	**52.999**

*Including prior year expenditure total budget for the Market Walk Extension project is £16.7m

**Including prior year expenditure the total budget for the Strawberry Fields project is £8.180m and Primrose Gardens total project budget is £10.5m

***The total approved budget for the housing project is £14.6m to be spent over the period 2019/20 to 2024/25

The amounts identified for 2018/19 are the current forecast expenditure for the year. Some project expenditure will be re-profiled into 2019/20 as part of the preparations for year end.

CAPITAL FINANCING 2018/19 TO 2021/22 **APPENDIX G2**

FINANCING	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total 2018/19 to 2021/22 £m
External Funding					
External Contributions	6.385	2.358	0.000	0.000	**8.744**
CIL	1.016	0.400	0.000	0.000	**1.416**
Grants	9.398	1.456	0.846	0.846	**12.546**
Total External Funding	**16.800**	**4.214**	**0.846**	**0.846**	**22.706**
Chorley Council Resources					
Reserves and Revenue Contribution to Capital	2.502	0.585	0.000	0.000	**3.087**
New Homes Bonus	0.355	0.200	0.200	0.400	**1.155**
Capital Receipts	0.761	0.410	0.000	0.000	**1.172**
Self- Financing Prudential Borrowing					
Market Walk Extension	1.571	4.648	0.000	0.000	**6.219**
Digital Office Park	3.925	0.000	0.000	0.000	**3.925**
Purchase of Properties	1.672	0.000	0.000	0.000	**1.672**
Deliver Housing Units*	0.000	1.013	2.636	2.695	**6.343**
Astley Hall and Park - Golf and Visitor Experience	0.000	0.600	0.000	0.000	**0.600**
Asset Improvements - Town Hall Mezzanine	0.000	0.300	0.000	0.000	**0.300**
Prudential Borrowing to be Replaced with S106					
Primrose Retirement Village	3.511	0.000	0.000	0.000	**3.511**
Planned Prudential Borrowing					
Asset Improvements	0.210	1.200	0.200	0.000	**1.610**
Astley Hall and Park	0.000	0.815	0.000	0.000	**0.815**
Total Chorley Council Resources	**14.391**	**9.771**	**3.036**	**3.095**	**30.293**

Capital Financing Total	**31.191**	**13.986**	**3.882**	**3.941**	**52.999**

The amounts identified for 2018/19 are the current forecast financing for the year. Some project financing will be re-profiled into 2019/20 as part of the preparations for year end.

*The total approved budget for the housing project is £14.6m to be spent over the period 2019/20 to 2024/25

This page is intentionally left blank

APPENDIX G3

Developers' Contributions 2017/18 to 2020/21

The council receives section 106 contributions from developers of housing sites throughout the borough. Most of these contributions come with restrictions as to what they can be spent on, the five main headings been:

- Various Purposes
- Affordable Housing
- Transport
- Environmental Improvements
- Play & Open Space

The table below outlines;-

- what s106 and overage contributions the council has utilised in 2017/18
- what s106 and overage contributions the council forecasts to utilise in 2018/19
- what s106 and overage contributions the council budgets to utilise in 2019/20

	17/18	18/19	19/20
	£000	£000	£000
Market Walk Extension	0	3,869	933
Puffin Crossing Collingwood Rd	0	48	0
Buckshaw Village Railway Station	0	696	0
Yarrow Meadows	63	31	0
Rangletts Recreation Ground	76	0	0
Eaves Green Play Development	0	46	0
Play, Recreation and Public Open Space	273	1,656	0
Westway Playing Fields Sports Campus	0	0	1,425
Buckshaw Bus Stops	0	40	0
TOTAL	**413**	**6,386**	**2,358**

It should be noted that the forecast for 2018/19 and the budget for 2019/20 will vary over time as the project expenditure is re-profiled into following years.

Market Walk Extension

The council has budgeted to utilise at least £4.8m of contributions from developers relating to the Buckshaw Village development. This includes part of the £5m overage claim the council is expected to receive after it won a legal challenge that has resulted in two developers being required to pay the amounts owed in full.

Buckshaw Village Railway

The figure of £696k represents what is remaining of the developer's contribution towards the Buckshaw Parkway railway station. The council has previously tried to progress further works to the station in partnership with Network Rail however it was not possible to secure any additional funding. The council has now approached the developer to request that the remaining funds be spent on other transport infrastructure in the borough.

Play and Open Space

The majority of the number of section 106 contributions the council receives requires the allocation to be spent on the provision of play and open space. The council's Play, Open Space and Playing Pitch Strategy, approved at Executive Cabinet on 18 December 2018, outlines which sites require funding and a programme of projects. The contributions the council receives are 'pooled' together and allocated to these specific projects.

Of the £1,656k allocated to these projects in 2018/19, £289k is yet to be received or pooled. Projects are broken down into phases and no phase will begin until all the funding has been allocated and received.

A report was approved by Executive Cabinet on 18 November 2017 to invest £207k and £449k in Harpers Lane and Coronation Recreation Grounds respectively. Approximately £300k of developer's contributions has been utilised in 2018/19 to deliver improved tennis courts, multi-use games areas, CCTV and improved pathways. Options are currently being assessed to fund works to King George V recreation ground utilising uncommitted s106 contributions.

The recreation ground at Tatton will be developed as part of a wider ambition of the council to enhance a larger area around the site. The £118k budgeted contributions included in the table above for Tatton represent the ambition the council has to fund these improvements. These funds are expected to come from further contributions or a reanalysis of the pooling of developer contributions across the borough.

Westway Playing Fields Sports Campus

Chorley Council will utilise approximately £1.425m of overage and s106 to construct a first class, multi-use, sports facility for local people. The project budget will be further supplemented by a £175k contribution from council receipts, £400k from CIL and a £700k bid to Sports England. It is also possible that further section 106 contributions that have not yet been identified are allocated to this project.

Affordable Housing

The council is forecast to receive contributions towards affordable housing named 'Commuted sums'. These are contributions paid by a developer to the council where the size or scale of a development triggers a requirement for affordable housing, but it is not possible to achieve appropriate affordable housing on site. The council has a number of sites where commuted sums are likely to be paid. The council approved the use of up to £6.4m of these sums, at a General Purposes Committee meeting in June 2017, to fund the cost of the Primrose Gardens Retirement Village. The 65 room project will initially be funded through borrowing however this will be offset by the commuted sums. The current profile of expected commuted sums is as follows:

Agreement	18/19 £	19/20 £	20/21 £	21/22 £	22/23 £	23/24 £
Land surrounding 89 Euston Lane		250,000			250,000	
Land North of Lancaster Rd				990,000	990,000	990,000
Bolton Road	804,000					
Mill Hotel				200,000		
Parcel N and WF Buckshaw Village		228,000				
Gleadhill House	270,000					
TOTAL	**1,074,000**	**478,000**	**0**	**1,190,000**	**1,240,000**	**990,000**

It should be noted that some of these commuted sums are estimates and that the timing of the payments to the council is dependent upon the speed at which developments are started and completed. It should also be noted that the list is not exhaustive and that additional commuted sums may become available over the coming years.

Community Infrastructure Levy (CIL)

The council currently holds approximately £4.5m of CIL funding to be spent against projects identified in the council's regulation 123 list. Some of the projects will be managed by Chorley Council including investment in leisure centres and a GP Surgery.

Currently included in the capital programme to be funded by CIL is £900k to fund enabling works at the site of the Strawberry Fields Digital Hub, £1.3m towards Market Walk Extension (£1.1m utilised in 2017/18) and £400k towards the new Westway Playing Fields project.

Developer Contributions 2017/18 to 2019/20

The forecast receipts and use of s106 and overage contributions are outlined below

	BAL C/F	2017/18		BAL C/F	2018/19		BAL C/F	2019/20		BAL C/F
	31/03/17 £000	RECEIVED £000	UTILISED £000	31/03/18 £000	FORECAST RECEIVABLE £000	FORECAST USE £000	31/03/19 £000	FORECAST RECEIVABLE £000	BUDGETED USE £000	31/03/20 £000
Various Purposes	(3,714)	(1,140)	52	(4,802)	(1,725)	3,609	(2,918)	(2,055)	2,358	(2,615)
Affordable Housing	(559)	(412)	0	(971)	(308)	0	(1,279)	(478)	0	(1,757)
Transport	(933)	(185)	0	(1,118)	0	1,043	(75)	0	0	(75)
Environmental Improvements	(94)	0	63	(31)	0	31	0	0	0	0
Play & Open Space	(2,239)	(516)	298	(2,457)	(332)	1,703	(1,086)	0	0	(1,086)
	(7,539)	**(2,253)**	**413**	**(9,379)**	**(2,365)**	**6,386**	**(5,358)**	**(2,533)**	**2,358**	**(5,533)**

Various Purposes
The balance of £2.6m at the end of 2019/20 represents the remaining uncommitted overage as well as £1.068m uncommitted balance from the third public infrastructure payment received in 2018/19 relating to the Group 1 site.

Affordable Housing
From the balance of affordable housing contributions, £1.552m will be allocated to Primrose Gardens project to pay down some of the borrowing with the remaining balances to be spent in line with s106 agreements.

Play and Open Space
Allocations to the play and open space projects are continually being developed. Large schemes to be funded in the future include the King George V recreation ground and play area and Wigan Lane playing pitch.

Chorley Borough Council Capital Strategy APPENDIX H

INTRODUCTION

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to provide a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with corporate objectives and take account of stewardship, value for money, prudence, sustainability and affordability.

PURPOSE

2. The capital strategy sets out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward an impact on the achievement of corporate strategy priorities.

3. The capital strategy sets out a framework for the self-management of capital finance and examines the following areas:

    - Capital expenditure
    - Treasury Management
    - Commercial Activity
    - The future ambition of the council's capital programme

4. The capital strategy is to be approved annually by Full Council alongside the budget setting papers.

CAPITAL EXPENDITURE

5. The Council's Capital Programme forms part of the Council's overall financial strategy to deliver some of its key objectives contained in the Corporate Priorities. The Capital Programme has to be affordable and based upon prudence. The current local government financial position and the need to make revenue savings will impact on the Council's ability to finance further capital spending unless additional funding is secured from external sources. The Capital Programme is constructed based upon the following objectives.

The resources available will be targeted at areas that deliver corporate priorities as described in the annual Corporate Strategy

Borrowing will be managed to ensure the future impact on revenue is minimised

The council will consider the purchase and/or development of assets to generate a sustainable revenue stream to counteract against the risk of future reductions in grant funding and year to year fluctuations in locally sourced funding and to invest in regeneration of the Borough

The council will consider working with partners to assist them to meet both their objectives and the council's objectives; this must have no impact on revenue budgets. This support may include granting loans to organisations at a rate that generates a greater return to the council.

The council will continue to identify land to assist in delivering its affordable housing targets.

The council will look to maximise opportunities to attract external finance to sustain its programme of work

Governance

6. Democratic decision-making and scrutiny provide overall political direction and ensure accountability for investment in the capital programme. These processes include:

   - Full Council approves the Council's Corporate Strategy that is refreshed every year, this strategy features numerous capital projects that are then built into the council's budget setting process.
   - The Chief Finance Officer is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the executive before submission to the Full Council.
   - Full Council approves the capital programme as well as the Treasury Management and Investment Strategy. The revenue implications of these strategies are included in the annual budget and Medium Term Financial Strategy, all of which is approved by Full Council.
   - Executive Cabinet receives quarterly revenue and capital monitoring reports, approves variations (or recommends approvals to Full Council) and considers new bids for inclusion in the capital programme.
   - Portfolio holders are assigned projects in line with their responsibilities
   - Overview and Scrutiny can call in Cabinet reports, receive and scrutinise reports
   - All projects progressing to the capital programme follow the constitution and financial regulations, this includes adjustments to the projects as they progress
   - The capital programme is subject to internal and external audit.

7. The definition of 'capital' will be determined by the Chief Finance Officer, having regard to government regulations and accounting requirements. Further information regarding the governance of the capital programme is given in paragraphs 2.50 to 2.64 of Appendix 4 of the Constitution titled Financial Regulations & Financial Procedure Rules as approved by Full Council on 11th August 2017.

New Capital Proposals

8. A new proposed scheme must be assigned a project manager. Standardised project initiation documentation is used based upon Prince 2 project management methodologies. As a result, new projects focus on the benefits it can deliver through the measurable project outcomes, not just time and cost.

9. Business cases are created and scrutinised by the finance team to ensure all financing, capital and revenue expenditure and income implications have been considered across the lifecycle of the investment with appropriate levels of sensitivity analysis surrounding key assumptions. If required, external expertise will be sought to provide specialist support such as VAT and governance advice. Outline risk registers are included and scrutinised by internal audit, finance and the service managers.

10. New proposals along with the business cases are reported to the Transformation Board to ensure schemes are compliant with the council's overall strategic objectives. The role of the Transformation Board is to ensure that new proposals are not considered in

isolation but rather considered alongside existing schemes and other new proposals. In doing this the Transformation Board ensures the council's corporate priorities are driving future capital investment. For example the council's Medium term Financial Strategy includes the ambition to create future efficiency savings, contract savings and income generation, as well as benefit residents and local communities. Projects that are brought forward to the Transformation Board must meet one or more of these objectives.

11. Once considered by the Transformation Board new proposals are taken to the Senior Management Team, including the Chief Finance Officer, and if accepted they are taken to the administration for approval. In line with the requirements of the constitution, the new project may be taken to Executive Cabinet or Full Council for final approval. Projects are monitored through the council's project management framework including the use of Prince 2 project management tools to ensure responsible officers are identified, business cases are reviewed, risks logged, stakeholders suitably engaged and project outcomes realised and reviewed.

Affordability, Prudence and Sustainability

12. The Prudential Code requires that the Authority shall ensure that all of its capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so it will take into account its arrangements for the repayment of debt and consideration of risk and the impact on the Council's overall fiscal sustainability.

13. The Authority is required to make reasonable estimates of the total capital expenditure that it plans to incur in the forthcoming financial year and at least the following two financial years.

14. The latest capital programme will be approved at Full Council on 26 February 2019 and is outlined in Table 1.

Table 1: Capital Programme 2018/19 to 2021/22

Directorate	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Customer & Digital	2.439	0.000	0.000	0.000	2.439
Early Intervention & Support	1.004	1.869	3.581	3.640	10.097
Policy & Governance	0.347	1.750	0.000	0.000	2.097
Business Development & Growth	27.400	10.367	0.300	0.300	38.366
Total Capital Expenditure	**31.190**	**13.986**	**3.881**	**3.940**	**52.999**
Capital Receipts	0.645	0.410	0.000	0.000	**1.056**
Reserves	2.857	0.785	0.200	0.400	**4.242**
Grants	9.398	1.456	0.846	0.846	**12.546**
Developer Contributions	7.401	2.758	0.000	0.000	**10.160**
Borrowing	0.210	2.015	0.200	0.000	**2.424**
Self-Financed Borrowing	10.679	6.561	2.636	2.695	**22.571**
Total Financing	**31.190**	**13.986**	**3.881**	**3.940**	**52.999**

15. The Capital Expenditure Prudential Indicator (Table 1) is the platform from which most Prudential Indicators of the Council are formed; this Prudential Indicator (PI) is grounded in the Council's capital programme, and is a stated Affordability indicator within the Prudential Code.

16. The predominantly high value projects within any capital programme means capital expenditure is a significant source of risk for any Council; the nature of these projects means they are often subject to cost variations, slippage or changes in specification.

17. Having established through the governance process that the capital programme is affordable, the monitoring of agreed against actual is a key element of risk management which this PI is designed to assist with; quarterly monitoring, using this PI as it's cornerstone, will help sign-post where schemes are straying from expectation either in regard to cost or timeframe

18. A typical measure of affordability is to compare the council's capital financing costs (interest and MRP) to the net revenue stream (council tax, business rates, revenue support grant and new homes bonus income). An increasing percentage would mean a greater proportion of the council's funding being used to meet its debt. Table 2 provides a modified version of this ratio that also includes the net income generated through investing in income generating assets. It is correct to include this income in the net income stream as borrowing has been used to part-fund these investments. An analysis of this ratio is given below:

Table 2: Debt/Net Income Stream

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
MRP and Interest	**1.025**	**1.389**	**1.829**	**1.927**
Council Tax	(6.823)	(7.128)	(7.380)	(7.641)
Business Rates including grants for reliefs	(4.389)	(4.707)	(3.648)	(3.648)
New Homes Bonus	(2.989)	(2.790)	(2.196)	(2.096)
Revenue Support Grant	(0.299)	-	-	-
Net Income Stream	**(14.500)**	**(14.625)**	**(13.224)**	**(13.385)**
Market Walk net income*	(1.625)	(1.575)	(1.575)	(1.575)
Other Town Centre Property*	(0.218)	(0.218)	(0.218)	(0.218)
Industrial Estate Property*	(0.050)	(0.050)	(0.050)	(0.050)
Land, Garages and Plots*	(0.081)	(0.081)	(0.081)	(0.081)
Net Income* – Market Walk Extension	0.000	(0.161)	(0.645)	(0.645)
Net Income* – Primrose Retirement	0.092	0.085	(0.205)	(0.206)
Net Income* – Strawberry Fields Digital Office	0.068	0.034	(0.308)	(0.343)
Net Income* – Deliver Housing Units	0.000	0.029	(0.079)	(0.177)
Adjusted Net Income Stream	**(16.314)**	**(16.562)**	**(16.385)**	**(16.680)**
Capital Financing/Net Revenue Stream	**6.28%**	**8.39%**	**11.16%**	**11.56%**

*Excludes borrowing costs that are included in the first line of the table

19. Table 2 gives a proposed performance indicator regarding the affordability of the council's capital strategy. It should be noted however that this indicator could increase due to large reductions in government funding through changes to New Homes Bonus allocations or reductions in retained business rates.

20. The opportunities and risks regarding the council's investment in income generating assets is analysed further in the 'Commercial' Activity section of this report.

Prudence

21. The Code also states that "In order to ensure that over the medium term net debt will only be for a capital purpose, the local authority should ensure that net debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years." This is a key indicator of prudence.

Table 3: Capital Financing Requirement 2018/19 to 2021/22

	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Opening Capital Financing Requirement	**41.506**	**51.879**	**59.885**	**61.859**
Increase in prudential borrowing	10.889	8.576	2.836	2.695
Provision made for debt repayments	(0.516)	(0.570)	(0.862)	(0.869)
Closing Capital Financing Requirement	**51.879**	**59.885**	**61.859**	**63.685**

22. As such there is a requirement to ensure that net debt (the sum of borrowing and other long-term liabilities, net of investments) in 2018/19 does not, except in the short term, exceed £59.9m (i.e. the estimated CFR for 2019/20).

ASSET MAINTENANCE

23. It is the council's ambition to create an asset management plan, resources have been set aside and qualified staff recruited to begin this process however it will not be finalised prior to Full Council on 26 February 2019. As such the council will include this plan with the lifecycle investment requirements and risk assessment in the 2019/20 Capital Strategy. This will therefore provide a long-term view of the capital programme and how it manages existing assets.

24. The Council sets aside sufficient budget every year for the maintenance of its assets. New Homes Bonus is set aside every year to fund the replacement and enhancement of Council owned assets. This approach mitigates any potential cost to the council's revenue budget of borrowing to fund capitalised expenditure on council owned assets.

Table 4: Capital expenditure on council owned assets (not project specific)

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
General Council Owned Asset Improvements	0.126	0.163	0.090	0.256
Leisure Centres	0.021	0.110	0.000	0.050
TOTAL	**0.147**	**0.273**	**0.090**	**0.306**
Budget	**0.275**	**0.400**	**0.285**	**0.445**

25. Any unspent budget is rolled forward to ensure that any peaks and troughs in capital expenditure are managed within budget. The budget has been sufficient to meet past expenditure requirements as outlined in table 4. The council will continue to set aside £400k per annum to meet these improvements. The council also budgets £200k per annum for revenue expenditure relating to reactive and planned maintenance of its assets.

26. In addition, the council holds a sinking fund and maintenance reserve for Market Walk Shopping centre to fund any maintenance and investment requirements. It will also set aside sufficient budgets to fund maintenance works to its major capital projects that will become operational in the coming years.

COMMERCIAL ACTIVITY

27. This section outlines the investment in assets that has been made or will be made in the coming years that are forecast to generate net revenue to the council in the medium to long term. The investments however are made for purposes other than purely generating a yield including economic regeneration, job creation, improvements to housing standards and improving residents' enjoyment of the town centre.

28. The council already has a number of assets that generate net income, these are summarised below.

Table 5: Summary of Net Income from Existing Assets

Directorate	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Market Walk Shopping Centre (excluding borrowing)	(1.626)	(1.576)	(1.576)	(1.576)
Other Town Centre Property	(0.218)	(0.218)	(0.218)	(0.218)
Industrial Estate Property	(0.050)	(0.050)	(0.050)	(0.050)
Land, Garages and Plots	(0.081)	(0.081)	(0.081)	(0.081)
Total Net Income	**(1.975)**	**(1.925)**	**(1.925)**	**(1.925)**
Gross Directorate Budgets Chorley Council	15.324	16.025	15.399	15.278
% Net Income to Gross Directorate Budgets	**12.89%**	**12.01%**	**12.50%**	**12.60%**

29. Net income has remained consistently at approximately £1.9m. In recent months the council has experienced some new voids in its lettings at Market Walk Shopping Centre. The current and expected void rates at Market Walk are as follows:

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Void Rate (sft voids/total sqft)	2.95%	4.49%	6.35%	6.35%	6.35%

30. Any additional voids are reported to the Market Walk Steering Group and through the quarterly budget monitoring reports. The council employs local letting agents to source new tenants and the council offers business grants to stimulate economic interest in the Borough. The remainder of the income generating assets in Table 5 are fully occupied.

31. The council's directorate budgets are funded by approximately 12% through the income generated by these assets. This percentage will increase as the council is investing in new income generating assets to broaden its investment portfolio and mitigate the impact that austerity is having on the services received by its residents.

New Investment

32. Chorley Council has a highly ambitious £53m capital programme with large investments in income generating assets. These are considered to be service investments as they are made for commercial and non-commercial purposes – the latter including economic regeneration, provision of affordable housing and extra care support.

33. Prudential borrowing will be used to part-fund some of these large projects and the cost of this borrowing (both MRP and interest) will be met through the income generated by these assets. This presents an opportunity for the Council to regenerate the borough whilst generating net income but also creates some level of risk as to ensuring the net income meets running and borrowing costs.

34. These projects are not without risk to the council. Table 6 highlights some of the key assumptions included in the council's medium term financial strategy that relate to these major projects.

Table 6: Analysis of Major New Projects

	2019/20	2020/21	2021/22
Digital Office Park			
Avg. Occupancy Level	50%	75%	80%
Total Income	(593,590)	(858,410)	(875,010)
Running Costs	627,180	550,510	531,610
Borrowing	126,890	168,280	168,240
Net Income	**160,480**	**(139,620)**	**(175,160)**
Primrose Gardens			
Avg. Occupancy Level	50%	90%	90%
Total Income	(340,905)	(621,140)	(624,029)
Running Costs	426,316	415,823	417,974
Borrowing Costs	128,080	198,950	192,070
Net Income	**213,491**	**(6,367)**	**(13,985)**
Market Walk Extension			
Avg. Occupancy Level	80%	80%	80%
Total Income	(161,000)	(645,000)	(645,000)
Running Costs	16,000	80,000	80,000
Borrowing Costs	20,000	265,000	265,000
Net Income	**(125,000)**	**(300,000)**	**(300,000)**
Deliver Housing Units			
Number of Homes	10	34	58
Avg. Occupancy Level	92%	92%	92%
Total Income	(52,400)	(193,500)	(344,900)
Running Costs	81,600	114,700	168,000
Borrowing Costs	36,000	129,800	225,600
Net Income	**65,200**	**51,000**	**48,700**
Total			
Total Income	(1,147,895)	(2,318,050)	(2,488,939)
Total Running Costs	1,151,096	1,161,033	1,197,584
Total Borrowing Costs	310,970	762,030	850,910
Total Net Income	**314,171**	**(394,987)**	**(440,445)**

Risk

35. The net income generated from the schemes is estimated to be £0.440m by 2021/22 meaning forecast income would have to fall by 18% before the schemes only break-even. All assumptions within these models are frequently revisited by the relevant project teams to ensure the investments remain prudent, sustainable and affordable.

36. The forecast deficits in 2019/20 are the result of assumed borrowing costs and low initial occupancy levels. Of the £314k deficit, £260k relates to the interest on assumed borrowing the council will take to fund its investments. It is possible the council will not take this borrowing and instead use internal cash resources where it is economically advantageous to do so.

37. **Occupancy Levels** – the occupancy levels assumed in Table 6 are deemed prudent based on the current information regarding these sites:
    - The letting agents target for pre-lets at the Digital Office Park is 20%, to date there is been a high level of enquiries for varying levels of office space at Strawberry Fields. Based on this interest, it is assumed an average occupancy in 2019/20 of 50% is a prudent estimate.
    - The new extension to Market Walk shopping centre has gained signed agreements and heads of terms equating to 55% of the shopping centres total lettable space. With the centre due to open in November 2019 and letting agents in contact with other potential tenants, the assumed 80% occupancy level is deemed prudent and achievable.
    - 215 applications were received prior to September 2018 for residency at Primrose Garden's 65 units. Of these 37 (57%) are at the point of receiving a provisional offer. The budgeted occupancy at Primrose Gardens is estimated to rise from 10% to 80% in 2019/20 and is therefore prudent based on current demand.

38. The interest rates assumed in the models are based on current PWLB rates accessible to the council. An indicative 1% increase in the interest rate would increase borrowing costs across the schemes by £0.160m and therefore would not result in a deficit position for these projects overall.

39. All external funding contributions towards these projects have been secured with the exception of the housing units project that is still in the early stages of project management.

40. When completed all assets are brought into the council's year-end valuation cycle. All assets are valued at least every 5 years however assets will be valued if there is reason to believe its value may have changed by a material amount. Officers take advice from qualified RICS surveyors regarding these issues.

41. The council holds a £4m unallocated general fund reserve that is in place to manage unforeseen expenditure or a fall in forecast income. The Council's major projects, including the existing Market Walk shopping centre, include a maintenance budget to manage day-to-day as well as larger scale repairs and maintenance.

Table 7: Summary of Net Income from Existing Assets

Directorate	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Market Walk Shopping Centre (excluding borrowing)	(1.626)	(1.576)	(1.576)	(1.576)
Other Town Centre Property	(0.218)	(0.218)	(0.218)	(0.218)
Industrial Estate Property	(0.050)	(0.050)	(0.050)	(0.050)
Land, Garages and Plots	(0.081)	(0.081)	(0.081)	(0.081)
Major Projects	0.160	0.314	(0.395)	(0.440)
Total Net Income	**(1.815)**	**(1.610)**	**(2.320)**	**(2.365)**
Gross Directorate Budgets Chorley Council	15.324	16.025	15.399	15.278
% Net Income to Net Directorate Budgets	**11.84%**	**10.05%**	**15.06%**	**15.48%**

42. Table 7 above gives the revised indicator of the relative level of directorate budgets funded through income generation. This indicator will be monitored as described in Table 8 of this report.

Risk Appetite

43. A key element of the Capital Strategy is to define what Chorley Council's risk appetite. Chorley Borough Council is exposed to a number of investment and commercial risks:
    - **Financial risk** relating to the investment of cash, market volatility, currency markets, etc
    - **Economic risk** relating to whether the local / national economy is growing or contracting
    - **Counterparty risk** relating to investments, loans to third parties and business transactions
    - **Operational risk** arising from transactions
    - **Strategic risk** relating to the decisions taken by the Council in pursuit of its corporate objectives, i.e. the purchase of major new assets.
    - **Reputational risk** relating to the adverse impact of the Council's dealings
    - **Environmental** and **social risks** arising from the adverse impact of investments
    - **Governance risk** relating to the transparency and accountability of decisions and decision-makers.

44. The Council has no appetite for **reputational, governance** and **foreign currency risk**. Its approach to other risks is as follows:

45. **Financial** – subject to full due diligence and appropriate external advice the Council will have a moderate risk appetite for investment / expenditure on a range of asset classes, property and longer-term investments. Security and liquidity will be appropriate for the type of investment made. Income generation will prevail over capital appreciation. The Council will have no appetite for volatile or emerging market sector investments.

46. **Economic** – The Council will have a high risk appetite for appropriate investments / expenditure in the Borough, it has no risk appetite for investments outside the Borough. The Council will have a low appetite for interest rate risk exposure.

47. **Counterparty** – the Council will have a high appetite for highly rated counterparties and financial institutions and a low appetite for unsecured non-investment debt. All investments will be subject to careful due diligence and an assessment of the Council's corporate priorities and liquidity profile.

48. **Operational** – the Council will have a low risk appetite for all operational risk arising from factors such as: price errors, administrative errors, IT security, etc. Specific business risks are identified at business unit level and business continuity plans identify and mitigate as appropriate. There is no appetite for fraud, regulatory breaches and exceeding approved limits.

49. **Strategic** – The Council will have a high appetite for investments which further its corporate priorities, increase revenue streams and / or facilitate the efficient and effective delivery of core service objectives,

50. **Environmental and social** – the Council will have no appetite for environmental and social risk.

KNOWLEDGE AND SKILLS

51. The council has professionally qualified staff across a range of disciplines including finance, legal and property that follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills. The council establishes project teams from all the professional disciplines from across the council as and when required. External professional advice is taken where required and will always be sought in consideration of any major commercial property investment decision.

52. Internal and external training is offered to members to ensure they have up to date knowledge and expertise to understand and challenge capital and treasury decisions taken by the strategic director of finance and governance.

RECOMMENDATIONS

53. It is recommended that the prudential indicators outlined in Table 8 are approved as part of the 2019/20 budget.

54. It should be noted that these performance indicators are specific to Chorley Council due both to its composition of funding and its unique level of commercial activity. As such these cannot be benchmarked effectively against other council's indicators. The indicators can however be monitored over time. As such it is proposed that these performance indicators will be monitored, reported and, where necessary adjusted, every six months. They will be reported to Governance Committee and Full Council.

Table 8 – Prudential Indicators 2018/19 to 2021/22

Indicator	2018/19	2019/20	2020/21	2021/22
Estimated Capital Expenditure (Table 1)	£31.190m	£13.986m	£3.881m	£3.940m
Financing as a % of adjusted net revenue (Table 2)	6.28%	8.38%	11.15%	11.55%
Estimated Capital Financing Requirement (Table 3)	£51.879m	£59.885m	£61.859m	£63.685m
% Net Income to Gross Directorate Budgets (Table 7)	11.84%	10.05%	15.06%	15.48%

CHORLEY COUNCIL'S CAPITAL INVESTMENT AMBITION

55. The council's ambition to invest within the borough stretches beyond the time scales of its approved capital programme. The council will invest to deliver efficiency saving, generate additional income to be reinvested in services and invest to support local residents and communities. Future ambitions of the council's capital programme are outlined further below.

Investment Sites

56. The council currently has three sites that have been identified as a priority to bring forward for employment, Land East of Wigan Road, Alker Lane and Cowling Farm site. Site investigations and assessments are being undertaken and option appraisals are being developed to model how the sites can be developed. The cost of developing the sites will be met through an income generation reserve of c. £700k as well as a potential top slice from future capital receipts capped at a maximum of 4% of total capital receipts.

57. It is envisaged that the sites will generate capital receipts as well as ongoing net income for the council. The development of the master plans and delivery models are been undertaken with support from external experts. Planning approval will take time and so it is assumed that the sites will generate £200k income to the council in 2021/22.

Housing

58. The council has already approved an ambitious plan to invest £14m in the coming six years in both private and affordable rental properties. In partnership with neighbouring boroughs the council is reviewing it local plan to identify further sites on which to develop housing. The council encourages an innovative approach to service delivery, the council will purchase and manage its rental stock through one or more wholly owned companies with the council providing loans to develop sites, purchase the stock and manage operations. The funding for this ambitious programme will come from additional borrowing to be repaid through the income generated from the housing sites and the loan repayments from the wholly owned companies.

Efficiency Savings

59. The council's Medium Term Financial Strategy identifies a further £350k revenue budget efficiency savings to be realised in 2019/20 onwards. These savings will come through reduced revenue budgets and additional income generation. The council's Corporate Strategy recognises the need to invest in services to deliver these savings. These investments will include the following:

60. The **Streetscene Modernisation strategy** will review current working practices to identify and implement improvements within the three core services in Streetscene; street cleansing, grounds maintenance and communities. The council has already set aside £130k from revenue reserves to fund additional equipment and ICT to deliver a more efficient, high quality service that will better use technology to support new ways of working.

61. The council has already included in its capital programme £750k to modernise its ICT to both improve the efficiency of its staff as well as improve its customer facing services. The **ICT Strategy** will begin moving its services to cloud-based technology that will allow staff and residents to access services from a broader range of devices and provide more accessibility to services during conventionally out-of-hours times.

62. Developing the ICT strategy sits alongside other investment by the council in its infrastructure. Through the **WorkSmart** programme the council's ambition is to consolidate its portfolio of offices to reduce costs and improve efficiency across its services. To do this the council will set aside £1.3m in the capital programme from 2019/20 onwards to modernise its customer services centre.

63. There are a range of benefits that will be achieved from this work including improving the customer facing areas to improve residents' customer experience when visiting the Union Street offices. This will include and encourage the use of self-service terminals and link to one of the digital strategy projects to refresh the council's website. The changes will lead to a better use of space and therefore create additional capacity in the civic offices to enable all office based staff at Bengal Street to move to the Union St building, which will lead to operational savings from **rationalising office** based staff from across three to two buildings.

64. Investment in the facilities at the town hall will enhance the **commercial offer** of the Lancastrian as well as providing additional facilities such as meeting rooms and break out areas. The council has also set aside £485k of revenue resources to convert the vacant unit above the Iceland store in Market Walk into town centre office space. It will provide office space for one or more small businesses, in an ideal location near car parking, rail and bus transport. This scheme will also generate a small an ongoing revenue income stream for the Council.

The investment outlined above emphasise the council's ambition to utilise capital expenditure to drive forward efficiencies as well as commercial opportunities for the benefit of its residents and council tax payers. Further opportunities are and will be considered with funding identified to continue this ambition.

Community Infrastructure 123 List

65. The Chorley Council projects included in the updated Community Infrastructure Levy (CIL) Regulation 123 list are an indication of the opportunities the council is seeking to part-fund within its medium to long-term capital programme. If approved, the outcomes are expected to bring benefits to local residents through improved services and more sustainable council services. The current CIL monies available for such projects as well as other included on the list is over £4.5m.

Leisure Centre Contract

66. The management of the council's leisure centre services will be renewed in October 2020. The council is seeking to utilise CIL and other funding, including borrowing, to invest in its leisure centres and the services they deliver. This will benefit residents through improved facilities and services and a lower annual cost of the leisure services management contract with the council's ambition to deliver a revenue neutral contract saving over £400k per year.

GP Surgery

67. The proposal is for a new GP surgery area of Clayton-le-Woods is essential as the current surgery is no longer operationally fit for purpose putting pressure on the current doctor's surgery. This has been a concern for residents for some time and this investment will give the local services a long term future and provide enough space for them to grow and continue to meet the needs of the local community. The cost of the CIL request would be up to £1 million with part funding from borrowing and the NHS. It is expected this will deliver improved health services to residents as well as a financial return to the council.

West Way Playing Fields

68. The council's current capital programme includes £950k to fund a new sports facility at West Way playing fields. The ambition of the project has now been extended and the council will increase the capital budget to £2.7m that will create:
    - Changing facilities which meet the Football Association and Sport England Standards with an enhanced entrance off West Way and associated car parking;
    - A fenced Artificial Grass Pitch (AGP) which meets Football Association standards;
    - Pitch drainage improvements
    - Enhanced events car parking to support large events in Astley Park.
    - Works to pathways that will provide a link between Astley Park and the new playing fields

Play and Open Spaces

69. Through numerous large to small developments within the borough the council has accumulated over £2m of s106 developer contributions towards the provision of play equipment, playing fields and open spaces. As well as West Way identified above, the council has over £2m allocated in the current capital programme to improving its play and open space provision across all areas of the borough. This strategy will deliver a programme of continuous investments in the medium to long term with new contributions and site improvements being identified as part of a rolling programme of investment that will fully commit existing and new developer contributions.

One Public Estate

70. The council has made two bids for government grant funding through its One Public Estate project. One Public Estate encourages partnership working between public and private sector organisations with ultimate goal of breaking down historical barriers to get the best use of public land and property.

71. Through this project the council is looking to develop its Bengal Street and Tatton Recreation sites and support the release of these windfall sites in public ownership for new homes, play and recreation as well as developing a centre of excellence in community and health services. It has the potential to regenerate key sections of the town centre and result in capital receipts depending upon the redevelopment strategy adopted as a consequence of the feasibility work.

APPENDIX I

Report of	Meeting	Date
Chief Finance Officer	Special Council	26 February 2019

TREASURY STRATEGY 2019/20 TO 2021/22

PURPOSE OF REPORT

1. To present the Prudential and Treasury Indicators and Treasury Management and Investment Strategies for 2019/20 to 2021/22, and the Minimum Revenue Provision (MRP) Policy Statement for 2019/20.

RECOMMENDATION(S)

2. That Council approve

- The Prudential Indicators for 2019/20 to 2021/22 in Tables 1 to 5.
- The annual Minimum Revenue Provision (MRP) Policy statement in paragraph 27.
- The Treasury Management Strategy, and Treasury Indicators for 2019/20 to 2021/22 in Tables 7 to 10.
- The Annual Investment Strategy 2019/20 including Investment Counterparties in paragraphs 39 to 43.

EXECUTIVE SUMMARY OF REPORT

3. This report deals solely with financial (treasury) investments. Non-financial investments, in particular the purchase or construction of income-generating assets, are covered in the Capital Strategy report.

4. The report presents the Prudential Indicators relating to capital expenditure and financing, and the forecast levels of external borrowing.

5. The proposed MRP Policy for 2019/20 is essentially the same as that for 2018/19. It permits an “MRP Holiday” in respect of new capital assets which take more than one financial year to become operational.

6. The list of investment counterparties for 2018/19 was amended by Council on 22 January 2019. The proposed list for 2019/20 is unchanged other than not specifying the type of Money Market Funds which may be used, but that they must be AAA-rated.

Confidential report Please bold as appropriate	Yes	**No**

Key Decision? Please bold as appropriate	Yes	**No**

Reason Please bold as appropriate	1, a change in service provision that impacts upon the service revenue budget by £100,000 or more	2, a contract worth £100,000 or more
	3, a new or unprogrammed capital scheme of £100,000 or more	4, Significant impact in environmental, social or physical terms in two or more wards

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

7. Approval of the Prudential Indicators, Treasury Management Strategy, Treasury Indicators, Annual Investment Strategy, and Annual MRP Policy Statement is necessary to comply with statutory requirements.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

8. None.

CORPORATE PRIORITIES

9. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy homes and communities		An ambitious council that does more to meet the needs of residents and the local area	

BACKGROUND

10. Council of 27 February 2018 approved the Treasury Management Strategy for 2018/19, including Prudential and Treasury Indicators, the Treasury Management and Investment Strategies, and the annual Minimum Revenue Provision (MRP) Policy Statement for 2018/19. Treasury Management activities during the year have been overseen by the Governance Committee.

11. This report updates Prudential and Treasury Indicators for financial years 2018/19 to 2020/21, and introduces provisional indicators for the financial year 2021/22. It presents updated Treasury Management and Investment Strategies, including a revised list of Investment Counterparties, and proposes the Minimum Revenue Provision (MRP) Policy Statement for 2019/20.

12. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

13. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses.

14. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

CAPITAL STRATEGY

15. In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities will be required to prepare an additional report, a Capital Strategy report, which is intended to provide the following:

    - a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
    - an overview of how the associated risk is managed
    - the implications for future financial sustainability

    The aim of this report is to ensure that all elected members on the full council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy.

16. The Capital Strategy from 2019/20 is presented as a separate report on this agenda.

TREASURY MANAGEMENT STRATEGY 2019/20

17. The strategy for 2019/20 covers two main areas:

    Capital issues

    - the capital plans and the Prudential Indicators;
    - the Minimum Revenue Provision (MRP) policy.

    Treasury management issues

    - the current treasury position;
    - Treasury Indicators which limit the treasury risk and activities of the Council;
    - prospects for interest rates;
    - the borrowing strategy;
    - policy on borrowing in advance of need;

- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

18. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code, and MHCLG Investment Guidance.

TRAINING

19. The CIPFA Code requires the Responsible Officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

20. The training needs of treasury management officers are reviewed periodically. Both CIPFA and Link Asset Services provide workshops and seminars.

TREASURY MANAGEMENT CONSULTANTS

21. The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

22. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

23. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

CAPITAL PRUDENTIAL INDICATORS 2019/20 – 2021/22 AND MRP STATEMENT

24. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

25. **Capital expenditure**

    This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Table 1 - Capital Expenditure	2018/19 Revised £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Customer & Digital	2,439	0	0	0
Early Intervention & Support	1,004	1,869	3,582	3,641
Policy & Governance	347	1,750	0	0
Business Development & Growth	27,400	10,367	300	300
Capital Expenditure Total	**31,190**	**13,986**	**3,882**	**3,941**

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Table 2 - Capital Financing	2018/19 Revised £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Capital expenditure from Table 1	31,190	13,986	3,882	3,941
Capital Receipts	(645)	(410)	0	0
Grants & Contributions	(16,799)	(4,215)	(846)	(846)
Revenue and Reserves	(2,857)	(785)	(200)	(400)
Net financing needed for year	**10,889**	**8,576**	**2,836**	**2,695**

26. **The Council's borrowing need (the Capital Financing Requirement)**

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The Council is asked to approve the CFR projections below:

Table 3 - Capital Financing Requirement	2018/19 Revised £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Opening CFR	41,506	51,879	59,885	61,859
Net financing need for the year (Table 2)	10,889	8,576	2,836	2,695
Less MRP/VRP	(516)	(570)	(862)	(869)
Closing CFR	**51,879**	**59,885**	**61,859**	**63,685**

27. **Minimum Revenue Provision (MRP) Policy Statement**

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

The Council is recommended to approve the following MRP Policy Statement:

Annual Statement of MRP Policy 2019/20

The aim of the policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure which gave rise to the debt provides benefits.

MRP shall commence in the financial year following that in which the capital expenditure is incurred, or in the year following that in which the relevant asset becomes operational.

In respect of the proportion of the Capital Financing Requirement which relates to debt incurred prior to 2008/9, MRP shall be charged on this at the rate of 4% in accordance with option 1 of the guidance, otherwise known as the Regulatory Method.

The MRP liability on debt incurred from 2008/09 onwards shall be based on the estimated useful life of the asset. The MRP shall be calculated using the following methods, as appropriate for specific capital expenditure:

- Equal instalments: where the principal repayments made are the same in each year
- Annuity: where the principal repayments increase over the life of the asset

Estimated life periods shall be determined under delegated powers, with reference to the guidance and advice of appropriate professional advisers, in the year that MRP commences. As some types of capital expenditure are not capable of being related to an individual asset, the MRP shall be assessed on a basis which most reasonably reflects the anticipated period of benefit arising from the expenditure.

28. **Affordability prudential indicators**

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicator:

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Table 4 - Ratio of Financing Costs to Net Revenue Stream	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %
Ratio	8.86	9.08	13.44	14.02

The estimates of financing costs include current commitments and the proposals in the revenue and capital budget report.

In this table, the Net Revenue Stream includes only income from taxation (Council Tax and Business Rates) and general government grants such as New Homes Bonus. However, the Financing Costs include the debt repayment and interest in respect of income-generating assets. The Capital Strategy report includes a modified version of this table which gives the ratio after taking account of the income expected to be generated by the assets.

29. **Core funds and expected investment balances**

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

Table 5 - Year-End Resources	2018/19 Revised £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Core Funds/Working Balances	(27,985)	(24,599)	(24,877)	(25,195)
Under/(over) borrowing (Table 6)	26,985	23,599	23,877	24,195
Expected investments	**(1,000)**	**(1,000)**	**(1,000)**	**(1,000)**

BORROWING

30. The capital expenditure plans set out in paragraph 24 above provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant Treasury / Prudential Indicators, the current and projected debt positions and the annual Investment Strategy.

31. **Current portfolio position**

The Council's projected treasury portfolio position is summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

Table 6 - Portfolio Position	**2018/19 Revised £000**	**2019/20 Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**
Debt at 1 April	15,252	24,879	36,271	37,967
Other long-term liabilities (OLTL)	15	15	15	15
Total gross debt 1 April	15,267	24,894	36,286	37,982
Expected change in Debt	9,627	11,392	1,696	1,508
Expected change in OLTL	0	0	0	0
Expected change in gross debt	9,627	11,392	1,696	1,508
Gross debt 31 March	24,894	36,286	37,982	39,490
Capital Financing Requirement (Table 3)	51,879	59,885	61,859	63,685
Under / (over) borrowing	**26,985**	**23,599**	**23,877**	**24,195**

32. Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

33. The S151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

34. **Treasury Indicators: limits to borrowing activity**

The Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Table 7 - Operational Boundary	2018/19 Revised £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Debt	24,879	36,271	37,967	39,475
Other long-term liabilities	15	15	15	15
Operational Boundary	**24,894**	**36,286**	**37,982**	**39,490**

The Authorised Limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

- The Council is asked to approve the following Authorised Limit:

Table 8 - Authorised Limit	2018/19 Revised £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Debt	27,879	39,271	40,967	42,475
Other long-term liabilities	15	15	15	15
Authorised Limit	**27,894**	**39,286**	**40,982**	**42,490**

35. **Maturity structure of borrowing**
These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Table 9 - Maturity Structure of Borrowing			
Maturity structure of fixed interest rate borrowing 2019/20			
	31/3/19	**Lower**	**Upper**
Under 12 months	4%	0%	30%
12 months to 2 years	3%	0%	30%
2 years to 5 years	11%	0%	40%
5 years to 10 years	15%	0%	50%
Over 10 years	67%	0%	75%

The column headed 31/3/19 is the forecast split of borrowing as at the end of 2018/19 and includes estimated temporary borrowing. The column for the Upper limit is in respect of borrowing in 2019/20. It indicates that borrowing is likely to be for a range of maturities.

It is not anticipated that any borrowing will be taken at variable interest rates.

36. **Control of interest rate exposure**

Please see paragraphs 37 and 41 and the advice of Link Assets Services on prospects for interest rates in Appendix I1.

The table in Appendix I1 compares the forecast of a year ago with that prepared for the mid-year review, and the current forecast.

37. **Borrowing strategy**

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The S151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported at the next available opportunity.

38. **Policy on borrowing in advance of need**

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

ANNUAL INVESTMENT STRATEGY

39. **Investment Policy – management of risk**

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

The Council's investment policy has regard to the MHCLG's Guidance on Local Government Investments ("the Guidance") and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code").

The Council's investment priorities will be **S**ecurity first, portfolio **L**iquidity second, and only then return (**Y**ield).

The above guidance from the MHCLG and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the

most robust scrutiny process on the suitability of potential investment counterparties.

4. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use.

   - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
   - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being £4 million. See Table 10 below.

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 40.

7. **Transaction limits** are set for each type of investment in paragraph 40.

8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see Table 10).

9. Investments will only be placed with UK counterparties.

10. This authority has engaged **external consultants** to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling**.

As a result of the change in accounting standards for 2018/19 under **IFRS 9,** this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. However, in November 2018, the Ministry of Housing, Communities and Local Government (MHCLG), concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation the financial consequences of IFRS 9 for five years commencing from 1 April 2018.

40. **Creditworthiness policy**

The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

Yellow	5 years
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	Not to be used

The yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.

The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly, and will be checked at the time of placing investments. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service, and has access to the websites of Fitch, Moody's and Standard & Poor's.

- 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.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to help support its decision making process.

UK banks – ring fencing
The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

Counterparties and investment limits 2019/20
The proposed counterparties and investment limits for 2019/20 are shown in the following table.

An amended list of investment counterparties for 2018/19 was approved by Council on 22 January 2019. The original list for 2018/19 had specified use only of Constant Net Asset value (CNAV) Money Market Funds (MMFs). However, from January 2019 onwards the MMFs used by the Council started to convert to Low Volatility Net Asset Value (LVNAV) status as a requirement of EU reforms. The list of counterparties was amended to add LVNAV MMFs.

There are no changes to the counterparties for 2019/20 though the type of MMF is not specified, other than limiting use to AAA-rated funds. The likelihood is that only LVNAV funds will be used.

Investment Counterparties 2019/20

Category	Institutions	LAS Colour Code	Maximum Period	Limit per Institution
Banks & Building Societies: Call Accounts /Term Deposits / Certificates of Deposit (CDs)				
Government related/guaranteed entities	DMADF (DMO)	Yellow	6 months	Unlimited
	UK Local Authority	Yellow	1 year 2 years	£3m per LA £2m per LA; £4m in total
UK part-nationalised institutions	Royal Bank of Scotland group	Blue	1 year	£4m per group
UK-incorporated Institutions	UK banks and building societies of high credit quality	Orange Red Green	1 year 6 months 3 months	£3m per group (or institution if independent)
Money Market Funds				
Money Market Funds	MMFs of high credit quality - AAA rated		Instant access	£3m per fund

There are no changes from the amended Investment Counterparties list approved by Council on 22 January 2019.

41. **Investment strategy**

In-house funds
Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. However, as Table 6 indicates, the Council is under borrowed, which means that it is using its own cash balances to avoid taking external borrowing at higher rates of interest that it would achieve if it invested the cash. Cash balances are held only to manage the ups and down of cash flow, and in general they are held only in highly liquid accounts such as bank current accounts and Money Market Funds. Such accounts pay lower rates of interest than are offered for term deposits, so it is very unlikely that the rate of return on cash investments will reach the levels suggested by Link Asset Services for term deposits of around three months.

Investment returns expectations
On the assumption that the UK and EU agree a Brexit deal in spring 2019 or soon after, then Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.50%
- 2021/22 2.00%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

	Now	**2018/19 report**
2018/19	0.75%	0.60%
2019/20	1.00%	0.90%
2020/21	1.25%	1.25%
2021/22	1.75%	1.50%
2022/23	2.00%	1.75%
2023/24	2.25%	2.00%
Later years	2.50%	2.75%

As cash will generally be held in highly liquid accounts rather than being placed as term deposits at higher interest rates, it is unlikely that the rate of return achieved will match these forecasts. However, the cash will be used to avoid taking external borrowing at higher rates of interest.

The overall balance of risks to economic growth in the UK is probably neutral. The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

Investment Treasury Indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit:

Table 10 - Maximum Principal Sums Invested > 365 Days	2017/18 Revised £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
UK Government	0	0	0	0
UK Local Authorities **	4,000	4,000	4,000	4,000
UK Banks & Building Societies	0	0	0	0
Non-UK Banks	0	0	0	0
Total	**4,000**	**4,000**	**4,000**	**4,000**

** Maximum of £2 million per local authority

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, Money Market Funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

42. **Investment Risk Benchmarking**

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day LIBID plus 15%. This is a challenging target because it is unlikely that cash will be placed as term deposits at higher rates of interest.

43. **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.

IMPLICATIONS OF REPORT

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

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

COMMENTS OF THE STATUTORY FINANCE OFFICER

45. These are contained in the report.

COMMENTS OF THE MONITORING OFFICER

46. The recommendations are appropriate as explained in the body of the report.

GARY HALL
CHIEF FINANCE OFFICER

Background Papers			
Document	**Date**	**File**	**Place of Inspection**
CIPFA Treasury Management in the Public Services: Code of Practice & Guidance Notes (2017)			Town Hall
CIPFA Prudential Code for Capital Finance in Local Authorities (2017)			Town Hall
CIPFA Treasury Management in the Public Services: Guidance Notes for Local Authorities (2018)			Town Hall
CIPFA Standards of Professional Practice: Treasury Management			Town Hall
MHCLG Guidance on Local Government Investments			Town Hall
MHCLG Guidance on Minimum Revenue Provision			Town Hall

Report Author	Ext	Date	Doc ID
Michael L Jackson	5490	15 February 2019	Treasury Strategy 2019-20 – 2021-22.docx

APPENDIX I1

Advice of the Council's treasury management consultants Link Asset Services

ECONOMIC BACKGROUND

GLOBAL OUTLOOK. World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China and the Eurozone, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to an acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is now probably unlikely to make a start on raising rates in 2019.

KEY RISKS - central bank monetary policy measures
Looking back on more than ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period is well advanced in the US, and started more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), also reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy and of unemployment falling to such low levels, that the re-emergence of inflation is viewed as a significant risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we did, indeed, see a sharp fall in equity values in the last quarter of 2018 and into early 2019. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.** It is particularly notable that, at its 30 January 2019 meeting, the Fed dropped its previous words around expecting further increases in interest rates; it merely said it would be "patient".

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt, (currently about $50bn per month). In addition, the European Central Bank ended its QE purchases in December 2018.

UK. 2018 was a year which started with weak growth of only 0.1% in quarter 1. However, quarter 2 rebounded to 0.4% in quarter 2 followed by quarter 3 being exceptionally strong at +0.6%. Quarter 4 though, was depressed by the cumulative weight of Brexit uncertainty and came in at only +0.2%. Growth is likely to continue being weak until the Brexit fog clears.

The MPC has stated that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they have given a figure for this of around 2.5% in ten years' time but have declined to give a medium term forecast. However, with so much uncertainty around Brexit, the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, the MPC could also raise Bank Rate in the same scenario if there was a boost to inflation from increases in import prices, devaluation of sterling, and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could provide fiscal stimulus to boost growth.

Inflation. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.1% in December 2018. In the February Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead given a scenario of minimal increases in Bank Rate.

The **labour market** figures in November were particularly strong with an emphatic increase in total employment of 141,000 over the previous three months, unemployment at 4.0%, a 43 year low on the Independent Labour Organisation measure, and job vacancies hitting an all-time high, indicating that employers are having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation continued at its high point of 3.3%, (3 month average regular pay, excluding bonuses). This means that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.2%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the **political arena**, the Brexit deal put forward by the Conservative minority government was defeated on 15 January. Prime Minister May is currently, (mid-February), seeking some form of modification or clarification from the EU of the Irish border backstop issue. However, our central position is that the Government will endure, despite various setbacks, along the route to reaching an orderly Brexit though the risks are increasing that it may not be possible to get full agreement by the UK and EU before 29 March 2019, in which case this withdrawal date is likely to be pushed back to a new date. If, however, the UK faces a general election in the next 12 months, this could result

in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2% (annualised rate) in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and an unemployment rate of 4.0%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.2% in December. However, CPI inflation overall fell to 1.9% in December and looks to be on a falling trend to continue below the Fed's target of 2% during 2019. The Fed has continued on its series of increases in interest rates with another 0.25% increase in December to between 2.25% and 2.50%, which was the fifth increase in 2018 and the ninth in this cycle. However, they dropped any specific reference to expecting further increases at their January 30 meeting. The last increase in December compounded investor fears that the Fed could overdo the speed and level of increases in rates in 2019 and so cause a US recession as a result. There is also much evidence in previous monetary policy cycles of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world falling under the weight of fears around the Fed's actions, the trade war between the US and China and an expectation that world growth will slow. Since the more reassuring words of the Fed in January, equity values have recovered somewhat.

The tariff war between the US and China generated a lot of heat during 2018; it could significantly damage world growth if an agreement is not reached during the current three month truce declared by President Trump to hold off from further tariff increases.

Eurozone. Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this was probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of its manufacturing exports e.g. cars. Current forward indicators for economic growth and inflation have now been on a downward trend for a significant period which will make it difficult for the ECB to make any start on increasing rates until 2020 at the earliest. Indeed, the issue now is rather whether the ECB will have to resort to new measures to boost liquidity in the economy in order to support growth. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. In its January meeting, it made a point of underlining that it will be fully reinvesting all maturing debt for an extended period of time past the date at which it starts raising the key ECB interest rates.

China. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

Japan - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries. Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.3 are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement is likely to lead to a boost to the rate of growth in subsequent years which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there was a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

However, there would appear to be a majority consensus in the Commons against any form of non-agreement exit so the chance of this occurring has now substantially diminished.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.

- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**, possibly **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March 2018 of a government which has made a lot of anti-austerity noise. The EU rejected the original proposed Italian budget and demanded cuts in government spending. The Italian government nominally complied with this rebuttal – but only by delaying into a later year the planned increases in expenditure. This particular can has therefore only been kicked down the road. The rating agencies have downgraded Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold Italian debt. Unsurprisingly, investors are becoming increasingly concerned by the actions of the Italian government and consequently, Italian bond yields have risen sharply – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD had a major internal debate as to whether it could continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she has continued as Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.
- **Other minority EU governments.** Sweden, Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Italy, Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU. Elections to the EU parliament are due in May/June 2019.
- The increases in interest rates in the US during 2018, combined with a potential trade war between the USA and China, sparked major volatility in equity markets during the final quarter of 2018 and into 2019. Some **emerging market countries** which have borrowed heavily in dollar

denominated debt, could be particularly exposed to investor flight from equities to safe havens, typically US treasuries, German bunds and UK gilts.

- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks,** especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if both sides were to agree a compromise that removed all threats of economic and political disruption.
- **The Fed causing a sudden shock in financial markets** through misjudging the pace and strength of increases in its Fed Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Comparison of Interest rate Forecasts – Treasury Strategy 2018/19 – 2020/21 (Feb 2018), Treasury Management Activity Mid-Year Review 2018/19 (rates Nov 2018), and Treasury Strategy 2019/20 – 2021/22 (Feb 2019)

	Bank Rate %			PWLB Borrowing Rates % (including 0.20% certainty rate adjustment)											
				5 year			10 year			25 year			50 year		
	Feb 19	Nov 18	Feb 18	Feb 19	Nov 18	Feb 18	Feb 19	Nov 18	Feb 18	Feb 19	Nov 18	Feb 18	Feb 19	Nov 18	Feb 18
Mar-19	0.75	0.75	1.00	1.80	2.10	2.20	2.20	2.50	2.70	2.70	2.90	3.20	2.50	2.70	3.00
Jun-19	0.75	1.00	1.00	1.90	2.20	2.30	2.30	2.60	2.80	2.80	3.00	3.20	2.60	2.80	3.00
Sep-19	1.00	1.00	1.00	2.00	2.20	2.30	2.40	2.60	2.80	2.90	3.10	3.30	2.70	2.90	3.10
Dec-19	1.00	1.00	1.25	2.10	2.30	2.40	2.50	2.70	2.90	3.00	3.10	3.30	2.80	2.90	3.10
Mar-20	1.00	1.25	1.25	2.20	2.30	2.40	2.60	2.80	3.00	3.10	3.20	3.40	2.90	3.00	3.20
Jun-20	1.25	1.25	1.25	2.30	2.40	2.50	2.60	2.90	3.00	3.20	3.30	3.50	3.00	3.10	3.30
Sep-20	1.25	1.25	1.50	2.30	2.50	2.50	2.70	2.90	3.10	3.20	3.30	3.50	3.00	3.10	3.30
Dec-20	1.25	1.50	1.50	2.40	2.50	2.60	2.80	3.00	3.10	3.30	3.40	3.60	3.10	3.20	3.40
Mar-21	1.50	1.50	1.50	2.50	2.60	2.60	2.90	3.00	3.20	3.40	3.40	3.60	3.20	3.20	3.40
Jun-21	1.50	1.75		2.50	2.60		2.90	3.10		3.40	3.50		3.20	3.30	
Sep-21	1.75	1.75		2.60	2.70		3.00	3.10		3.50	3.50		3.30	3.30	
Dec-21	1.75	1.75		2.60	2.80		3.00	3.20		3.50	3.60		3.30	3.40	
Mar-22	2.00	2.00		2.70	2.80		3.00	3.20		3.60	3.60		3.40	3.40	

The Feb 2018 forecasts were included in the Treasury Strategy 2018/19 to 2020/21.
Link Asset Services provided updated forecasts in November 2018 and February 2019.

Chorley Council

APPENDIX J

PAY POLICY 2019/20
POLICY STATEMENT

1. INTRODUCTION

Under Chapter 8 of the Localism Act 2011 Local Authorities in England and Wales were required to produce a pay policy statement for 2012/13 and for each financial year thereafter, and must do so with regard to any guidance from the Secretary of State for Communities and Local Government.

Additional information is also reported in compliance with The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 (Policy Procedure paragraph 6).

In addition this Policy must be agreed and signed off by the full Council and be publically available.

2. POLICY OBJECTIVE

The purpose of the Pay Policy is to provide transparency with regard to the Council's approach to the setting of pay for all its employees and therefore identifies:

- The methods by which salaries of all employees are determined
- The details and levels of remuneration and any other benefits of the Council's most senior staff.
- The relationship between the remuneration of its most senior staff and other staff within the Council.
- Details relating to the Council's lowest paid staff.
- Who is responsible for ensuring that the Pay Policy is consistently complied with throughout the Council.

3. CHORLEY BOROUGH COUNCIL'S RESPONSIBILITY

It is the Council's responsibility to ensure that:

- A policy is produced for each financial year.
- The policy is publically available through its website.
- The policy is applied fairly and consistently and complies with all relevant legislation.

4. OUTCOMES

The aim of the policy is to ensure that the Council's approach to determining the remuneration of all its employees is fair and transparent.

Chorley Council

POLICY PROCEDURE

1. SCOPE

The pay policy covers the remuneration of all employees of the Council including temporary employees. Individuals engaged through employment agency arrangements would also be covered by the policy in compliance with the Agency Workers Regulations 2010.

2. PAY STRUCTURE

The Council uses the nationally negotiated pay spine (i.e. a defined list of salary points) as the basis for its local pay structure, and has incorporated at the top of the spine a further 17 salary points for senior posts within the Council, though not all these points are currently being used. The Council also adheres to the national pay bargaining arrangements in respect of increases to the national pay spine.

The Employers side of the NJC for Local Government Services agreed with the relevant trade unions a 2 year pay agreement which provided for pay increases effective from 1 April 2018 and a further increase effective from 1 April 2019.

Effective from 1 April 2018 was an increase of 2 % for all salaries of £19,430 and above with bottom loaded increases of between 5.458% and 3.734% for salaries below £19,430 to address low pay and work towards the National Living Wage announced by the Government in 2015 estimated to be between £8.56 and £9.00 by 2020. The agreed National pay spine for 2018/19 is detailed at the end of this Policy.

The agreed pay award effective from 1 April 2019 was more complex as it involved a re-alignment of the pay structure to ensure continued compliance with the National Living Wage, provide headroom for future increases in the National Living Wage, even out the increases between pay points and address low pay. Therefore similarly to 2018, there was a minimum increase of 2%, with salary points at the lower end of the pay spine again receiving higher increases.

The new pay structure for 2019/20 is detailed at the end of the policy, which also details how the pay structure for 2018/19 will be assimilated into the new pay structure and those pay points within the new structure that will not be made active (not used).

All salaries within the Pay Policy are those which are effective from 01 April 2019.

This pay spine is used to determine the salaries of all Council employees apart from the Chief Executive and Directors which are addressed separately within this policy. All posts, apart from the Chief Executive and Directors, have been evaluated using the nationally agreed Job Evaluation Scheme, from which the current grading structure was established. The scheme takes into account the need to ensure value for money balanced with the requirement to recruit and retain employees who are able to meet the needs of the service.

The grading of the majority of the posts within Chorley Council was established following the culmination of the Single Status Job Evaluation process in October 2007. New posts and posts which changed significantly are evaluated in accordance with the same Single Status Job Evaluation Scheme.

Chorley Council

The Council also has a process by which it could consider paying market supplements where there have been difficulties in recruiting to the post and there is a general industry shortage which has led to comparable posts within other Councils being considerably higher. All market supplements would have to be agreed with the Human Resources Services Manager and the relevant Director and are reviewed regularly.

There are currently no market supplement payments made to any employee of Chorley Council.

All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery.

3. SENIOR MANAGEMENT REMUNERATION

The Localism Act refers to Chief Officers and Deputies, though it should be noted that the definition is very broad and relates to Metropolitan and County Council's as well as much smaller District Council's with far fewer management levels, such as Chorley Council.

Therefore, for the purpose of this policy, senior management is determined by those officers who are paid in accordance with the Chief Officer and Chief Executive National Conditions of Service, i.e.:

- The Chief Executive
- Deputy Chief Executive/Director (Early Intervention & Support)
- Director (Customer & Digital)
- Director (Policy & Governance)
- Director (Business Development & Growth)

In addition, The Head of Legal, Democratic & HR Services post is also included within Senior Management as it is a statutory chief officer, in its role of Monitoring Officer.

Chief Executive

Prior to the appointment of a Chief Executive full council will determine the salary of the post to be advertised. Appointment to the post is undertaken by the Chief Executive Appointment Panel, the membership of which is agreed annually by full council, and the panel would make a recommendation to appoint which must be then approved by full council.

The level of salary for the Chief Executive, who is the Head of Paid Services, is £112,500 which is inclusive of the 7.5% Director's Car Lease Scheme contribution if this benefit is taken.

This figure is a single spot point and therefore there is no incremental progression. The salary is effective from 1 April 2019 and takes account of the 2% pay increase in respect of the national pay award under the JNC Conditions of Service for Chief Executives.

Chorley Council

The current Chief Executive also undertakes the role of Statutory Finance Officer which was taken into account together with the range of other responsibilities and market rates, when determining the salary.

In addition the current Chief Executive is responsible for the following services:

- Assurance

The Chief Executive will also take on the role of Returning Officer for any Local, National and European elections, payment for which will be in accordance with the statutory calculation.

Any fees earned through the role of Chief Executive or in respect of intellectual property gained through the role of Chief Executive would be payable to the Council. Furthermore the Chief Executive would not normally be entitled to undertake any other gainful employment.

Professional fees where membership of a particular professional organisation is required by the Chief Executive to carry out the full role of the post will be reimbursed. The current Chief Executive is reimbursed for membership of the Chartered Institute of Public Finance which is required for the role of Statutory Finance Officer.

Comparison of the Chief Executive salary level to the median salary level within Chorley Council (required under the Localism Act 2011). The median figure excludes casual employees who are only employed on an ad hoc or occasional basis.

Chief Executive Salary (including lease car contribution)	Median salary (SCP 25)	Ratio
£112,500	£23,836	1:4.7

Deputy Chief Executive/Director (Early Intervention and Support)
Prior to the appointment of any Director full council will determine the salary of the post to be advertised. Appointment to the post is undertaken by the Chief Officer Appointment Panel, the membership of which is agreed annually by full council, and the panel would make a recommendation to appoint which must then be approved by full council.

The level of salary for the Deputy Chief Executive/Director (Early Intervention and Support) is a single spot salary of £87,684, which is inclusive of the 7.5% Director's Car Lease Scheme contribution if this benefit is taken.

This amount reviewed in accordance with any pay award settlement for Chief Officers, though not necessarily increased in line with any award. As this figure is a single spot point there is no incremental progression. However, the rate of pay would be reviewed in light of any national agreements relating to pay awards under the Chief Officers Conditions of Service.

The level of pay for the Deputy Chief Executive/Director (Early Intervention and Support) was set with regard to:

- The wide range of functions which the Deputy Chief Executive/Director (Early Intervention and Support)is responsible for.
- Market analysis of similar posts within other local authorities.
- Deputising function for the Chief Executive.

Chorley Council

Should the Deputy Chief Executive/Director (Early Intervention and Support) or the other Directors detailed below participate in any of the electoral processes, then a relevant payment would be made, from monies received for carrying out elections, depending upon the role which they undertook.

Any fees earned through the role of Deputy Chief Executive/Director (Early Intervention and Support) or the other Directors detailed below or in respect of intellectual property gained through their role of Director would be payable to the Council. Furthermore the Deputy Chief Executive/Director (Early Intervention and Support) or the other Directors detailed below would not normally be entitled to undertake any other gainful employment.

Professional fees where membership of a particular professional organisation is required by the Director to carry out the full role of the post will be reimbursed. Currently the Deputy Chief Executive/Director (Early Intervention and Support) or the other Directors detailed below are not reimbursed for any professional fees.

Comparison of the Deputy Chief Executive/Director (Early Intervention and Support)salary level to the median salary level within Chorley Council (required under the Localism Act 2011). The median figure excludes casual employees who are only employed on an ad hoc or occasional basis.

Deputy Chief Executive/Director (Early Intervention and Support)Salary (including lease car contribution)	Median salary (SCP 25)	Ratio
£87,684	£23,836	1:3.7

Director (Policy and Governance)
Director (Customer and Digital)
Director (Business, Development and Growth)

Prior to the appointment of any Director full council will determine the salary of the post to be advertised. Appointment to the post is undertaken by the Chief Officer Appointment Panel, the membership of which is agreed annually by full council, and the panel would make a recommendation to appoint which must then be approved by full council.

The level of salary for all the Directors is a single spot salary of £73,556 which is inclusive of the 7.5% Director's Car Lease Scheme contribution if this benefit is taken.

This amount reviewed in accordance with any pay award settlement for Chief Officers, though not necessarily increased in line with any award. As this figure is a single spot point there is no incremental progression. However, the rate of pay would be reviewed in light of any national agreements relating to pay awards under the Chief Officers Conditions of Service.

The level of pay for the Directors was set with regard to:

- The wide range of functions which the Directors are responsible for.
- Market analysis of similar posts within other local authorities.

Chorley Council

Comparison of the Directors salary levels to the median salary level within Chorley Council (required under the Localism Act 2011). The median figure excludes casual employees who are only employed on an ad hoc or occasional basis.

Director Salary (including lease car contribution)	Median salary (SCP 25)	Ratio
£73,556	£23,836	1:3.1

Head of Legal, Democratic & HR Services (Monitoring Officer)

The level of salary for The Head of Governance is paid in accordance with the National Pay Spine as detailed within paragraph 2 of the Procedure, and was evaluated using the Single Status Job Evaluation Scheme, at PO Scale K (£52,425 to £54,281). Appointment would normally be at the bottom of the grade with incremental progression based upon annual increases until the maximum of the grade is reached.

In addition The Head of Governance is entitled to participate in the Council Car Lease Scheme which provides for a maximum of 7.5% of salary (£3,912) towards the cost of a lease car.

Should the Head of Legal, Democratic & HR Services participate in any of the electoral processes, then a relevant payment would be made, from monies received for carrying out elections, depending upon the role which was undertaken.

Any fees earned through their role of Head of Legal, Democratic & HR Services or in respect of intellectual property gained through the role of Head of Governance would be payable to the Council. Furthermore the Head of Legal, Democratic & HR Services would not normally be entitled to undertake any other gainful employment.

Professional fees where membership of a particular professional organisation is required by the Head of Legal, Democratic & HR Services to carry out the full role of the post will be reimbursed. The current Head of Legal, Democratic & HR Services is reimbursed for, his Practising Certificate to enable him to act as a solicitor, and membership of the Association of Council Secretaries and Solicitors, to enable the effective discharge of monitoring officer duties.

Comparison of the Head of Legal, Democratic & HR Services salary level to the median salary level within Chorley Council (required under the Localism Act 2011). The median figure excludes casual employees who are only employed on an ad hoc or occasional basis.

Head of Legal, Democratic & HR Services (including lease car contribution)	Median salary (SCP 25)	Ratio
£54,281	£23,286	1:2.3

Chorley Council

4. OTHER CONDITIONS RELATING TO SENIOR MANAGEMENT AND OTHER EMPLOYEES

Pension Arrangements

All permanent and temporary employees, including senior management, are entitled to join the Local Government Pension Scheme if they so wish. No alternative options are available should employees not wish to join the scheme.

Enhancements to employee's pension entitlements will not normally be provided for any Council employee, unless there are exceptional circumstances.

Officers on Chief Officer terms and conditions have the option to opt out of the pension scheme and take the employers contributions as additional salary.

Performance Related Pay

Chorley Council does not have any scheme relating to performance related pay for any employees including Senior Management.

Bonuses

Chorley Council does not have any schemes relating to the payment of bonuses for any employees including Senior Management, and therefore none are received.

Payments on the termination of employment

An employee being made redundant would receive a payment in accordance with the Council's Redundancy Policy which is applicable to all permanent and temporary employees. Payments are based upon the statutory redundancy ready reckoner and the employee's actual weekly wage with no automatic further enhancements to redundancy payments. Additional payments may be considered in exceptional circumstances.

Senior Managers returning to Chorley Council

The Relevant Appointment Panel would consider applications from former Senior Managers of either Chorley Council or another local authority who received either a redundancy payment or who was in receipt of a Local Government Pension, to determine whether it would be appropriate to appoint them to a Senior Management post within Chorley Council.

Professional Subscriptions

A number of employees are members of professional organisations in connection with their employment at the Council though membership is not essential to enable them to undertake their duties on behalf of the Council. Therefore, it is the policy of the Council to only pay for an employee's subscription to a professional organisation where they have a statutory responsibility.

Other Benefits

Chorley Council pays for all employees including the senior managers detailed within this policy, to have level 1 access to a Health Care Plan, if they so wish. For all those employees participating in the scheme the value of the benefit is £52 per employee per annum. Anyone

Chorley Council

wanting to increase the level of cover, or include partners or spouses on the Health Care Plan must pay any additional premium themselves, through their salary.

5. LOWEST PAID EMPLOYEES

Lowest Paid Employees

At a meeting of the Council on the 8th January 2013, Chorley Council adopted the "Living Wage Foundation" rates for all its employees, excluding apprentices (see below), to address the issue of low pay. The Living Wage Foundation, which is a national body, established and annually updates what it considered to be a "living wage" which is an hourly rate and is currently £9.00 for outside London. The rate is set by the Centre for Research in Social Policy and is based upon what it considers to be the basic cost of living to provide a minimum income standard. This compares with the National Living Wage which is currently £8.21 per hour for employees aged 25 and over.

Both hourly rates appertaining to Scale 1 (£8.20 and £8.37 are below the National Living Wage, which now falls within the scale 2 of the national pay structure (see table below). Work was undertaken by the Council in light of its commitment to the Living Wage Foundation rates, to redesign existing scale 1 posts to give them greater responsibilities which subsequently meant that they were re-evaluated under the national scheme detailed previously, to scale 2. Therefore all posts within Chorley Council, excluding apprentices, are paid at scale 2 as a minimum.

Salary range for Scale 2

Point	Annual salary	Hourly rate
13	£18,426	£9.75
14	£18795	£9.94

Progression through the grade is by annual increments until the maximum of the scale is reached.

The bottom of scale 2 is higher than the current Living Wage Foundation rate of £9.00 per hours, but this does give some headroom for future increases to the rate which is generally greater than increases to the National Living Wage rate.

Apprenticeships

There are a number of apprentices currently employed by Chorley Council, within Streetscene, Leisure and Customer, Services. With effect from 1st April 2014 the Council agreed that apprentices should receive the current National Minimum Wage relating to their age. With effect from 1st April 2019 the new minimum wage rates are detailed below:-

Under 18	£4.35 per hour
18 - 20	£6.15 per hour
21 - 24	£7.70 per hour
25 and over	£8.21 per hour

Chorley Council

Apprenticeships are usually employed for a fixed period of 2 years. It is difficult to ascertain the exact cost of the minimum wage for all apprentices as it depends upon the age profile and date of birth of the apprentices at any given time, as the rate can vary by up to £3.86 per hour.

6. GENDER PAY INFORMATION

This information is published in compliance with the The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 and relates to the 31 January 2018.

Average hourly rates of pay for male and female employees (Regulations 8 and 9):

	Male	Female	Difference
Mean hourly rate	£14.13	£14.76	4.4%
Median hourly rate	£12.25	£13.12	7.1%

Bonus payments made to male and female employees (Regulations 10, 11 and 12):

This information is not reported as bonuses are not paid to any employee of Chorley Council.

The proportions of male and female employees in the lower, lower middle, upper middle and upper quartile pay bands:

	Male	Female
Lower quartile	59.3%	40.7%
Lower middle quartile	52.4%	47.6%
Upper middle quartile	46.3%	53.7%
Upper quartile	47.6%	52.4%

7. OVERTIME PAYMENT ARRANGEMENTS

A number of recent Tribunal decisions have established the principle that employees should not be deterred from taking annual leave by being worse off for being on leave than if they had been in work. This primarily relates to overtime payments not being taken into account when calculating holiday pay, and employees just receiving their basic pay regardless of the level or regularity of overtime undertaken.

Advice from ACAS is that “Workers should usually receive the same pay while they are on annual leave as they normally receive while they are at work” and go on to say that “All types of overtime, including voluntary, must be included when calculating a worker's statutory holiday pay entitlement, apart from overtime that is only worked on a genuinely occasional and infrequent basis.”

http://www.acas.org.uk/index.aspx?articleid=4109

Chorley Council

The requirement to recognise overtime when calculating holiday pay, however, only applies to the 4 weeks of annual leave required by the EU Working Time Directive. It would be impractical to determine what overtime is regular and therefore should be reflected in holiday pay, in light of the resources required to monitor this, the lack of any legal definition as to what constitutes regular overtime and that this approach may encourage employees to undertake unnecessary overtime to establish a level of regularity.

Therefore an additional 7.69% is added to overtime payments to accommodate the requirement to reflect overtime in holiday pay calculations for the 4 weeks of annual leave required by the EU Working Time Directive.

It is anticipated that this proactive approach avoids claims for back pay and should be taken in the context of a continuing review of the levels of overtime to look at ways where overtime costs may be reduced.

It is not proposed that standby payments are similarly enhanced, as arrangements to undertake standby are rostered around annual leave. Therefore employees do not suffer any detriment as a result of taking annual leave.

Should there be subsequent case law which impacts upon this issue then we would reviewed the measures and potentially implement alternative arrangements.

Subject to agreement it is intended to implement the new arrangements for all overtime worked from the 1st April 2018. Unison have already been informed of the basis of the proposals (subject to agreement) and all staff would be written to informing them of the changes prior to implementation

8. COMPLIANCE

It is the responsibility of the Council's Human Resources Services Manager to ensure that the Pay Policy is adhered to and is required to report any deviation from the Policy to the Leader of the Council.

9. PUBLICATION

This policy will be published on the Chorley Council website as soon as possible after it has been approved by full council.

10. GLOSSARY OF TERMS

Chief Officer Appointment Panel - Member Panel appointed annually at full Council

Head of Paid Service – Statutory Officer appointed in accordance with section 4 of the Local Government and Housing Act 1989. The Chief Executive and Senior Officer at the Council with responsibility for co-ordinating and organising council business and ensuring proper management of staff.

Monitoring Officer – Statutory Officer appointed in accordance with section 5 of the Local Government and Housing Act 1989. The officer with responsibility for ensuring the legality of the Councils actions.

Returning Officer – Statutory Officer appointed in accordance with section 35 of the Representation of the People Act 1983. The RO has responsibility for the conduct of Council elections. The role is an independent statutory function which is appointed to by, but sits separate to the Council. The Constitution appoints the Chief Executive as RO.

Statutory Finance Officer - Statutory Officer appointed in accordance with section 151 of the Local Government Act 1972. The officer with responsibility for the proper administration of the Council's financial affairs.

Chorley Council

NJC FOR LOCAL GOVERNMENT SERVICES
PAY SCALES 01/04/2018 TO 31/03/2019

SCALE 1			SCALE 2		
SCP	Annual Salary	Hourly Rate	SCP	Annual Salary	Hourly Rate
11	17007	8.9976	**13**	17391	9.2007
12	17173	9.0854	**14**	17681	9.3541

SCALE 3			SCALE 4		
SCP	Annual Salary	Hourly Rate	SCP	Annual Salary	Hourly Rate
15	17972	9.5081	**19**	19446	10.2879
16	18319	9.6917	**20**	19819	10.4853
17	18672	9.8784	**21**	20541	10.8672
18	18870	9.9832			

SCALE 5			SCALE 6		
SCP	Annual Salary	Hourly Rate	SCP	Annual Salary	Hourly Rate
22	21074	11.1492	**26**	23866	12.6263
23	21693	11.4767	**27**	24657	13.0448
24	22401	11.8513	**28**	25463	13.4712
25	23111	12.2269			

SO1			SO2		
SCP	Annual Salary	Hourly Rate	SCP	Annual Salary	Hourly Rate
29	26470	14.0040	**32**	29055	15.3716
30	27358	14.4738	**33**	29909	15.8234
31	28221	14.9303	**34**	30756	16.2715

PRINCIPAL OFFICER					
SCP	Annual Salary	Hourly Rate	SCP	Annual Salary	Hourly Rate
33	29909	15.8234	**51**	46632	24.6708
34	30756	16.2715	**52**	47592	25.1783
35	31401	16.6127	**53**	48570	25.6958
36	32233	17.0529	**54**	49520	26.1984
37	33136	17.5306	**55**	50487	26.7103
38	34106	18.0438	**56**	51398	27.1920
39	35229	18.6379	**57**	52307	27.6731
40	36153	19.1268	**58**	53216	28.1542
41	37107	19.6315	**59**	54127	28.6359
42	38052	20.1314	**60**	55036	29.1170
43	39002	20.6340	**61**	55946	29.5981
44	39961	21.1414	**62**	56855	30.0792
45	40858	21.6159	**63**	57766	30.5609
46	41846	22.1386	**64**	58675	31.0420
47	42806	22.6465	**65**	59585	31.5237
48	43757	23.1497	**66**	60494	32.0042
49	44697	23.6470	**67**	61404	32.4859
50	45659	24.1561			

PO-A 33-36	PO-E 38-41	PO-I 50-52	PO-M 62-64
PO-B 34-37	PO-F 40-43	PO-J 53-55	PO-N 65-67
PO-C 35-38	PO-G 43-46	PO-K 56-58	
PO-D 36-39	PO-H 46-49	PO-L 59-61	

Chorley Council

Implementation of the National pay structure for 2019/20
(following incremental progression where applicable)

Grade	SCP as at 01/04/2019	New SCP assimilated to	2019/20 (£)
SCALE 2	13	4	18426
	14	5	18795
SCALE 3	15	5	Not used for scale 3
	16	6	19171
	17	6	19171
	18	7	19554
SCALE 4	19	8	19945
		9	20344
	20	10	20751
	21	11	21166
SCALE 5	22	12	21589
		13 (Not active)	22021
	23	14	22462
	24	15	22911
		16 (Not active)	23369
	25	17	23836
SCALE 6		18 (New)	24313
	26	19	24799
	27	20	25295
		21 (Not active)	25801
	28	22	26317
SO1	29	23	26999
	30	24	27905
	31	25	28785
SO2	32	26	29636
	33	27	30507
	34	28	31371
PO grades	33	27	30507
	34	28	31371
	35	29	32029
	36	30	32878
	37	31	33799
	38	32	34788
	39	33	35934
	40	34	36878
	41	35	37849
	42	37	38813
	43	37	39782
	44	38	40760
	45	39	41675
	46	40	42683
	47	41	43662
	48	42	44632

Chorley Council

Grade	SCP as at 01/04/2019	New SCP assimilated to	2019/20 (£)
	49	43	45591
	50	44	46572
	51	45	47564
	52	46	48543
	53	47	49541
	54	48	50510
	55	49	51497
	56	50	52425
	57	51	53353
	58	52	54281

Chorley Council

APPENDIX K

Report of	Meeting	Date
Chief Finance Officer	Special Council	26 February 2019

REPORT OF THE CHIEF FINANCE OFFICER

PURPOSE OF REPORT

1. To provide advice to the Council as required under s25 of the Local Government Act 2003.

RECOMMENDATION(S)

2. The Council are recommended to note the Chief Finance Officer's comments and advice under Section 25 of the Local Government Act 2003 as set out in this report and have regard to it when considering the budget proposals for 2019/20.

EXECUTIVE SUMMARY OF REPORT

3. This report is required by statute and the Chief Finance Officer should report to members the robustness of the budget estimated including how they have been constructed and the assumptions that underpin them. In addition the Chief Finance Officer must report to members the adequacy of the proposed financial reserves.

4. This report outlines the key assumptions and risks contained in the budget and identifies that over time working balances will be increased to mitigate some of those risks.

5. The Final Local Government Finance Settlement 2019 was published on 29 January 2019. Chorley Council has benefitted from becoming a member of the Lancashire Business Rates Pilot as well as not incurring £156k of negative RSG as previously proposed by the Government. In addition, the Government did not increase the deductions from New Homes Bonus allocations that were proposed as part of the provisional settlement.

6. The government has recently announced an end to austerity however it is my view that the Government will have to reduce funding from district councils and transfer some to upper tier authorities, many of which are struggling to fund adult social care and children's services. In addition, further funding is required to meet the increasing demand for NHS services. It is therefore my view that the increased funding made available to the council in 2019/20 may be a one-off and the results of the fair funding review will mean a reduction in funding for the council in 2020/21 onwards.

7. In terms of the 2019/20 budget once again all key budgets have been reworked to align with expected outturn for 2018/19 and therefore reflect the ongoing cost of delivering the current levels of service. The budget contains expenditure savings targets and increased budgeted income. All expenditure savings included in the 2019/20 budget have been achieved or will be achieved before the end of 2019/20.

8. There continues to be income targets contained within the budget; these are based upon contractual agreements or have been realigned to reflect the latest performance information. A fees and charges report was approved by Executive Cabinet on 17 January 2019 that included increases in some of the charges the council makes for its services. A prudent estimate of £100k increased income has been brought into the budget for 2019/20 onwards. Market Walk will continue to be the council's biggest income generator in terms of fees and charges. There has been an increase in voids in 2018/19 and a fall in some rental levels. The shopping centre however continues to generate £900k net income annually for the council but to mitigate some of the risks to income, revenue budgets are being set aside into an equalisation account to be used should rental targets not be achieved. The balance in the income equalisation reserve will be £440k in 2019/20.

9. The forecast is that the budget will be balanced in 2019/20 and that the Council's general fund balances will be £4.0m. Large risks to the revenue budget include the new revenue generating capital projects that are opening in 2019 as well as the local NHS hospitals outstanding challenge for mandatory rate relief. In addition, funds continue to be set aside as earmarked reserves in 2019/20 that will:

   - help enable the council to implement the Transformation Strategy and resultantly the budget strategy included in the MTFS
   - help mitigate some of the risks within the current and proposed new business rates system.

10. Key risks remain, in particular the forecasting of business rate receipts in 2020/21 onwards. The council will benefit from being a member of the Lancashire Business Rate Retention Pilot in 2019/20. However the 2020/21 75% retention scheme may not resemble the 2019/20 pilot scheme. As such the benefit in 2019/20 will be treated as a one-off and only growth that is achieved in the business rates base will be built into the base budget. There is zero percent growth assumed in the short to medium term period.

11. For the first time the council is required to submit a Capital Strategy that demonstrates that the council's capital expenditure and investment decisions are taken in line with corporate objectives and take account of stewardship, value for money, prudence, sustainability and affordability. I am satisfied the report, Appendix H to the main budget report, provides this assurance to members and outlines what the strategic intent is for the council over the medium to long-term.

12. Having reviewed the underlying assumptions and commented on the position in relation to key risks and working balances I am satisfied that the budget assumptions are reasonable, the key financial risks have been considered and the budget is deliverable.

13. Further analysis of the risks to revenue and capital budgets are analysed at the end of this report.

Confidential report Please bold as appropriate	Yes	**No**

CORPORATE PRIORITIES

14. This report relates to the following Strategic Objectives and to the Council's ability to deliver its corporate plan whilst ensuring a balanced budget is achieved. The MTFS sets out how Council resources will be used to deliver those priorities.

Involving residents in improving their local area and equality of access for all	✓	A strong local economy	✓
Clean, safe and healthy communities	✓	An ambitious council that does more to meet the needs of residents and the local area	✓

BACKGROUND

15. Under the requirements of Section 25 of the Local Government Act 2003 the Chief Finance Officer is required to advise members when setting the budget as to the robustness of the estimates and the adequacy of working balances.

THE ROBUSTNESS OF ESTIMATES

16. In terms of the budget proposals, once again in 2019/20 a thorough reassessment of the budgets has been undertaken by budget holders, service managers and directors and their accountants based upon the latest information available. In terms of the key assumptions contained particularly in the 2019/20 budget these are shown in the main budget report but are summarised for convenience below

KEY ASSUMPTIONS

17. The table below shows the key assumptions made in forecasting forward the Council's financial position.

Key Assumptions	2019/20	2020/21	2021/22
Growth in Council Tax Base	1.42%	1.50%	1.50%
Council Tax Increases	2.99%	2.00%	2.00%
Growth in Retained Business Rates	0%	0%	0%
New Homes Bonus Baseline Adjustment	0.4%	0.4%	0.4%
Total Forecast New Homes Bonus	£2.790m	£2.196m	£2.097m
Future Service Pension Rate	14.4%	17.1%	17.1%
Additional Business Rates - Lancashire Pool	(£0.676m)	£0.000m	£0.000m
Additional Business Rates - Lancashire Pilot	(£0.360m)	£0.000m	£0.000m
Income from LCC	(£0.236m)	(£0.096m)	(£0.096m)
Pension Fund Deficit Recovery	£0.966m	£0.781m	£0.831m
Pay Award	2%	2%	2%

In terms of the key assumptions I would make the following comments to confirm their validity:-

COUNCIL TAX INCREASES

18. Taking into consideration the reductions in funding the council is expecting to experience in 2020/21 to 2021/22 the administration is proposing to increase council tax by 2.99% in 2019/20. As well as this the MTFS models the forecast impact of a 2.00% council tax increase in 2020/21 and 2.00% in 2021/22. As the council tax charge is decided annually it will be for the council to determine if any actual increases are implemented. A prudent 1.5% expansion of the council tax base, excluding council tax increases, is being assumed. This growth is lower than has been experienced in most of the previous years and although it is expected that housing expansion will slow, it is still expected that council tax yield will be greater than budgeted.

REDUCTION IN GRANT SETTLEMENT AND BUSINESS RATES RETENTION

19. With the elimination of RSG, the forecasting of business rates income remains the key funding risk to the council in 2020/21 onwards. The council will benefit from being a member of the Lancashire Business Rate Retention Pilot in 2019/20. However the 2020/21 75% business rates scheme may not resemble the pilot scheme. The final

Government scheme may for example provide more of the retained rates to upper tier authorities. The new scheme may also build in New Homes Bonus allocations and the look to remove it over the short term, this is a large risk to the council as NHB allocations stands at approximately £2m per year.

20. The budget report explains the volatile nature of this particular core income stream and why accurate forecasting of future receipts is problematic. The income levels contained within the retained business rates budget are based upon a set of assumptions that may impact on the total amount collected in future years, in particular the outcomes within the appeals process.

21. The council holds a provision to mitigate the impact that appeals have on the business rates collection fund, including the backdated impact on the council's resources. It is possible that any slowdown experienced as a result of Brexit could result in businesses appealing against their rateable value. The current provision has been increased by £1.2m to £2.9m which represents 4.7% of Chorley Councils annual business rates liability and is comparable with other district council provision. Growth in business rates may be offset by losses on appeals and for this reason I am building no estimated growth into any future years forecast which I believe is a prudent approach.

22. A large risk associated with business rates income relates to two applications for mandatory charitable relief received from Lancashire Teaching Hospitals NHS Foundation Trust. If successful the application would be backdated to 2010 and therefore have a significant negative impact on the Council's revenue budget. A headline figure is a potential £2.4m impact on the Council's general fund and an approximate £280k further reduction in ongoing retained business rates. At present, as per advice from Local Government Association legal advisors, I have assumed this request for relief will not be granted. However I am confident the Council has sufficient general fund balances to deal with the risk posed from these applications.

NEW HOMES BONUS

23. The deadweight adjustment has not been changed in 2019/20 but the Government has not ruled it out for 2020/21 onwards. In order to be prudent I have modelled a reduction in NHB based upon a lower growth in housing stock. The larges risk to NHB is that it is built into the 2020/21 business rates baseline calculation and removed from the council's funding streams in the short to medium-term. NHB allocations total nearly £1bn across all councils. As such, it is assumed that a transitional arrangement will be introduced to help council's manage reductions in funding.

BORROWING

24. In December 2018 £6m of PWLB borrowing was taken to ensure the council managed its cash balances whilst mitigating against potential increases in future interest rates The assumption built into the 2019/20 forecast is that the internal cash balances will not be sufficient to manage the cash flow requirements of the council, especially as the council continues to invest in large scale capital projects. It has been assumed that the council will borrow £20m in early 2019/20.

25. So long as the internal cash position remains positive the council will temporarily continue to internally finance some of the debt required rather than borrow. The rationale for this approach is that the interest earned on deposits is significantly less than borrowing costs and in treasury management terms is financially advantageous to the council. However I need to be able to respond to what happens in the financial markets and as borrowing rates fluctuate be able to react. If rates are forecast to change it will be appropriate to take on some additional borrowing. For this reason, although I have built in some savings, I have also left some headroom for in year borrowing.

PENSION FUND CONTRIBUTIONS

26. As part of a triennial pension review the Lancashire County Pension Fund (LCPF) announced an increase in employer pension contributions for 2017/18 to 2019/20 to meet the future costs of the scheme. The contributions have increased from 11.1% to 14.4% resulting in an increase in the council's contribution of approximately £250k per annum. It is assumed that contributions will increase again to 17.1% in 2020/21 as per the provisional advice from the pension fund.

27. The pension deficit recovery period is assumed to be made over 19 years however Chief Finance Officer's in Lancashire have raised queries to the LCPF as the pension fund as a whole is now fully funded. Chorley Council's element of the fund is still in deficit however the contributions should fall. To be prudent I have assumed any increased cost from rises in the contribution rate will be offset by reductions in the contribution to the deficit.

PAY AWARD

28. A final settlement pay settlement has been agreed and built into the 2019/20 budget. Similar pay increased have been assumed in 2020/21 onwards with higher increases for those on lower salaries.

MEDIUM TERM FINANCIAL STRATEGY

29. The MTFS sets out the Council's plans to bridge the funding gap as summarised below:

Chorley Borough Council Transformation Programme

	2019/20 £m	2020/21 £m	2021/22 £m
Adjusted Budget Deficit/(Available Resources)	**(0.575)**	**1.196**	**1.672**
Contract Savings			
Leisure Centre Management (expires October 2020)	-	(0.217)	(0.446)
Income Generation			
Market Walk Extension	(0.125)	(0.300)	(0.300)
Strawberry Fields Digital Hub	-	(0.139)	(0.174)
Primrose Gardens Residential Village	-	(0.006)	(0.014)
Parking Income	-	(0.180)	(0.180)
Employment Sites	-	-	(0.200)
Total Income Generation	**(0.125)**	**(0.625)**	**(0.868)**
Efficiency Savings			
Efficiency Savings	(0.085)	(0.355)	(0.358)
Adjusted Budget Deficit/(Available Resources)	**(0.785)**	**0.000**	**0.000**
Commercialisation of Council Owned Assets	0.485	-	-
Support for Local Businesses & Corporate Priorities	0.300	-	-
Final Budget Deficit/(Available Resources)	**0.000**	**0.000**	**0.000**

30. The strategy shows that broadly speaking the administration will attempt to bridge the gap by generating efficiency savings and additional income of £1.672m. Based upon the analysis of risk I have undertaken this is not unrealistic but it will require the council to ensure the income generation projects are brought forward as quickly as possible ensuring that they generate the required returns.

31. Investing in income generating schemes is forecast to generate the Council £868k of additional income. It is recognised that this will require significant early expenditure and this is why the Council has set aside £700k in an earmarked reserve specifically for investment in income generating projects. New posts have been recruited and external expertise commissioned to drive forward the expansion of income generation, this includes the development of council owned employment sites that were acquired in 2016/17.

32. The level of income modelled within the income generating projects assumes a gradual increase in occupancy rates. The occupancy rates are ambitious but not unrealistic given the interest already received at Primrose Gardens and Strawberry Fields especially. Further analysis of the risks associated with these investments is given in Appendix H to the 2019/20 budget report.

LEVELS OF WORKING BALANCES

33. The 2017/18 MTFS indicated that working balances should be no less than £4.0m by 2018/19. This level was based upon risk contained in the budget particularly around:
    - the volatility in the funding system in relation to business rate retention
    - possible re-profiling of savings and income generation proposals into future years
    - risk of loss of deposits should a future banking crisis occur

34. In relation to the Treasury Strategy, individual deposit levels were increased to £3m to enable better rates to be accessed, but investments of up to £4m can be placed with part-nationalised UK financial institutions. One of the lessons for Councils who were affected by the Icelandic banking crisis was that they should at least have the minimum level of working balances to cover any potential loss of deposits should a banking crisis occur. For this reason I think it appropriate to keep working balances to a minimum of £4m.

35. There are risks to revenue budgets surrounding the major capital projects that will begin to generate income in 2019/20. These include the possibility that occupancy rates for Market Walk Extension, Strawberry Fields or Primrose Gardens are lower than budgeted in the MTFS. In addition to this, there continues to uncertainty surrounding the United Kingdom's withdrawal from the EU. Further analysis is provided in Appendix F to this report. I deem the general balances of £4m is prudent given these risks.

IMPLICATIONS OF REPORT

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

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

COMMENTS OF THE STATUTORY FINANCE OFFICER

37. These are contained within the report.

COMMENTS OF THE MONITORING OFFICER

38. The report is designed to ensure that the relevant legislation is complied with in terms of Statutory Officer advice.

GARY HALL
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gary Hall	5151	13/02/2019	

RISKS TO MEDIUM TERM FINANCIAL STRATEGY

The Medium Term Financial Strategy outlines how the Council will achieve its corporate strategy priorities whilst recognising the budgetary pressures it will experience over the coming 3 years. Within the strategy are a number of risks that are outlined below.

RISKS TO REVENUE BUDGET

HIGH RISK

75% Business Rates Retention
The government continues its ambition to implement a new 75% business rates retention scheme for all local authorities by 2020/21. The current pilot is expected to benefit the council in terms of retaining more NDR income. However the final scheme will differ predominately for two reasons:

- The current pilot uses historic baseline funding levels; however the result of the government's fair funding review will see this baseline adjusted with the potential for Chorley Council to receive less of its retained NDR income.
- The government may introduce a less favourable split between lower and upper tier authorities (in the current pilot 56%/17.5% lower/upper split) meaning more of Chorley Council's retained business rates income is paid to LCC
- It may be that New Homes Bonus (NHB) is brought into the baseline calculation and removed in the short to medium term. Chorley Council receives £2m per annum in NHB which is relatively large given its total budget. Removing this grant represents a large risk to the council however it is assumed that if the grant were removed the Government would have to introduce some transitional funding arrangements.

The government is consulting about the reforms due to be implemented in 2020/21, and there is a deadline for responses of 21 February 2019.

NHS Request for Mandatory Relief
A large risk associated with business rates income relates to two applications for mandatory charitable relief received from Lancashire Teaching Hospitals NHS Foundation Trust. If successful the application would be back dated to 2010 and therefore have a significant impact on the council's revenue budget. A headline figure is a potential £2.4m impact on the council's general fund and a further c£280k reduction in ongoing retained business rates. The LGA is representing affected councils nationwide and retain the view that NHS trusts and foundation trusts are not charities and therefore not eligible for mandatory non domestic rate reliefs.

MEDIUM RISKS

Business Rates Appeals and Other Business Rates Adjustments
The Council's provision for business rates appeals stood at £1.65m at the beginning of 2018/19. During the year there has been approximately £400k of successful backdated appeals charged to the provision.

In April 2017 a new business rates appeal process has been introduced called 'Check, Challenge and Appeal'. The benefit of the multi-stage process is that it requires businesses to complete its own 'Check' and therefore should discourage speculative appeals. To date there has been no successfully challenged appeal reported by the VoA against the 2017 list. The VoA has focussed on clearing the backlog of prior year appeals and so it is prudent to assume more appeals will be coming through from the 2017 list in 209/20.

The budget for 2019/20 includes a provision of £2.9m. This is deemed sufficient to meet the potential successful appeals that may transpire from the outstanding list.

Pay Inflation
The MTFS includes an estimated 2% pay increase from 2019/20 onwards with significantly higher pay increases for staff on lower spinal points. In addition the effects of the national review of the National Joint Committee (NJC) pay spine have been brought into the budget. Chorley Borough Council is a member of the Living Wage Foundation and therefore pays a higher rate than the required national minimum wage.

The local government trade unions have accepted the 2019/20 pay offer from employers. Chorley Council has modelled for a 2% pay increase year on year over the MTFS period. Every 1% increase in pay increases council expenditure by £120k.

New Major Projects
The assumptions in the revenue budgets relating to the council's major capital projects are outlined in the Capital Strategy report. The income profile for these projects estimates a total of £2.5m income by 2021/22. The revenue models for these projects include a gradual increase in occupancy rates, these assumptions are ambitious but not unachievable given the interest the council currently has in filling these units. However there remains a risk that slower than budgeted occupancy will impact on the revenue budget. This will be managed through the in-year budget and through the general fund.

Universal Credit
The Government is consolidating a number of welfare benefits into a revised Universal Credit Scheme. One of these is housing benefit which is currently administered by the Council. Universal credit will be managed by the Department of Work and Pensions. The full scheme was rolled out in Chorley in July 2018 however take up has been slow. There is the potential risk that bad debts will increase when people move to UC as it becomes more difficult to recover overpayments. This is because the housing benefit element of debt might not have the same priority over other debt recover such as fuel or rent arrears. Currently there has been very little sign up to universal credit however as take-up increases there is a possibility that the council's bad debt provision will need to be increased with a subsequent charge to the general fund.

Delivery of Budgeted Savings and Additional Income
The MTFS includes a number of challenging saving proposals and innovative plans for income generation. Achieving these goals will require a change in organisational culture, enhanced sharing of services across organisations and commercial negotiations. The monitoring and robust challenge of all proposals is overseen by the council's Transformation Board. Risks are reported to senior management team as well as members and actions taken when required. Given the council's increased dependency on generating income there will always be risks that sit outside of the council and are therefore more difficult to manage.

The council's general fund balance of £4m has been set such that potential delays in bringing forward income or generating savings can be temporarily managed within council resources.

LOW RISK

Inflation
The council's expenditure is subject to annual inflation based on indexation that is determined by external stakeholders. Sharp increases in inflation would result in higher day to day expenditure and possible budget overspends. Inflation forecasts from the Office of National Statistics (ONS) have been used to inform the budget over the coming 3 years. This will be reviewed annually to ensure budgets are sufficient to meet inflationary pressures.

Existing Income
The major income streams the council benefits from include car parking, planning as well as commercial income from units the council owns including Market Walk Shopping Centre. Uncontrollable reductions in income could leave services under-funded. The council has been prudent when budgeting for income and there is relative certainty from the income gained through lease of commercial units. There has been £440k set aside to manage any in-year reductions in income from unbudgeted voids at Market Walk and the planning budget has been reduced by £100k to better reflect forecast activity.

Interest Rates
As a result of the capital investment in the borough the council does not hold large cash reserves and therefore changes in the rates on deposits do not represent a large risk to the council. Potential increases in the rate of PWLB borrowing may result in the council taking long-term borrowing earlier to ensure it finances its capital programme at the most economical rate. The Financial Accounts team monitor changes in PWLB rates closely as well as receiving updates from our treasury management specialists. This enables the team to regularly update and advise the Chief Finance Officer.

RISKS TO CAPITAL BUDGET

MEDIUM RISKS

Overspends on Capital Projects
All capital projects are monitored on at least a quarterly basis, with the major capital projects monitored on an ongoing basis by council officers and commissioned external project managers. Any potential overspends are highlighted by the relevant project group or officer and reported to the Chief Finance Officer.

Actions plans are agreed to manage potential overspends and managed by the project officer. If necessary, financing is identified within the capital programme to meet any additional required resources. Changes to the capital programme are reported quarterly to Executive Cabinet. Changes to a capital project between these periods are taken on a separate report to Executive Cabinet or Full Council.

LOW RISK

Insufficient Financing to Delivery Capital Programme
The council continues to have a significant gap between its capital funding requirement and current borrowing levels. As such borrowing is available to the council if funding sources previously allocated to projects no longer become available.

Insolvency of Major Contractor
As part of the tender process the financial standing of each contractor has been thoroughly assessed. These checks are regularly and the council's subscription to a credit check agency provides alerts were the credit status to change.

This page is intentionally left blank

Chorley Council

APPENDIX L

Report of	Meeting	Date
Director (Policy and Governance)	Special Council	26 February 2019

BUDGET CONSULTATION 2019/20

PURPOSE OF REPORT

1. This report provides the Council with the results of the public consultation carried out on the Executive's draft budget investment proposals for 2019/20.

RECOMMENDATION(S)

2. That Members use the results which represent the views of residents, to inform their decisions when setting the budget for 2019/20.

EXECUTIVE SUMMARY OF REPORT

3. Consultation on proposed budget principles for 2019/20 received a total of 476 responses to the online survey and also significant interaction online through social media.

4. The open question format enabled individuals to give detailed feedback on the proposals overall and their views on council investment including the current allocation of £110,000 for the provision of Police Community Support Officers.

5. Content analysis of the comments showed a relatively even distribution of positive, negative and neutral feedback with more positive viewpoints overall. Of the positive comments received to the online survey, the majority support the budget proposals. Second, to overall support for the budget proposals, was positive support for the council tax increase. However, it is worth noting that the council tax increase also featured as the primary negative theme.

6. Analysis of comments in response to investment in PCSO'S also showed fairly balanced feelings with just over half of people responding to say they support the council's continued funding, highlighting the desire for a visible police presence and perceived increase in safety. Nearly as many opposing views indicated that the funding does not provide value for money, instead preferring investment in alternative priorities.

Confidential report Please bold as appropriate	Yes	**No**

CORPORATE PRIORITIES

7. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all	✓	A strong local economy	✓
Clean, safe and healthy communities	✓	An ambitious council that does more to meet the needs of residents and the local area	✓

BACKGROUND

8. The 2019/20 budget consultation process started following approval of the budget position paper by Executive Cabinet on the 17th January 2019, which set out the budget forecast and guiding principles for application of the budget over the next 3 year financial period.

9. The consultation question format set out the key principles of the budget proposals along with a summary of the current context and challenges facing the council in future years. Proposals included:

- Continued investment of approximately £1m that will deliver corporate strategy priorities
- Maintaining and further improving services
- Mitigating the reduction in Government funding by increasing Council Tax by 2.99% in 2019/20 and including a forecast 2% increase in Council Tax in 2020/21 and a further forecast 2% increase in 2021/22 as part of the medium term budget strategy
- Delivering major projects to make the borough a better place to live, work and invest will continue including Strawberry Fields Digital Hub and Primrose Gardens Retirement Village.
- Investing in corporate priorities including extending support for digital skills, community transport and improving local facilities such as playing pitches.
- A budget that is consistent with the Medium Term Financial Strategy.

10. Respondents were asked to review the proposals and provide their comments in response to the budget, with the intention of gaining more qualitative feedback to gain a deeper insight into views and opinions.

BUDGET CONSULTATION RESULTS

11. Consultation on the 2019/20 budget response ran from the 21st January to the 10th of February 2019. The consultation was publicised through a structured digital campaign including 26,029 emails delivered to residents signed up to receive communications via the My Account feature on the council website. The emails received 8,680 unique views (33.34%) and 2,413 link clicks (8.31%). Awareness was also raised through traditional media outlets and local networks including In The Boro, and local newspapers.

12. The formal consultation received 476 qualitative responses through an open-ended question format using two questions, via an online survey which provided detailed feedback. This is a lower level of feedback compared to last year's survey where 780 individuals responded to the online survey which only included one open question. This decline could be due to a number of factors such as the effect of GDPR.

13. As well as completing the online survey, residents were also invited to share their views and comments using social media. From two posts and an advert on Facebook, we received a total of 3,018 post clicks and 203 comments reaching a wide representation of the population. Analysis of Social Media responses is included in this report from paragraph 24.

14. The responses have been collated and analysed to identify the main keywords or phrases and then grouped together based on whether they indicated a positive or negative response to the proposals. A proportion of the comments offered suggestions for improvement or highlighted concerns, rather than a definable positive or negative viewpoint and these have been grouped together as 'neutral' with further analysis by theme. It should be noted that responses often included more than one comment or suggestion, covering more than one area. Where this occurred, the main area of comment was selected.

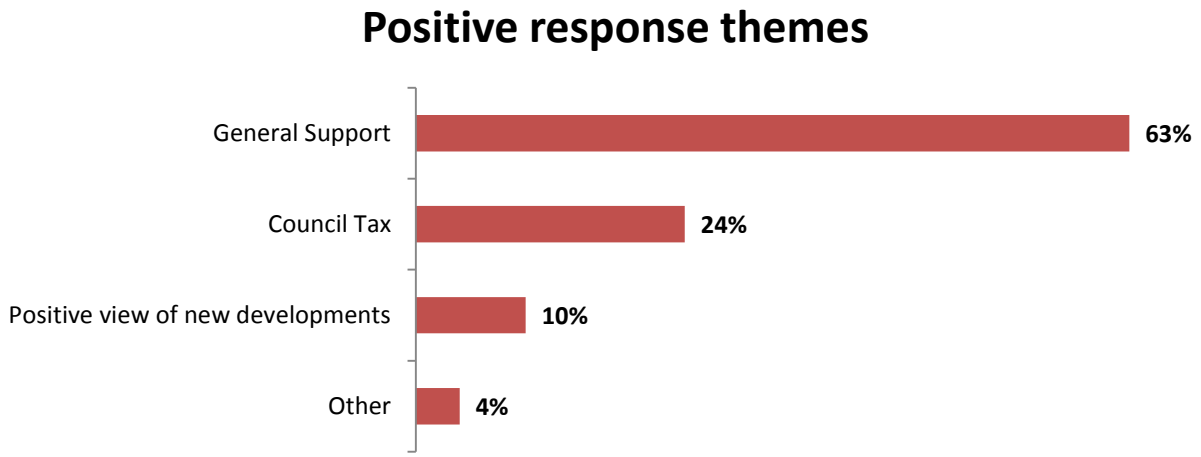
CONSULTATION FINDINGS

15. The following table outlines the distribution of positive, negative and neutral viewpoints from respondents to question 1 which asked for comments on the overall proposals.

Positive view of the proposals	**43.70%**
Neutral point of view	**11.97%**
Negative view of the proposals	**39.71%**
Non-applicable comments	**4.62%**

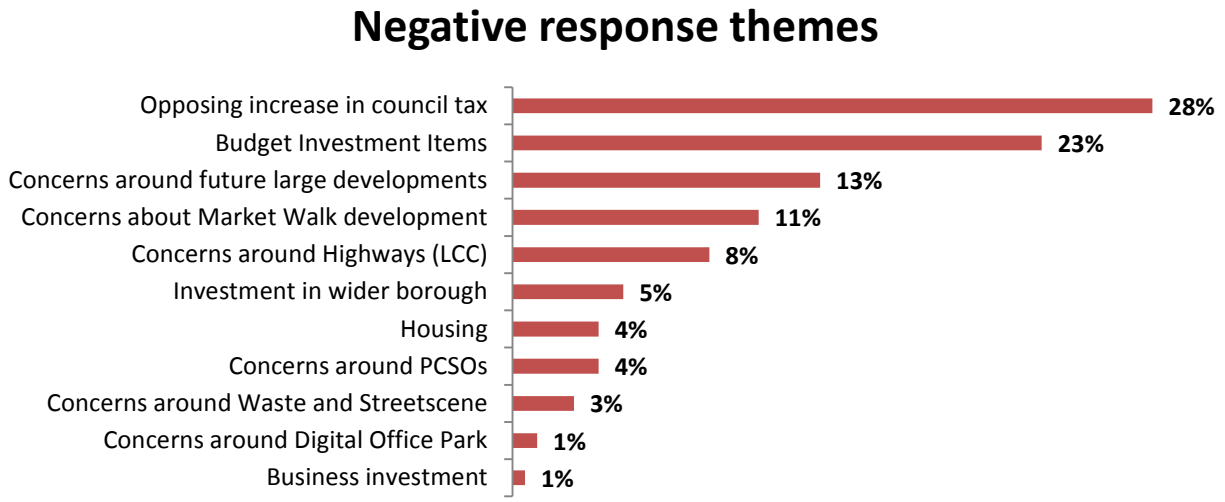
Selections of comments are available at appendix A.

16. Of those comments indicating a positive viewpoint, the following themes can be identified:



17. The majority of positive comments (63%) indicated general acceptance of the proposals, with many stating that they were 'reasonable' and 'fair'. Comments also referenced a positive view of new and current developments with 10% of residents feeling positive towards the new developments within the borough. In addition to this, around 24% accept the rise in council tax it if it meant the proposals are met and services are maintained.

18. Of those comments expressing a negative viewpoint, the following themes can be identified:



19. The majority of negative comments (28%) relate to the increase in council tax. A large number of respondents (23%) have concerns regarding the overall budget investment items and 13% indicated that they would prefer investment in large developments to be directed towards other priorities. In addition to this, concerns were highlighted regarding partner delivered services such as highways (8%) with respondents urging the council to lobby these partner services to operate more efficiently. More detail is included in the table at appendix B which provides a brief note of action being taken or planned by the council for each negative theme.

20. Of those comments expressing a neutral viewpoint and providing comments or feedback, key themes include:

Alternative budget strategies	Suggestions to reduce funding of major developments e.g. Strawberry Fields Digital Office Park and Market Walk.
	Consideration to increase funding for particular service areas e.g. other public services including health services, wellbeing facilities, and children's centres.
	Options to identify further efficiencies through reduced council costs such as councillor funding and staffing costs.
Comments on specific aspects of future developments	Development of Market Walk, clarification of plans for Primrose Gardens Retirement Living, and affordable homes strategy.
Comments on specific aspects of partner services	Concerns regarding partner delivered services, such as highway related issues. There was also confusion present in terms of what services are provided by partners and by Chorley Council, in particular Highways and the funding allocation towards PCSOs.

21. A second open-ended question requested views on the current investment of £110,000 in Police Community Support Officer (PCSO's) and whether this should continue or be put towards other priorities. More detail is included in the table at Appendix C which provides a brief example of comments received for the themes identified.

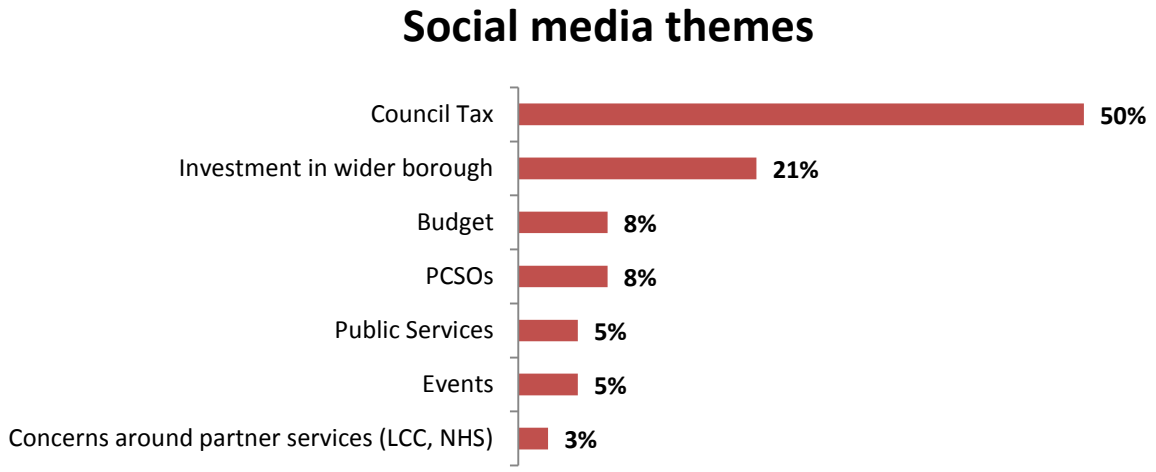
22. Of 244 comments showing support for continued funding:
    - 57% gave no specific reason
    - 17% feel it provides a visible police presence
    - 15% indicate a perception of increased safety
    - 10% feel it's necessary to top up Police funding.

23. Of 232 remaining comments:
    - 37% cited alternative priorities for investment.
    - 34% queried effectiveness and value for money.
    - 29% felt the Police should fund local policing.

Social media

24. Social media feedback also provides an indication of views; comments were in the main about council tax increases, generally showing a mix of people who did not want to see any increase to council tax, despite this some respondents accepted the increase.

25. Of those comments expressed on social media, the following themes can be identified (this includes both positive and negative comments):



26. The majority of social media comments (50%) relate to Council Tax rises, with users expressing their unhappiness with another rise. Of those respondents, 63% expressed their worries over the impact it would have on their personal income and concern over how the money was being spent. Despite this, there were a number of residents who felt positive about the investments being made into the wider borough, and also expressed positive feedback in relation to the delivery of the events programme.

IMPLICATIONS OF REPORT

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

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

COMMENTS OF THE STATUTORY FINANCE OFFICER

28. The financial implications of this report are contained in the main budget setting report in the pack. In particular, the changes to council tax in response to this consultation are outlined in the main budget report.

COMMENTS OF THE MONITORING OFFICER

29. There are no comments.

GARY HALL
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Kieron Power	5035	12/02/2019	Budget Consultation Council Report 2019

APPENDIX A: SUMMARY OF COMMENTS – Question 1 (Budget Specific)

POSITIVE
I'm proud to live in Chorley and the investment into our town gets better each year. Thank you CBC Chorley really is becoming a thriving place to live
I support all investments to the town and an increase in council tax to support this.
As a resident of Chorley, I feel that the proposals outlined are of benefit to the populous of this region.
Given the financial pressures and constraints on the Council budget, I am very impressed at your commitment to maintaining services whilst continuing to improve the town both for residents and visitors
I have browsed the proposals. For the ten years, I have lived in Chorley I have been very happy with the Council and I remain so. Keep up the good work.
In challenging times for Local Authorities, this appears to be a well-balanced budget with good support for local services within what is available.
I support the council plans to continue to invest in both critical services and the future of the area, both business and leisure based.

NEGATIVE
Whilst I appreciate fees may go up and I will have no choice but to pay them. As a single parent homeowner, the rising costs have a major impact on our day to day life.
No more council tax increase. It's a joke how much we pay now!
A pity little or no mention of support for the rural community which continues to berate fodder for Chorley town.
2.99 % Council tax rise is above inflation. Some families will struggle.
The market walk extension has already proven to be a massive loss, the business going there is not what this town needs, and this town needs the high Street at its best, not another modern monstrosity.
Don't put our council tax up, as a working family I struggle to pay it as it, bills keep going up and up and so does cost of living but our wages just don't cover it all.

NEUTRAL **(No definable positive or negative viewpoint, or mixed. Includes no comment)**
Stop the present policy of providing more Retail Outlets when there are so many shops empty and not trading in the town. Despite this, items that are working well include refuse collection and grounds maintenance.
I don't mind a slight increase in council tax, but what annoys me is the neglect of pavements.
It's all well and good investing £5m but if you're considering taking away some of the PCSOs then it seems counter productive.
I don't mind the council investing in things if they work, but the number of councillors should be reduced.
I agree with the council tax rise but would rather see that money go to the police rather than the digital hub.

APPENDIX B - Current and planned activity in response to negative themes

Category	Details	Notes
Opposing increase in council tax	Comments stated a preference for no increase in council tax	The proposed increase in council tax is needed to help address the budget deficit, avoid cuts to frontline services and enable investment in priorities. It is also in line with central government assumptions to reduce the impact of grant reductions. Chorley continues to have one of the lowest precepts in Lancashire.
Concerns around future developments	Comments referred to the potential risks of large investments including Market Walk, Strawberry Fields Digital Hub, and Primrose Gardens.	These developments will provide vital services and future income schemes for the council to help ensure that it can balance the budget when the central government grant ends in 2019/20. We will continue to engage with residents on future developments to ensure that proposals are well communicated with opportunities to provide feedback.
Investment in the wider borough	Comments highlighted concerns around funding for services in rural areas including community facilities and bus routes	The council continues to invest in initiatives that will benefit the whole of the borough and has also recently made funding support available to protect a number of community facilities and invest more into the rural community.
Quality of council services and value for money	Comments highlighted particular council services that should be improved including street sweeping for estates and grass cutting.	The council monitors performance across all services to ensure continued value for money. Furthermore, the Streetscene Modernisation Strategy sets out a clear plan for improving the effectiveness and efficiency of street and neighbourhood services.
Concerns regarding Housing	Comments indicated concerns around the impact and availability of housing within the borough.	The recently approved Chorley Council Housing Strategy sets clear priorities to ensure that everyone living in the borough has access to the high quality, affordable and suitable accommodation and the action plan will ensure delivery against each priority area.
Concerns around partner services (LCC, NHS)	Comments noted concerns linked to funding for the hospital and also Lancashire County Council services such as street lights and potholes.	The Council will incorporate this feedback in its response to Lancashire County Council budget proposal and continue to work with our partners including the NHS to protect and improve services. Moreover, the public sector reform partnership provides a plan that works together with partners to integrate and reconfigure public services within Chorley to provide the best outcomes for residents.

APPENDIX C: SUMMARY OF COMMENTS – Question 2 (PCSOs Specific)

SUPPORT FOR STOPPING PSCO FUNDING AND INVESTING IN OTHER THINGS	
THEME	**COMMENT**
Alternative investment	I don't think Chorley should fund more PCSOs; the money could be invested on some more worthwhile investment.
Effectiveness and value for money	We don't see PCSOs in this area so no I don't personally feel an increase or continuation in a service we already don't seem to have is realistic
Police to fund	If the PCC is increasing taxes to fund additional officers, the borough council should invest this money elsewhere.

SUPPORT FOR CONTINUED FUNDING	
THEME	**COMMENT**
Perception of Increased safety	I think it is important to continue to make Chorley a safe place to live for all people and would like Chorley to continue its support of PCSOs.
Due to lack of police funding	I understand the idea, but there's a risk of it just being cheap policing. Policing should be responsible for dealing with crime. Community workers can observe and monitor and assist.
Visible presence	Please continue to fund PSCOs, they are reassuringly visible in the town

This page is intentionally left blank

Appendix M

Chorley Council

Report of	Meeting	Date
Director Policy and Governance	Council	26 February 2019

ASSESSING THE IMPACT OF 2019/20 BUDGET PROPOSALS

PURPOSE OF REPORT

1. To provide Members with an assessment of the impact of the budget proposals on equality, health and sustainability through the completion of an Equality Impact Assessment.

RECOMMENDATION(S)

2. It is recommended that Members use the information provided in this report and the completed Integrated Impact assessment attached to inform the budget process to ensure that fair financial decisions are made.

EXECUTIVE SUMMARY OF REPORT

3. Under equality legislation in the Equality Act 2010, public authorities have legal duties to pay 'due regard' to the need to eliminate unlawful discrimination and promote equality of opportunity between people who share a protected characteristic and those who do not, as well as to promote good race relations. The law requires that this duty to pay 'due regard' be demonstrated in the decision making process, including when making financial decisions.

4. To meet this requirement in relation to the budget growth proposals 2019/20, work has been undertaken to assess the impact of the proposals. This report presents the findings and recommendations based on this work.

Confidential report Please bold as appropriate	Yes	**No**

CORPORATE PRIORITIES

5. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all	✓	A strong local economy	✓
Clean, safe and healthy communities	✓	An ambitious council that does more to meet the needs of residents and the local area	✓

BACKGROUND

6. Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show 'due regard' in terms of the Equality Act. This includes financial decisions, as set out in the guidance *Using the Equalities Duties to make fair financial decisions*, as published by the Equality and Human Rights Commission, September 2010.

7. These assessments must be carried out at a formative stage in the development of a policy, procedure or practice and can take any form appropriate as long as the legal duties are met. The framework that has been used in this process is to undertake integrated impact assessments - this includes an assessment of equality, sustainability, health and reputation.

8. An overall integrated impact assessment has been developed on the proposed budget. This includes consideration of the proposals related to an increase council tax, recurrent investment items, previously one off investment items, core funding grants and the capital programme (specifically 2019/20).

RESULTS OF THE IMPACT ASSESSMENTS

9. Actions include monitoring the take up of council tax financial assistance schemes and promoting access to sources of financial support as needed.

10. In line with the Council's Equality Scheme all projects should complete an Integrated Impact Assessment to ensure that any potentially negative impacts are mitigated or avoided. This assessment should be reviewed regularly to ensure any identified actions are being completed.

IMPLICATIONS OF REPORT

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

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

COMMENTS OF THE STATUTORY FINANCE OFFICER

12. The financial implications of this report are contained in the main budget setting report within this document pack.

COMMENTS OF THE MONITORING OFFICER

13. No comment

COMMENTS OF DIRECTOR POLICY AND GOVERNANCE

14. This report supports the Council in fulfilling its duty to have due regard to eliminate discrimination and promote equality, as required by the Equality Act and the council's Equality Scheme. Members should consider the implications during their decision making.

REBECCA HUDDLESTON
DIRECTOR POLICY AND GOVERNANCE

Report Author	Ext	Date	Doc ID
Rebecca Aziz-Brook	5348	11.02.19	Budget Equality Impact Assessment 2019

Chorley Council

Integrated Impact Assessment

Name of the service, policy, strategy or project being assessed	Chorley Council budget proposals 2019/20
What does the service, policy, strategy or project do?	Makes proposals for the Council's budget 2019/20
Who is it intended to benefit and how?	Chorley residents – by considering the impact of the budget proposals
Officer responsible for completing the assessment	Rebecca Aziz-Brook

Date of Assessment	**11/02/2019**	**Date of Review**	**12/02/2019**

Equality Impact Assessment	Yes	No	Evidence	Further action required

1. Have consultations with relevant groups, organisations or individuals indicated that this particular activity will create problems which are specific to them?	x				Consultation on the 2019/20 budget ran from the 21st January to the 10th February 2019 using a combination of online survey promoted via the council website; email survey via intheboro; provision of paper based surveys available on request via the customer contact centre, promotion in newspaper articles and on social media. 476 residents responded to the online consultation and posts to Facebook received a total of 27,019 views and 476 qualitative responses. The following distribution of viewpoints has been found from the online survey: • Positive view of the proposals – 43.70% • Negative view of the proposals – 39.71% • Neutral view point – 11.97% • (N/A- 4.62%) Of the positive comments received, 62.8% demonstrated general support for the budget proposals. The majority of negative comments received during the consultation related to the proposed council tax increase (27.51%).	
What potential impact does this activity make to:						
	P	**N**	**U**	**NI**	**Evidence**	**Further action required**

1. Equality of opportunity amongst customers of different ages (Age)			x		A number of the investment proposals will have a positive impact on different age groups. These include: There is continued investment in Primrose Gardens Retirement Village which will provide purpose built accommodation for residents aged 55 and above and improve the care facilities for older people in Chorley. There is continued provision for the 16/17 young person's drop in centre which provides support for young people that are at risk of homelessness, provide mediation and aim of keeping young people at home. There is continued provision of grant funding for the volunteering provision to support older people which supports older people through a variety of activities and access to information and support. The continued support towards to the Youth Zone will continue to deliver high quality, diversionary and wellbeing activities for young people.	Monitor take up of financial assistance schemes and promote access to sources of financial support as needed.

					The proposal to increase council tax by 2.99% may have an impact on younger families and older people as they may be less able to mitigate the impact of this change. These groups will able to access local provisions to assist anyone in need of support with paying their council tax. This may be through the local Council Tax Support Scheme for those of working age or similar arrangements with some additional protections for those of pension age. The Discretionary Hardship Policy also offers additional short term assistance in specific circumstances.	
2. Equality of opportunity amongst with or without a physical or mental disability (Disability)				x	For the changes to council tax, those with a disability can apply for certain council tax exemptions and reliefs from the council, dependent on their individual circumstances.	Monitor take up of financial assistance schemes and promote access to financial support as needed.
3. Equality of opportunity amongst customers of different gender backgrounds (Gender Reassignment)				x	No proposals should have a differential effect on any residents because of these characteristics.	
4. Equality of opportunity amongst customers who are pregnant or parents (Pregnancy and Maternity)				x	No proposals should have a differential effect on any residents because of these characteristics.	

5. Equality of opportunity amongst customer groups of different racial backgrounds (Race)				x	No proposals should have a differential effect on any residents because of these characteristics.	
6. Equality of opportunity amongst customers of different religions (Religion or Belief)				x	No proposals should have a differential effect on any residents because of these characteristics.	
7. Equality of opportunity amongst customers that live in different parts of Chorley (Rurality)	X				There are several investment proposals which include elements which will positively support residents who live in rural areas of the borough including: • Ongoing funding to maintain services previously delivered by LCC (bus services) including a service which serves rural areas • Neighbourhood preferred projects will deliver community projects across the whole borough including rural areas • Digital inclusion Officer who will deliver more sessions within rural areas	

8. Equality of opportunity amongst male and female customers (Sex)				x	No proposals should have a differential effect on any residents because of these characteristics.	
9. Equality of opportunity amongst customers of different sexual orientations (Sexual Orientation)				x	No proposals should have a differential effect on any residents because of these characteristics.	
10. Equality of opportunity amongst customers who are married or in a civil partnership (Marriage and civil partnerships)				x	No proposals should have a differential effect on any residents because of these characteristics.	

Health Impact Assessment	P	N	U	NI	Evidence	Further action required
What potential impact does this activity make upon:						
1. Promoting healthy lifestyles for Chorley residents. For the latest Health Observatory information please see the data on this link http://www.apho.org.uk/resource/item.aspx?RID=126958	x				The proposed investment in the following schemes will help to promote healthier lifestyles for Chorley residents: All of the following will improve the sporting offer in Chorley increasing access to good quality sport and recreational spaces: • Improvements to the playing pitches in the borough • Improvements to Astley Park • WestWay playing fields	

Health Impact Assessment	P	N	U	NI	Evidence	Further action required
					The support to food provision schemes will provide a contribution to the food bank in Chorley to provide food parcels, nutritious meals and other related assistance to those most in need.	
2. Enabling residents to Start Well (pre-birth – 19) Possible issues to consider are; • Promoting healthy pregnancy • Reducing infant mortality • Reducing childhood obesity • Supporting children with long term conditions • Supporting vulnerable families and children	x				The proposed investment in the following schemes all support residents to 'start well': • 16/17 young person's drop-in centre which will see the current drop in service for young people at risk of homelessness extended • The continued support towards to the Youth Zone will continue to deliver high quality, diversionary and wellbeing activities for young people. • Improvements to playing pitches, Astley Park and WestWay. • Support to food provision schemes – which will provide a contribution to the food bank in Chorley to provide food parcels, nutritious meals and other related assistance to those most in need.	Monitor take up of financial assistance schemes and promote access to financial support as needed.
3. Enabling residents to Live well (16 -75 years)	x				The proposed investment in the	

Health Impact Assessment	P	N	U	NI	Evidence	Further action required
Possible issues to consider are; • Promoting healthy settings, healthy workforce and economic development • Promoting mental wellbeing and healthy lifestyles • Reducing avoidable deaths • Improving outcomes for people with learning disabilities					following schemes all support residents to 'live well': • Chorley Council events programme will see the delivery of numerous events in the borough for the benefit of local residents, supporting the local economy by raising the profile of Chorley • Support for the third sector- the funding will support the development of the third sector in Chorley • Investing in the Market Walk Development and Digital Office Park, enhancing local provision and supporting the local economy • Digital inclusion officer, ensuring that residents can access high quality services and take an active part in their community • Ongoing fund to maintain services previously delivered by LCC - this includes the provision of key bus routes in the borough • Enhanced homelessness	

Health Impact Assessment	P	N	U	NI	Evidence	Further action required
					service, supporting homelessness prevention in Chorley • Supporting Community development and volunteering (SPICE) through Time Credits • The support to food provision schemes will provide a contribution to the food bank in Chorley to provide food parcels, nutritious meals and other related assistance to those most in need • Accommodation finding service which aids the housing options team find accommodation for those in need	
4. Enabling residents to Age Well (over 65 years). Possible issues to consider are; • Promoting independence • Reducing social isolation • Managing long term conditions and dementia • Reducing emergency admissions and direct admissions to residential care settings • Supporting carers and families			x		The proposed investment will support residents to 'Age Well': • Digital inclusion officer – ensuring residents are digitally included and can play an active part in their community • Supporting Community development and volunteering (SPICE) through Time Credits • Continued investment in the	Monitor take up of financial assistance schemes and promote access to financial support as needed.

Health Impact Assessment	P	N	U	NI	Evidence	Further action required
					Primrose Gardens Retirement Village • Provision of grant funding to volunteering provision for older people Lower income households may be less able to mitigate the impact of an increase in council tax; however, assistance is available through council tax support with additional provisions to protect those of pension age.	

Reputational Impact Assessment	P	N	U	NI	Evidence	Further action required
What potential impact does this activity make upon:						
1. Chorley Council's reputation. Possible issues to consider are; • Proving to local residents that we provide value for money • Informing and engaging with local residents • Building trust and confidence in Chorley Council • Improving customer satisfaction with council services • Chorley Council's role as a community leader				x	The feedback following the budget consultation has demonstrated that of the positive comments received, 62.8% demonstrated general support for the budget proposals. The majority of negative comments received during the consultation related to the proposed council tax increase (27.51%) rather than PCSO's. The proposed increase in council tax is needed to help address the	

Reputational Impact Assessment	P	N	U	NI	Evidence	Further action required
					budget deficit. An increase, together with further savings options, will not only help towards the budget deficit but can also be used to invest in projects that support the delivery of the Council's corporate priorities.	
2. Our ability to deliver the Corporate Strategy. Issues to consider are; ▪ A council that consults and engages with residents ▪ An ambitious council that continually strives to improve	x				Each of the proposed projects has a link to one or more of the corporate priorities as set out in the Corporate Strategy and will therefore support its delivery.	

Sustainability Impact Assessment	P	N	U	NI	Evidence	Further action required
What potential impact does this activity make upon:						
1. The effective protection of Chorley's environment. Possible issues to consider are; • Limiting waste generation & encouraging recycling • Limiting factors that contribute to climate change • Protection of and improving access to the natural environment	x				A number of proposed schemes will have a positive impact on Chorley's environment. These include: • In Bloom, which will provide enhanced Streetscene provision across Chorley and support the work of the Chorley in Bloom group • Delivery of neighbourhood preferred projects, which will see	

Sustainability Impact Assessment	P	N	U	NI	Evidence	Further action required
					the continuation of neighbourhood working principles across the eight neighbourhood areas in Chorley.	
2. Prudent usage of natural resources. Possible issues to consider are; • Limiting use of non-sustainable energy, water, minerals and materials • Reducing the need to travel and encouraging walking, cycling and low carbon modes of travel			x		No proposals should have a differential effect on the prudent usage of natural resources. Large developments will be built to specific sustainability standards where appropriate. For example, the Market Walk development (shell only) will be built to BREEAM standards, the scheme includes cycle racks to encourage cycling into the town centre.	
3. Social progress amongst all of Chorley's communities. Possible issues to consider are; • Opportunities for education and information • Provision of appropriate and sustainable housing • Reduced fear of crime and community safety • Access to cultural and leisure facilities • Encouraging engagement and supporting volunteering	x				Several proposed schemes will have a positive impact on social progress amongst all of Chorley's communities. These include: • Delivery of a Housing Company • Accommodation finding service which	

Sustainability Impact Assessment	P	N	U	NI	Evidence	Further action required
					aids the housing options team find accommodation for those in need • Grant provision for the community safety support services • Community development and volunteering (SPICE) • Enhanced homelessness service The budget for the arts and employment service has been removed as an investment, however this service will continue to be delivered through the Youth Zone. The budget for the antisocial mediation service has been removed as an investment, however this service continue to be delivered and will be funded through existing reserves. Therefore, neither of these will have a negative impact.	

Sustainability Impact Assessment	P	N	U	NI	Evidence	Further action required
4. A vibrant local economy in Chorley. Possible issues to consider are; • Supporting better quality jobs and developing the skills of local residents • Supporting local business by procuring goods and services locally • Strengthening links with public, private and third sector partners	x				Several proposed schemes will have a positive impact on a vibrant local economy. These include: • Chorley Council events programme – supporting the local economy by encouraging people to visit and spend in Chorley • Support for the third sector- the funding will support the development of the third sector in Chorley Delivery of large-scale development projects will also have a positive effect on the local economy: • Market Walk extension and public realm works • Digital Office Park • Bring forward key sites for development The budget for the Employability Support Programme (to support people with multiple barriers into work) will continue to be delivered through business as usual.	

*this equality strand is covered by the Public Sector Equality Duty in respect of which the s.149 requires only that due regard be paid to the need to eliminate discrimination, harassment or victimisation or other conduct which is prohibited by the Act.

Integrated Impact Assessment Action Plan

If any further actions were identified through the Integrated Impact Assessment then these should be listed in the table below. These should be added to the relevant business/service plan to ensure that any actions are carried out.

Actions needed following Integrated Impact Assessment	Start Date	End Date	Lead Officer
Monitor take up of financial assistance schemes and promote access to sources of financial support as needed.	April 2019	April 2020	Asim Khan
All projects must complete individual Impact Assessments which should be reviewed as necessary to ensure any actions are being monitored and completed.	April 2019	April 2020	Senior Management Team
Further options for enabling residents to access disabled access guides via the Council will be explored.	April 2019	April 2020	Performance and Partnerships