

# Special Council

Agenda and Reports

For consideration on

**Thursday, 26th February  
2009**

In the Council Chamber, Town Hall, Chorley

At 6.30 pm



## **PROCEDURE FOR PUBLIC QUESTIONS/SPEAKING AT COUNCIL MEETINGS**

- Questions should be submitted to the Democratic Services Section by midday, two working days prior to each Council meeting to allow time to prepare appropriate responses and investigate the issue if necessary (12 Noon on the Friday prior to the meeting).
- A maximum period of 3 minutes will be allowed for a question from a member of the public on an item on the agenda. A maximum period of 30 minutes to be allocated for public questions if necessary at each ordinary Council meeting, excluding the Annual Meeting.
- The question to be answered by the Executive Member with responsibility for the service area or whoever is most appropriate.
- On receiving a reply the member of the public will be allowed to ask one supplementary question.
- Members of the public will be able to stay for the rest of the meeting should they so wish but will not be able to speak on any other agenda item upon using their allocated 3 minutes.

18 February 2009

Dear Councillor

## **SPECIAL COUNCIL - THURSDAY, 26TH FEBRUARY 2009**

You are invited to attend a Special Meeting of the Chorley Borough Council to be held in the Council Chamber, Town Hall, Chorley on Thursday, 26th February 2009 commencing at 6.30 pm for the following purposes.

### **AGENDA**

1. **Apologies for absence**

2. **Declarations of Any Interests**

Members are reminded of their responsibility to declare any personal interest in respect of matters contained in this agenda. If the interest arises **only** as result of your membership of another public body or one to which you have been appointed by the Council then you only need to declare it if you intend to speak.

If the personal interest is a prejudicial interest, you must withdraw from the meeting. Normally you should leave the room before the business starts to be discussed. You do, however, have the same right to speak as a member of the public and may remain in the room to enable you to exercise that right and then leave immediately. In either case you must not seek to improperly influence a decision on the matter.

3. **Mayoral Announcements**

4. **Public Questions**

Members of the public who have requested the opportunity to ask question(s) on any item(s) on the agenda will be asked to put their question(s) to the Council. Members of the public will be allowed to ask one supplementary question within their allocated 3 minutes.

5. **General Fund Revenue and Capital Budget and Council Tax, 2009/2010 (Pages 1 - 6)**

Report of the Executive Cabinet (enclosed) to include the follow appendices:

- a) **Appendix A - Formal Council Tax Resolution (report to follow)**

- b) Appendix B - Capital Programme 2009/10 - 2011/12 (report enclosed) (Pages 7 - 16)
- |              |  |
|--------------|--|
| Appendix B 1 | Three Year Capital Programme (report enclosed) |
| Appendix B 2 | Developers Contributions (report enclosed)     |
| Appendix B 3 | Capital Receipts (report enclosed)             |
- c) Appendix C - Fees and Charges Proposals (report enclosed) (Pages 17 - 20)
- d) Appendix D - Treasury Management Strategy (report enclosed) (Pages 21 - 36)
- e) Appendix E - Statutory Report (report enclosed) (Pages 37 - 40)
- f) Appendix F - Medium Term Financial Strategy (report enclosed) (Pages 41 - 54)
- g) Appendix G - Consultation Response (report enclosed) (Pages 55 - 58)
- h) Appendix H - Executive Response to Budget Consultation (report enclosed)  
(Pages 59 - 62)
- i) Appendix I - Significant Budget Movements Year on Year (report enclosed)  
(Pages 63 - 64)
- j) Appendix J - Schedule of Budget Savings (report enclosed) (Pages 65 - 66)
- k) Appendix K - Schedule of Budget Saving Proposals (report enclosed) (Pages 67 - 68)
- l) Appendix L - Schedule of Movements since Budget Approved for Consultation (report enclosed) (Pages 69 - 70)
- m) Appendix M - Special Expenses Parish Precepts (report to follow)

6. **Alternative Budget Proposals** (Pages 71 - 76)

Report of the Labour Group (enclosed).

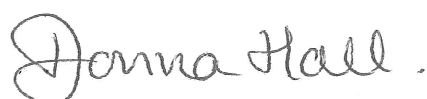
7. **Exclusion of the Public and Press**

To consider the exclusion of the press and public for the following items of business on the ground that it involves the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 12A to the Local Government Act.

8. **Staff Restructuring Proposals**

Report of the Chief Executive (to be circulated at the meeting).

Yours sincerely



Donna Hall  
Chief Executive

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

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

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Report of	Meeting	Date
The Executive Cabinet	Council	26 February 2009

## **GENERAL FUND REVENUE AND COUNCIL TAX 2009/10 AND CAPITAL PROGRAMME**

### **PURPOSE OF REPORT**

1. To seek approval of the Executive Cabinet's budget proposals including the levels of Council Tax increase for 2009/10.

### **RECOMMENDATIONS**

2. The Council is recommended to:
  - a) Approve the budget and Council Tax as set out in the resolution at Appendix A allowing for a 2.9% increase in Council Tax levels.
  - b) Approve the Council's Capital Programme as set out in Appendix B.
  - c) Approve the fees and charges increases and car park tariff changes as set out in Appendix C of 3% on fees and charges along with the new tariff proposed.
  - d) Approve the Treasury Management Strategy and its core principles in Appendix D.
  - e) Note the advice of the Statutory Finance Officer in relation to the robustness of the budget and the risk contained in the budget set out in the Statutory Report at Appendix E.
  - f) Approve the Councils Medium Terms Financial Strategy at Appendix F.

### **EXECUTIVE SUMMARY OF REPORT**

3. This year's budget the Executive believe needed to achieve one overriding objective and that was to protect front line services, in addition it needed also to ensure:
  - The Council continued to drive out costs.
  - The Council continued to deliver value for money for its residents.
  - The Council continued to invest in frontline services and priorities, albeit not necessary in pure cash terms.
4. In terms of the key messages, there are many positives to report:
  - The proposed level of Council Tax increase is below the current rate of inflation.
  - There will be significant investment in the continued improvement in front line services.
  - Disruption to the current council services, which are performing well, has again been kept to a minimum.
5. The Executive would have liked to do more, but continued pressure on expenditure and income means that we have to temper our ambitions. In particular the need to minimise

the financial risk to the Council of implementing the free concessionary travel scheme means that the Executive have had to temper its plans.

**BACKGROUND**

6. The Executive published a draft budget at the beginning of January 2009 setting out its broad intention for spending and investment in the borough for the forthcoming financial year 2009/10. Some revision to that draft budget have had to be made, particularly in relation to the levels of investment income expected, as rates have continued to plummet.

**BUDGET CONSULTATION**

7. The draft budget was approved for consultation in January 2009. A summary of the conclusions from the consultation is shown at Appendix G.

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

9. In general the consultation responses were supportive of the Council’s priorities. However, little comments were received from the public consultation in relation to either:

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

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

- amending the Councils Treasury Management Strategy, to limit exposure of deposits to only UK based institutions
- maintaining the sums available for Core Grant by switching resources from the local strategic partnership

**BUDGET PROPOSALS**

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

**Table 1: Budget Proposals**

	£'000	£'000
<b>Budget Gap reported in December Draft</b>		<b>1,080</b>
Savings proposals	(453)	
Income generation	(172)	(625)
3.5% Council Tax increase		(191)
<b>Net Expenditure</b>		<b>264</b>
<u>Changes in Budgets since December:</u>		
- Options for Member approval	(119)	
- Other Budget changes	86	
Additional headroom available		(33)
Reduction in Council Tax increase from 3.5% to 2.9%		33
<b>Expenditure to be funded from working balances 2009/10</b>		<b>264</b>



12. The table shows that whilst there have been movements in expenditure and income projections, the overall impact is that a small amount of headroom has been created in the budget. In terms of policy choices, the majority of amendments are based upon having better information and are changes the Statutory Finance Officer advises should be made to make the budget more robust.
13. Of the amendments made to the draft revenue budget there are policy changes that have been made and assumptions amended which are summarised as:
- The proposed level of Council Tax increase has been reduced from 3.5% down to 2.9%.
  - Funds have been diverted back into Core funding and the loss of income to the Citizens Advice Bureau reinstated for a period of 12 months.
  - Additional staffing resources are proposed for the Benefits Section to mitigate the increase in demand for the service.
  - Change in the assumptions have been made in relation to future pay awards from 2.5% to 2% in 2009/10 and the small contingency budget of £40k has been removed.
14. An explanation of the budget variations year on year and the savings achieved are shown at Appendices I and J respectively. The details of the Executive Cabinet's proposed to the Council are set out in the following Appendices:
- |          |      |  |
|----------|------|--|
| Appendix | A    | Formal Council Tax Resolution                                |
|          |      | <u>Capital Programme 2009/10 – 2011/12</u>                   |
|          | B(1) | The three-year capital programme.                            |
|          | B(2) | Appendix B(2) – developers' contributions.                   |
|          | B(3) | Appendix B(3) – capital receipts.                            |
|          | C    | Fees and Charges Proposals                                   |
|          | D    | Treasury Management Strategy                                 |
|          | E    | Statutory Report   |
|          | F    | Medium Term Financial Strategy                               |
|          | G    | Consultation Response  |
|          | H    | Executive Response to Budget Consultation                    |
|          | I    | Significant Budget Movements Year on Year                    |
|          | J    | Schedule of Budget Savings                                   |
|          | K    | Schedule of Budget Saving Proposal                           |
|          | L    | Schedule of Movements since budget approved for consultation |
|          | M    | Special Expenses Parish Precepts                             |
15. Pressure continues to be placed on the Council's budget from economic downturn. The free concessionary travel scheme continues to be a risk but there is now some clarity over the 2008/09 cost. It is impossible to predict completely accurately the likely total cost of the scheme and its impact on the Council's budget. The proposed pooling arrangement mitigates the risk to some extent but cannot and will not protect the Council completely. Whilst the Government have indicated a possible change in the current arrangements, it is still unclear if either funding will be redistributed or the responsibility will be passed back to upper tier authorities.
16. The Councils overriding aim was to protecting front line services. Within that overall aim the Executive have been clear that it wanted to continue to improve services and therefore allocate additional resources both in cash terms and focus the organisation on areas of concern particularly where the economic situation is having an impact.
17. In order to do this, it took along with the Council a number of policy decisions during 2008/9 that have committed resources in 2009/10, these were:

- Introducing the new scheme for recycling from April 2009
  - Putting additional staffing resources into the strategic housing function for the development of affordable housing and managing homelessness
  - Signing up to free swimming for both the over 60's and the under 16's
18. The Executive has been able to achieve this through working with our partners attracting additional grant and continuing to identify saving and efficiencies to pay for the new initiatives.
19. In addition it is also committed to working through the economic downturn and is redirecting the resources at its disposal to a number of different initiatives. Members will be aware that in order to achieve its corporate objective the administration has a sound record of performance and matching its ambition with the resources to deliver. Whilst we are not proposing additional resources be spent in this budget round our previous decisions plus the alignment of resources in hand will mean we will continue to deliver the promise made to the residents of Chorley. Examples of this practice have been referred to previously and some further examples are included in the Executives response to budget consultation set out at Appendix H.

### THE CAPITAL PROGRAMME

20. The Executive issued its draft three-year Capital Programme for the period 2009/10 to 2011/12 in January 2009. This is attached at Appendix B1. In summary, expenditure for the period is estimated as follows:

<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>Total</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<u>5.053</u>	<u>3.317</u>	<u>1.175</u>	<u>9.545</u>

21. The proposed budget for 2011/12 includes only contractual and other commitments at this stage and will be updated in the future when more accurate estimates of resources likely to be available for 2011/12 are available. Financing at present is shown to require £0.575 million additional borrowing in 2011/12. However, it may be possible to avoid such borrowing if additional resources, in particular capital receipts from the sale of surplus assets, become available.
22. The proposed budgets for 2009/10 and 2010/11 were previously included in the three-year programme approved last year, and reflected the Executive's intention to focus on the Council's corporate priorities. The key priorities for capital investment were identified as:
- Affordable Housing
  - Town Centre improvements
  - Sustainability and Climate Change
  - Investment in the Council's infrastructure
23. Also included were contractual and other commitments continuing from earlier years. The budgets for 2009/10 and 2010/11 have been updated throughout 2008/09 to take account of reported slippage of expenditure. No new schemes have been added in these years if they would cause prudential borrowing to exceed the previously agreed total of £3.625 million for the period 2008/09 to 2010/11. The only new schemes included are therefore those financed in full by external resources, in particular the contribution to the new Buckshaw Village School (£1 million) and Eaves Green Play Development (£0.182 million).

24. To ensure that borrowing does not exceed the budgeted total, all capital income such as receipts from asset sales, grants and contributions will have to be achieved as indicated. Progress in achieving capital income will be monitored throughout 2009/10 and appropriate action will be proposed depending on the circumstances. Should additional contributions be received from developers, new schemes could be added to the programme. Should receipts from sale of assets exceed the total included in the estimated financing of the programme, it should be possible to reduce the borrowing requirement or to repay debt, in order to make revenue budget savings in subsequent years.
25. Details of developers' contributions estimated to be available in the three-year period are attached at Appendix B2 along with estimated receipts from disposal of assets Appendix B3.

## CONCLUSION

26. The budget continues to direct resources into the Council's key priorities and address concerns identified by Borough Citizens. The administration ambition to contain the level of Council Tax increase whilst continuing to invest in services has been achieved. Particular focus for 2009/10 in terms of developments has been on resourcing the Council's Corporate Strategy and addressing areas of concern around the economic downturn, homelessness and the Councils recycling scheme.
27. There are some significant risks contained in the budget which in the worst case scenario could have a negative affect on the Council's budget and ability to continue to develop services. However, in line with the Statutory Finance Officer's advice the level at which the Council's working balances are kept, this risk is to be monitored as per that advice.
28. The Council's Council Tax increase must be viewed in the context of our partner authorities who have increased their element of the Council Tax as follows:

Lancashire County Council	2.90%
Lancashire Fire Authority	3.74%
Lancashire Police Authority	4.50%

## FUTURE YEARS PROSPECTS

29. In terms of future years prospects the forecasts show that in the two years following 2009/10 a sum of £1m will need to be saved to balance the Council books, £500k will be required, assuming low levels of Council Tax increases.
30. The financial forecast are built on the current commitments made by the Government in relation to the amount of grant the Council will receive, which is forecast to be:
- |         |               |
|---------|---------------|
| 2009/10 | +£137k (1.6%) |
| 2010/11 | +£129k (1.5%) |
| 2011/12 | +£85k (1.0%)  |
31. These sums are small compared to previous settlements and contribute towards the Council's current financial position. The main reason for the reduction is that cash has been switched to upper tier and unitary councils in an attempt to deal with in particular pressure for social care costs.

32. As a result and even after allowing for inflationary Council Tax rises the savings required will be in the region of £620k in 2010/11 and £381k in 2011/12 based upon the current continuation budget. These figures allow for no further growth
33. The Council will have to work extremely hard to achieve this level of savings given the scale of the savings previously made. If the Council is to minimise the impact on services it will need to be innovative in its approach. Two determining factors could significantly affect this forecast. The first will be the ultimate outcome of discussions on concessionary transport and the ultimate cost of the scheme. The second will be how long the economic downturn continues. The Councils income stream have been significantly affected but should the position improve, then this will impact on the forecasts and Councils approach to balancing the books. The overall approach to be adopted in terms of further efficiencies is contained in the Medium Term Financial Plan shown at Appendix F.

GARY HALL  
 ASSISTANT CHIEF EXECUTIVE  
 (BUSINESS TRANSFORMATION)

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

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

**Capital Programme - 2009/10 to 2011/12**

Scheme	2009/10 Current Estimate (1) £	2010/11 Current Estimate (2) £	2011/12 Draft Estimate (3) £	Total 2009/10 to 2011/12 (4) £
<b><u>Town Centre Investment</u></b>				
Town Centre Investment	0	1,025,000	0	1,025,000
<b><u>Town Centre Investment Total</u></b>	<b>0</b>	<b>1,025,000</b>	<b>0</b>	<b>1,025,000</b>
<b><u>Affordable Housing</u></b>				
Homelessness Prevention Central Lancs Sanctuary Scheme	28,500	0	0	28,500
Affordable Housing Halliwell Street Project 2007-2010	79,000	0	0	79,000
Affordable Housing HALS Project 2007/08 - 2008/09	750,000	0	0	750,000
Affordable Housing New Development Project 2008/09 - 2010/11	754,140	533,760	0	1,287,900
<b><u>Affordable Housing Total</u></b>	<b>1,611,640</b>	<b>533,760</b>	<b>0</b>	<b>2,145,400</b>
<b><u>Sustainability &amp; Climate Change</u></b>				
Climate Change Pot	110,000	0	0	110,000
<b><u>Sustainability &amp; Climate Change Total</u></b>	<b>110,000</b>	<b>0</b>	<b>0</b>	<b>110,000</b>
<b><u>Matched Funding Pot</u></b>				
Matched Funding Pot / Invest To Save	150,000	100,000	0	250,000
<b><u>Matched Funding Pot Total</u></b>	<b>150,000</b>	<b>100,000</b>	<b>0</b>	<b>250,000</b>

**Capital Programme - 2009/10 to 2011/12**

Scheme	2009/10 Current Estimate (1) £	2010/11 Current Estimate (2) £	2011/12 Draft Estimate (3) £	Total 2009/10 to 2011/12 (4) £
<b><u>Performing Organisation - Investment in Infrastructure</u></b>				
<b><u>Assistant Chief Executive (Business Transformation)</u></b>				
Planned Maintenance of Fixed Assets	200,000	200,000	200,000	600,000
Investment in Council Assets	50,000	0	0	50,000
	<b>250,000</b>	<b>200,000</b>	<b>200,000</b>	<b>650,000</b>
<b><u>Assistant Chief Executive (Policy &amp; Performance)</u></b>				
Project Management Support Capitalisation	40,000	40,000	40,000	120,000
Performance Management	10,000	0	0	10,000
	<b>50,000</b>	<b>40,000</b>	<b>40,000</b>	<b>130,000</b>
<b><u>Corporate Director (Business)</u></b>				
Disabled Facilities Grants	300,000	300,000	300,000	900,000
Housing Renewal	200,000	200,000	200,000	600,000
Regeneration Projects - Design Fees	70,000	70,000	70,000	210,000
Contribution to LCC Buckshaw Village Primary School (S106)	1,000,000	0	0	1,000,000
	<b>1,570,000</b>	<b>570,000</b>	<b>570,000</b>	<b>2,710,000</b>

**Capital Programme - 2009/10 to 2011/12**

Scheme	2009/10 Current Estimate (1) £	2010/11 Current Estimate (2) £	2011/12 Draft Estimate (3) £	Total 2009/10 to 2011/12 (4) £
<b><u>Corporate Director (Human Resources &amp; Organisational Development)</u></b>				
Integrated HR, Payroll and Training System	77,850	0	0	77,850
<b><u>Corporate Director (Human Resources) Total</u></b>	<b>77,850</b>	<b>0</b>	<b>0</b>	<b>77,850</b>
<b><u>Corporate Director (Neighbourhoods)</u></b>				
Replacement of recycling/litter bins & containers	85,000	85,000	85,000	255,000
Highway improvements - Gillibrand estate/Southlands	90,000	0	0	90,000
Alleygates	30,000	30,000	0	60,000
MATAC CCTV Infrastructure Upgrades	25,000	0	0	25,000
<b><u>Corporate Director (Neighbourhoods)</u></b>	<b>230,000</b>	<b>115,000</b>	<b>85,000</b>	<b>430,000</b>
<b><u>Corporate Director (ICT)</u></b>				
Website Development (incl. ICT salary capitalisation)	30,000	30,000	30,000	90,000
Thin Client/Citrix (started 2007/08)	44,850	159,350	0	204,200
Server Virtualisation	152,200	0	0	152,200
<b><u>Corporate Director (ICT)</u></b>	<b>227,050</b>	<b>189,350</b>	<b>30,000</b>	<b>446,400</b>

**Capital Programme - 2009/10 to 2011/12**

Scheme	2009/10 Current Estimate (1) £	2010/11 Current Estimate (2) £	2011/12 Draft Estimate (3) £	Total 2009/10 to 2011/12 (4) £
<b><u>Corporate Director (People)</u></b>				
Leisure Centres/Swimming Pool Refurbishment	297,240	244,180	250,000	791,420
Duxbury Park Golf Course capital investment	30,000	0	0	30,000
Improvements to Sports Pitches	0	275,000	0	275,000
Astley Park Improvements - Construction	74,000	0	0	74,000
Eaves Green Play Development	181,880	0	0	181,880
Village Hall & Community Centres Projects	60,000	0	0	60,000
Memorial Safety	50,000	25,000	0	75,000
CRM Process Optimisation	83,620	0	0	83,620
<b><u>Corporate Director (People)</u></b>	<b>776,740</b>	<b>544,180</b>	<b>250,000</b>	<b>1,570,920</b>
<b><u>Performing Organisation - Investment in Infrastructure Total</u></b>	<b>3,181,640</b>	<b>1,658,530</b>	<b>1,175,000</b>	<b>6,015,170</b>
<b><u>Capital Programme Total</u></b>	<b>5,053,280</b>	<b>3,317,290</b>	<b>1,175,000</b>	<b>9,545,570</b>



**Capital Programme - 2009/10 to 2011/12**

Scheme	2009/10 Current Estimate (1) £	2010/11 Current Estimate (2) £	2011/12 Draft Estimate (3) £	Total 2009/10 to 2011/12 (4) £
<b><u>Financing the Capital Programme</u></b>				
Prudential Borrowing - budgeted	321,850	630,410	0	952,260
- unbudgeted	0	0	575,000	575,000
Unrestricted Capital Receipts	510,000	411,130	0	921,130
Preserved RTB Capital Receipts from CCH	100,000	100,000	100,000	300,000
Revenue Budget - Specific Revenue Reserves or Budgets	16,750	0	0	16,750
Revenue Budget - VAT Shelter income	594,000	593,750	0	1,187,750
<b>CBC Resources</b>	1,542,600	1,735,290	675,000	3,952,890
Ext. Contributions - Developers	2,926,850	1,025,000	0	3,951,850
Ext. Contributions - Lottery Bodies	40,870	0	0	40,870
Government Grants - Disabled Facilities Grants	180,000	180,000	180,000	540,000
Government Grants - Housing Capital Grant	362,960	377,000	320,000	1,059,960
<b>External Funding</b>	3,510,680	1,582,000	500,000	5,592,680
<b>TOTAL CAPITAL FINANCING</b>	<b>5,053,280</b>	<b>3,317,290</b>	<b>1,175,000</b>	<b>9,545,570</b>

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**S106 and Similar Developers' Contributions**

	Balance 1/4/08 £'000	2008/09 Receipts £'000	Use £'000	Balance 1/4/09 £'000	2009/10 Receipts £'000	Use £'000	Balance 1/4/10 £'000	2010/11 Receipts £'000	Use £'000	Balance 1/4/11 £'000	Notes
<b>TABLE 1</b>											
<b>Budgeted use of developers' contributions</b>											
Various (Community Facilities Benefit)	1,061		(521)	540		(540)	0			0	
Affordable Housing	735		(130)	605	600	(1,205)	0			0	(1)
Transport	173	80	(253)	0			0			0	
Play/Recreation Facilities	112	207	(137)	182		(182)	0			0	
Euxton Library Extension	0	60	(60)	0			0			0	
Buckshaw Primary School	0			0	1,000	(1,000)	0			0	
Town Centre Enhancement	0			0			0	1,025	(1,025)	0	(1)
<b>Total</b>	<b>2,081</b>	<b>347</b>	<b>(1,101)</b>	<b>1,327</b>	<b>1,600</b>	<b>(2,927)</b>	<b>0</b>	<b>1,025</b>	<b>(1,025)</b>	<b>0</b>	

	Balance 1/4/08 £'000	2008/09 Receipts £'000	Use £'000	Balance 1/4/09 £'000	2009/10 Receipts £'000	Use £'000	Balance 1/4/10 £'000	2010/11 Receipts £'000	Use £'000	Balance 1/4/11 £'000	Notes
<b>TABLE 2</b>											
<b>Uncommitted developer's contributions</b>											
Various (Community Facilities Benefit)	0	0	0	0	30	0	30	634	0	664	
Affordable Housing	0	0	0	0	90	0	90	0	0	90	
Transport	3,582	0	0	3,582	128	0	3,710	0	0	3,710	(2)
Play/Recreation Facilities	66	230	0	296	121	0	417	0	0	417	
<b>Total</b>	<b>3,648</b>	<b>230</b>	<b>0</b>	<b>3,878</b>	<b>369</b>	<b>0</b>	<b>4,247</b>	<b>634</b>	<b>0</b>	<b>4,881</b>	

(1) Phasing of future receipts may vary and will depend on progress of developments.

(2) Buckshaw Village Railway Station and Cycle Route.

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**Capital Receipts from Disposal of Surplus Land and Assets**

	2008/09	2009/10	2010/11	Total	Notes
	£	£	£	£	
Reported to Executive Cabinet 8/1/09	2,013,080	985,960	408,550	3,407,590	(1)
<i>Less:</i>					
Reduction in estimated receipts	(710,220)			(710,220)	(2)
Various small sites (not capital receipts)	(16,080)			(16,080)	(3)
Estimated slippage of disposal programme	(573,740)	174,440	399,300	0	(4)
Total adjustments	(1,300,040)	174,440	399,300	(726,300)	
<b>Estimated disposals at as 26/2/09</b>	<b>713,040</b>	<b>1,160,400</b>	<b>807,850</b>	<b>2,681,290</b>	
Capital receipts from disposals included in financing of capital programme	700,000	510,000	411,130	1,621,130	(5)
<b>Potential capital receipts in excess of budgeted total</b>	<b>13,040</b>	<b>650,400</b>	<b>396,720</b>	<b>1,060,160</b>	

**Notes:**

(1) Does not include sites identified for development of affordable housing at estimated total value of £910,350. Mainly garages/sites - would need to repay debt with receipts to balance loss of income from assets once sold.

(2) Friday Street Depot estimated receipt exceeded agreed value. Fairview Farm affordable housing land to be disposed at nil value. Other minor adjustments.

(3) Sale proceeds below £10,000 will be treated as revenue income when achieved.

(4) Slips major disposals to years assumed in financing of capital programme.

(5) Draft capital programme for 2011/12 would require use of £575,000 capital receipts to eliminate unbudgeted borrowing.

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**FEEES & CHARGES REVIEW**

DESCRIPTION	2007/08 ACTUAL £	2008/09 FORECAST £	2009/10 REVISED £	IMPACT OF INCREASE IN FEES & CHARGES								
				3% £	4% £	5% £	6% £	7% £	8% £	9% £	10% £	
<b>BUSINESS TRANSFORMATION</b>												
Rent Garages	(46,931)	(48,500)	(48,500)	(1,455)	(1,940)	(2,425)	(2,910)	(3,395)	(3,880)	(4,365)	(4,850)	
<b>PEOPLE DIRECTORATE</b>												
Adlington Cem-Grant Right of Burial	(2,970)	(7,570)	(7,800)	(234)	(312)	(390)	(468)	(546)	(624)	(702)	(780)	
Adlington Cem-Interment Fees	(10,051)	(11,060)	(11,180)	(335)	(447)	(559)	(671)	(783)	(894)	(1,006)	(1,118)	
Chorley Cem-Grant Right of Burial	(31,570)	(40,000)	(48,000)	(1,440)	(1,920)	(2,400)	(2,880)	(3,360)	(3,840)	(4,320)	(4,800)	
Chorley Cem-Interment Fees	(41,377)	(44,000)	(44,000)	(1,320)	(1,760)	(2,200)	(2,640)	(3,080)	(3,520)	(3,960)	(4,400)	
Sports Development-Other Fees	(36,820)	(35,250)	(14,250)	(428)	(570)	(713)	(855)	(998)	(1,140)	(1,283)	(1,425)	
Community Centres-Hire of Offices	(27,298)	(18,000)	(20,400)	(612)	(816)	(1,020)	(1,224)	(1,428)	(1,632)	(1,836)	(2,040)	
<b>BUSINESS DIRECTORATE</b>												
Local Land Charges	(167,439)	(130,000)	(130,000)	(3,900)	(5,200)	(6,500)	(7,800)	(9,100)	(10,400)	(11,700)	(13,000)	
Tolls-General Markets	(229,085)	(225,000)	(245,350)	(7,361)	(9,814)	(12,268)	(14,721)	(17,175)	(19,628)	(22,082)	(24,535)	
Building Control-Planning Fees	(134,039)	(141,150)	(141,150)	(4,235)	(5,646)	(7,058)	(8,469)	(9,881)	(11,292)	(12,704)	(14,115)	
Building Control-Inspection Fees	(160,165)	(181,410)	(181,410)	(5,442)	(7,256)	(9,071)	(10,885)	(12,699)	(14,513)	(16,327)	(18,141)	
Tolls-Flat Iron Markets	(59,552)	(61,000)	(65,000)	(1,950)	(2,600)	(3,250)	(3,900)	(4,550)	(5,200)	(5,850)	(6,500)	
<b>NEIGHBOURHOODS</b>												
Refuse Collection/Civic Amenity Collection	(28,978)	(26,270)	(28,000)	(840)	(1,120)	(1,400)	(1,680)	(1,960)	(2,240)	(2,520)	(2,800)	
Wheeled Bins	(15,995)	(15,000)	(20,000)	(600)	(800)	(1,000)	(1,200)	(1,400)	(1,600)	(1,800)	(2,000)	
Neighbourhood Quality Te/Pest Control Contracts	(16,560)	(12,000)	(15,360)	(461)	(614)	(768)	(922)	(1,075)	(1,229)	(1,382)	(1,536)	
Grounds Maintenance - rechargeable works	(49,476)	(20,000)	(20,000)	(600)	(800)	(1,000)	(1,200)	(1,400)	(1,600)	(1,800)	(2,000)	
Car Park Permits	(50,084)	(78,610)	(78,610)	(2,358)	(3,144)	(3,931)	(4,717)	(5,503)	(6,289)	(7,075)	(7,861)	
<b>CORPORATE GOVERNANCE</b>												
Hackney/Prvt Carriage Licences	(70,064)	(75,000)	(75,000)	(2,250)	(3,000)	(3,750)	(4,500)	(5,250)	(6,000)	(6,750)	(7,500)	
Casual Hire Lancastrian	(10,203)	(20,000)	(10,000)	(300)	(400)	(500)	(600)	(700)	(800)	(900)	(1,000)	
	<b>(1,188,657)</b>	<b>(1,189,820)</b>	<b>(1,204,010)</b>	<b>(36,120)</b>	<b>(48,160)</b>	<b>(60,201)</b>	<b>(72,241)</b>	<b>(84,281)</b>	<b>(96,321)</b>	<b>(108,361)</b>	<b>(120,401)</b>	

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**OPTIONS FOR INCREASES IN CAR PARKING FEES**

**NOTE: ALL FIGURES ARE INCLUSIVE OF VAT**

<b>MINIMUM PROPOSAL 7%</b>	Current tariff	Estimated half year tickets	Projected half year income	Projected full year income	Proposed tariff	Revised half year estimate	Revised full year estimate
<b>Short stay car parks</b>							
up to 1hour	£ 0.60	173954	£ 104,372.40		£ 0.70	£ 121,767.80	£ 243,535.60
up to 3 hours	£ 1.00	217040	£ 217,040.00		£ 1.00	£ 217,040.00	£ 434,080.00
<b>Long stay car parks</b>							
up to 3 hours	£ 1.00	25544	£ 25,544.00		£ 1.00	£ 25,544.00	£ 51,088.00
All day	£ 3.00	22189	£ 66,567.00		£ 3.50	£ 77,661.50	£ 155,323.00
<b>Mixed stay car parks</b>							
Farington Street							
up to 1hour	£ 0.60	9621	£ 5,772.60		£ 0.70	£ 6,734.70	£ 13,469.40
up to 3 hours	£ 1.00	12283	£ 12,283.00		£ 1.00	£ 12,283.00	£ 24,566.00
up to 4 hours	£ 2.00	1499	£ 2,998.00		£ 2.40	£ 3,597.60	£ 7,195.20
up to 5 hours	£ 3.00	491	£ 1,473.00		£ 3.60	£ 1,767.60	£ 3,535.20
up to 6 hours	£ 4.00	38	£ 152.00		£ 4.80	£ 182.40	£ 364.80
All day	£ 5.00	444	£ 2,220.00		£ 6.00	£ 2,664.00	£ 5,328.00
			£ 438,422.00	£ 876,844.00		£ 469,242.60	£ 938,485.20
					<b>Increase</b>	£ 30,820.60	£ 61,641.20

**Exclusive of VAT**  
£ 52,460.60

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# Treasury Management Strategy Statement

## And Minimum Revenue Provision Policy Statement 2009/10



## **TREASURY MANAGEMENT STRATEGY STATEMENT, ANNUAL INVESTMENT STRATEGY, AND MRP POLICY 2009/10**

### **PURPOSE OF REPORT**

The Council is required annually to prepare strategies for treasury management, for the handling of its investments, and for the determination of the calculation of the annual provision for the repayment of debt (MRP). This report submits these strategies.

### **RECOMMENDATIONS**

- 1 That the Treasury Management Strategy Statement (Appendix 1) be adopted.
- 2 That the proposed Investment Strategy (Appendix 2) be adopted
- 3 That the proposed MRP policy (Appendix 3) be adopted

### **EXECUTIVE SUMMARY**

The global financial crisis has focussed attention on the risks attached to cash deposits. The Treasury and Investment Strategies outline the council's borrowing requirements, how they will be met, and how surplus cash will be deposited. The Treasury Strategy is consistent with the Council's budgets.

The MRP policy is a new requirement, regulations requiring a debt repayment policy that is "prudent" instead of that previously specified for all authorities.

### **REASONS FOR RECOMMENDATIONS**

The Council needs to borrow money in the coming years to fund its capital programme. It is also concerned to minimise the risk in depositing surplus cash, whilst obtaining a reasonable return on its investment. The proposed Treasury and Investment Strategies address these issues.

The MRP policy is restricted by the narrow range of options afforded by the government regulations.

### **ALTERNATIVE OPTIONS CONSIDERED**

None

## 1. INTRODUCTION

The Local Government Act 2003 requires the Council to prepare, annually, a **Treasury Strategy Statement** (Appendix 1). This should review the Council's treasury activities for the coming year, and should have regard to

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

The Strategy Statement must also make reference to Section 33 of the Local Government Finance Act 1992. This requires the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs (including interest charges and running costs) that flow from capital financing decisions

Guidance issued subsequent to the act also requires councils to prepare an **Annual Investment Strategy**. This should set out the Council's policies for managing its cash deposits and for giving priority to the security and liquidity of those investments. The suggested Strategy for 2009/10 was approved for consultation by the Executive Cabinet on 8<sup>th</sup> January 2009. The strategy has been revised in light of that consultation and its proposals are reported at Appendix 2.

The Council is also required to make an **annual statement of the policy it will follow in calculating the Minimum Revenue Provision** for repayment of debt (MRP). In preparing this it must have regard to the Secretary of States guidance. This statement is attached at Appendix 3.

The 2003 Act and supporting regulations also requires the Council to 'have regard to' the Prudential Code and to set **Prudential Indicators** for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. This report proposes relevant indicators.

**APPENDIX 1****TREASURY STRATEGY STATEMENT****1 CONTEXT – ECONOMIC BACKGROUND****Introduction**

- The sub prime crisis of early 2008 was supplanted by the banking crisis of autumn 2008. The world banking system came near to collapse and governments around the world were forced to recapitalise and rescue their major banks. The resulting dearth of lending from banks anxious to preserve capital led to economic forecasts being sharply reduced and recession priced into markets. This in turn led to sharp falls in oil and other commodity prices with the result that inflation, which in the UK was running at over 5%, became yesterday's story and recession fears drove interest rate sentiment and policy. A co-ordinated global interest rate cut of 50bp took place on 8<sup>th</sup> October 2008. Forecasts in the UK were for further sharp cuts in interest rates as recession hove into view.

**International**

- Early in 2008 the US economy was being badly affected by the housing market slump. Interest rates were at 2% and inflation was being dragged higher by the inexorable rise in commodity prices. The ECB was very concerned about rising inflation and less about the state of the economy.
- The second quarter of 2008 was torn between inflation worries on the one hand, with oil rising towards \$150 per barrel, and the deteriorating economic outlook on the other.
- In the second and third quarters of the year the financial crisis erupted and escalated as the world became aware of the extent of the sub-prime fiasco and the impact it was having on institutions that had invested in these issues.
- In September Fannie Mae/Freddie Mac (the mortgage banks) and AIG, the insurance giant, had to be bailed out by the US Federal Government.
- Then in mid September, Lehman Bros., the investment bank, was allowed to fail. This triggered a domino effect with other banks and financial institutions having to be rescued or supported by governments around the world.
- After the collapse into receivership of the Icelandic banks in early October, other countries then started to feel the strain and a number had to approach the IMF for support.
- Eventually even the Asian 'Tiger' economies were affected, including India and China, and it became clear that the crisis had become a global one and no country was insulated from it.
- The financial crisis had therefore precipitated an economic crisis and there was a co-ordinated global interest rate cut with the Fed, ECB and MPC all cutting rates by 50bp on 8<sup>th</sup> October. The Fed subsequently cut rates again by 50bp to 1% on 29<sup>th</sup> October and again on 16 December to a band of 0.0% to 0.25% in an attempt to stave off the oncoming recession. Inflation was yesterday's problem.
- On 4<sup>th</sup> November the USA elected Barack Obama as President with little immediate financial impact.
- The ECB reduced rates again on 6<sup>th</sup> November by 50bp and by its biggest ever cut of 75bp on 4 December to reach 2.5%.

**UK**

- GDP: growth was already slowing in 2008 from 2007 before the full impact of the credit crunch was felt. Earlier in 2008 GDP was 2.3% whereas in the autumn the figure fell back to -0.3% and was then expected to continue to be negative going into 2009.
- Wage inflation remained relatively subdued as the Government kept a firm lid on public sector pay. Private sector wage growth was kept in check by the slowing economy.
- Growth slowed across the economy and unemployment rose throughout the year with forecasts of 2 million unemployed by the end of the financial year and continuing to increase thereafter through 2010.

- Notwithstanding the pressures on household finances consumer spending still continued at a reasonable clip although the trend was slowing as the year progressed.
- Bank lending came to a virtual standstill in the autumn as the credit crunch tightened its grip and various banks internationally had to be rescued, or supported, by their governments.
- The Government and Bank of England supplied massive amounts of liquidity to the banking market in an attempt to reignite longer interbank lending.
- The Government took action in September to either supply finance itself to recapitalise some of the major clearing banks or to require the others to strengthen their capital ratios by their own capital raising efforts. This was so that these banks would be seen to have sufficient reserves to last through the coming recession with its inevitable increase in bad loans etc.
- The housing market also came to a virtual standstill as lenders demanded larger deposits and higher fees. House sales and prices both dropped sharply.
- Government finances deteriorated as income from taxation dropped as the economy slowed and the cost of the bailout of the banks was added to the deficit.
- U.K. equity prices declined sharply in the 3<sup>rd</sup> and 4<sup>th</sup> quarters as the impending recession was priced into the markets. Prices hit five year lows and volatility was extremely high.
- The story of 2008 has been the credit crunch, the banking crisis and the change in economic outlook from slow growth to outright recession. After the initial concerns about the impact of the credit crunch in the earlier part of 2008 it appeared as though the storm had been weathered. The MPC had been very concerned about CPI inflation, which had been rising sharply on the back of higher commodity and food prices. Bank Rate reached a peak of 5.75% in July 2007 after which cuts of 0.25% occurred in December 2007 and February and April 2008 before the major cuts in the autumn. The economic data had been indicating a slowing economy for some while but it was not sufficiently weak to force the MPC into another cut. It was the strength of the banking crisis, pre-empted by the collapse of Lehmans in New York that eventually drove the MPC to cut interest rates by 50bp on October 8th in concert with the Federal Reserve, the ECB and other central banks. It was then appreciated that the economic downturn would be much more severe than previously thought and interest rates were subsequently slashed by 150bps on 6 November, 100bps on 4 December and 50 bps on 8 January 2009.
- The LIBOR spread over Bank Rate has also been a feature, and a concern, of 2008/9. Because of the credit fears and the reluctance of lenders to place cash for long periods 3 month LIBOR (this is the London Inter Bank Offer Rate – the rate at which banks will lend to one another) has been substantially higher than Bank Rate. This has meant that the MPC's power over monetary policy has been eroded by the widening of this spread between LIBOR and Bank Rate and it has therefore had a limited ability to bring relief to hard pressed borrowers through lower interest rates. However, the power of the Government over the semi nationalised clearing banks had considerable impact in enforcing pro rata reductions to the 150 bps Bank Rate cut in November on some borrowing rates.

The Government has abandoned its 'golden rule'. The pre Budget Report on 14 November revealed the Government's plans for a huge increase in Government borrowing over coming years as a result of falling tax revenues and also due to tax cuts and increases in Government expenditure in the short term designed to help stimulate economic growth to counter the recession.

## 2. PROSPECTS FOR INTEREST RATES

The Council has utilised Sector to assist the Council to formulate a view on interest rates. Appendix 4 draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following table gives the Sector central view.

**Sector interest rate forecast – 6th December 2008**

	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009	Q/E1 2010	Q/E2 2010	Q/E3 2010	Q/E4 2010	Q/E1 2011	Q/E2 2011	Q/E3 2011	Q/E4 2011	Q/E1 2012
<b>Bank rate</b>	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.75%	2.50%	3.25%	3.75%	4.00%
<b>5yr PWLB rate</b>	2.50%	2.25%	2.15%	2.15%	2.15%	2.45%	2.80%	3.15%	3.65%	3.95%	4.20%	4.45%	4.60%
<b>10yr PWLB rate</b>	3.10%	2.75%	2.55%	2.55%	2.55%	2.85%	3.25%	3.65%	4.15%	4.40%	4.70%	4.75%	4.85%
<b>25yr PWLB rate</b>	4.00%	3.95%	3.95%	3.95%	4.00%	4.15%	4.35%	4.45%	4.60%	4.85%	4.95%	5.00%	5.05%
<b>50yr PWLB rate</b>	3.85%	3.80%	3.80%	3.80%	3.85%	3.90%	4.00%	4.25%	4.40%	4.70%	4.80%	4.95%	5.00%

The table shows that the Bank rate is expected to remain low until 2011 at which point it is expected to increase.

Borrowing costs will mirror the Bank rate but will show a more incremental rise.

### **3. TREASURY LIMITS AND PRUDENTIAL INDICATORS FOR 2009/10 TO 2011/12**

It is a requirement that authorities should have adopted the CIPFA Treasury Management Code of Practice. Financial Regulation.3.97 (Treasury management), adopted by the Council on 22/4/08 as part of its constitution, requires compliance with the code

It is a statutory duty under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. A limit, which effectively represents the outer boundary of possible borrowing, must be set. This is referred to in the Prudential Code as the “Authorised Limit”.

The Prudential Code also requires authorities to determine an “Operational Boundary” which is a realistic estimate of borrowing consistent with the debt levels assumed in the budget. Both this, and the authorised limit, have to be set for the current, and two following, years.



These limits, and the others which the Council must set under the Prudential Code, are detailed in table 1 below.

<b>TABLE 1</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
<b>PRUDENTIAL INDICATOR</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>actual</b>	<b>probable</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
Capital Expenditure Non - HRA	6,474	8,583	5,053	3,317	1,175
<b>Ratio of financing costs to net revenue stream</b>					
Non - HRA	(3.59%)	0.09%	0.76%	0.39%	0.40%
<b>Net borrowing requirement (See Note)</b>					
brought forward 1 April		7,000	8,917	8,882	9,151
carried forward 31 March		8,917	8,882	9,151	9,350
in year borrowing requirement		1,917	(35)	269	199
<b>Capital Financing Requirement as at 31 March</b>					
Non – HRA	6,319	8,917	8,882	9,151	9,350
<b>Annual change in Cap. Financing Requirement</b>	(7,842)	2,598	(35)	269	199
<b>Incremental impact of capital investment decisions on Band D Council tax p.a.</b>			<b>£6.35</b>	<b>£3.68</b>	<b>£4.64</b>

**Note**

The Prudential Code requires that net external borrowing (the third indicator in the above table) should not exceed the Capital Financing Requirement for the preceding year (£8,917) plus the estimated additional CFR for the current year (-£35) and next two years (£269 plus £199). Net borrowing in 2009/10 should not therefore exceed £9.350m. As described in paragraph 6 planned borrowing is less than this.

PRUDENTIAL INDICATOR	2007/08	2008/09	2009/10	2010/11	2011/12
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£'000	£'000	£'000	£'000	£'000
	actual	probable outturn	estimate	estimate	estimate
<b>Operational Boundary for external debt -</b>					
borrowing	8,880	8,917	8,882	9,151	9,350
other long term liabilities	120	12	10	10	10
TOTAL	9,000	8,929	8,892	9,161	9,360
<b>Authorised Limit for external debt -</b>					
borrowing	12,880	10,917	10,882	11,151	11,350
other long term liabilities	120	£12	10	10	10
TOTAL	13,000	10,929	10,892	11,161	11,360
<b>Upper limit for fixed interest rate exposure</b>					
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%	100%
<b>Upper limit for variable rate exposure</b>					
Net principal re variable rate borrowing / investments	30%	30%	30%	30%	30%
<b>Upper limit for total principal sums invested for over 364 days (per maturity date)</b>	£0	£0	£0	£0	£0

### Notes

The Operational Boundary figures quoted for 2007/8 is as per the previous Strategy Statement, approved twelve months ago. For 2008/9 the boundary is consistent with the budget, as detailed in paragraph 6.

The Authorised Limit allows for an additional £2m of borrowing if exceptional or unforeseen circumstances required it.

#### 4. PLANNED MATURITY STRUCTURE OF FIXED RATE BORROWING 2009-10

The Council is required to set limits on the maturity structure of its borrowings. This is intended to ensure its portfolio is spread over time, and to minimise peaks and troughs in the repayment profile.

In Chorley's case, with a very small amount of debt, this risk is minimal. It is planned therefore to concentrate any borrowing in periods below 5 years, to take advantage of the low rates available in that period.

Maturity structure of fixed rate borrowing during 2009/10	upper limit	lower limit
	under 12 months	100%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	25%	0%
10 years and above	25%	0%

## 5. CURRENT PORTFOLIO POSITION

The Council's treasury portfolio as at 31/01/09 comprises:

		<b>Principal</b> £m	<b>Av. rate</b> %
Fixed rate funding	PWLB	4.983	3.87
	Market	0	
Variable rate funding		0	
Other long term liabilities		0.012	
<b>TOTAL DEBT</b>		<b>4.995</b>	
<b>TOTAL INVESTMENTS</b>		<b>12.810</b>	<b>2.90</b>

## 6. BORROWING REQUIREMENT

Provision has been made in the Council's budget for it to borrow up to the limit of its "capital financing requirement". This is a measure, derived from the balance sheet, of the need for loan to finance capital expenditure. Any short term cash surpluses arising as a result of this borrowing will be invested.

In practice, in the current financial climate of risk and low investment returns, borrowing will probably be delayed until it is necessary. Whilst therefore this method of calculation probably overstates the actual borrowings that will be made, it does give a solid foundation on which to base the "Operational Boundary", one of the key prudential indicators referred to in table 1.

The following table shows the additional borrowings, in each year, assumed in the budget.

	<b>2007/8</b> <b>£'000</b> <b>actual</b>	<b>2008/9</b> <b>£'000</b> <b>probable</b>	<b>2009/10</b> <b>£'000</b> <b>estimate</b>	<b>2010/11</b> <b>£'000</b> <b>estimate</b>	<b>2011/12</b> <b>£'000</b> <b>estimate</b>
Capital Financing Requirement	6,319	8,917	8,882	9,151	9,350
Borrowings at start of year		7,000	8,917	8,882	9,151
Repayments in year		(2,367)	(4,626)	(5,941)	(5,986)
<b>Est. borrowings in year</b>		<b>4,284</b>	<b>4,591</b>	<b>6,210</b>	<b>6,185</b>
Borrowings at year end	7,000	8,917	8,882	9,151	9,350

## 7. BORROWING STRATEGY

The issues to be considered in preparing a borrowing strategy are

- The amount of any borrowing  
This is considered in paragraph 6 above. The estimates have assumed borrowings of £4.284m in 2008/9, £4.591m in 2009/10, £6.210m in 2010/11 and £6.185m in 2011/12.
- The timing of borrowing  
Treasury management is concerned with optimising the timing of borrowings and investments so as to take advantage both of beneficial rates and the differences in interest rates paid and earned.  
In the exceptional circumstances resulting from the credit crunch there is risk, and very little reward, in holding surplus cash balances for investment. Borrowings will therefore be timed

to take advantage of low rates but also with a view to minimising any risk attached to holding surplus cash balances.

- Source of borrowing

There are two basic sources from which local authorities can borrow, the PWLB and banks. In recent years many authorities have taken advantage of cheap long term borrowings from banks. However this source has dried up as a result of the credit crunch. Even if it were, as expected, to become available again in the near future, it is unlikely to be attractive given the cheapness of short, as opposed to long, term borrowing. It is therefore expected that any borrowings will be from the PWLB.

- The length of borrowing

Currently borrowings from the PWLB cost between 1% and 2% for periods of 1 to 5 years. These rates increase to 2% to 3% for periods between 5 and 10 years, and 3% to 4% up to 20 years. It is therefore planned to borrow for periods of less than five years.

## **8. DEBT RESCHEDULING**

Given that Chorley has only a small amount of debt, all of which has very short maturity dates, there is not currently any opportunity to obtain savings by debt rescheduling.

**APPENDIX 2  
ANNUAL INVESTMENT STRATEGY**

**1 Introduction**

A proposed Strategy was submitted to the Executive Cabinet on 8<sup>th</sup> January 2009 for consultation, and was then considered by Overview & Scrutiny Committee on 19<sup>th</sup> January. The outcome of those consultations is that investments will be restricted as follows for the next six months after which investment policy will be reviewed.

**2 By Country**

No local authority investments are guaranteed, there is however an assumption that certain institutions will be supported if they get into financial difficulty. **The Council shall restrict its investments to financial institutions likely to be supported by the British Government for a period of six months at which point it shall be reviewed.**

**3 Assessment of counterparties financial standing**

This will be done by combining the various ratings applying to an institution, to give the following colour codings

Short term rating F1+, Long term AAA, AA+, AA, AA-			
Individual rating	Support Rating		
	1	2	3
A	red	red	red
A/B	red	red	green
B	red	red	green
B/C	red	red	green
C	red	red	green

Short term FI, Long term A+, A		
Support Rating		
1	2	3
red	red	green
red	red	green
red	red	
green	green	
green	green	

**4 Limits applying**

**The maximum amount deposited with an institution shall normally be £1m.** Exceptionally, if the amount to be invested cannot be placed within this limit, it shall be increased to £2m.

The maximum length of time for which a sum shall be invested shall be

- **Institutions colour coded “red” within the above matrix – 1 year**
- **Institutions colour coded “green” – 3 months**

**5 Institutions on “ratings watch”**

Attention shall be given to any “ratings watch” notices made by ratings agencies

**6 Investment with other counterparties**

It is thought likely that the inter-local authority market will increase as a result of the banking crisis. **The council shall look to invest its surplus funds with other local authorities. The Council shall also open an account with the Debt Management Office.** Effectively this is a means of lending money to the Government and has the lowest risk but also the lowest return.



## APPENDIX 3

### POLICY ON MINIMUM REVENUE PROVISION

#### 1. Purpose of the Report

To set out the Council's policy on making a Minimum Revenue Provision for the funding of its loan financed capital expenditure (MRP).

#### 2. Background

Local Authorities, in preparing their budgets, have to include a sum to meet the indebtedness resulting from capital expenditure. This is known as the Minimum Revenue Provision (MRP). In the past MRP was 4% of an amount of indebtedness calculated by means of a specified formula. New regulations require instead, that the provision be "prudent". Statutory guidance has been issued providing four methods to calculate MRP, these are outlined below. The broad aim is to ensure that debt is repaid over a period matching that over which the capital expenditure gives benefit.

Authorities have to prepare an annual statement of policy for making MRP. This will be applied retrospectively to 2007/8. The policy for 2008/9 and the retrospective 2007/8 policy have to be approved before 31<sup>st</sup> March 2009. This report covers those years and 2009/10.

#### 3. Permitted methods of calculation

##### Option 1: Regulatory Method

This is the existing method (ie 4% of indebtedness), and it can be used for two types of capital expenditure.

- That incurred before 1/4/08 AND
- In years after 1/4/08 it is possible that the cost of some capital projects will be offset by additional revenue support grant. If this happens MRP on that capital expenditure can continue to be calculated using the 4% method.

##### Option 2: Capital Financing Requirement Method

This is a variation on option 1 which is based upon a charge of 4% of the aggregate CFR without any adjustment for certain factors which were brought into account under the previous statutory MRP calculation. The Regulatory Method (Option 1) is preferred, being simpler, and more consistent with the RSG system of revenue support for capital borrowings.

##### Option 3: Asset Life Method.

This method provides that capital expenditure be financed over the life of the asset. The annual charge is to be calculated either by simply dividing expenditure on each asset by its life, or by calculating the principal portion of an annuity repayment of that expenditure

This will require much more detailed record keeping, since the calculation will have to be made for each asset on which expenditure is incurred, It is anticipated that this will result in a heavier charge compared to that which would have applied under the old rules.

##### Option 4: Depreciation Method

Under this option, MRP charges are to be linked to the useful life of each type of asset using the standard accounting rules for depreciation (but with some exceptions) i.e. this is a more complex approach than option 3.

### **Conditions for using the options**

An authority could chose to calculate its total MRP liability on the basis of options 3 and 4, but this would certainly increase the annual charge. Options 1 and 2 can only be used for a narrow range of capital expenditure (as detailed above), all other capital expenditure must be provided for by options 3 or 4.

### **Implications**

The changes in calculating MRP will have significant implications for the capital programme. Whereas in the past MRP would be around 4% of the borrowing requirement, the MRP will now vary for each capital scheme depending on the life of the asset and the way it is funded.

In terms of capital submissions there will need to be greater clarity over the sources of funding and period over which benefits of the investment will be delivered.

In terms of funding there will be a need to be more specific about which schemes are met from supported borrowing and other sources. This will require much more detailed record keeping. It may also mean that all assets with a shorter life are, where possible, financed by grants and capital receipts whereas longer life assets are funded using prudential borrowing.

The MRP charge for 2007/8 and 2008/9 can continue to be calculated as it has in the past, since all expenditure affecting the calculations will have been incurred prior to 1/4/08.

### **Recommendations**

- That the use of option 1 for 2007/8 be confirmed.
- That the MRP charge for 2008/9 be based on the option 1 method.
- That for 2009/10 option 1 be used for the permitted types of expenditure, and that option 3, repayment by means of equal instalments over the life of the asset, be used for all other expenditure.

**APPENDIX 4**

**INTEREST RATE FORECASTS**

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

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

**1. INDIVIDUAL FORECASTS**

**Sector interest rate forecast – 6 December 2008**

	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009	Q/E1 2010	Q/E2 2010	Q/E3 2010	Q/E4 2010	Q/E1 2011	Q/E2 2011	Q/E3 2011	Q/E4 2011	Q/E1 2012
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.75%	2.50%	3.25%	3.75%	4.00%
5yr PWLB rate	2.50%	2.25%	2.15%	2.15%	2.15%	2.45%	2.80%	3.15%	3.65%	3.95%	4.20%	4.45%	4.60%
10yr PWLB rate	3.10%	2.75%	2.55%	2.55%	2.55%	2.85%	3.25%	3.65%	4.15%	4.40%	4.70%	4.75%	4.85%
25yr PWLB rate	4.00%	3.95%	3.95%	3.95%	4.00%	4.15%	4.35%	4.45%	4.60%	4.85%	4.95%	5.00%	5.05%
50yr PWLB rate	3.85%	3.80%	3.80%	3.80%	3.85%	3.90%	4.00%	4.25%	4.40%	4.70%	4.80%	4.95%	5.00%

**Capital Economics interest rate forecast –19 January 2009**

	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009	Q/E1 2010	Q/E2 2010	Q/E3 2010	Q/E4 2010
Bank Rate	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5yr PWLB rate	1.65%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
10yr PWLB rate	2.65%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%
25yr PWLB rate	4.15%	4.00%	3.80%	3.65%	3.65%	3.65%	3.65%	3.65%
50yr PWLB rate	4.05%	3.95%	3.85%	3.75%	3.75%	3.75%	3.75%	3.75%



**UBS interest rate forecast (for quarter ends) – 12 December 2008**

	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009
Bank rate	0.50%	0.50%	0.50%	0.75%
10yr PWLB rate	3.75%	4.15%	4.35%	4.65%
25yr PWLB rate	4.25%	4.55%	4.85%	5.05%
50yr PWLB rate	4.30%	4.65%	5.00%	5.25%

**2. SURVEY OF ECONOMIC FORECASTS**

**HM Treasury** – December 2008 summary of forecasts of 23 City and 12 academic analysts for Q4 2008 and 2009. Forecasts for 2010 – 2012 are based on 21 forecasts in the last quarterly forecast – November 2008.

BANK RATE FORECASTS	quarter ended			annual average Bank Rate		
	actual	Q4 2008	Q4 2009	ave. 2010	ave. 2011	ave. 2012
Median	2.00%	2.00%	1.00%	3.11%	3.97%	4.49%
Highest	2.00%	4.50%	4.00%	4.70%	5.00%	5.25%
Lowest	2.00%	2.00%	0.50%	1.00%	2.25%	3.00%

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Report of	Meeting	Date
Assistant Chief Executive (Business Transformation) Statutory Finance Officer	Council	26 February 2009

## **STATUTORY REPORT ON THE BUDGET**

### **PURPOSE OF REPORT**

1. To provide advice required under S25 of the Local Government Act 2003.

### **RECOMMENDATIONS**

2. The Council are recommended to:

Note the Statutory Finance Officers comments and advice under S25 of the Local Government Act 2003, as set out in this report and have regard to it when considering the budget for 2009/10.

### **EXECUTIVE SUMMARY OF REPORT**

3. The report is as required by statute and requires the Statutory Finance Officer to set out how the budget has been constructed and the assumptions that underpin that budget. The Statutory Officer is then required to comment on the Executives budget proposals so that the Council can make an informed judgement as to the robustness of those assumptions.
4. Having reviewed the underlying assumptions and commented on the position in relation to working balances, I have concluded that the budget is reasonable and deliverable.

### **REASONS FOR RECOMMENDATIONS (If the recommendations are accepted)**

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

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

6. None.

**CORPORATE PRIORITIES**

7. This report relates to the following Strategic Objectives:

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

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

**BACKGROUND**

8. Under the requirements of S25 of the Local Government Act 2003 the Statutory Finance Officer is required to advise members when setting the budget as to the robustness of the budget and the adequacy of reserves.

**LEVELS OF RESERVES**

9. The Council for some time has established a budget based upon not using working balances to fund recurrent expenditure. Clearly this is good practice that delivers a prudent and sustainable budget.
10. In 2009/10 the Executives proposals included the use of working balances to fund, firstly an in year budget balance of £264k and in addition to this the net overspend on concessionary travel.
11. The Executive have done this for two reasons:
- Firstly, the unprecedented economic conditions and the impact it is having on the Council's budget through reductions in income has been relatively extreme, and it is unclear how long this may continue.
  - The concessionary travel expenditure and funding is likely to change from 2011.
12. On this basis the use of balances for funding the budget gap is proposed for one year only, which is a sustainable position. With regard to concessionary travel, there are a number of other actions proposed to try and mitigate the increased costs, including lobbying the government for extra grant and negotiating with the bus companies to reduce the reimbursement rate, with the intention that the budget impact is reduced prior to 2011.
13. The level of balances is a matter of judgement and the Executive have anticipated the potential problems with the free travel scheme and increased balances accordingly in previous years. It is therefore acceptable as a strategy to now use some of those balances on the basis that by 2011 the risk should have been removed from the Council's budget. Details regarding the level of working balances are contained within the Medium Term Financial Strategy and shows that working balances are set to reduce to £1m by the end of the financial planning period.
14. I have advised that that level of working balances is sufficient, but the Council should not allow them to go below this level.

**THE ROBUSTNESS OF THE ESTIMATES AND RISK ISSUES**

15. In terms of the budget proposals there still remains a number of risk areas where actual performance may not match the assumptions made. In such an event this may impact upon the Councils ability to deliver a balanced budget. The majority of these risks are not unique to Chorley and are recurrent issues in many cases, given the nature of local authority business.
16. In terms of key assumptions these are set out in table three of the Medium Term Financial Strategy. In relation to these items I would make the following comment.

**PAY AWARD**

17. The assumptions are based upon the fact that it is likely that there will be downward pressure on public sector pay awards over the next three years, as inflation falls and the government look to strengthen the public finances of the Country.

**PENSIONS CONTRIBUTIONS**

18. The Councils contribution toward pensions continues to increase as the pension deficit increases mainly as yield on investments fall. For this reason I have anticipated further increases in future years, including 2011/12 by which time the next triennial review will have taken place.

**CONCESSIONARY TRAVEL**

19. This particular element of the budget still represents the greatest risk in terms of identifying the likely annual costs, both in the current and future years.
20. That said the Executives proposal are that anything over the base budget of £1.025m will be funded from working balances in the short term and working balances are at sufficient a level to sustain that strategy for the short term.

**EXPENDITURE AND INCOME SAVINGS**

21. Turning to the savings and additional fees and charges income proposals in the proposed budget, I make the following comments which are strategic in nature, not focusing on the individual elements of the proposals.
22. The budget as it currently stands includes net expenditure savings of £748k. The bulk of these come from salary saving from restructuring and the development of the Shared Services agenda. I am satisfied that sufficient progress has and is being made in relation to these proposals to ensure they are delivered in 2009/10.
23. With regards to the additional income to be generated , these are based on yields after re-basing many of the budgets impacted from the economic downturn. Some of these are demand led and therefore there is some risk of them not being achieved, but the risk I believe is small and the targets are not overly ambitious.

**CONCLUSIONS OF THE ADEQUACY OF WORKING BALANCES AND THE ROBUSTNESS OF THE BUDGET**

24. The Financial Strategy that takes us up until 2011/12 concludes that working balances will stand at £1m by the end of that period.

25. However, there are still a number of external factors influencing the Council’s ability to either attract funding or to influence expenditure. This is in the main due to:
- The unknowns in relation to future government funding which may change as public expenditure contracts.
  - The full impact of the concessionary travel scheme over the planning period.
  - The Government support for capitalisation direction.
26. In addition there remains the outstanding issue in relation to the deposit frozen in the Icelandic bank. It is likely that the outcome and this position will take up to two years to conclude. Whilst the Government has put in temporary arrangements to protect Council Tax payers, only when the financial position is clear and the Governments intentions are known in relation to supporting Councils will we be able to assess the financial impact on the Council.
27. With regard to the robustness of the budget assumptions for 2009/10 once again each Directorate has had a line by line review completed on their budget and whilst there are still some issues to resolve, they represent adjustments that are reasonable and deliverable.
28. In previous years the Council has been faced with the prospect of making savings and 2009/10 has been no different. The savings are necessary to contain the Council Tax increase and secondly to balance the books. This report has identified that most of the savings plans are well developed but further work is necessary to ensure those plans are deliverable.
29. Some inherent risks remain in the budget but the underlying assumptions made I believe are reasonable. I have outlined my views and advice in relation to the levels of working balances and commented that use of working balances is sustainable in the short term and that they should be maintained at a level of no lower than £1m, and this position has been adopted in the Financial Strategy. The Council will need to work hard to ensure that the savings targets for future years are delivered and will have to be innovative and decisive over the next few years.

**IMPLICATIONS OF REPORT**

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

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

GARY HALL  
 ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION AND IMPROVEMENT)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gary Hall	5480	09/02/09	ACE/(BT)/Reports/2009/Council/ Alternative Budget

# **Medium Term Financial Strategy 2009/10-2011/12**



## **CONTENT**

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



## FOREWORD AND INTRODUCTION

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

This document sets out the Council's financial strategy for the three years 2009/10 – 2011/12. This is an important period with the introduction of the Comprehensive Area Assessment for Council and the rise in importance of Local Area Agreements and the impact they may have on funding streams to the Council.

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

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

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

- the desire to continue to restrain the levels of Council Tax rises to below inflation.
- to continue to provide value for money for the Council Tax payers of Chorley.
- to continue to invest in the services that matter to the people of Chorley with additional cash or additional work programmes using current resources.

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

It should also be noted that it is important to continue to seek to provide excellent services in terms of the statutory, regulatory and discretionary services that the Council offers.

**POLICY CONTEXT**

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

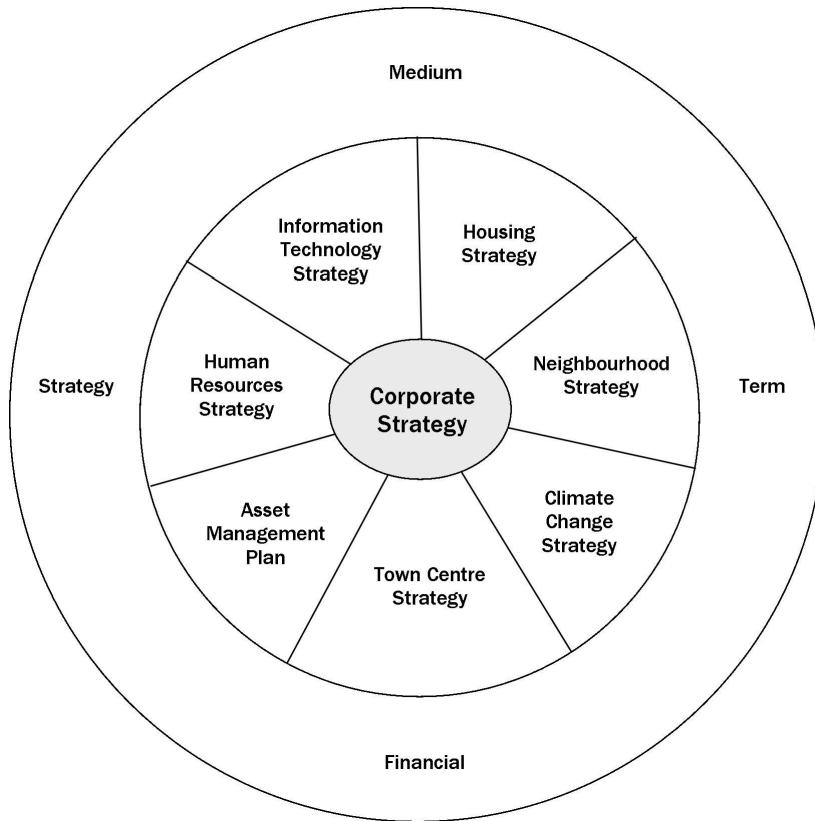
The Council has recently updated its Corporate Strategy, aligning it with the refreshed community strategy. The key priorities and objectives contained in that strategy are set out below:

Priority	Prosperity	People		Place		Performance
Strategic objective	1. Strengthen Chorley’s economic position in the central Lancashire sub-region	2. Improving equality of opportunity and life chances	3. Involving people in their communities	4. Develop local solutions to climate change	5. Develop the character and feel of Chorley as a great place to live	6. Ensure Chorley Council is a consistently top performing organisation
Long Term Outcome	1.1 A vibrant local economy 1.2 A thriving Chorley town centre and other service centres 1.3 Preserve jobs in the borough 1.4 Create and maintain higher added value jobs	2.1 The number of SOAs in the worst 20% nationally will reduce  2.2 improved life chances for young people and children  2.3 improved quality of life for the borough’s older people  2.4 Healthier communities and reduced health inequalities  2.5 improved quality of life in rural communities	3.1 People will be involved in decision making and in improving the well being of their communities  3.2 increase the level of volunteering in the borough	4.1 The council’s environmental footprint will be reduced  4.2 An improved local environment  4.3 Seek to protect the local natural environment and improve biodiversity	5.1 More people will be satisfied with Chorley as a place to live  5.2 There will be a range of housing tenures that address community requirements  5.3 There will be more affordable housing  5.4 Safer communities  5.5 improvement and extension of the green corridor of Chorley	6.1 Community aspirations are delivered through the efficient use of resources and effective performance management  6.2 An excellent community leader  6.3 a provider and procurer of high quality priority services  6.4 An excellent Council that is continually striving to improve  6.5 improved access to public services

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

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

Diagram 1: Strategic Links



The Individual Strategies supporting the Corporate Strategy set out how the Council will achieve its objectives.

In each case the resources required are broadly developed through the Council's business planning process and resources identified during the budget round. Whilst in general the additional resources are being put into the delivery of the corporate strategies, this is achievable as the current resources allocation should be sufficient for the Council to achieve its corporate plans which ultimately support the delivery of the Corporate Plan aims, objectives, targets and measures.

**FINANCIAL CONTEXT**

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

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

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

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

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

Table 3: Assumption contained in 3 year forecasts

<b>Assumption</b>	<b>2009/10 %/£</b>	<b>2010/11 %/£</b>	<b>2011/12 %/£</b>
Pay award	+2.0%	+2.0%	+2.0%
Pension contribution	+1.0%	+1.0%	+1.0%
Grant Settlement	+1.7%	+1.5%	+1.0%
Housing Planning Grant	+£27k		

<b>Capital</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>Total</b>
	£'m	£'m	£'m	£'m
Prudential Borrowing	0.322	0.630	0.575	1.530
Preserved RTB Receipts	0.100	0.100	0.100	0.300
Asset sales	0.510	0.411	-	0.921
VAT Shelter Receipts	0.594	0.594	-	1.188
Government Grants	0.543	0.557	0.500	1.600
<b>Total</b>	<b>2.069</b>	<b>2.292</b>	<b>1.175</b>	<b>5.539</b>

**REVENUE FORECAST**

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

Table 4: Budget Gap 2009/10 – 2010/11

Year	Budget Gap £'000
2009/10	264
2010/11	620
2011/12	381

The table shows that over the financial planning period post 2009/10 a further £1m will need to be found from the following sources:

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

From 2012/13 onward some of the current grants available will cease to be available, they may be replaced by others but until this becomes clear it has to be assumed that a further £250k will be needed from 2012/13 onwards.

In this respect the Council's Strategy will be:

- To continue to restrain Council Tax rises below inflation.
- Deliver a balanced budget over the Financial Planning Period 2009/10 – 2011/12.
- Identify the savings required to balance the budget seeking to minimise the impact on service users.

In this respect it will look to:

- Make better use of its asset base and rationalise the number of administrative buildings it uses.
- Maximise opportunities for better procurement.
- Complete the 3 year Programme of Value For Money recovery on all Council activities.
- Undertake a year on year baseline review of expenditure.
- Maximise the opportunities to attract specific grants.
- Further develop the Shared Services agenda
- Lobby the Government to redress some of the grant distribution issues.

In this respect the following information is relevant.

### **Asset Management Planning**

The Council is currently undertaking a strategic asset review and contained within it is an aspiration to rationalise the Council's use of administrative buildings from 3 to 2. Should it be achieved this could generate savings in the region of £150k per annum through savings in running cost and sale or rent of one site.

### **Maximise opportunities for Procurement**

We continue to ensure excellent procurement practice across the council and this has now been extended to include South Ribble as part of the Shared Financial Service. This extended service will enable bigger buying power and we are already identifying service areas such as Transport where savings can be achieved at Chorley. Additionally the Team Lancashire procurement Hub is now established and we should see procurement savings resulting from the contracts they put in place for the benefit of all Lancashire councils.

We are also working hard to deliver procurement savings through more innovative ICT service delivery and acquisition.

Over the 2 years I would look to achieve savings of £100k through Procurement savings from targeting in particular expenditure that has previously not recently been subject to a procurement process or where that procurement process has not been refreshed for some time.

### **Complete the 3 year programme of VFM Reviews**

The VFM review programme continues and the first 2 reviews have resulted in restructures that will deliver in excess of £220k in annual salary savings. The most recent review of the business directorate will see an 11% reduction on the total salary budget in 2009/10. The remaining reviews will cover all support services and the People directorate. With an established successful format for undertaking the reviews now in place I am confident that this will deliver further savings through both identifying further shared services opportunities and achieving efficiencies. Applying an 8% percentage reduction on the salary budgets and taking account of the review timetables a target savings of up to £300k is not unreasonable over the next two financial years.

### **Further develop the Shared Services Agenda**

The Council's 2009/10 budget individual savings from the growth of the financial shared service of £50k. It also includes a further target of £119k from the sharing of services on:

- Planning Policy and Enforcement
- Extending the financial shared service looking at revenues and benefits
- Crime and Disorder Reduction Partnership

This strategy is likely to be one that will need to be pursued vigorously in coming years as the Council along with other Councils in Lancashire looks to improve both the customer experience by breaking down the barriers and reducing costs. It should be remembered that sharing services can include buildings and infrastructure and assets as well as staffing.

I believe that the continuing development of shared services will play a major part in achieving our savings target. The Financial Shared Services with South Ribble has achieved a 5% reduction for Chorley on salary costs and if we replicate this across the areas we could tackle in the coming 2 years I am confident this will realise a further saving over the 2 years of around £150k in services such as Revenues and Benefits. A co-ordinated and strategic approach needs to be developed for this agenda.

**Lobby for additional Government funding**

Whilst the whole issue of the distribution of Government grant is one that has the propensity to determine the financial stability of the Council there are two particular aspects of funding that are significant in terms of the overall budget position.

Concessionary travel where the cost of the scheme have risen by £600k between 2007/8 and 2008/9 and the current system for reimbursing Housing benefit costs. Under this scheme the amount of subsidies the Council gets on the rent it pays through housing benefit is capped for private landlords who provide the tenant with care support or supervision but it is not for registered social landlords who provide the same package. In 2007/8 the loss to the Chorley tax payer totalled almost £200k. Therefore the Council is almost £400k short when compared against the budget on an annual basis. The Council needs to lobby hard to get the current distribution systems changed.

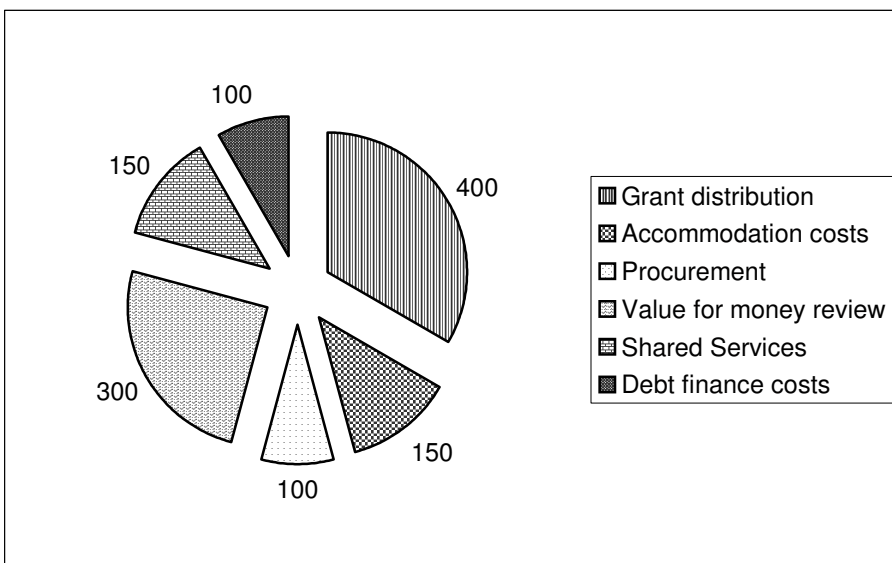
**Debt Financing Charges**

The Capital Programme 2009/2012 requires the use of capital receipts from the sale of assets of £0.9m and the use of VAT Shelter Receipts of £1.8m. In total however there is potentially a sum of £1.9m to be generated from asset sales and a further £3.1m from the VAT Shelter. If all sums are achieved there is therefore a sum of £2.3m uncommitted. The exact timing of the sales and receipts is clearly difficult to predict. However in terms of the financial strategy sums received during the period over and above those required to finance the programme should be set aside to reduce the Council's debt. A sum of £2m would reduce the ongoing revenue costs of approximately £100k annually.

In this respect the Council's efficiency and improvement targets and the areas of focus are summarised below:

With regards to future years the Council needs to ensure it does everything it can to deliver on these programmes of work to reduce its cost base. Should they all be achievable the potential savings total £1.2m.

Table 5 Potential areas for future savings.



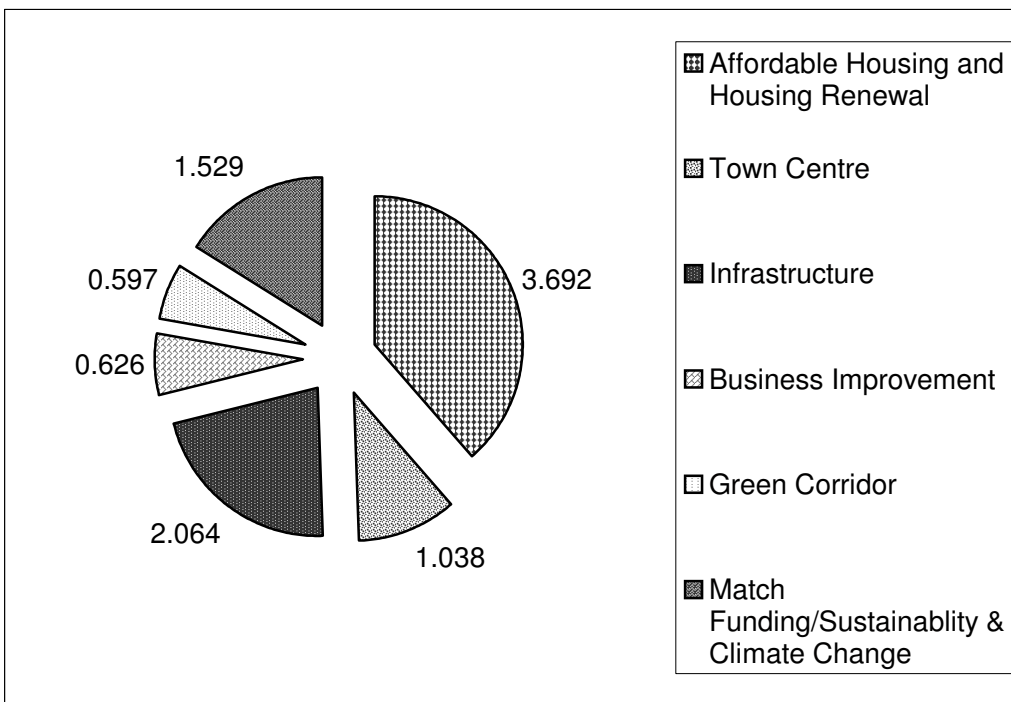
**Capital Programme Forecasts**

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

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

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

Diagram 5 Priority Areas for Investment





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

### WORKING BALANCES

The current financial strategy that takes us up until the end of 2010/11 allowed for working balances to be in a range £1.25-1.50m. This was based upon the then risk profile.

However, from 2009/10 a number of the external factors influencing the Council's ability to either attract funding or to influence expenditure has changed. This is in the main due to the following reasons:

- The CSR07 means that there is a risk of less rate support grant over the planning period 2008/09-2010/11 and from that period onwards, the public finances may impact adversely on further grant support.
- The Concessionary travel costs are becoming clearer and will result in costs being greater than budget for the new scheme.
- The Government is capping capitalisation applications and as such the cost of change may need to be resourced internally.

The greatest potential impact is likely to come from the concessionary travel issue, but all of the issues have the propensity to affect the Council's ability to both balance its budget and continue to deliver effective services. The Government has signalled its intention to pass responsibility for Concessionary travel to County Councils in two tier areas in 2011. As such the expenditure is likely to be non recurrent and it is legitimate to fund the shortfall in the short term from working balances.

In this respect, I previously proposed that working balances were kept at a higher level in recognition of the risks. As the position is now clearer and the position should be resolved by 2011 it is possible to have a lower level of working balances as the greatest single risk to the Councils financial position should be resolved.

As members will be aware, working balances are there to protect the Council's against the 'peaks and troughs' in expenditure and allows them to be able to manage any changes to the base level of expenditure, that is required to bring the budget back into balance. Sometimes this can take time. Maintaining working balances means the Council does not have to make reactive changes that can significantly impact on service performance. The Council continues to manage its budget effectively with no significant overspends on recurrent budgets in the last few years.

In terms of resource availability, members will be aware and as reported in monitoring working balances are estimated to total £1.550m at the end of March 2009. The working balances position is made up of estimated balances in hand and forecast forward as shown below.

<b>Working Balances</b>	<b>£'000</b>
<b>Forecast General Fund Balance at 31 March 2009</b>	<b>1,550,150</b>
Current Budget Gap 2009/10	264,010
Concessionary Travel overspend 2009/10	234,317
<b>Forecast General Fund Balance at 31 March 2010</b>	<b>1,051,823</b>

In previous years the Council has been faced with the prospects of making savings and 2009/10-2011/12 will be exactly the same. The savings are necessary firstly to contain Council Tax and secondly, to redirect resources into corporate priorities.

Some inherent risks remain in the budget and the underlying assumptions I have made have been agreed by the executive and I believe they are reasonable. I have outlined my views and advice in relation to the level and adequacy of working balances and summarise the key risks and mitigation through the actions outlined in this Medium Term Financial Strategy in terms of the next phase of efficiency savings that are and should be put in place. In addition I have outlined that the use of working balances is legitimate but should only be a short term strategy whilst the longer term effects of the economic downturn and the costs of concessionary travel crystallise. On the basis the Council's strategic objectives in relation to working balances will be:

- To maintain working balances in the range at no lower than £1m over the financial planning period 2009/10-2011/12.
- To review the financial risks facing the Council during 2009/10 taking into account the latest information available.

## TREASURY MANAGEMENT

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

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

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

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

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

The prudential indicators, targets and measures will be agreed as part of the budget setting process in February 2009, via the production of Annual Treasury Management.

Analysis of Budget Variations 2008/09 - 2011/12

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Base Budget Requirement	16,523	16,482	18,960	19,665
Less				
Recharges	-	-	-	-
Capital Charges	(1,998)	(1,664)	(4,198)	(4,198)
<b>Cash Base Budget Requirement</b>	<b>14,525</b>	<b>14,818</b>	<b>14,762</b>	<b>15,467</b>
<b>Movements:</b>				
Inflation				
Pay	430	156	316	332
Pensions	87	162	163	160
Non-Pay	37	163	62	65
Contractual	52	70	105	87
Income	(102)	24	7	6
Increments	107	108	73	42
Revenue Effects of the Capital Programme	120			
Volume - Income	(252)	70	(8)	(27)
Volume - Expenditure	482	112	(13)	17
Investment	74			
Rebasing of Base Budget	(315)	153		
Base Budget Savings Agreed	10	(254)		
Savings - Other	(21)			
Senior Management Review	(174)			
Savings Proposals	(152)			
Review of Fees & Charges	(223)			
Growth Proposals	265			
Effects of stock transfer - Reduction in cost - Other	41			
Effects of stock transfer - Service Level Agreements	2			
Savings Proposals/Member Decisions		(748)		
<b>Contingency:</b>				
- Genuine	(10)	-	-	-
- Management of the Establishment	8	(70)	-	-
- Job Evaluation	(174)		-	-
<b>Directorate &amp; Corporate Cash Budgets</b>	<b>14,818</b>	<b>14,762</b>	<b>15,467</b>	<b>16,148</b>
Base Recharges			-	-
In year transfer of recharges to cash budgets	-	-	-	-
Capital:				
Base Capital Charges	1,998	1,998	4,198	4,198
In year transfer of capital	(334)	2,200	-	-
<b>Total Recharges</b>	<b>1,664</b>	<b>4,198</b>	<b>4,198</b>	<b>4,198</b>
<b>Total Directorate &amp; Corporate Budgets</b>	<b>16,482</b>	<b>18,960</b>	<b>19,665</b>	<b>20,346</b>
Reversal of Capital Charges	(1,664)	(4,198)	(4,198)	(4,198)
Net Financing Transactions:				
- Net Interest/Premiums/Discounts	(575)	113	60	61
- MRP less Commutation Adjustment	151	358	352	360
<b>Net Operating Expenditure</b>	<b>14,394</b>	<b>15,233</b>	<b>15,878</b>	<b>16,569</b>
<b>Total Expenditure</b>	<b>14,394</b>	<b>15,233</b>	<b>15,878</b>	<b>16,569</b>
Financed By				
Council Tax - Borough	(6,173)	(6,306)	(6,524)	(6,749)
Parish Precepts	575	575	575	575
Council Tax Parishes	(575)	(575)	(575)	(575)
Aggregate External Finance	(8,221)	(8,358)	(8,487)	(8,572)
LAA Reward Grant	-	(150)	(150)	(150)
Area Based Grant		(23)	(23)	(23)
LABGI Grant		(150)	(75)	(75)
Collection Fund Surplus		16	-	-
<b>Total Financing</b>	<b>(14,394)</b>	<b>(14,970)</b>	<b>(15,258)</b>	<b>(15,568)</b>
<b>Net Expenditure</b>	<b>(0)</b>	<b>264</b>	<b>620</b>	<b>1,001</b>
Analysis of Net Expenditure (Budget Gap)				
Net Expenditure Brought Forward	-	-	264	-
Net Expenditure in Year	-	264	357	381
<b>Net Expenditure Carried Forward</b>	<b>-</b>	<b>264</b>	<b>620</b>	<b>381</b>

WITH 2.9% INCREASE IN COUNCIL TAX IN YEAR 1, THEN 3.0% IN YEARS 2 & 3

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Report of	Meeting	Date
Assistant Chief Executive (Business Transformation and Improvement)	Executive Cabinet	12 February 2009

## **BUDGET CONSULTATION 2008**

### **PURPOSE OF REPORT**

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

### **RECOMMENDATION(S)**

2. The Executive note the consultation responses.

### **EXECUTIVE SUMMARY OF REPORT**

3. Consultation on the draft budget 2009/2010 was carried out by undertaking a straw poll in the Council's One Stop Shop to gain a broad understanding of the views of members of the public and having a discussion with small focus group consisting members of the Making Chorley Smile panel. In order to ensure that the Council takes into account the views of all its residents, local school children were asked for their views on the Council's spending priorities during local democracy week in October 2008. In addition, the Council invited comments from the borough's parish Councils and the Overview and Scrutiny committee.

The results of the consultation were broadly supportive of the proposals made by the Council, that Council Tax rises should be kept as low as possible and the delivery of core services protected. Other comments received asked the Council to ensure that, where additional investment was possible, it concentrated on sustaining and improving the Town Centre and the helping to deal with the impact of the economic downturn and provision of activities for young people.

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

**(If the recommendations are accepted)**

4. N/A

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

5. N/A

**CORPORATE PRIORITIES**

6. This report relates to the following Strategic Objectives:

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

**BACKGROUND**

- 7. Consulting on the budget, and taking in consideration the views of the public and other stakeholders is an important process in ensuring the Council is able to take account of the views and needs of the community it serves. The consultation that has been undertaken provides information that Members can use when making their decisions in the budget setting process.
- 8. This report contains details of the results of the consultation carried out for the 2009 / 2010 budget cycle. It has included; taking a straw poll in the one stop shop about how people would like to see the Council respond to the recession, a workshop with representatives from the Making Chorley Smile panel, a session with local school children to ask what they saw as a priority for Chorley, a meeting with the overview and scrutiny committee, comments invited from parish Councils, and publishing the proposals on the Council's website.

**INTRODUCTION TO THE CONSULTATION**

- 9. During the current recession, and financial pressures that the Council faces, the administration proposed that the budget for 2009/2010 should concentrate on protecting services to the public and protecting them from the affects of the recession while keeping Council Tax rises as low as possible. Therefore, during each public consultation, people were asked to comment on whether they felt this was the right approach, or whether Council Tax should raised or cut, with the corresponding changes in service levels. They were also asked for other suggestions about priority areas.
  - 10. The results of the consultation are set out below, and include suggestions made by the public for priority areas and possible alternative approaches that could be taken by the Council.
- The level of Council Tax**
- 11. The majority of respondents felt that the current proposal, to increase Chorley's element of the Council Tax below inflation was appropriate. The reasons given by respondents centred around the importance of not increasing pressures on households already suffering from the recession by unduly increasing Council Tax, while ensuring that the Council has sufficient resources to continue core services.
  - 12. During the discussion with the Making Chorley Smile panel, some representatives expressed the view that they would be happy to have a slightly higher increase in Council Tax if this was used to fund investment in the local economy and town centre.
  - 13. In the straw poll carried out in the one stop shop, the majority of votes were cast for the current proposals, to have a below inflation increase in Council Tax.

**Priority areas for investment**

- 14. The consultation also asked what area respondents would like to see investment to see the biggest improvement in the area.
- 15. Pupils taking part in the local democracy week events were asked to identify the priorities they thought were important for the Council to invest in. During both the primary school and secondary school sessions, the main area they felt could be invested in was activities for young people. Other comments received indicated that it is not just more activities that young people would like, but a wider variety that cover more age groups, particularly teenagers.
- 16. Members of the focus group drawn from the Making Chorley Smile panel asked the Council to continue to examine ways to improve and sustain the town centre. Suggestions included looking at imaginative ways of stimulating the local economy.
- 17. Feedback from a parish council and a member of the public also raised issues around the free swimming initiative and how this could be made more accessible for residents in rural parts of the borough.

**Response of the Overview and Scrutiny Committee**

- 18. The Overview and Scrutiny Committee have considered the budget proposals for 2009/2010 and made a number of recommendations for Executive Cabinet to consider:
  - Making assurances that there will not be a diminished service following the proposed reductions in budget for planning enforcement and CCTV service.
  - That the reduction in core funding programme be reconsidered, and that consideration be given to reducing the funding to the LSP is reduced by £15k and redirected to the core funding programme.
  - That the Treasury Management Strategy be reviewed, and that the Council invests only in institutions backed by the British government for a period of six months.

**Conclusion**

- 19. The majority of respondents through the various consultation channels used expressed the view that the current proposals were the most appropriate in the current circumstances, to increase Council Tax below inflation and concentrate on protecting core services.
- 20. Popular areas for investment were; a greater range of activities for young people and improving and sustaining the town and centre and local economy.

**IMPLICATIONS OF REPORT**

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

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

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

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

GARY HALL  
ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION AND IMPROVEMENT)

There are no background papers to this report.

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
Chris Sinnott	5337	10 <sup>th</sup> February 2009	Budget Consultation Report 0910



Report of	Meeting	Date
Executive Cabinet	Council	26 February 2009

## **EXECUTIVE RESPONSE TO BUDGET CONSULTATION**

### **PURPOSE OF REPORT**

1. To inform councillors of the Executive Cabinets response to the issue raised by members of the public, Overview and Scrutiny and other consultees during the budget consultation.

### **RECOMMENDATIONS**

2. That the Council notes the responses made to the issues raised during the consultation.

### **EXECUTIVE SUMMARY OF REPORT**

3. The reports outlines the issues raised during the budget consultation by various stakeholders and the Executive response.
4. The response demonstrates that in many cases the Executive has recognised the issues raised and are seeking to address them through introducing action into the work plan and realigning the resources available to the Council through the budget process.

### **REASONS FOR RECOMMENDATIONS**

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

5. To inform Council of the Executives response to issues raised during the budget consultation.

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

6. None.

**CORPORATE PRIORITIES**

7. This report relates to the following Strategic Objectives:

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

**BACKGROUND**

8. For 2009/10 the details of the budget consultation and response are contained elsewhere on the agenda. In summary the following issues were raised for consideration.

- For young people additional activities are needed for a wider age range.
- The Council should look to improve and sustain both the local economy and the town centre.
- Recommendations from the Overview and Scrutiny Committee in respect of tightening the Treasury Management Strategy and to reinstate the proposed reduction in core funding grant.

9. A response to the issues raised is therefore set out in this report.

**EXTENDING ACTIVITIES FOR YOUNG PEOPLE**

10. In respect of this particular issue there are a number of plans to extend and improve the 'Get Up and Go' programme in 2009 with a wider range of activities that should cover programmes for all age ranges, including:

- Continuing to work with partners to deliver a school holiday programme of activities and events throughout the borough
- Delivering a second year of Just For Fun play schemes in all seven neighbourhoods during the summer holidays
- Continuing to deliver the Play Rangers programme at various locations throughout the borough
- Delivering a Play Leaders development programme to increase the provision of community-led activities
- Appointing a Streetgames Co-ordinator and assistants (with financial support from Sport England and numerous other partners) to increase the delivery of streetgames across the borough in the evening and at weekends
- Continuing to develop opportunities for young people to use leisure facilities on weekend evenings
- Introducing free swimming for under 16s
- Delivering a training programme for 14 - 24 year olds in sport and play, leading to accredited qualifications

- Through funding from Sport England, appointment a part-time Inclusion in Sport Officer who will increase work with children and young people with disabilities and provide support for clubs and organisations in doing the same
- In partnership with the Chorley School Sports Partnership, we will deliver:
  - multi-skill physical literacy programme
  - the Sports Unlimited programme as part of the five hour offer in schools, including BMX, free running, and fitness and dance for 11 - 17 year olds
- Delivering a multi-skill development programme with Children's Centre partners to increase activity levels with pre-school children
- Activities events in parks and open spaces across the Borough including refurbished Astley Park.
- Holding a Winter Play Day and a Summer Play Day
- Delivering a Film project with groups of young people and a film production company which will include 12 sessions and a Chorley Film Festival, with final screening at Chorley Little Theatre Partnership with LCC
- Continuation of Young environmentalists scheme at Yarrow Valley Park
- Delivering national 'V' scheme for young volunteers in sport with certificates after 50 hours, 100 hrs 200hrs - Investment of staff time

## **SUPPORTING THE LOCAL ECONOMY**

11. There is a key corporate project to develop and deliver an action plan to respond to the economic downturn. This will be about creating sustainable and resilient businesses and communities in Chorley. It will identify challenges/needs, present solutions and look to build a shared commitment across the Council and it's partners. In connection with this piece of work, action has already been taken in a number of ways by:
  - Creating a redundancy task force made up of a mix of partners to provide advice, information, guidance and support to people made redundant.
  - Helped create the Connect to work scheme that is essentially a Job Brokerage Scheme that helps both employees and potential employees find each other in the world of work. The project offers financial assistance to assist with purchase of workwear and targets those on incapacity benefit.
  - The creation of an enterprise facilitator to work with local people, particularly in high concentration areas of unemployment to encourage entrepreneurship and promote self employment.
  - Looking to improve the Council's payment performance to suppliers to aid with their cost flow. Performance is already good but can be bettered.
12. In terms of other future plans it is intended that the Council will organise an event in 2009 offering practical advice and tips in both the community and business in how to manage through the recession. In addition there will be a longer lead in and work with retailers to support them during the Christmas period.

## **TREASURY MANAGEMENT STRATEGY**

13. The Overview and Scrutiny Committee made two recommendations in relation to reviewing the use of the Council's Treasury advisor and that deposits are made only in UK backed institutions until some of the economic uncertainty dissipates.

14. In this respect the Executive thank the Overview and Scrutiny Committee for their observation and agree to those recommendations. The Treasury Management Strategy included elsewhere in the agenda reflects the recommendations made by the Committee.

**BUDGET SAVING OPTIONS**

15. The Committee also asked for two issues to be considered, namely:
- a) Assurances that in respect of planning enforcement and CCTV services the planned actions would not result in diminished services.
  - b) The reduction in the core funding programme be reconsidered and if not a solution suggested to reduce the funding to the LSP and the reinstatement of the core funding budget.
16. In respect of the CCTV service, the saving is being achieved by rearranging work patterns of the CCTV operatives. Consequently the same coverage will continue to be achieved. For planning enforcement, the proposal is to work with South Ribble Borough Council on a sharing arrangement. Details are currently being worked up but the overriding aim will be to improve service and reduce costs.
17. The proposal to cut the core funding has been reconsidered by the Executive and the funding has been reinstated for a period of one year in order for us to look at the core funding position as a whole over the next 12 months. In addition the lost overhead from the transfer of staff back into the housing function from the CAB has also been guaranteed for a period of 12 months.

**IMPLICATIONS OF REPORT**

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

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

19. The financial implications are detailed in the body of the report.

GARY HALL

ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION AND IMPROVEMENT)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gary Hall	5480	12/02/09	

**Analysis of Significant Movements in Budget between 2008/09 & 2009/10**

<b><u>Budget Changes</u></b>	<b>£'000</b>
<b><u>Expenditure</u></b>	
Pay	156
Pensions	162
Increments	108
Utilities (Gas, Electricity, Water)	78
Insurances	31
Non Domestic Rates	13
Housing & Council Tax Benefits Subsidy	62
Audit Fees	31
Property Services Contract (Liberata)	19
Refuse Contract offset by additional financing costs	(34)
Indoor Leisure Contract	35
Other contracts	26
Elections a/c	(12)
Pensions a/c	(34)
Other minor variances	59
<b><u>Income</u></b>	
Parking Fees income	80
Land Charge income	73
Customer Services SLA with CCH	20
Art Development income from Arts Council	10
Reduction in Benefits Overpayments recovered	62
Planning Application Fees	20
Reduction in use of Lancastrian	10
Benefits Admin. Subsidy	(10)
Rental income - Friday St Depot	28
Housing & Planning Grant	(27)
Licensing Income	12
Residents Parking Permits	18
Additional Benefits Admin. Grant	(59)
Loss of income from CCH for Grounds Maintenance contract	50
Other income	29
Rebasing of budget and savings achieved	(254)
Expenditure Savings Options for Member approval	(575)
Income Generation Options for Member approval	(172)
<b><u>Changes identified at Corporate level</u></b>	
Net Financing Costs:	
- Net Interest	688
- Debt repayment	207
Mangement of the Establishment	(70)
<b>Total Change in Expenditure/Income</b>	<b>840</b>
<b>Financed By:</b>	
Adjustment to Council Tax Base/Special Expenses	41
Increase in Borough Council Tax	(158)
Increase in Aggregate External Finance	(137)
LAA Reward Grant	(150)
Area Based Grant	(22)
LABGI Grant	(150)
<b>Total Change in Financing</b>	<b>(576)</b>
<b>BUDGET GAP 2009/10</b>	<b>264</b>

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## **Schedule of Budget Savings Achieved 2009/10**

<b>1) <u>Savings from Base Budget Review</u></b>	<b>Budget Saving £</b>	<b>Comments</b>
<b><u>Business</u></b>		
Strategic Housing - Bed and Breakfast	(20,000)	Reduction based on 08/09 costs.
<b><u>Chief Executive</u></b>		
Chief Exec Office - minor savings	(2,040)	Reduction based on 07/08 & 08/09 costs
Office Support - Overtime	(2,250)	Reduction based on 07/08 & 08/09 costs
Office Support - Lease of Tools/Equipment	(1,170)	Savings on franking machine contract
Office Support - Stationery	(2,000)	Reduction based on 07/08 & 08/09 costs
Office Support - minor savings	(570)	Reduction based on 07/08 & 08/09 costs
Photocopying charges	(5,000)	Reduction based on 07/08 & 08/09 costs
<b><u>Corporate Governance</u></b>		
Legal Services - publications	(8,000)	Reduction based on 07/08 & 08/09 costs
Legal Services - legal fees income	(7,000)	Reduction based on 07/08 & 08/09 costs
Democratic Services - general subscriptions	(3,000)	Reduction based on 07/08 & 08/09 costs
<b><u>Finance</u></b>		
Exchequer - Bailiffs Commission.	(3,000)	Reduction based on 07/08 & 08/09 costs. Also new contract for 08/09.
Housing Benefit Admin. - Training Expenses.	(3,460)	Budget £7,460 only £2,540 spent in 07/08
Procurement - Conferences Staff.	(500)	£1,000 budget in 09/10. Only £309 cost in 07/08
<b><u>Human Resources</u></b>		
Recruitment budget	(20,000)	The contingency for higher profile job vacancies to be taken out of budget. The savings from any vacant posts to be used to cover the potential overspend.
Rebase smaller budgets	(2,200)	Various minor savings
<b><u>ICT Services</u></b>		
Disaster recovery contract renegotiated	(5,000)	Saving on new contract
<b><u>People</u></b>		
Young Peoples Activities - Get Up and Go Income	(5,000)	An increase in activities for which a nominal charge is made

**Schedule of Budget Savings Achieved 2009/10****Policy & Performance**

Computer Software-Maintenance (Performance Plus)	(6,000)	Previous contract with has expired. Looking for in-house replacement.
Consultants Fees	(6,000)	Reduce provision for consultancy work
Communications	(5,000)	£5k reduction in publicity budget as more work done in-house

**Neighbourhoods**

Pail Closet Emptying	(5,390)	Not required contract terminated
External Audit	(3,600)	No costs in last 3 years
Publications/General subscriptions	(2,500)	Reduction based on 07/08 & 08/09 costs
Research & Feasibilities	(5,000)	Scrutiny inquiry Neighbourhood working now completed
Radiation/Food safety system	(2,060)	Reduction based on 07/08 & 08/09 costs
Scientific fees	(1,500)	Reduction based on 07/08 & 08/09 costs
Heating Oil	(4,000)	Only £240 expenditure in last 3 years
DPE Off Street	(10,000)	Anticipated income re: Parkwise
Mobile Radio Recharges	(2,670)	No longer required
Publications	(1,000)	No costs in last 2 years

**Sub-Total** **(144,910)**

**2) Savings from Decisions Made Previously**

**Budget  
Saving  
£**

**Finance**

Financial Shared Services Agreement	(46,160)	Based on mid-point of grade for new posts.
Support Services Restructure	(63,310)	Based on mid-point of grade for new posts.

**Sub-Total** **(109,470)**

**TOTAL SAVINGS IDENTIFIED** **(254,380)**



**Schedule of Budget Savings Proposals 2009/10**

	<b>Budget Saving £</b>	<b>Comments</b>
<b><u>Back Office Savings</u></b>		
Reduction in Admin Support posts	(34,340)	Deletion of vacant posts and restructuring.
Insurances - Employment Practices Insurance	(10,500)	Cancel policy.
	<b><u>(44,840)</u></b>	
<b><u>Shared Services</u></b>		
Shared Financial Services	(25,000)	Potential expansion of Shared Services.
CDRP merger (Share CDRP manager with SRBC)	(23,830)	Saving represents half of full year salary and oncosts for CDRP manager
Planning Policy - Salaries	(37,000)	LDF officer costs shared with Preston CC and South Ribble BC
Shared Building Control Service	(23,000)	Joint working with South Ribble BC
To provide H.R. services for St.Catherines Hospice	(15,000)	Service agreed. Details currently being worked up.
Emergency Planning	(28,720)	Possible Shared Emergency Planning service.
	<b><u>(152,550)</u></b>	
<b><u>Restructuring Efficiencies</u></b>		
Delete vacant Benefits Officer part-time post	(6,830)	Benefits Officer post replaced with Modern Apprentice
Reduce cleaning hours provision for Town Hall	(6,000)	Reduction of one post in establishment
Merger of posts within Directorate	(15,000)	To merge the Landscape Architect and Education Officer Posts.
Customer Services - Staffing	(10,000)	Restructuring/Efficiencies
Licensing Enforcement	(29,070)	Saving due to merging of Licensing Enforcement within Neighbourhoods
Reduction in CCTV manual operations	(10,320)	Deletion of one part-time post.
Delete Neighbourhood Co-ordinator post	(39,900)	Restructuring/Efficiencies - duties delegated to team leaders as part of restructure.
Delete Parking Manager post	(24,210)	Saving wef from Sept 2009 when on-street parking returns to LCC. Alternative solutions being developed.
Business Directorate Restructure	(125,840)	Restructure of Planning Policy, Regeneration & Development, Economic Development & Markets, Development Control, and Land Charges section. Deletion of vacant posts not needed as a result of downturn in volumes of work.
	<b><u>(267,170)</u></b>	
<b><u>Procurement Savings</u></b>		
Members Broadband. Provider to go out to tender.	(15,000)	Estimated saving at this stage but plans well developed.
Internet service to be provided by L.C.C.	(25,000)	Estimated saving at this stage but plans well developed.
	<b><u>(40,000)</u></b>	
<b><u>Other Savings/Member Decisions Required</u></b>		
Website Development	(5,000)	Budget deleted for 08/09 only. Delete for a second year.
Contaminated Land Investigations (contingency budget)	(7,000)	No reactive capacity. Less than £1k spent in last 3 years - to be met from Contingency if required.
Contingency	(40,000)	Remove contingency from Council budget.
Pay Award provision	(40,000)	Reduction in provision for pay award from 2.5% to 2%
Create 1 Benefits Officer post	21,500	Creation of new post to deal with additional workload
	<b><u>(70,500)</u></b>	
<b>Sub-Total</b>	<b><u>(575,060)</u></b>	

**Schedule of Budget Savings Proposals 2009/10**

	<b>Budget Saving</b>	<b>Comments</b>
<b><u>Income Generation</u></b>		
Car Parking fees and Charges increase	(52,460)	Assuming 7% yield.
Fees and Charges Increase	(36,120)	Assuming a 3% increase.
Income from speakers fees, external working	(10,000)	Income to be generated by providing services and advice to other councils.
Cotswold House - Increase in rent income	(37,000)	Net increase in rental Income - funded from benefits.
Planning - Pre Planning Application Advice	(5,000)	Introduction of new charge.
GIS to charge contractors for Street Naming/Numbering function	(15,000)	Introduction of new charge.
Get Up and Go Programme	(10,000)	Scope to work with partners to attract external funding to supplement the Get Up and Go Programme
Charge for recycling containers to new households	(7,000)	Based on 250 new householders paying £30 for a suite of recycling containers. Reduced to £20 if no brown bin required (ie non garden) 200 x £30 = £6000 50 x £20 = £1000
<b>Sub-Total</b>	<b><u>(172,580)</u></b>	
<b>TOTAL SAVINGS OPTIONS IDENTIFIED</b>	<b><u>(747,640)</u></b>	

**Changes in 2009/10 Budgets since December Draft****1) Options for Member Approval**

Description	Change in Budget £	Comments
Contingency	(40,000)	Remove contingency from Council budget.
Pay Award provision	(40,000)	Reduction in provision for pay award from 2.5% to 2%
Emergency Planning	(28,720)	Possible Shared Emergency Planning service.
Business Directorate Restructure	(50,000)	Additional savings from directorate restructure.
Core Funding Grant	25,000	Core Funding Grant and lost overhead to CAB to be reinstated for a period of 12 months.
Benefits Officer post	21,500	Creation of one new Temporary Benefits Officer
		(Core Funding Grant & Benefits Officer post to be funded by additional Benefits Admin. Grant outlined below)
	<b>(112,220)</b>	

**2) Other Budget Changes (Rebasing)**

Description	Change in Budget £	Comments
Net Financing Transactions	90,000	Loss of interest from reduction in interest rates.
Collection Fund/Special Expenses	(9,090)	Adjustment for estimated Collection Fund deficit & Special Expenses
Postages	(15,000)	Saving on postages contract with TNT
Insurances	18,700	Renewal of Insurance Premiums with Zurich Municipal
Office Support - Stationery	(2,000)	Re-alignment of budget to match forecast outturn costs for 2008/09
Overtime - Democratic Serv.	(2,000)	Reduction in overtime to bring in from review of Support Services report
Member Development Prog.	(3,000)	Reduction to bring in from review of Support Services report.
Bailiffs Commission	(3,000)	Exchequer Services budget. Saving from new contract.
Benefits Admin. Grant	(59,490)	Additional grant awarded.
Local Land Charges-searches	25,690	Further reduction in estimate required.
Service Fees to Other LA's	(3,900)	Reduction in line with corresponding income reduction
Land Charges Network Fees	(3,990)	Reduction in line with corresponding income reduction
DC - Other Fees	(9,150)	Reduction in budget for directorate training
Customer Services Staffing	(3,550)	Further efficiency savings from restructure.
Fairview Farm-Other Conts	(1,000)	Budget adjustment to reconcile with S106 income.
Service Level Agreement	50,000	Loss of income from CCH for Grounds Maintenance contract
Diesel/Derv	10,000	Adjustment of budget to match forecast outturn costs for 2008/09
	<b>79,220</b>	

**TOTAL CHANGES****(33,000)**

**NOTE: A reduction in Council Tax increase from 3.5% to 2.9% would result in a loss of revenue to the Council of £33,000**

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Report of	Meeting	Date
The Labour Group	Council	26 February 2009

## **ALTERNATIVE BUDGET 2009/10**

### **PURPOSE OF REPORT**

1. The purpose of the report is to propose an alternative budget for consideration by the Council as suggested by the Labour Group.

### **RECOMMENDATIONS**

2. That the Council adopt the alternative budget option as set out in this report and consisting of:
  - A freeze on the current levels of Council Tax
  - Further savings from the Council's back office services at a senior management level and in the Communications unit
  - A freeze on proposals contained in the administration's budget to increase both car parking charges and market rents for a period of 12 months
  - Free car parking provision on Friday Street car park between the hours of 10.00am and 3.00pm for 12 months
  - Increase the provision for street cleansing
  - Increase the budget for strategic housing
  - Reduce the provision for conferences for 2009/10 by £5000
  - A freeze on Councillor allowances with no increase in 2009/10
  - Restore the proposed cut of £15,000 in the core funding grant by reducing the contribution to the LSP by £15,000

### **EXECUTIVE SUMMARY OF REPORT**

3. The alternative budget sets out the Labour Group's suggestions for how the Council's resources could be better used to improve services to local residents. It differs from the Executive's draft budget proposal in a number of ways. Additional costs are introduced in to the system but these are offset by savings. The budget deficit in 2009/10 is corrected, whilst further savings are identified for future years.
4. The Labour Group proposition is designed to protect individuals and business during the economic downturn by reducing the costs of running the Council. At the same time it makes extra provision for street cleaning and addresses the recommendations from CPA with reference to strategic housing function and scrutiny.

**REASONS FOR RECOMMENDATIONS**  
**(If the recommendations are accepted)**

- 5. To ensure the Council’s budgetary targets are achieved.

**ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

- 6. The administration’s budget proposals.

**CORPORATE PRIORITIES**

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

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

**BACKGROUND**

- 8. The current administration have proposed a series of savings and a Council Tax increase of 3.5% in order to reduce the Council’s 2009/10 budget gap and to enable it to balance the budget over the medium term.
- 9. However, there are areas where there are differences between the administration and the Labour Group. This paper examines those areas and put forward an alternative for consideration by members of the Council.

**SPEND V TAX DEBATE**

- 10. The administration proposals to increase Council Tax are noted by the Labour Group. However the group are opposed to any Council Tax increase given the current economic conditions. The alternative budget proposes freezing Council Tax at current levels for 12 months. This strategy is designed to protect all our residents but particularly the most vulnerable in society and sends out a message to the public that Chorley Council recognises their difficulties and is prepared to act to protect them. Our budget acknowledges the £450,000 LAA reward grant from government and uses this in 2009/10 to balance the budget with no increase in council tax.

**ALTERNATIVE BUDGET**

- 11. In terms of the alternative budget details are set out in Appendix A. The Appendix shows that clear differences exist between the current administration budget and the Labour Groups proposal. In our budget we are aiming to rectify the mistakes in the current budget proposal from the administration. Our budget is not just about protecting services it is also about protecting individuals and businesses from the current economic downturn. In addition it proposes to spend more where it really matters, by giving the residents of Chorley a cleaner environment.

12. We believe that these changes are necessary and represent a better alternative by:
  - Protecting individuals by freezing Council Tax.
  - Protecting businesses and the vitality of the Town Centre by freezing proposals to increase car park charges and market rents.
  - Recognising that the homelessness services needs more resources.
  - Doing something about the Council's streets that may be judged "the cleanest in Lancashire" but which our residents don't recognise as such. The additional budget would allow an increase from 6 annual sweeps to 9 as well as an ability to respond to requests from ward councillors and parish councillors arising from the new neighbourhood working arrangements. It could also provide an extra ability to respond to necessity for the gritting of pavements and pedestrianised areas.
13. In order to pay for this and because of the need in the future to make good the lost £2 million, it is inevitable that further savings are required and we propose to do this by:
  - Reducing the Senior Management Team.
  - Reducing the amount of resources consumed by this Council on Communications.
14. We believe that post the transfer of the Council's housing stock, more costs could have been taken out of the back office. Indeed the cost of running the Council partly measured by the cost of Corporate and Democratic core shows that the Council spends around £4 per head of population than the average of our nearest neighbours. This is also a disproportionate share of the Councils net budget.
15. The above costs do not include the costs of Communications Department which with a net budget of £256k is almost £2.50 per head of population. Again we believe this is disproportionate and represents a substantial and unjustified increase over the last three years.
16. We believe that in order to redress the balance, one Assistant Chief Executive post should be disestablished. This can be achieved by merging of the two posts we currently have. Additionally, we propose to reduce the Communications team, currently employing a total of 5fte by a minimum of 2. The corporate policy department should also be further downsized with a further 2 posts to come out of the Policy and Performance team. In this case our budget allows only for the removal of one performance officer post. A further post and further savings will be identified for 2010/11. The Borough News and other publications will also cease to be produced. Inevitably this will mean some redistribution of workload and we propose to transfer the responsibility for performance monitoring from the Executive to Scrutiny (the Staffordshire model). In doing so we will strengthen the scrutiny function. Regardless of whether this takes place or not we propose to place greater reliance on the individual directorates for performance reporting and increasing the responsibility of officers in the Governance Directorate
17. In addition we believe that the Council should aim to move to two Directorates instead of the current 6
18. One directorate would be created from a merger of the Corporate Governance and Customer and Support Services with Human Resources and ICT. This would place all support services in one directorate. The other directorate would incorporate Streetscene, Business and People in a Public Services Directorate. We envisage this as a two stage process. Human Resources would merge with Corporate Governance in 2009/10 followed by ICT in 2010/11. Similarly Business and Streetscene would merge in 2009/10 followed by the People Directorate in 2010/11.
19. This would save two Director posts in 2009/10 with further savings in 2010/11 and onwards.

**IMPLICATIONS OF REPORT**

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

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

20. The proposals outlined in this report will generate additional savings of £53k over the three year period which will contribute to the funding gap in future years. Details of the proposals are set out in the attached appendices.

**SECTION 25 REPORT OF THE STATUTORY OFFICER**

21. Under the requirements of Section 25 of the Local Government Act 2003 the Statutory Finance Office is required to advise members when setting the budget of the robustness of the budget assumptions and the adequacy of reserves. The following paragraphs meet that obligation.
22. The comments are made purely as a matter of fact regarding the delivery of the financial aspects of the proposal and do not form a view about the policy objectives.
23. In addition to freezing Council Tax the alternative budget proposals set out a series of propositions in relation to achieving savings so that investment is also achieved. The bulk of the savings come from reducing back office costs, particularly in relation to downsizing the cost of the corporate management team by essentially merging units and creating bigger directorates. In terms of deliverability, the proposals represent something that can be achieved.
24. The financial implications are summarised in the body of the report with the details attached at Appendix A and B.

GARY HALL

ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION AND IMPROVEMENT)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gary Hall	5480	09/02/09	ACE/(BT)/Reports/2009/Council/ Alternative Budget



	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Base Budget Requirement	16,523	16,482	18,928	19,433
Less				
Recharges	-	-	-	-
Capital Charges	(1,998)	(1,664)	(4,198)	(4,198)
<b>Cash Base Budget Requirement</b>	<b>14,525</b>	<b>14,818</b>	<b>14,730</b>	<b>15,235</b>
<b>Movements:</b>				
Inflation	430	156	316	332
Pay	87	162	163	160
Pensions	37	163	62	65
Non-Pay	52	70	105	87
Contractual	(102)	24	7	6
Income	107	108	73	42
Increments	120			
Revenue Effects of the Capital Programme	(252)	70	(8)	(27)
Volume - Income	482	112	(13)	17
Volume - Expenditure	74			
Investment	(315)	155		
Rebasing of Base Budget	10	(254)		
Base Budget Savings Agreed	(21)			
Savings - Other	(174)			
Senior Management Review	(152)			
Savings Proposals	(223)			
Review of Fees & Charges	265			
Growth Proposals	41			
Effects of stock transfer - Reduction in cost - Other	2			
Effects of stock transfer - Service Level Agreements		(625)		
Savings Proposals		(156)	(199)	
<b>ALTERNATIVE BUDGET PROPOSALS</b>				
<b>Contingency:</b>				
- Genuine	(10)			
- Management of the Establishment	8	(70)		
- Job Evaluation	(174)			
<b>Directorate &amp; Corporate Cash Budgets</b>	<b>14,818</b>	<b>14,730</b>	<b>15,236</b>	<b>15,917</b>
Base Recharges			-	-
In year transfer of recharges to cash budgets	-	-	-	-
Capital:	1,998	1,998	4,198	4,198
Base Capital Charges	(334)	2,200	-	-
In year transfer of capital				
<b>Total Recharges</b>	<b>1,664</b>	<b>4,198</b>	<b>4,198</b>	<b>4,198</b>
<b>Total Directorate &amp; Corporate Budgets</b>	<b>16,482</b>	<b>18,928</b>	<b>19,433</b>	<b>20,115</b>
Reversal of Capital Charges	(1,664)	(4,198)	(4,198)	(4,198)
Net Financing Transactions:				
- Net Interest/Premiums/Discounts	(575)	13	(40)	(39)
- MRP less Commutation Adjustment	151	358	352	360
<b>Net Operating Expenditure</b>	<b>14,394</b>	<b>15,101</b>	<b>15,547</b>	<b>16,238</b>
<b>Total Expenditure</b>	<b>14,394</b>	<b>15,101</b>	<b>15,547</b>	<b>16,238</b>
Financed By				
<b>Council Tax - Borough</b>	<b>(6,173)</b>	<b>(6,128)</b>	<b>(6,371)</b>	<b>(6,623)</b>
Parish Precepts	575	575	575	575
Council Tax Parishes	(575)	(575)	(575)	(575)
Aggregate External Finance	(8,221)	(8,358)	(8,487)	(8,572)
<b>LAA Reward Grant</b>	<b>-</b>	<b>(450)</b>	<b>-</b>	<b>-</b>
Area Based Grant		(23)	(23)	(23)
LABGI Grant		(150)	(75)	(75)
Collection Fund Surplus		-	-	-
<b>Total Financing</b>	<b>(14,394)</b>	<b>(15,108)</b>	<b>(14,955)</b>	<b>(15,292)</b>
<b>Net Expenditure</b>	<b>(0)</b>	<b>(7)</b>	<b>592</b>	<b>946</b>
Analysis of Net Expenditure (Budget Gap)				
Net Expenditure Brought Forward	-	-	(7)	-
Net Expenditure in Year	-	(7)	599	354
<b>Net Expenditure Carried Forward</b>	<b>-</b>	<b>(7)</b>	<b>592</b>	<b>354</b>

WITH 0% INCREASE IN COUNCIL TAX IN YEAR 1, THEN 3.5% IN YEARS 2 & 3

<b>PROPOSALS</b>	<b>COST/SAVING 2009/10 £</b>	<b>COMMENTS</b>
<b><u>COSTS</u></b>		
Extra Street Cleaning	75,000	
Strategic Housing	20,000	
Car Parking Proposals	73,080	Cost in Year 1 only
Freeze Market rents for 12 months	9,310	Cost in Year 1 only
<b>TOTAL COSTS</b>	<b>177,390</b>	
<b><u>SAVINGS</u></b>		
Reduce top team by 1 Assistant Chief Executive Officer	(83,510)	Part-year saving wef 1 July
Delete 2 Communications Officer posts	(51,090)	Part-year saving wef 1 July
Cease Publications	(40,000)	
Delete 1 Performance Officer post	(29,530)	Part-year saving wef 1 July
Delete 2 Director posts	(114,710)	Part-year saving wef 1 July
Freeze Members Allowances in 2009/10	(8,460)	
No Conferences for Members in 2009/10	(6,000)	
<b>TOTAL SAVINGS</b>	<b>(333,300)</b>	
<b>NET SAVING</b>	<b>(155,910)</b>	
Re-phasing of LAA Reward Grant	(300,000)	
<b>TOTAL SAVING IN 2009/10</b>	<b>(455,910)</b>	
Loss in Revenue from 0% increase in Council Tax	<b>185,040</b>	
<b>Budget Saving 2009/10</b>	<b>(270,870)</b>	

**NOTE:**

- Total saving of £455,910 would offset the loss in revenue from a 0% increase in Council Tax & balance the budget in 2009/10
- The above table shows the impact in 2009/10 only.