



# Special Council

Agenda and Reports

For consideration on

## Tuesday, 2nd March 2010

In the Council Chamber, Town Hall, Chorley

At 6.30 pm



[www.chorley.gov.uk](http://www.chorley.gov.uk)

## **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.

22 February 2010

Dear Councillor

## **COUNCIL - TUESDAY, 2ND MARCH 2010**

You are invited to attend a meeting of the Chorley Borough Council to be held in the Council Chamber, Town Hall, Chorley on Tuesday, 2nd March 2010 commencing at 6.30 pm for the following purposes.

### **AGENDA**

1. **Apologies for absence**
2. **Minutes of meeting Tuesday, 26th January 2010 of Council (Pages 1 - 4)**
3. **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.

4. **Mayoral Announcements**
5. **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.

6. **General Fund Revenue and Capital Budget and Council Tax, 2010/2011 (Pages 5 - 14)**

Report of the Statutory Finance Officer enclosed, including the following appendices:

- a) **Appendix A - Formal Council Tax Resolution (Pages 15 - 20)**

b) Appendix B - Capital Programme 2010/11 - 2012/13 (Pages 21 - 46)

Appendix B1 Capital Programme 2009/10  
Appendix B2 Capital Programme 2010/2011 to 2012/2013  
Appendix B3 Capital Programme 2010/2011 – Other Changes  
Appendix B4 Capital Receipts  
Appendix B5 Developers Contributions

c) Appendix C - Treasury Management Strategy (Pages 47 - 68)

d) Appendix D - Statutory Report (Pages 69 - 74)

e) Appendix E - Medium Term Financial Strategy (Pages 75 - 88)

f) Appendix F - Significant Budget Movements (Pages 89 - 90)

g) Appendix G - Special Expenses Parish Precepts (Pages 91 - 92)

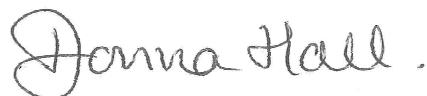
h) Appendix H - Budget Consultation 2010/2011 (Pages 93 - 96)

7. **Alternative Budget Proposals**

Report of the Labour Group (to follow).

8. **Any other item(s) the Mayor decides is/are urgent**

Yours sincerely



Donna Hall  
Chief Executive

Carol Russell  
Head of Democratic Services  
E-mail: carol.russell@chorley.gov.uk  
Tel: (01257) 515196  
Fax: (01257) 515150

**Distribution**

To all Members of the Council and Directors.

**This information can be made available to you in larger print  
or on audio tape, or translated into your own language.  
Please telephone 01257 515118 to access this service.**

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

ان معلومات کا ترجمہ آپکی اپنی زبان میں بھی کیا جاسکتا ہے۔ یہ خدمت استعمال کرنے کیلئے براہ مہربانی اس نمبر پر ٹیلیفون  
کیجئے: 01257 515823

This page is intentionally left blank

**COUNCIL****Tuesday, 26 January 2010**

**Present:** Councillor Iris Smith (Mayor), Councillor Ken Ball (Deputy Mayor), Councillors Nora Ball, Eric Bell, Julia Berry, Judith Boothman, Alistair Bradley, Terry Brown, Alan Cain, Pat Case, Henry Counce, Alan Cullens, Magda Cullens, Mike Devaney, David Dickinson, Doreen Dickinson, Dennis Edgerley, Christopher France, Anthony Gee, Peter Goldsworthy, Marie Gray, Pat Haughton, Harold Heaton, Catherine Hoyle, Keith Iddon, Kevin Joyce, Hasina Khan, Roy Lees, Laura Lennox, Adrian Lowe, Marion Lowe, Peter Malpas, Thomas McGowan, June Molyneaux, Greg Morgan, Simon Moulton, Mick Muncaster, Mark Perks, Debra Platt, Geoffrey Russell, Rosie Russell, Edward Smith, Joyce Snape, Ralph Snape, John Walker, Stella Walsh and Peter Wilson

**10.C.63 MINUTES OF LAST MEETING**

**RESOLVED – That the minutes of the Council meeting held on 15 December 2009 be confirmed as a correct record and signed by the Mayor.**

**10.C.64 DECLARATIONS OF ANY INTERESTS**

There were no declarations of interest.

**10.C.65 MAYORAL ANNOUNCEMENTS**

The Mayor thanked Members for their donations towards Christmas cards and the Christmas raffle which had raised almost £700 towards her Charity Appeal Fund. The Mayor's Charity Ball would take place on 5 February and a few tickets were still available.

The Mayor referred to the Holocaust Memorial Service which she had attended on 23 January which had been a very moving event.

**10.C.66 PUBLIC QUESTIONS AND MEMBER QUESTIONS UNDER PROCEDURE RULE 8**

There were three public questions to the Executive Leader, which all related to the Ombudsman's report in respect of the Go Ape planning approval.

In addition, a Member Question under procedure rule 8, had been submitted on this topic, and the Mayor announced that all four questions would be taken together.

**Councillor D Edgerley submitted the following question:**

“Would the Executive Leader report on the Local Government Ombudsman's decision with reference to the charge of maladministration over the Go Ape planning application? Would he detail the criticisms within the report – and explain what steps will be put in place to prevent similar charges of maladministration in the future?”

The Executive Leader responded stating that in the main he accepted the findings of the Ombudsman that there had been administrative failings in relation to not notifying one landowner in line with policy and that the Garden History Society should have been consulted. He did however have one point of dispute with the Ombudsman in relation to the footprint on the ground and this was still under discussion. In accepting the

Ombudsman's allegations, the Executive Leader stressed that there had been no injustice in the planning system and £500 had been awarded to the Friends of Lever Park for their trouble.

Councillor Edgerley's supplementary question related to the need for the application to be considered by the Development Control Committee.

The Executive Leader accepted that the application had not been dealt with entirely appropriately but each application had to be decided on its merits.

**In summary, the three questions from members of the public related to:**

1. The Council's reporting in the press of the Ombudsman's report minimising the findings of maladministration.

The Executive Leader responded that the failings identified by the Ombudsman's report would not have affected the outcome of the application and he stood by his previous comments that there was no injustice to the planning system.

2. Whether the Council fully supports the element of the Constitution relating to the Local Development Plan.

The Executive Leader responded that the Council did formally support the contents of the Constitution in relation to the Local Development Plan. A response to the longer supplementary question would be put in writing and all other Members of the Council informed.

3. Why the Local Plan was breached in relation to Lever Park as a Site of Special Historic Interest.

The Executive Leader responded that the Local Plan Review had not been ignored or breached and therefore there had been no need to make all councillors aware of it. The Local Plan policy had been followed.

**10.C.67 EXECUTIVE CABINET : CAPITAL PROGRAMME MONITORING 2009/10 TO 2011/12**

The Council considered a report monitoring the Capital Programme for 2009/10 to 2011/12 which sought approval to a number of changes including; capitalised restructuring costs totalling £1,150,000; the rephasing of a number of capital schemes to 2010/11; and increasing borrowing on the 2009/10 programme to £550,280 as a result of the capitalisation costs.

The Executive Member for Resources, Councillor K Joyce moved, the Executive Leader seconded and it was **RESOLVED:**

1. **The revised Capital Programme for 2009/10, as shown in Appendix 1 to the submitted report be approved;**
2. **The amendments to the provisional Capital Programme for 2010/11, as shown in Appendix 1 to the submitted report be noted;**
3. **The inclusion of the additional restructuring costs in the December 2009 applications for directions to capitalise redundancy and pension strain costs in 2009/10 be noted; and**
4. **Budget holders be requested to continue to review their uncommitted 2009/10 budgets in order to identify any further expenditure that can be rephased to a later financial year in order to reduce the borrowing requirement in 2009/10 and the revenue costs in 2010/11.**



**10.C.68 EXECUTIVE CABINET : GENERAL REPORT**

Consideration was given to a general report summarising Executive Cabinet business from the meeting held on 7 January 2010.

The Executive Leader, Councillor P Goldsworthy moved, the Deputy Leader Councillor P Case seconded and it was **RESOLVED that the report be noted.**

**10.C.69 EXECUTIVE AND ELECTORAL ARRANGEMENTS**

The Council meeting considered a report on the legal requirement to undertake a public consultation exercise on executive arrangements under the Local Government and Public Involvement in Health Act 2007 and the opportunity for the Council to revise its electoral arrangements.

Under recent legislation all Councils must alter their executive arrangements to adopt either an elected mayor and cabinet or a new style "strong" leader and cabinet executive. Full Council was required to make a decision on a way forward by 31 December 2010, following consultation with "electors and other interested persons" in the Council's area. A further provision of the 2007 Act was the option to alter electoral arrangements from local elections by thirds in three out of every four years to having all out elections once every four years.

It was proposed that consultation in Chorley cover both executive and electoral arrangements and be undertaken through the website and the Citizens Panel.

At the conclusion of the consultation, a report would be brought to Special Council on 2 March to determine a way forward.

The Executive Leader, Councillor P Goldsworthy moved, the Deputy Leader Councillor P Case seconded and it was **RESOLVED that the Chief Executive commence the required public consultation exercise on the available options to revise both the current executive and electoral arrangements, with a view to a feedback report being presented to the Special Meeting of the Council on 2 March 2010.**

**10.C.70 OVERVIEW AND SCRUTINY COMMITTEE AND TASK AND FINISH GROUPS**

Consideration was given to a general report summarising the business of the Overview and Scrutiny Committee and task and finish groups from the meeting held on 18 January 2010.

Members raised the outcomes of the Highways Scrutiny review and how the recommendations, if adopted, could help resolve recent problems with the removal of snow and ice, particularly in the town centre.

The Chair of the Committee Councillor D Edgerley moved, the Vice Chair Councillor A Cullens seconded and it was **RESOLVED that the report be noted.**

**10.C.71 AUDIT COMMITTEE**

The Council considered a general report on the work of the Audit Committee held on 14 January 2010. The Chair of the Committee, Councillor A Gee moved, the Vice Chair Councillor L Lennox seconded and it was **RESOLVED – that the report be noted.**

**10.C.72 QUESTIONS ASKED UNDER COUNCIL PROCEDURE RULE 8**

**Councillor D Edgerley asked the following question under Council Procedure Rule 8:**

Would the Executive Member give details of the alley gate programme as follows?

- The annual budget for alley gates.
- The number of alley gate installations scheduled for this year (2009/10).
- The total number of outstanding requests for alley gates.

The Executive Member for Neighbourhoods, Councillor E Bell, responded that over the five years of the alley gate programme, 122 gates had been installed. The annual budget was £42,580 and the schedule for 2009/10 contained 49 requests which were ranked according to crime intelligence. 10 of these were put forward for approval and 8 have been completed so far with a total of 21 gates. Future support for the scheme would be considered as part of the budget process.

**10.C.73 PETITION RECEIVED FROM RESIDENTS OF WALLETS ROAD**

The Director of People and Places submitted a report on the receipt of a petition from 18 residents of Wallets Road, Chorley expressing concern at the rising level of crime, antisocial behaviour and environmental crime in the area and requesting that the Council install alley gates.

In accordance with the petition procedure, the petition had been considered by the Executive Member and a response had been sent to the lead petitioner indicating where the scheme lay in terms of priority and offering assistance in respect of the issues raised in the petition.

The Executive Member, Councillor E Bell moved and the Executive Leader, Councillor P Goldsworthy seconded and it was **RESOLVED – that the action taken in respect of the petition received from residents of Wallets Road be noted.**

Mayor

Report of	Meeting	Date
Statutory Finance Officer (Introduced by the Executive Member for Resources)	Council	2 March 2010

## GENERAL FUND REVENUE AND CAPITAL BUDGET AND COUNCIL TAX 2010/11

### PURPOSE OF REPORT

- To seek approval of the Executive Cabinet's budget proposal including the Council Tax yield to be raised in 2010/11.

### RECOMMENDATION(S)

- Approve the budget and Council Tax set out in the resolutions at Appendix A allowing for the freezing of Council Tax at the levels set in 2009/10.
  - Approve the Council's Capital Programme as set out in Appendix B.
  - Approve the Treasury Management Strategy and its core principles set out in Appendix C.
  - Note the advice of the Statutory Finance Officer in relation to the robustness of the budget and the risks contained in the budget set out in the Statutory Report at Appendix D.
  - Approve the Council's Medium Term Financial Strategy at Appendix E.
  - Note significant budget movements from the 2009/10 budget at Appendix F.
  - Note Special Expenses and Parish Precepts at Appendix G.
  - Note the Budget Consultation Response at Appendix H.

### EXECUTIVE SUMMARY OF REPORT

- The 2010/11 budget the Executive believe needs to achieve one overriding objective, and that is to protect front line services. General performance at the Council continues to be excellent, with the Council being amongst the top scorers on external inspection during 2009. The following was achieved in terms of external inspection:
  - A score of excellent for organisational performance
  - A score of excellent for the use of resources
- Positive feedback has been received from other external inspections that have taken place, eg Member Development and Equality and Diversity.

In addition:

- Satisfaction levels with the Council's services continue in the main to be good.
- Good progress is being made towards the achievement of the outcomes, targets and measure contained in the Corporate Plan.

5. Therefore the budget strategy is built around the following key principles, which were outlined by the Executive previously and which are:
- Containing council Tax increase.
  - Protecting business from the ongoing impact of the recession.
  - Continuing to provide value for money.
  - Protecting front line services.
  - Preparing for the future and uncertainty over public finances.
  - Continuing to deliver improvement and efficiency.
6. The Executive believe that the core principles outlined above have been achieved during the budget process and set out in the rest of the paper is a further explanation of the Executive proposals. The key proposals are:
- The freezing of Council Tax for 2010/11.
  - Freezing of pay and display fee income and market rents.
  - Continuing to invest in priority services.
  - Continuing to make further efficiencies in management and back office costs.

**REASONS FOR RECOMMENDATION(S)**

**(If the recommendations are accepted)**

7. To ensure that the Council complies with the requirement to set the budget for 2010/11.

**ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

8. None.

**CORPORATE PRIORITIES**

9. This report relates to the following Strategic Objectives:

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

**BACKGROUND**

10. The Executive published the draft budget principles for consultation during February 2009 setting out its broad intention for spending and investment in the borough for the forthcoming financial year 2010/11. These papers build upon those principles and set out for Council the budget proposals for 2010/11.

**BUDGET CONSULTATION**

11. The budget principles were explained to members in the report to the Executive Cabinet on 18 February 2010 along with the forecast of the 2010/11 budget, showing that on a continuation basis, the budget is balanced. These principles have been considered by:

- a) The Overview and Scrutiny Committee
- b) 300 members of the Citizens Panel
- c) The Chamber of Trade
- d) The Parish Councils

The feedback from the consultation is shown at Appendix H, and is supportive of the core principles adopted by the Executive.

**BUDGET PROPOSALS**

12. The starting point for any budget is a roll forward from one year to the next of the Councils continuation budget which is the cost of the current levels of existing services, updated to reflect inflation, change in volumetric and any policy changes made by the Council in the current year.
13. Set out in the Councils Financial Strategy is an analysis of the changes year on year over the next financial planning period 2010/11-2012/13 in Appendix E1.
14. Members will be aware that the outlook for the public finances is uncertain given the current forecast levels of Government borrowing and debt. The forecast for the three years beginning 2010/11 and ending in 2012/13 are contained in the Medium Term Financial Strategy and are predicated on the following key assumptions:

Table 1 Key Budget Assumptions

<b>Assumption</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Council Tax increases	0%	0%	0%
Pay inflation	0.5%	1.5%	1.5%
Employees pension contribution	1%	2%	2%
Increase in grant settlement	£129k	0	0
Housing and Planning delivery grant	£127k	0	0
Performance reward grant	£150k	£150k	0
LAGBI grant	£75k	£75k	0

15. The table shows the key assumptions made in forecasting forward the Councils financial position. Please note these do not represent what might actually happen, particularly with regard to Council Tax levels as these are determined annually based upon the latest up to date information. Some key messages are:

- No assumption has been made regarding either:
  - future potential increase in Council Tax
  - expected levels of Government grant post 2010/11

- The pay bill including pension contribution has been forecast to increase by 3.5% annually during 2011/12 and 2012/13. This will add £365k and £368k to the budget in 2011/12 and 2012/13 respectively.
- A number of performance related grants receivable are forecast to cease over the financial planning period, and no assumptions have been made about their replacements.

16. On the above matters the context of the assumptions is important.

17. It is almost impossible to predict the next Government's approach to the future finances in local Government post June 2010. That said a number of scenarios are possible that include:

- A freeze on public sector pay.
- A cash decrease in Government funding and thus a reduction in Aggregate External Finance.
- A fundamental review of the Public Sector Pension provision.
- New performance related grants being implemented to direct and achieve the Governments policy objectives.

18. In terms of the budget principles adopted to construct the budget, the following is proposed as part of the 2010/11 budget:

**CONTAINING COUNCIL TAX INCREASES**

19. For 2010/11 the Executive propose that Council Tax is frozen at the levels set in 2009/10. Consequently the Council Tax increase for the period 2007/8 – 2010/11 will have been as follows:

Table 2: Annual Council Tax Increase 2007/08 to 2010/11

<b>Year</b>	<b>Annual % increase</b>
2007/08	0.0
2008/09	2.5
2009/10	2.9
2010/11	0.0
<b>Average</b>	<b>1.4</b>

**PROTECTING BUSINESSES IN CHORLEY**

20. For 2010/11 the Executive propose freezing the following charges:

- Car Park Pay and Display fees and charges for those paying daily.
- Market Rents.

**PROVIDING BETTER VALUE SERVICES**

21. Over the financial years 2007/08 to 2010/11 the following savings/efficiencies have been achieved:

Table 3: Annual Budget Savings 2007/08 to 2010/11

<b>Year</b>	<b>Annual saving £'000</b>
2007/08	£1,795
2008/09	£551
2009/10	£848
2010/11	£747
<b>Average</b>	<b>£985</b>

22. During the period the performance of the Council has continued to improve, culminating in the Council achieving:
- Excellent status under the Comprehensive Performance Assessment.
  - The maximum scores possible for both the most recent organisational assessment and use of resources reviews.
  - Progress on achieving the Councils Corporate Plan.
23. For this reason the Executive are convinced that maintaining current performance and improving it wherever needed whilst continuing to reduce the costs to the Tax payer of local service delivery is the right approach.

#### **PROTECTING FRONT LINE SERVICES**

24. During the period of 2007/08 to 2009/10 a total cost reduction of £3,194k was achieved whilst also maintaining and improving front line service. The Administrations strategy of reducing management and administration costs has meant that it has been possible to protect and in some cases redirect resources to front line services during that time.
25. For 2010/11 the position is not different, the savings achieved have come from the following areas:

Table 4: Budget Savings 2010/11

<b>Saving</b>	<b>£'000</b>
Reduction in service management costs	443
Reduction in costs of middle management and support costs	220
Contract reductions through negotiation	84
<b>Total</b>	<b>747</b>

26. As a result of this approach the Council will be able to continue to spend on key services, some examples of which are:
- Helping to continue to fund the provision of 22 PCSO's in the Borough.
  - Continuing to provide free swimming and Get Up and Go programme.
  - Continuing to invest in partnership working to help reduce teenage pregnancy, alcohol harm and to encourage active life style.
  - Continuing to help reduce unemployment in the area.
  - Investing in solution to reduce the Councils carbon footprint.
  - Improving the Town Centre.
  - Continuing to invest in and provide more affordable homes.
  - Providing street pastors and play rangers to combat anti social behaviour.
  - Completing the building of Buckshaw railway station.
  - The additional resources identified in 2009/10 for key services such as housing and the benefits service will be maintained.

### PREPARING FOR THE FUTURE

27. The administration has consistently followed a prudent approach to the budget by:
- Not setting unachievable targets in the budget.
  - Balancing the budget over the medium term.
  - Containing working balances at a level sufficient to meet risk.
28. In term of 2010/11 the Executive proposals will mean:
- The budget is balanced as we move in to what is likely to be a difficult period financially.
  - The Councils working balances will be increased to guard against the financial risks that the Council may face in the future.
  - Capital spending and borrowing will be contained so the impact on the revenue account is minimised.

### CAPITAL PROGRAMME

29. The forecast three year capital programme for the period 2010/11 to 2012/13 is contained at Appendix B. Monitoring of the Capital Programme for 2009/10 is also included in order to indicate the re-phasing of expenditure to 2010/11.
30. The programme is based upon the three year programme reported to the last Executive and Council on the 26 January 2010.
31. As the approach is to ensure that Capital spending plans **are** affordable, and given the pressure there is likely to be on public finances in the future, no new schemes will be added to the programme in 2012/13 other than that which is contractual or that can be financed from external resources.

Consequently the proposed spending for the period is as follows:

	2010/11	2011/12	2012/13
	£8,640,510	£1,935,640	£1,461,110



32. The pressure on capital resources will continue to be an issue for the Council over the medium term. The depressed state of the market means asset sales have been postponed whilst the market improves. In addition the assets at the Council's disposal diminish year on year through sales. A thorough review of the Council's asset holding is required as part of the site allocation process to be completed during 2010 to ensure that the updated Asset Management Plan to be completed during 2010/11 has a strategic dimension to it.

33. As a consequence the anticipated borrowing for the period 2010/11 to 2012/13 is as follows:

2010/11	2011/12	2012/13
£613,330	£506,310	£614,800

34. To ensure that borrowing does not exceed the budgeted total, all capital income such as receipts from asset sales, grants and contribution and the VAT shelter will have to be achieved as indicated in the programme. Should additional contributions be recovered from either windfalls or developer contributions, new schemes could be added to the programme. Should receipts from asset sales or the VAT shelter exceed the totals required, it would be possible to reduce the borrowing requirement or reduce the Council's debt, in order to make revenue budget savings in subsequent years.

35. The capital receipts estimated to be receivable from the disposal of surplus assets are indicated in Appendix B4. Appendix B5 analyses the use of developers contributions to finance the capital programme and indicates that currently a balance of £221,000 is available for the provision and maintenance of play and recreation facilities.

#### **THE COLLECTION FUND**

36. The collection fund or account used for the collection of council Tax is forecast to be in deficit for 2009/10 as the collection rates have reduced by 0.5% during the economic downturn. Consequently I have provided for recovery of that deficit to be recovered, but it is a relatively small sum of only £20k. If the downturn continues then recovery will continue to be difficult even though performance is relatively good, I have predicted future years on this basis.

37. The details of the budget proposals and the relevant supporting strategies and resolutions are set out as follows:

Appendix A	Formal Council Tax Resolution
Appendix B	Capital Programme 2010/11 -2012/13
B1	Capital Programme 2009/10
B2	Three Year Capital Programme
B3	Explanation of 2010/11 Changes
B4	Surplus Asset Disposal Programme
B5	Use of Developers Contributions
Appendix C	Treasury Management Strategy
Appendix D	Statutory Report
Appendix E	Medium Term Financial Strategy
Appendix F	Significant Budget Movements Year on Year
Appendix G	Special Expenses /Parish Precepts
Appendix H	Budget Consultation Response

38. Pressure continues to be placed on the Council's budget from the economic downturn, for 2010/11 the income budget for the coming year has been rebased with particular reductions in car parking income and building control fees which have been significantly reduced.
39. On a positive note income from planning fees is holding up against budget forecast. In terms of significant pressure on expenditure budgets more money is having to be factored into the base budget to fund Local Development Framework, inflation and contract costs which continue to rise, albeit less than they would have increased if inflation had been higher.
40. A number of key amendments have also been made to the base budget for 2010/11, namely:
- No reliance is being placed on using working balances to fund any part of the 2010/11 budget.
  - The vacancy saving target figure factored into the budget has been reduced by £50k and will now be £300k or 2.7% of the Councils pay bill. This is a consequence of the Council having a smaller establishment.
  - The efficiency target has been removed and will only be replaced if specific work is ongoing to achieve that target. Again this is part of the strategy to remove inherent risk from the budget.

**FUTURE YEARS PROPOSALS**

41. Contained in the Financial Strategy at Appendix E is a summary of the forecast position for the Council budget up until 2012/13. The forecast is based on the following key assumptions:
- A continuation of current service provision to the same level and in the same way over that period
  - Increase in costs, particularly for the Councils pay and pension bill of 3.5% annually for 2011/12 and 2012/13
  - No allowance at this stage has been made for either an increase in Council Tax or potential decreases in external financial support from the Government.
42. The key message is that in this period of uncertainty the forecast needs to be considered with the utmost care. The real picture will only emerge after the general election and even then it may be some time before the position can be forecast with any degree of certainty.
43. That said, the Council must plan on some basis and the figures show that further savings will be needed over the medium term to balance the budget based upon the assumption already made. The financial strategy sets out the areas where the Council may want to concentrate its efforts in terms of achieving the savings required.

**CONCLUSION**

44. This paper outlines for the Council the Executives proposals in terms of budget for 2010/11. The budget principles adopted by the Executive means that its objective of protecting front line services provision whilst containing Tax increases has been achieved, consequently:
- Council Tax for 2010/11 will be frozen at the 2009/10 levels
  - Front line service provision will be maintained
  - Increase in fees and charges have been restricted
  - The budget is balanced for 2010/11
  - The level of working balances are increased from the levels in 2009/10
  - Significant savings in management and back office costs has been issued.
45. Future saving will be required but uncertainty remains over the level of the savings given the support to Local Government has not yet been spelled out and is unlikely to be so until after the general election during 2010.
46. The Council will continue to have to work extremely hard, be innovative and creative to continue to make efficiencies and at the same minimise the impact on services. Two determining factors could significantly affect the current forecast position. The first will be the levels of Government funding in the next 3 years and the second will be impact of the economic downturn and whether some of the Council's key income streams will see any recovery in the short to medium term. The Council's income streams have been significantly affected but should the position improve, then this will impact of the current forecast where no income recovery expectation has been made and the Council is forecast to balance the books. The overall approach to be adopted in terms of further efficiencies is set out in the Medium Term Financial Strategy which is appended to this report.

**IMPLICATIONS OF REPORT**

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

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

GARY HALL  
 DIRECTOR OF TRANSFORMATION

There are no background papers to this report.

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
Gary Hall	5480	12/02/10	Rev & Capital Budget Report

**FORMAL COUNCIL RESOLUTION*****Draft resolution on setting of 2010/11 Council Tax for the Borough to be passed in approving the Executive Cabinet's recommendations for the Council's Budget.***

1. That it be noted that acting under delegated powers the Director of Finance calculated the amount of 35,204.50 as its Council Tax Base for the year 2010/11 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33(5) of the Local Government Finance Act 1992.
- (a) 35,204.50 being the amount calculated by the Council, in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its Council Tax Base for the year.
- (b) being the amounts calculated by the Council, in accordance with Regulation 6 of the Regulations, as the amounts of its Council Tax Base for the year for dwellings in those parts of its area to which one or more special items relate.

	<b><u>(b)Part of the Council's area</u></b>	<b>2010/11</b>
		<b>£</b>
<b>Parish of:</b>	Adlington	1,951.60
	Anderton	498.90
	Anglezarke	17.00
	Astley Village	1,092.00
	Bretherton	291.40
	Brindle	456.10
	Charnock Richard	677.20
	Clayton le Woods	4,692.30
	Coppull	2,343.30
	Croston	1,026.90
	Cuerden	39.50
	Eccleston	1,557.60
	Euxton	3,409.80
	Heapey	379.80
	Heath Charnock	794.20
	Heskin	345.90
	Hoghton	358.20
	Mawdesley	749.40
	Rivington	50.80
	Ulnes Walton	257.50
	Wheelton	393.60
	Whittle Woods	1,982.70
	Withnell	1,239.10
	All other parts of the Council's area	10,599.70
	<b>Total</b>	<b>35,204.50</b>

2. That the following amounts be now calculated by the Council for the year 2010/11 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:
- (a) £48,946,620 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act;

- (b) £33,542,820 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act;
- (c) £15,403,800 being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year;
- (d) £8,486,750 being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates, Revenue Support Grant, increased by the amount of the sums which the Council estimates will be transferred in the year from its collection fund to its general fund in accordance with Section 97(3) of the Local Government Finance Act 1988;
- (e) £196.48 being the amount at 2(c) above less the amount at 2(d) above, all divided by the amount at 1(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year;
- (f) £1,284,713 being the aggregated amount of all special items referred to in Section 34(1) of the Act;
- (g) £159.99 being the amount at 2(e) above less the result given by dividing the amount at 2(f) above by the amount at 1(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special items relates;

<b>(h)Part of the Council's area</b>		
		<b>£</b>
<b>Parish of:</b>	Adlington	173.72
	Anderton	171.02
	Anglezarke	159.99
	Astley Village	206.56
	Bretherton	191.30
	Brindle	179.15
	Charnock Richard	200.78
	Clayton le Woods	222.69
	Coppull	201.96
	Croston	190.38
	Cuerden	197.45
	Eccleston	192.55
	Euxton	211.16
	Heapey	201.70
	Heath Charnock	187.99
	Heskin	195.11
	Hoghton	179.00
	Mawdesley	193.35
	Rivington	191.49
	Ulnes Walton	180.82
	Wheelton	188.90
	Whittle le Woods	198.41
	Withnell	192.10
	All other parts of the Council's area	187.28

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

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

	<b>Valuation Bands</b>							
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
	£	£	£	£	£	£	£	£
<b>Parish of:</b>								
Adlington	115.81	135.12	154.42	173.72	212.32	250.93	289.53	347.44
Anderton	114.01	133.02	152.02	171.02	209.02	247.03	285.03	342.04
Anglezarke	106.66	124.44	142.21	159.99	195.54	231.10	266.65	319.98
Astley Village	137.71	160.66	183.61	206.56	252.46	298.36	344.27	413.12
Bretherton	127.53	148.79	170.04	191.30	233.81	276.32	318.83	382.60
Brindle	119.43	139.34	159.24	179.15	218.96	258.77	298.58	358.30
Charnock Richard	133.85	156.16	178.47	200.78	245.40	290.02	334.63	401.56
Clayton le Woods	148.46	173.20	197.95	222.69	272.18	321.66	371.15	445.38
Coppull	134.64	157.08	179.52	201.96	246.84	291.72	336.60	403.92
Croston	126.92	148.07	169.23	190.38	232.69	274.99	317.30	380.76
Cuerden	131.63	153.57	175.51	197.45	241.33	285.21	329.08	394.90
Eccleston	128.37	149.76	171.16	192.55	235.34	278.13	320.92	385.10
Euxton	140.77	164.24	187.70	211.16	258.08	305.01	351.93	422.32
Heapey	134.47	156.88	179.29	201.70	246.52	291.34	336.17	403.40
Heath Charnock	125.33	146.21	167.10	187.99	229.77	271.54	313.32	375.98
Heskin	130.07	151.75	173.43	195.11	238.47	281.83	325.18	390.22
Hoghton	119.33	139.22	159.11	179.00	218.78	258.56	298.33	358.00
Mawdesley	128.90	150.38	171.87	193.35	236.32	279.28	322.25	386.70
Rivington	127.66	148.94	170.21	191.49	234.04	276.60	319.15	382.98
Ulnes Walton	120.55	140.64	160.73	180.82	221.00	261.18	301.37	361.64
Wheulton	125.93	146.92	167.91	188.90	230.88	272.86	314.83	377.80
Whittle le Woods	132.27	154.32	176.36	198.41	242.50	286.59	330.68	396.82
Withnell	128.07	149.41	170.76	192.10	234.79	277.48	320.17	384.20
All other parts of the Council's area	124.85	145.66	166.47	187.28	228.90	270.52	312.13	374.56

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

3. That it be noted that for the year 2010/11 the Lancashire County Council, Lancashire Police Authority, and the Lancashire Combined Fire Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

	<b>Valuation Bands</b>							
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
	£	£	£	£	£	£	£	£
<b>Precepting authority</b>								
Lancashire County Council *	738.87	862.01	985.16	<b>1,108.30</b>	1,354.59	1,600.88	1,847.17	2,216.60
Lancashire Combined Fire Authority *	42.43	49.51	56.58	<b>63.65</b>	77.79	91.94	106.08	127.30
Lancashire Police Authority*	97.51	113.77	130.02	<b>146.27</b>	178.77	211.28	243.78	292.54

4. That, having calculated the aggregate in each case of the amounts at 2(i) and 3 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2010/11 for each of the categories of dwellings shown below:

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

	<b>Valuation Bands</b>							
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>Parish of:</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Adlington	994.62	1,160.41	1,326.18	1,491.94	1,823.47	2,155.03	2,486.56	2,983.88
Anderton	992.82	1,158.31	1,323.78	1,489.24	1,820.17	2,151.13	2,482.06	2,978.48
Anglezarke	985.47	1,149.73	1,313.97	1,478.21	1,806.69	2,135.20	2,463.68	2,956.42
Astley Village	1,016.52	1,185.95	1,355.37	1,524.78	1,863.61	2,202.46	2,541.30	3,049.56
Bretherton	1,006.34	1,174.08	1,341.80	1,509.52	1,844.96	2,180.42	2,515.86	3,019.04
Brindle	998.24	1,164.63	1,331.00	1,497.37	1,830.11	2,162.87	2,495.61	2,994.74
Charnock Richard	1,012.66	1,181.45	1,350.23	1,519.00	1,856.55	2,194.12	2,531.66	3,038.00
Clayton le Woods	1,027.27	1,198.49	1,369.71	1,540.91	1,883.33	2,225.76	2,568.18	3,081.82
Coppull	1,013.45	1,182.37	1,351.28	1,520.18	1,857.99	2,195.82	2,533.63	3,040.36
Croston	1,005.73	1,173.36	1,340.99	1,508.60	1,843.84	2,179.09	2,514.33	3,017.20
Cuerden	1,010.44	1,178.86	1,347.27	1,515.67	1,852.48	2,189.31	2,526.11	3,031.34
Eccleston	1,007.18	1,175.05	1,342.92	1,510.77	1,846.49	2,182.23	2,517.95	3,021.54
Euxton	1,019.58	1,189.53	1,359.46	1,529.38	1,869.23	2,209.11	2,548.96	3,058.76
Heapey	1,013.28	1,182.17	1,351.05	1,519.92	1,857.67	2,195.44	2,533.20	3,039.84
Heath Charnock	1,004.14	1,171.50	1,338.86	1,506.21	1,840.92	2,175.64	2,510.35	3,012.42
Heskin	1,008.88	1,177.04	1,345.19	1,513.33	1,849.62	2,185.93	2,522.21	3,026.66
Hoghton	998.14	1,164.51	1,330.87	1,497.22	1,829.93	2,162.66	2,495.36	2,994.44
Mawdesley	1,007.71	1,175.67	1,343.63	1,511.57	1,847.47	2,183.38	2,519.28	3,023.14
Rivington	1,006.47	1,174.23	1,341.97	1,509.71	1,845.19	2,180.70	2,516.18	3,019.42
Ulnes Walton	999.36	1,165.93	1,332.49	1,499.04	1,832.15	2,165.28	2,498.40	2,998.08
Wheelton	1,004.74	1,172.21	1,339.67	1,507.12	1,842.03	2,176.96	2,511.86	3,014.24
Whittle le Woods	1,011.08	1,179.61	1,348.12	1,516.63	1,853.65	2,190.69	2,527.71	3,033.26
Withnell	1,006.88	1,174.70	1,342.52	1,510.32	1,845.94	2,181.58	2,517.20	3,020.64
All other parts of the Council's area	1,003.66	1,170.95	1,338.23	1,505.50	1,840.05	2,174.62	2,509.16	3,011.00

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



## EXPLANATION OF COUNCIL TAX SETTING RESOLUTION

### RESOLUTION 1

(a) Before we can calculate the Council Tax to be charged, we first have to calculate the Council Tax base. The Council Tax base is the amount which a Band D Council Tax of £1.00 would raise. For 2010/11 we estimate that a £1.00 Council Tax at Band D would raise £35,204.50 in the Chorley area.

(b) This shows the “base” figure for each Parish in the area. For example, a £1.00 Band D Council Tax in Adlington would raise £1,951.60.

### RESOLUTION 2

(a) This is the grand total of money which the Council estimates it will spend on all services in 2010/11. It also includes £595,034 which Parish Councils need to run their services.

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

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

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

(e) The difference between 2(c) and 2(d) is £6,917,050 and this is the amount we need to charge Council Taxpayers. This is divided by the base (see 1(a) above) and the resulting figure of £196.48 is the average Band D Council Tax for all Borough and Parish services.

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

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

(h) This table shows the Band D Council Tax for all parishes including the cost of the Parish Councils and Chorley Borough Council. For example, Adlington’s Band D Council Tax is £159.99 for Chorley Borough services and £8.97 for Adlington Town Council services and £4.76 for Chorley Borough Special Expenses.

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

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

For Adlington Band A, for example, the charge is £173.72 x  $\frac{6}{9}$  = £115.81; for Band B it is £173.72 x  $\frac{7}{9}$  = £135.12.

**RESOLUTION 3**

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

**RESOLUTION 4**

This pulls together the Council Taxes for Lancashire County Council, Lancashire Fire Authority, Lancashire Police Authority, Chorley Borough Council and the Parish Councils. For example, the Band D for Adlington is £1,491.94 made up as follows:

	£
Lancashire County Council (as in 3 above)	1,108.30
Lancashire Fire Authority (as in 3 above)	63.65
Lancashire Police Authority (as in 3 above)	146.27
Chorley Borough Council (as in 2(g) above)	159.99
Adlington Town Council	8.97
Special Expenses	4.76

**RESOLUTION 5**

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

Report of	Meeting	Date
Director of Transformation (Introduced by the Executive Member for Resources)	Special Council	2 <sup>nd</sup> March 2010

## **CAPITAL PROGRAMME MONITORING 2009/10 AND PROGRAMME 2010/11 TO 2012/13**

### **PURPOSE OF REPORT**

1. To update the Capital Programme for 2009/10 to take account of the rephasing of expenditure to 2010/11 and other budget changes.
2. To update the Capital Programmes for 2010/11 and 2011/12 to take account of expenditure rephasing and other budget changes.
3. To add provisional Capital Programme figures for 2012/13.

### **RECOMMENDATION(S)**

4. That the revised Capital Programme for 2009/10 presented in Appendix B1 be approved.
5. That the revised Capital Programme for 2010/11 presented in Appendix B2 be approved.
6. That the draft Capital Programmes for 2011/12 and 2012/13 be noted.

### **EXECUTIVE SUMMARY OF REPORT**

7. Capital expenditure in 2009/10 is expected to reduce by £1,817,030, from the current estimate of £8,337,080 to the revised estimate of £6,520,050. Of the overall reduction, £1,380,470 is the rephasing of expenditure to 2010/11. In addition, the Government failed to grant permission to capitalise the Icelandic Investment Impairment, so the programme can exclude the estimated sum of £340,000. Other net reductions total £96,560.
8. The Capital Programme for 2010/11 increases by £1,046,070, from £7,594,440 to £8,640,510. Expenditure of £1,380,470 is added, but £275,000 is rephased to 2012/13. Other net reductions total £59,400. Resources available for housing renewal are reallocated to specific projects.
9. The main change identified in respect of 2011/12 is the reduction by £200,000 of housing capital expenditure that would be financed by Regional Housing Pot capital grant. Expenditure on Thin Client hardware (£94,800) can be rephased to 2012/13 and other net reductions total £59,010.
10. The Capital Programme for 2012/13 is introduced for the first time, so that the three-year Capital Programme will cover 2010/11 to 2012/13. Of the total of £1,461,110, expenditure of £369,800 is rephased from 2010/11 and 2011/12. The remainder consists of contractual

commitments and recurring budgets. There is uncertainty about the level of RHP capital grant that would be receivable in 2012/13 so the estimated sum for 2011/12 is repeated.

**REASONS FOR RECOMMENDATION(S)**

**(If the recommendations are accepted)**

- 11. To update the 2009/10 and 2010/11 Capital Programme to add, rephrase and vire budgets and to reflect the estimated availability of capital resources.
- 12. To update the provisional Capital Programme for 2011/12 and to introduce draft figures for 2012/13, which consist of contractual commitments, recurring budgets and expenditure rephased from earlier years. This ensures that the Council has a three-year Capital Programme for the purpose of medium-term financial planning.

**ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

- 13. None.

**CORPORATE PRIORITIES**

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

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

**BACKGROUND**

- 15. Council approved the Capital Programme for 2009/10 to 2011/12 on 26<sup>th</sup> February 2009. The budgets have been monitored regularly throughout the year, and the current estimates referred to in this report are as approved by Council on 26<sup>th</sup> January 2010.
- 16. Budget holders were requested to review their uncommitted budgets in order to identify any expenditure that could be rephased to a later financial year, the aim being to reduce the need for financing by borrowing in 2009/10. The programme has been updated to take account of budgets that can be rephased. However, due to a reduction in the VAT Shelter income estimated to be receivable in respect of 2009/10, borrowing has reduced by less than the expenditure rephased to next year. On the other hand, such rephasing of expenditure should avoid any increase in borrowing that might otherwise have resulted from the income rephasing. Overall, the Council should receive the same value of VAT Shelter income, but much of it will be receivable later than previously indicated by Chorley Community Housing (CCH). The revised timing results from delays in CCH's improvements programme in respect of transferred dwellings.
- 17. The Capital Programme should be updated to include expenditure rephased from 2009/10 to 2010/11 and from 2010/11 and 2011/12 to 2012/13. Other budget increases and reductions are proposed.

**CAPITAL PROGRAMME 2009/10**

18. The revised estimate for the 2009/10 Capital Programme is presented as Appendix B1. Total expenditure for the year is expected to reduce from £8,337,080 to £6,520,050. The reduction of £1,817,030 is made up as follows:

	£	£	£
Current Estimate 2009/10			8,337,080
Rephasing of expenditure			(1,380,470)
Deleted/reduced budgets			
- Capitalisation of Icelandic Investment Impairment	(340,000)		
- Use of Housing & Planning Delivery Grant to finance existing projects	(51,240)		
- Project Design Fees	(19,870)		
- Cemetery Memorial Safety	(50,000)		
	<u>          </u>	(461,110)	
Additional/increased budgets			
- Buckshaw Village Cycle Network	30,580		
- Performance Reward Grant funded schemes	990		
	<u>          </u>	31,570	
Expenditure transferred to revenue budget		(7,020)	
Other net reductions in expenditure			(436,560)
Revised Estimate 2009/10			<u><u>6,520,050</u></u>

19. Budget holders have reviewed their projects and have identified that expenditure totalling £1,380,470 can be rephased to 2010/11. The amounts rephased per scheme are shown in Appendix B1.
20. There is also a net reduction in expenditure of £436,560. Most of this (£340,000) is in respect of the Icelandic investment impairment, because permission was not received to capitalise this expenditure. This cost reduction has now been taken into account in the draft revenue budget. The £51,240 budget for new schemes to be financed with Housing and Planning Delivery grant has been deleted on the basis that this resource should be used to finance the existing programme rather than to increase it. The budget for Cemetery Memorial Safety is no longer required, because this issue is being dealt with in a manner that does not require capital expenditure, thereby saving £50,000. The budget for recharged Project Design Fees has been reduced by £19,870 to match the income assumed in revenue budget monitoring. The budget for grants in respect of Village Halls and Community Centres projects is reduced by £4,900 to match minor budget increases required for four other People and Places directorate schemes and the £22,000 uncommitted balance of the budget is rephased to 2010/11. Use of this budget will be reconsidered if there are not appropriate schemes to finance with the rephased balance. Expenditure relating to capital schemes but which cannot be treated as capital expenditure has been transferred to the revenue budget: Swimming Pool Refurbishment £6,570 and Integrated HR/Payroll/Training System £450. One new project has been added, the Buckshaw Village Cycle Network, which will be financed with a S106 contribution and will continue into 2010/11.

21. Performance Reward Grant available to finance capital schemes is due to be slightly higher than previously indicated. Lancashire County Council will distribute the grant in two instalments at the end of 2009/10 and 2010/11, but it is included in the capital programme as being spent over the three years 2009/10 to 2011/12. It is unlikely that this year's budget of £159,330 will be spent by 31<sup>st</sup> March 2010, as expenditure to date is only £15,000. Our Local Strategic Partnership decides use of the resource. There is a requirement to spend half of the PRG allocation on revenue expenditure and the remainder for capital purposes. However, there is usually greater demand to support revenue projects rather than capital projects and it is being investigated whether use of the grant could be moved from the capital to revenue budget with the co-operation of another Lancashire district. If this proves to be possible, the revenue and capital budgets will be updated at the earliest opportunity.
22. Other capital resources to be received in 2009/10 are now likely to be less than previously estimated. Sales of former Council dwellings continue to be low and therefore the budget for use of Preserved Right To Buy capital receipts should be reduced to reflect this. VAT Shelter income from CCH is likely to be rephased, but the rephasing of capital expenditure to next year mitigates the impact and no additional borrowing is required as a consequence.
23. Prudential borrowing is estimated to reduce by £654,730 in 2009/10 as a result of the rephasing of expenditure to 2010/11 (£295,000) and reductions in budgets (£359,730). The largest budget reduction is the deletion of the capitalised Icelandic investment impairment (£340,000), previously added to the programme on the assumption that the Council would be given permission to finance this cost by borrowing. Such permission was not granted and the updated impairment figure is now reflected in the revenue budget.

**CAPITAL PROGRAMME 2010/11**

24. The proposed Capital Programme for 2010/11 is presented in Appendix B2 and explanations of changes to previously approved figures are given in Appendix B3. Total expenditure is shown as increasing by £1,046,070, from £7,594,440 to £8,640,510. The main reasons are as follows:

	£	£	£
Current Estimate 2010/11			7,594,440
Rephasing of expenditure			
- From 2009/10	1,380,470		
- To 2012/13	<u>(275,000)</u>		
		1,105,470	
Deleted/reduced budgets			
- Project Management recharge deleted following restructure	(40,000)		
- Improvements to leisure facilities budget reduced because inflation lower than estimated previously	(25,000)		
- HR/Payroll/Training System	(47,750)		
- Cemetery Memorial Safety	<u>(25,000)</u>		
		(137,750)	
Additional/increased budgets			
- Buckshaw Village Cycle Network (S106 funded)	77,360		
- Performance Reward Grant funded schemes	<u>990</u>		
		78,350	
			1,046,070
Revised Estimate 2010/11			<u><u>8,640,510</u></u>

25. The revised estimate for 2010/11 includes £1,380,470 rephased from 2009/10. The budget for Improvements to Sports Pitches has been rephased to 2012/13. It would rely on the award of further funding by external bodies, but should such funding be secured at an earlier date it may be necessary to review the timing of the expenditure.
26. The budgets for housing-related schemes, as per Executive Cabinet report 18<sup>th</sup> February 2010, are reallocated to specific projects to reflect priorities. As previously reported, the Regional Housing Pot (RHP) capital grant allocation for 2010/11 is only £397,000 compared to the allocation for 2009/10 of £1,277,000. The financing of expenditure in 2010/11 includes £721,710 RHP grant expected to be carried forward from 2009/10. If S106 contributions receivable from developers for provision of affordable housing are received earlier than 2011/12, the phasing of affordable housing schemes will be reviewed.
27. The revised estimate takes account of £137,750 budget reductions listed in Appendix B3. The only budget increases are financed by external grants and contributions, in respect of the Buckshaw Village Cycle Network (£77,360) and PRG-funded schemes (£990). As discussed above, the phasing of the PRG-funded schemes and the split between capital and revenue budgets will be subject to further review.
28. Prudential borrowing would increase by £289,730 as a result of rephasing of expenditure from 2009/10 (£295,000) less a net reduction in expenditure financed by borrowing (£5,270).

**DRAFT CAPITAL PROGRAMME 2011/12**

29. The draft Capital programme for 2011/12 is presented in Appendix B2. There is an overall reduction of £353,810, made up as follows:

	£	£	£
Current Estimate 2011/12			2,289,450
Rephasing of expenditure			
- To 2012/13	<u>(94,800)</u>	(94,800)	
Deleted/reduced budgets			
- Project Management recharge deleted following restructure	(40,000)		
- Improvements to leisure facilities budget reduced because inflation lower than estimated previously	(20,000)		
- Estimated reduction in available RHP capital grant	<u>(200,000)</u>	(260,000)	
Additional/increased budgets			
- Performance Reward Grant funded schemes	<u>990</u>	990	
			(353,810)
Revised Estimate 2011/12			<u><u>1,935,640</u></u>

30. It is difficult to estimate the RHP capital grant likely to be available in 2011/12, though a reduction from the allocation for 2010/11 does seem likely. The previous figure of £500,000 was included in the draft programme before the total in the pot was reduced and the distribution methodology was amended. If more funding for Disabled Facilities Grants is achieved, the draft programme will be updated to reflect this. Some of the S106 contributions receivable from developers for provision of affordable housing may be in hand earlier than 2011/12, in which case the phasing of the affordable housing expenditure could be reviewed.
31. Further expenditure on Thin Client hardware may not be required before 2013/14 but budget provision is rephased from 2011/12 to 2012/13 so that the full approved cost of the project is included in the programme.
32. Unless new schemes are added to the 2011/12 programme, the level of recharges from the revenue budget for project design and implementation may be considered too high. This should be reviewed when preparing the detailed 2011/12 revenue estimates.
33. Prudential borrowing would reduce by £154,800 as a result of rephasing of expenditure to 2012/13 (£94,800) and a net reduction in expenditure (£60,000).

#### **DRAFT CAPITAL PROGRAMME 2012/13**

34. The draft Capital Programme for 2012/13 is presented in Appendix B2. This year has not been reported previously and the total expenditure of £1,461,110 consists of contractual commitments and expenditure rephased from earlier years. The latter includes the Improvements to Sports Pitches (£275,000) and Thin Client hardware (£94,800).
35. It is difficult to forecast the level of Government financial support for housing-related capital schemes so the draft figures for 2011/12 have been repeated in 2012/13.
36. As in 2011/12, the level of recharges from the revenue budget for project design and implementation may be considered too high unless new schemes are added to the 2012/13 Capital Programme at a later date.
37. Prudential borrowing of £614,800 would be required to finance expenditure rephased from earlier years (£94,000) and the contractual commitments and recurring budgets (£520,000).

#### **CAPITAL RESOURCES**

38. The uncertainty about the level of grant support for housing-related capital expenditure is discussed in the sections relating to the 2011/12 and 2012/13 Capital Programmes.
39. Sales of former Council dwellings are currently at a low rate so less than £100,000 Preserved RTB capital receipts are assumed over the three years 2010/11 to 2012/13. This forecast will be monitored closely and changes to the total receivable and phasing of the receipts will be recommended as appropriate.



40. Appendix B4 shows the estimated programme of disposal of surplus land and assets, excluding garage sites earmarked for provision of affordable housing. Capital receipts between 2010/11 and 2012/13 are estimated to potentially total £1,328,000. Only £527,170 capital receipts from the disposal of surplus assets are included in the financing of the Capital Programme for 2010/11 to 2012/13. The total value of the disposal programme exceeds the capital receipts currently included in the financing of the programme by £800,830. If the additional asset disposals are achieved then the capital receipts from these could be used to reduce the level of prudential borrowing below that assumed in the financing of the programme rather than to add new projects to the programme. This would benefit the revenue budget by reducing capital financing costs. However, it may be necessary to retain a proportion of future capital receipts for the financing of capitalised restructuring costs, provided that such restructuring would achieve efficiencies and revenue budget savings.
41. In addition to the surplus assets included in the disposal programme, garages and garage sites have been identified as potential locations for the development of affordable housing. If sold for affordable housing provision, these assets could raise £910,350. However, as the garages generate income credited to the revenue budget, any capital receipts arising from their disposal should to be used to repay borrowing and thereby reduce capital financing costs, to balance the loss of income.
42. Of the £523,150 VAT Shelter income required to finance the 2009/10 Capital Programme, £444,000 is brought forward from 2008/09. New income from CCH of £79,150 would be required in 2009/10 and a further £1,521,650 from 2010/11 to 2012/13. Though this should be achievable, receipt of this income will be monitored closely and any issues that may affect the financing of the programme in future years will be reported whenever appropriate.
43. Appendix B5 presents an analysis of projects that would be financed from S106 and other similar contributions receivable from developers. Further contributions will continue to be received and the proposed use of additional contributions to finance new schemes will be reported as part of the capital programme monitoring process. The use of a total of £221,000 contributions received for the provision and maintenance of play facilities and public open space is not reflected in the budget. It is shown as being carried forward at the end of 2011/12 in the table below, but it is likely that schemes will be added to the programme at an earlier date. Under the policy approved by Executive Cabinet of 3<sup>rd</sup> December 2009, Parish and Town Councils may submit bids for funding for Play and Recreation projects using relevant contributions from developers.

**S106 and Similar Developers' Contributions**

	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	2011/12 Receipts £'000	Use £'000	Balance 1/4/11 £'000	Notes
<b>Budgeted use of developers' contributions</b>											
Affordable Housing	738		(738)	0			0	690	(690)	0	(1)
Town Centre Enhancement	0			0	1,025	(1,025)	0			0	(1)
Transport	3,506	108	(91)	3,523	80	(3,603)	0			0	
Play/Recreation Facilities	220	142	(11)	351	182	(312)	221			221	(2)
<b>Total</b>	<b>4,464</b>	<b>250</b>	<b>(840)</b>	<b>3,874</b>	<b>1,287</b>	<b>(4,940)</b>	<b>221</b>	<b>690</b>	<b>(690)</b>	<b>221</b>	

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

(2) Further contributions may be receivable during 2010/11 and 2011/12.

44. Prudential borrowing would be required in 2011/12 and 2012/13 to finance the following contractual commitments, recurring and rephased budgets:

	2011/12 £	2012/13 £
Leisure Centres/Swimming Pool Refurbishment	230,000	235,000
Planned Improvements to Fixed Assets	200,000	200,000
Replacement of recycling/litter bins & containers	85,000	85,000
Thin Client/Citrix (started 2007/08)	0	94,800
<b>Contractual, recurring &amp; rephased budgets</b>	<b>515,000</b>	<b>614,800</b>
Preserved RTB Capital Receipts from CCH	(8,690)	0
<b>Prudential Borrowing</b>	<b>506,310</b>	<b>614,800</b>

**IMPLICATIONS OF REPORT**

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

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

46. Financial implications are indicated in the body of the report.

GARY HALL  
DIRECTOR OF TRANSFORMATION

There are no background papers to this report.

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
Michael Jackson	5490	11 <sup>th</sup> February 2010	Capital Programme Monitoring 2009-10 and Programme 2010-11-2012-23.doc

This page is intentionally left blank

**Capital Programme - 2009/10**

Scheme	2009/10 Current Estimate (1) £	Rephasing to 2010/11 (2) £	Other Changes (3) £	2009/10 Revised Estimate (4) £	Explanation of 'Other Changes'
<b><u>Director of Partnerships, Planning &amp; Policy</u></b>					
<b><u>Head of Economic Development</u></b>					
Chorley Covered Market - Improvement Scheme	87,910			87,910	
Chorley Covered Market - Rainwater Harvesting	30,440			30,440	
Climate Change Pot	170,000	(59,300)		110,700	
Project Design Fees	41,440			41,440	
<b><u>Head of Economic Development Total</u></b>	<b>329,790</b>	<b>(59,300)</b>	<b>0</b>	<b>270,490</b>	
<b><u>Head of Housing</u></b>					
Homelessness Prevention Central Lancs Sanctuary Scheme	28,500			28,500	
Affordable Housing Halliwell Street Project 2007-2010	79,000			79,000	
Choice Based Lettings	20,000			20,000	
Affordable Housing New Development Projects	15,930			15,930	
Purchase and Repair	787,730			787,730	
Disabled Facilities Grants	427,880			427,880	
Housing Renewal					
- Home Repair Grants/Decent Homes Assistance	105,000			105,000	
- Energy Efficiency Grants	200,000			200,000	
- Handyperson Scheme	12,000			12,000	
<b><u>Head of Housing Total</u></b>	<b>1,676,040</b>	<b>0</b>	<b>0</b>	<b>1,676,040</b>	
<b><u>Head of Planning</u></b>					
Town Centre Investment	41,550			41,550	
Eaves Green Link Road - contribution to LCC scheme	80,000	(80,000)		0	
Buckshaw Village Railway Station (S106 financed)	80,250			80,250	
Buckshaw Village Cycle Network	0		30,580	30,580	Budget financed by S106 contribution
Chorley Strategic Regional Site	481,330	(481,330)		0	
<b><u>Head of Planning Total</u></b>	<b>683,130</b>	<b>(561,330)</b>	<b>30,580</b>	<b>152,380</b>	
<b><u>Head of Policy</u></b>					
Project Management Support Capitalisation	40,000			40,000	
Performance Management	10,000	(10,000)		0	
Performance Reward Grant (PRG) funded schemes	158,340		990	159,330	Grant allocation higher than estimated
<b><u>Head of Policy Total</u></b>	<b>208,340</b>	<b>(10,000)</b>	<b>990</b>	<b>199,330</b>	

**Capital Programme - 2009/10**

Scheme	2009/10 Current Estimate (1) £	Rephasing to 2010/11 (2) £	Other Changes (3) £	2009/10 Revised Estimate (4) £	Explanation of 'Other Changes'
<b>Director of Partnerships, Planning &amp; Policy Total</b>	<b>2,897,300</b>	<b>(630,630)</b>	<b>31,570</b>	<b>2,298,240</b>	
<b>Director of People and Places</b>					
<b><u>Head of Environment</u></b>					
Alleygates	42,580			42,580	
Contaminated land site investigations (DEFRA grant)	9,140		480	9,620	Virement from Village Halls grants
<b><u>Head of Environment Total</u></b>	<b>51,720</b>	<b>0</b>	<b>480</b>	<b>52,200</b>	
<b><u>Head of Leisure &amp; Neighbourhoods</u></b>					
Leisure Centres/Swimming Pool Refurbishment	386,180	(75,000)	(6,570)	304,610	Expenditure transferred to revenue budget
Duxbury Park Golf Course capital investment	86,560	(86,560)		0	
Astley Hall/Park CCTV	34,000		2,360	36,360	Virement from Village Halls grants
Village Hall & Community Centres Projects	71,670	(22,000)	(4,900)	44,770	Vired to other People and Places schemes
On-line Booking System	25,000			25,000	
<b><u>Head of Leisure &amp; Neighbourhoods Total</u></b>	<b>603,410</b>	<b>(183,560)</b>	<b>(9,110)</b>	<b>410,740</b>	
<b><u>Head of Streetscene</u></b>					
Replacement of recycling/litter bins & containers	98,700			98,700	
Refuse and Recycling Contract Purchase of Bins	1,201,150			1,201,150	
Highway improvements - Gillibrand estate/Southlands	90,000			90,000	
Astley Park Improvements - Construction	468,290		1,400	469,690	Virement from Village Halls grants
Ulnes Walton Play/Leisure Schemes (S106 funded)	10,630			10,630	
Clayton Brook Play Area (lottery funded)	96,780			96,780	
Lighting at Coronation Recreation Ground	11,430		660	12,090	Virement from Village Halls grants
Eaves Green Play Development (S106 funded)	212,480	(212,480)		0	
Cemetery Development	13,280	(10,010)		3,270	
Memorial Safety	50,000		(50,000)	0	Budget not required
Common Bank - Big Wood Reservoir	19,160	(14,910)		4,250	
Groundwork Projects	18,230	(18,230)		0	
Project Design Fees	29,870		(19,870)	10,000	Reduced to match income forecast in revenue budget monitoring
<b><u>Head of Streetscene Total</u></b>	<b>2,320,000</b>	<b>(255,630)</b>	<b>(67,810)</b>	<b>1,996,560</b>	
<b>Director of People and Places Total</b>	<b>2,975,130</b>	<b>(439,190)</b>	<b>(76,440)</b>	<b>2,459,500</b>	

**Capital Programme - 2009/10**

Scheme	2009/10 Current Estimate (1) £	Rephasing to 2010/11 (2) £	Other Changes (3) £	2009/10 Revised Estimate (4) £	Explanation of 'Other Changes'
<b><u>Director of Transformation</u></b>					
<b><u>Head of Customer, ICT &amp; Transactional Services</u></b>					
Website Development (incl. ICT salary capitalisation)	30,000			30,000	
Thin Client/Citrix (started 2007/08)	109,400	(20,000)		89,400	
Server Virtualisation / Data Storage Solution	30,000			30,000	
Web Accessibility	10,080	(10,080)		0	
New ISP Implementation	23,980			23,980	
Astley Hall network link	8,000	(8,000)		0	
CRM Implementation	206,790			206,790	
<b><u>Head of Customer, ICT &amp; Transactional Services Total</u></b>	<b>418,250</b>	<b>(38,080)</b>	<b>0</b>	<b>380,170</b>	
<b><u>Head of Governance</u></b>					
Legal Case Management System	21,750			21,750	
<b><u>Head of Governance Total</u></b>	<b>21,750</b>	<b>0</b>	<b>0</b>	<b>21,750</b>	
<b><u>Head of Human Resources &amp; Organisational Development</u></b>					
Integrated HR, Payroll and Training System	10,000	(9,550)	(450)	0	Expenditure transferred to revenue budget
<b><u>Head of HR &amp; Organisational Development Total</u></b>	<b>10,000</b>	<b>(9,550)</b>	<b>(450)</b>	<b>0</b>	
<b><u>Director</u></b>					
Matched Funding Pot / Invest To Save	43,020	(43,020)		0	
Housing & Planning Delivery Grant funded schemes	51,240		(51,240)	0	Used to finance existing projects rather than new budgets
Planned Improvements to Fixed Assets	430,390	(220,000)		210,390	
Capitalised restructuring costs	1,150,000			1,150,000	
Capitalisation of Icelandic Investment Impairment	340,000		(340,000)	0	Capitalisation direction not approved
<b><u>Director Total</u></b>	<b>2,014,650</b>	<b>(263,020)</b>	<b>(391,240)</b>	<b>1,360,390</b>	
<b><u>Director of Transformation Total</u></b>	<b>2,464,650</b>	<b>(310,650)</b>	<b>(391,690)</b>	<b>1,762,310</b>	
<b><u>Capital Programme Total</u></b>	<b>8,337,080</b>	<b>(1,380,470)</b>	<b>(436,560)</b>	<b>6,520,050</b>	

**Capital Programme - 2009/10**

Scheme	2009/10 Current Estimate (1) £	Rephasing to 2010/11 (2) £	Other Changes (3) £	2009/10 Revised Estimate (4) £
<b><u>Financing the Capital Programme</u></b>				
Prudential Borrowing	3,317,120	(295,000)	(359,730)	2,662,390
Unrestricted Capital Receipts	199,120			199,120
Capital Receipt earmarked for Strategic Regional Site	481,330			481,330
Preserved RTB Capital Receipts from CCH	50,000		(40,000)	10,000
Revenue Budget - Specific Revenue Reserves or Budgets	59,790			59,790
Revenue Budget - VAT Shelter income	1,369,630	(778,080)	(68,400)	523,150
<b>Chorley Council Resources</b>	5,476,990	(1,073,080)	(468,130)	3,935,780
Ext. Contributions - Developers	1,254,160	(307,390)	30,580	977,350
Ext. Contributions - Lottery Bodies	324,210			324,210
Ext. Contributions - Other	277,640		990	278,630
Government Grants - Disabled Facilities Grants	180,000			180,000
Government Grants - Housing Capital Grant	746,400			746,400
Government Grants - Housing & Planning Delivery Grant	51,240			51,240
Government Grants - Other	26,440			26,440
<b>External Funding</b>	2,860,090	(307,390)	31,570	2,584,270
<b>Capital Financing Total</b>	<b>8,337,080</b>	<b>(1,380,470)</b>	<b>(436,560)</b>	<b>6,520,050</b>

Explanation of 'Other Changes'



**Capital Programme - 2010/11 to 2012/13**

Scheme	2010/11	Other	2010/11	2011/12	Other	2011/12	2012/13	Other	2012/13	Total
	Current	Changes	Revised	Current	Changes	Revised	Current	Changes	Revised	2010/11 to
	Estimate	(2)	Estimate	Estimate	(5)	Estimate	Estimate	(8)	Estimate	2012/13
(1)	£	£	(3)	(4)	£	(6)	(7)	£	(9)	(10)
£	£	£	£	£	£	£	£	£	£	£
<b><u>Director of Partnerships, Planning &amp; Policy</u></b>										
<b><u>Head of Economic Development</u></b>										
Climate Change Pot	0	59,300	59,300	0	0	0	0	0	0	59,300
Project Design Fees	41,440	0	41,440	41,440	0	41,440	0	41,440	41,440	124,320
<b><u>Head of Economic Development Total</u></b>	<b>41,440</b>	<b>59,300</b>	<b>100,740</b>	<b>41,440</b>	<b>0</b>	<b>41,440</b>	<b>0</b>	<b>41,440</b>	<b>41,440</b>	<b>183,620</b>
<b><u>Head of Housing</u></b>										
Affordable Housing New Development Projects	721,710	(22,000)	699,710	690,000	0	690,000	0	0	0	1,389,710
Disabled Facilities Grants	376,000	74,000	450,000	378,000	(198,000)	180,000	0	180,000	180,000	810,000
Housing Renewal	201,000	(201,000)	0	302,000	(2,000)	300,000	0	300,000	300,000	600,000
- Home Repair Grants/Decent Homes Assistance	0	72,000	72,000	0	0	0	0	0	0	72,000
- Energy Efficiency Grants	0	50,000	50,000	0	0	0	0	0	0	50,000
- Handyperson Scheme	0	22,000	22,000	0	0	0	0	0	0	22,000
- Landlord Accreditation	0	5,000	5,000	0	0	0	0	0	0	5,000
<b><u>Head of Housing Total</u></b>	<b>1,298,710</b>	<b>0</b>	<b>1,298,710</b>	<b>1,370,000</b>	<b>(200,000)</b>	<b>1,170,000</b>	<b>0</b>	<b>480,000</b>	<b>480,000</b>	<b>2,948,710</b>
<b><u>Head of Planning</u></b>										
Town Centre Investment	1,025,000	0	1,025,000	0	0	0	0	0	0	1,025,000
Eaves Green Link Road - contribution to LCC scheme	0	80,000	80,000	0	0	0	0	0	0	80,000
Buckshaw Village Railway Station (S106 financed)	3,455,550	0	3,455,550	0	0	0	0	0	0	3,455,550
Buckshaw Village Cycle Network	0	77,360	77,360	0	0	0	0	0	0	77,360
Chorley Strategic Regional Site	0	481,330	481,330	0	0	0	0	0	0	481,330
<b><u>Head of Planning Total</u></b>	<b>4,480,550</b>	<b>638,690</b>	<b>5,119,240</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,119,240</b>
<b><u>Head of Policy</u></b>										
Project Management Support Capitalisation	40,000	(40,000)	0	40,000	(40,000)	0	0	0	0	0
Performance Management	0	10,000	10,000	0	0	0	0	0	0	10,000
Performance Reward Grant (PRG) funded schemes	158,340	990	159,330	158,340	990	159,330	0	0	0	318,660
<b><u>Head of Policy Total</u></b>	<b>198,340</b>	<b>(29,010)</b>	<b>169,330</b>	<b>198,340</b>	<b>(39,010)</b>	<b>159,330</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>328,660</b>
<b><u>Director of Partnerships, Planning &amp; Policy Total</u></b>	<b>6,019,040</b>	<b>668,980</b>	<b>6,688,020</b>	<b>1,609,780</b>	<b>(239,010)</b>	<b>1,370,770</b>	<b>0</b>	<b>521,440</b>	<b>521,440</b>	<b>8,580,230</b>

**Capital Programme - 2010/11 to 2012/13**

Scheme	2010/11 Current Estimate (1) £	Other Changes (2) £	2010/11 Revised Estimate (3) £	2011/12 Current Estimate (4) £	Other Changes (5) £	2011/12 Revised Estimate (6) £	2012/13 Current Estimate (7) £	Other Changes (8) £	2012/13 Revised Estimate (9) £	Total 2010/11 to 2012/13 (10) £
<b><u>Director of People and Places</u></b>										
<b><u>Head of Environment</u></b>										
Alleygates	30,000	0	30,000	0	0	0	0	0	0	30,000
<b><u>Head of Environment Total</u></b>	<b>30,000</b>	<b>0</b>	<b>30,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,000</b>
<b><u>Head of Leisure &amp; Neighbourhoods</u></b>										
Leisure Centres/Swimming Pool Refurbishment	244,180	50,000	294,180	250,000	(20,000)	230,000	0	235,000	235,000	759,180
Duxbury Park Golf Course capital investment	0	86,560	86,560	0	0	0	0	0	0	86,560
Village Hall & Community Centres Projects	0	22,000	22,000	0	0	0	0	0	0	22,000
<b><u>Head of Leisure &amp; Neighbourhoods Total</u></b>	<b>244,180</b>	<b>158,560</b>	<b>402,740</b>	<b>250,000</b>	<b>(20,000)</b>	<b>230,000</b>	<b>0</b>	<b>235,000</b>	<b>235,000</b>	<b>867,740</b>
<b><u>Head of Streetscene</u></b>										
Replacement of recycling/litter bins & containers	85,000	0	85,000	85,000	0	85,000	0	85,000	85,000	255,000
Improvements to Sports Pitches	275,000	(275,000)	0	0	0	0	0	275,000	275,000	275,000
Eaves Green Play Development (S106 funded)	0	212,480	212,480	0	0	0	0	0	0	212,480
Fairview Farm Play Facilities (S106 funded)	100,000	0	100,000	0	0	0	0	0	0	100,000
Cemetery Development	0	10,010	10,010	0	0	0	0	0	0	10,010
Memorial Safety	25,000	(25,000)	0	0	0	0	0	0	0	0
Common Bank - Big Wood Reservoir	0	14,910	14,910	0	0	0	0	0	0	14,910
Groundwork Projects	0	18,230	18,230	0	0	0	0	0	0	18,230
Project Design Fees	29,870	0	29,870	29,870	0	29,870	0	29,870	29,870	89,610
<b><u>Head of Streetscene Total</u></b>	<b>514,870</b>	<b>(44,370)</b>	<b>470,500</b>	<b>114,870</b>	<b>0</b>	<b>114,870</b>	<b>0</b>	<b>389,870</b>	<b>389,870</b>	<b>975,240</b>
<b><u>Director of People and Places Total</u></b>	<b>789,050</b>	<b>114,190</b>	<b>903,240</b>	<b>364,870</b>	<b>(20,000)</b>	<b>344,870</b>	<b>0</b>	<b>624,870</b>	<b>624,870</b>	<b>1,872,980</b>

**Capital Programme - 2010/11 to 2012/13**

Scheme	2010/11 Current Estimate (1) £	Other Changes (2) £	2010/11 Revised Estimate (3) £	2011/12 Current Estimate (4) £	Other Changes (5) £	2011/12 Revised Estimate (6) £	2012/13 Current Estimate (7) £	Other Changes (8) £	2012/13 Revised Estimate (9) £	Total 2010/11 to 2012/13 (10) £
<b><u>Director of Transformation</u></b>										
<b><u>Head of Customer, ICT &amp; Transactional Services</u></b>										
Website Development (incl. ICT salary capitalisation)	20,000	0	20,000	20,000	0	20,000	0	20,000	20,000	60,000
Thin Client/Citrix (started 2007/08)	0	20,000	20,000	94,800	(94,800)	0	0	94,800	94,800	114,800
Server Virtualisation / Data Storage Solution	189,550	0	189,550	0	0	0	0	0	0	189,550
Web Accessibility	0	10,080	10,080	0	0	0	0	0	0	10,080
Astley Hall network link	0	8,000	8,000	0	0	0	0	0	0	8,000
<b><u>Head of Customer, ICT &amp; Transactional Services Total</u></b>	<b>209,550</b>	<b>38,080</b>	<b>247,630</b>	<b>114,800</b>	<b>(94,800)</b>	<b>20,000</b>	<b>0</b>	<b>114,800</b>	<b>114,800</b>	<b>382,430</b>
<b><u>Head of Human Resources &amp; Organisational Development</u></b>										
Integrated HR, Payroll and Training System	68,200	(38,200)	30,000	0	0	0	0	0	0	30,000
<b><u>Head of HR &amp; Organisational Development Total</u></b>	<b>68,200</b>	<b>(38,200)</b>	<b>30,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,000</b>
<b><u>Director</u></b>										
Matched Funding Pot / Invest To Save	200,000	43,020	243,020	0	0	0	0	0	0	243,020
Planned Improvements to Fixed Assets	308,600	220,000	528,600	200,000	0	200,000	0	200,000	200,000	928,600
<b><u>Director Total</u></b>	<b>508,600</b>	<b>263,020</b>	<b>771,620</b>	<b>200,000</b>	<b>0</b>	<b>200,000</b>	<b>0</b>	<b>200,000</b>	<b>200,000</b>	<b>1,171,620</b>
<b><u>Director of Transformation Total</u></b>	<b>786,350</b>	<b>262,900</b>	<b>1,049,250</b>	<b>314,800</b>	<b>(94,800)</b>	<b>220,000</b>	<b>0</b>	<b>314,800</b>	<b>314,800</b>	<b>1,584,050</b>
<b><u>Capital Programme Total</u></b>	<b>7,594,440</b>	<b>1,046,070</b>	<b>8,640,510</b>	<b>2,289,450</b>	<b>(353,810)</b>	<b>1,935,640</b>	<b>0</b>	<b>1,461,110</b>	<b>1,461,110</b>	<b>12,037,260</b>

**Capital Programme - 2010/11 to 2012/13**

Scheme	2010/11	Other	2010/11	2011/12	Other	2011/12	2012/13	Other	2012/13	Total
	Current	Changes	Revised	Current	Changes	Revised	Current	Changes	Revised	2010/11 to
	Estimate	(2)	Estimate	Estimate	(5)	Estimate	Estimate	(8)	Estimate	2012/13
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	£	£	£	£	£	£	£	£	£	£
<b><u>Financing the Capital Programme</u></b>										
Prudential Borrowing	323,600	289,730	613,330	661,110	(154,800)	506,310	0	614,800	614,800	1,734,440
Unrestricted Capital Receipts	527,170	(100,000)	427,170	0	0	0	0	100,000	100,000	527,170
Preserved RTB Capital Receipts from CCH	150,000	(60,000)	90,000	100,000	(91,310)	8,690	0	0	0	98,690
Revenue Budget - VAT Shelter income	556,070	530,600	1,086,670	0	91,310	91,310	0	266,310	266,310	1,444,290
<b>Chorley Council Resources</b>	<b>1,556,840</b>	<b>660,330</b>	<b>2,217,170</b>	<b>761,110</b>	<b>(154,800)</b>	<b>606,310</b>	<b>0</b>	<b>981,110</b>	<b>981,110</b>	<b>3,804,590</b>
Ext. Contributions - Developers	4,580,550	384,750	4,965,300	690,000	0	690,000	0	0	0	5,655,300
Ext. Contributions - Other	158,340	990	159,330	158,340	990	159,330	0	0	0	318,660
Government Grants - Disabled Facilities Grants	180,000	0	180,000	180,000	0	180,000	0	180,000	180,000	540,000
Government Grants - Housing Capital Grant	1,118,710	0	1,118,710	500,000	(200,000)	300,000	0	300,000	300,000	1,718,710
<b>External Funding</b>	<b>6,037,600</b>	<b>385,740</b>	<b>6,423,340</b>	<b>1,528,340</b>	<b>(199,010)</b>	<b>1,329,330</b>	<b>0</b>	<b>480,000</b>	<b>480,000</b>	<b>8,232,670</b>
<b>Capital Financing Total</b>	<b>7,594,440</b>	<b>1,046,070</b>	<b>8,640,510</b>	<b>2,289,450</b>	<b>(353,810)</b>	<b>1,935,640</b>	<b>0</b>	<b>1,461,110</b>	<b>1,461,110</b>	<b>12,037,260</b>

**Capital Programme 2010/11 - Other Changes**

Scheme	Other Changes £	Rephased from 2009/10 £	Rephased to 2012/13 £	Other Changes £	Explanation of 'Other Changes'
<b><u>Director of Partnerships, Planning &amp; Policy</u></b>					
<b><u>Head of Economic Development</u></b>					
Climate Change Pot	59,300	59,300			
<b><u>Head of Economic Development Total</u></b>	<b>59,300</b>	<b>59,300</b>	<b>0</b>	<b>0</b>	
<b><u>Head of Housing</u></b>					
Affordable Housing New Development Projects	(22,000)			(22,000)	Reallocation of housing budgets
Disabled Facilities Grants	74,000			74,000	Reallocation of housing budgets
Housing Renewal	(201,000)			(201,000)	Reallocation of housing budgets
- Home Repair Grants/Decent Homes Assistance	72,000			72,000	Reallocation of housing budgets
- Energy Efficiency Grants	50,000			50,000	Reallocation of housing budgets
- Handyperson Scheme	22,000			22,000	Reallocation of housing budgets
- Landlord Accreditation	5,000			5,000	Reallocation of housing budgets
<b><u>Head of Housing Total</u></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b><u>Head of Planning</u></b>					
Eaves Green Link Road - contribution to LCC scheme	80,000	80,000			
Buckshaw Village Cycle Network	77,360			77,360	Budget financed by S106 contribution
Chorley Strategic Regional Site	481,330	481,330			
<b><u>Head of Planning Total</u></b>	<b>638,690</b>	<b>561,330</b>	<b>0</b>	<b>77,360</b>	
<b><u>Head of Policy</u></b>					
Project Management Support Capitalisation	(40,000)			(40,000)	Recharge deleted following restructure
Performance Management	10,000	10,000			
Performance Reward Grant (PRG) funded schemes	990			990	Grant allocation higher than estimated
<b><u>Head of Policy Total</u></b>	<b>(29,010)</b>	<b>10,000</b>	<b>0</b>	<b>(39,010)</b>	
<b><u>Director of Partnerships, Planning &amp; Policy Total</u></b>	<b>668,980</b>	<b>630,630</b>	<b>0</b>	<b>38,350</b>	

**Capital Programme 2010/11 - Other Changes**

Scheme	Other Changes £	Rephased from 2009/10 £	Rephased to 2012/13 £	Other Changes £	Explanation of 'Other Changes'
<b>Director of People and Places</b>					
<b><i>Head of Leisure &amp; Neighbourhoods</i></b>					
Leisure Centres/Swimming Pool Refurbishment	50,000	75,000		(25,000)	Budget reduced to reflect lower inflation than estimated previously
Duxbury Park Golf Course capital investment	86,560	86,560			
Village Hall & Community Centres Projects	22,000	22,000			
<b><i>Head of Leisure &amp; Neighbourhoods Total</i></b>	<b>158,560</b>	<b>183,560</b>	<b>0</b>	<b>(25,000)</b>	
<b><i>Head of Streetscene</i></b>					
Improvements to Sports Pitches	(275,000)		(275,000)		Budget not required
Eaves Green Play Development (S106 funded)	212,480	212,480			
Cemetery Development	10,010	10,010			
Memorial Safety	(25,000)			(25,000)	
Common Bank - Big Wood Reservoir	14,910	14,910			
Groundwork Projects	18,230	18,230			
<b><i>Head of Streetscene Total</i></b>	<b>(44,370)</b>	<b>255,630</b>	<b>(275,000)</b>	<b>(25,000)</b>	
<b>Director of People and Places Total</b>	<b>114,190</b>	<b>439,190</b>	<b>(275,000)</b>	<b>(50,000)</b>	

**Capital Programme 2010/11 - Other Changes**

Scheme	Other Changes £	Rephased from 2009/10 £	Rephased to 2012/13 £	Other Changes £	Explanation of 'Other Changes'
<b><u>Director of Transformation</u></b>					
<b><u>Head of Customer, ICT &amp; Transactional Services</u></b>					
Thin Client/Citrix (started 2007/08)	20,000	20,000			
Web Accessibility	10,080	10,080			
Astley Hall network link	8,000	8,000			
<b><u>Head of Customer, ICT &amp; Transactional Services Total</u></b>	<b>38,080</b>	<b>38,080</b>	<b>0</b>	<b>0</b>	
<b><u>Head of Human Resources &amp; Organisational Development</u></b>					
Integrated HR, Payroll and Training System	(38,200)	9,550		(47,750)	Budget not required
<b><u>Head of HR &amp; Organisational Development Total</u></b>	<b>(38,200)</b>	<b>9,550</b>	<b>0</b>	<b>(47,750)</b>	
<b><u>Director</u></b>					
Matched Funding Pot / Invest To Save	43,020	43,020			
Planned Improvements to Fixed Assets	220,000	220,000			
<b><u>Director Total</u></b>	<b>263,020</b>	<b>263,020</b>	<b>0</b>	<b>0</b>	
<b><u>Director of Transformation Total</u></b>	<b>262,900</b>	<b>310,650</b>	<b>0</b>	<b>(47,750)</b>	
<b><u>Capital Programme Total</u></b>	<b>1,046,070</b>	<b>1,380,470</b>	<b>(275,000)</b>	<b>(59,400)</b>	

**Capital Programme 2010/11 - Other Changes**

Scheme	Other Changes £	Rephased from 2009/10 £	Rephased to 2012/13 £	Other Changes £
<b><u>Financing the Capital Programme</u></b>				
Prudential Borrowing	289,730	295,000		(5,270)
Unrestricted Capital Receipts	(100,000)		(100,000)	
Preserved RTB Capital Receipts from CCH	(60,000)			(60,000)
Revenue Budget - VAT Shelter income	607,960	778,080	(175,000)	4,880
<b>Chorley Council Resources</b>	<b>737,690</b>	<b>1,073,080</b>	<b>(275,000)</b>	<b>(60,390)</b>
Ext. Contributions - Developers	307,390	307,390		
Ext. Contributions - Other	990			990
<b>External Funding</b>	<b>308,380</b>	<b>307,390</b>	<b>0</b>	<b>990</b>
<b>Capital Financing Total</b>	<b>1,046,070</b>	<b>1,380,470</b>	<b>(275,000)</b>	<b>(59,400)</b>

Explanation of 'Other Changes'



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

	2008/09 £	2009/10 £	2010/11 £	2011/12 £	2012/13 £	Total £	Notes
<b>Reported to Executive Cabinet 8/1/09</b>	2,013,080	985,960	408,550	0	0	3,407,590	
Less various small sites - not capital receipts	(16,080)	0	0	0	0	(16,080)	(1)
	1,997,000	985,960	408,550	0	0	3,391,510	
Increases in estimated receipts	0	100	18,500	0	0	18,600	
Reductions in estimated receipts	(710,220)	(516,500)	(142,350)	0	0	(1,369,070)	(2)
Rephasing of asset disposals	(573,740)	(469,560)	914,800	128,500	0	0	
<b>Estimated disposals 2/3/10</b>	<b>713,040</b>	<b>0</b>	<b>1,199,500</b>	<b>128,500</b>	<b>0</b>	<b>2,041,040</b>	
Budgeted use of capital receipts	(713,040)	0	(427,170)	0	(100,000)	(1,240,210)	
<b>Capital receipts in excess of budgeted</b>	<b>0</b>	<b>0</b>	<b>772,330</b>	<b>128,500</b>	<b>(100,000)</b>	<b>800,830</b>	

(1) Income credited to revenue budget

(2) Most of reduction is as a result of providing land at nil or reduced value to promote affordable housing. One site is to be leased to Chorley Community Housing to enable a major regeneration project, rather than being sold for residential development.

This page is intentionally left blank

**Use of Contributions Receivable from Developers 2009/10 to 2012/13**

	2009/10	2010/11	2011/12	2012/13	Total	Notes
	£	£	£	£	£	
Affordable Housing New Development Projects	15,930		690,000		705,930	(1)
Purchase and Repair (affordable housing)	721,710				721,710	
Town Centre Investment		1,025,000			1,025,000	
Eaves Green Link Road - contribution to LCC scheme		80,000			80,000	
Buckshaw Village Railway Station (S106 financed)	80,250	3,455,550			3,535,800	(2)
Buckshaw Village Cycle Network	30,580	77,360			107,940	
Astley Hall/Park CCTV	24,000				24,000	
Highway improvements - Gillibrand estate/Southlands	90,000				90,000	
Ulnes Walton Play/Leisure Schemes (S106 funded)	10,630				10,630	(3)
Eaves Green Play Development (S106 funded)		212,480			212,480	(3)
Fairview Farm Play Facilities (S106 funded)		100,000			100,000	(3)
Common Bank - Big Wood Reservoir	4,250	14,910			19,160	
	<b>977,350</b>	<b>4,965,300</b>	<b>690,000</b>	<b>0</b>	<b>6,632,650</b>	

- (1) If S106 contributions for provision of affordable housing are received before 2011/12 it may be possible to bring forward expenditure.
- (2) Some costs in 2009/10 may be reimbursed by Lancashire County Council, in which case use of the S106 contribution would be rephased.
- (3) In addition to these approved schemes, further S106 contributions totalling £221,000 are available for provision and maintenance of play facilities and public open space. Executive Cabinet of 3rd December 2009 approved a policy of inviting Parish and Town Councils to submit bids for funding of Play and Recreation projects using relevant S106 contributions, which would be considered along with Chorley Council's own schemes

This page is intentionally left blank

Report of	Meeting	Date
Statutory Finance Officer	Special Council	2 March 2010

## Treasury Strategies and Prudential Indicators 2010/11 to 2012/13

### PURPOSE OF REPORT

1. To set prudential indicators for the years to 2012/13, and to recommend criteria to be followed in treasury operations in 2010/11.

### RECOMMENDATION(S)

2. That the Council approve the following:
  - The Prudential Indicators for 2010/11 to 2012/13
  - The Treasury Management Strategy for 2010/11, incorporating the Treasury Prudential Indicators
  - The Annual Investment Strategy 2010/11
  - The Annual MRP Policy Statement 2010/11
3. That the Council adopt the updated CIPFA Code of Practice for Treasury management in the Public Services and the Treasury Management Policy Statement.
4. That the proposed amendments to the Council's Financial Procedure Rules, detailed at Appendix C3, be recommended for adoption by the Council.

### EXECUTIVE SUMMARY OF REPORT

5. This report outlines the Council's prudential Indicators for 2010/11 to 2012/13, and sets out the expected treasury operations for this period. It also states the policy for making the minimum provision for repayment of debt. It should be considered together with the Council's Financial Strategy, budget and Council Tax proposals for 2010/11.

### REASONS FOR RECOMMENDATION(S)

#### (If the recommendations are accepted)

6. It is a statutory requirement that Councils approve the policies, indicators and statements addressed in this report prior to the commencement of each financial year.

### ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

7. None

**CORPORATE PRIORITIES**

8. This report relates to the following Strategic Objectives:

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

**BACKGROUND**

- 9. The Local Government Act 2003, has given authorities greater discretion over capital expenditure through prudential borrowing, made compliance with CIPFA's Prudential Code, and CIPFA's Treasury Management Guidance, statutory requirements. The former requires the production of Indicators showing that expenditure is affordable, the latter requires the approval of an annual Treasury Management Strategy incorporating Treasury Indicators and limits.
- 10. Consequential to the Prudential Borrowing powers is a requirement that authorities should make prudential provision for the repayment of borrowing (MRP). This is to be the subject of an annual policy statement to be made to the full Council prior to the start of each year.
- 11. Finally Authorities have, through the Local Government Act 2003, also been given greater discretion in investing surplus cash. They are required however, by guidance issued by the CLG, to prepare an annual Investment Strategy to identify how that discretion should be applied.
- 12. This report therefore brings together these related requirements by submitting, for the approval of Council, the four statements.

**DETAIL**

13. The detailed statements and strategies etc are attached

**IMPLICATIONS OF REPORT**

14. This report affects the following areas. The relevant Directors' comments are attached:

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

**COMMENTS OF THE STATUTORY FINANCE OFFICER**

15. This report meets statutory requirements. Its statistical content is consistent with the assumptions made in the revenue budget. The criteria it recommends will direct the Council's treasury operations in 2010/11.

GARY HALL  
 STATUTORY FINANCE OFFICER

Document	Inspection
Financial Strategy/Budget and Council Tax 2010/11 Treasury Management in the Public Services: Code of Practice CIPFA Prudential Code for Capital Finance in Local Authorities Treasury Management Report to Governance Committee 22/9/09	Town Hall

Report Author	Ext	Date	Doc ID
G Whitehead	5485	12/02/10	Treasury Strategy

**PRUDENTIAL INDICATORS 2010/11 to 2012/13**

Local Authorities have discretion to incur capital expenditure in excess of the capital resources provided by government, or those resources resulting from the sale of assets or the receipt of contributions from other parties.

To manage that process the Council must consider the following Indicators. These are designed to indicate that the expenditure is prudent and affordable.

Prudential Indicator 1 - Capital Expenditure

The following statement summarises the Capital Programme. It shows a reliance on prudential borrowing is intended. Provision for this has been built into the revenue budget.

Capital Expenditure	2009/10 Revised £'000	2010/11 Estimate £'000	2011/12 Estimate £'000	2012/13 Estimate £'000
The Council's capital expend.	6,520	8,640	1,935	1,461
Less Capital resources				
capital receipts	(690)	(517)	(100)	(100)
contributions	(1,579)	(5,047)	(849)	
Grants	(1,004)	(1,299)	(480)	(480)
Revenue and reserves	(583)	(1,164)	0	(266)
Balance – new prudential borrowing	2,664	613	506	615

Prudential Indicator 2 - Capital Financing Requirement (CFR)

The CFR is a measure of the capital expenditure of the Council which is still to be paid for. Such expenditure is temporarily met by borrowing, by leasing or by reducing the Council's other cash balances. Ultimately however it has to be paid for and will be a charge to Council tax payers.

	2009/10 Revised £'000	2010/11 Estimate £'000	2011/12 Estimate £'000	2012/13 Estimate £'000
Estimated CFR at period end	9,823	9,979	9,985	10,100
Annual change in CFR	2,435	156	6	115
This consists of prudential borrowing in year		613	506	615
Less estimated MRP		(457)	(500)	(500)

The increases in the CFR shown in the above table are caused by the new prudential borrowing (as above), less the provision made in the Council's budget for debt repayment (MRP).



Prudential Indicator 3 – Ratio of financing costs to the net revenue stream

This indicator shows the proportion of the Council's budget (i.e. the costs it has to meet from government grants and local taxpayers), that is required to meet the costs associated with borrowing (interest and principal, net of interest received).

	2009/10 Revised %	2010/11 Estimate %	2011/12 Estimate %	2012/13 Estimate %
Ratio	2.30	3.93	5.46	5.54

Prudential Indicator 4 – Incremental impact of capital investment decisions on the band D Council Tax

This shows the cumulative effect on Council tax levels of the capital programme plans of the Council.

	2010/11 Estimate £	2011/12 Estimate £	2012/13 Estimate £
Increase in Band D charge	3.49	4.91	6.87

## **TREASURY MANAGEMENT STRATEGY 2010/11**

The treasury management service fulfils an important role in the overall financial management of the Council's affairs. Whilst the prudential indicators shed light on the affordability and consequence of capital expenditure plans, the treasury service deals with any consequential borrowings, and the management of cash balances.

### **1. Changes in 2009/10**

The Council has a statutory obligation to have regard to the CIPFA Code of Practice, and is required to adopt both the Code and the Treasury Management Policy Statement therein. Both of these have previously been adopted by the Council, but both have been revised in 2009. The main changes in the new Code and the Policy Statement are:

- The priority of security and liquidity is emphasised
- There are Increased reporting requirements
- The responsibilities of the Audit Committee for scrutiny, and the personal responsibility of members to ensure they have appropriate skills and training.
- Spotlighting of the risk in borrowing ahead of need
- Revision to the advice on Counterparty selection criteria
- Revised advice on money laundering

Steps have already been taken to comply with these requirements, and this report incorporates further proposals. Specific steps will be taken in the coming year to provide the necessary training to members.

#### Prudential Indicator 5 – Adoption of the CIPFA Code of Practice for Treasury Management in the Public Services

The Council is recommended to adopt the updated CIPFA publication *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*.

#### Prudential Indicator 6 – Adoption of the Treasury Management Policy Statement

The Council is recommended to adopt as part of its Financial Regulations, the updated clauses shown in Appendix C1. These concern the regulation of internal processes, reporting requirements and officer and committee responsibilities

### **2. Reporting**

This strategy statement has been prepared in accordance with the revised code, for approval by the Council. The Code requires, as a minimum, a further mid year monitoring report, and a final report on actual activity after the year end. It is intended however to submit additional monitoring reports to the Audit Committee during the year.

### **3. Borrowing and Investment Projections**

The Council's borrowings and investment are inter-related. The following table details the expected changes in borrowings, consistent with the capital and revenue budgets, and the balances available for investment at each year end.

	2009/10 Revised £'000	2010/11 Estimate £'000	2011/12 Estimate £'000	2012/13 Estimate £'000
Borrowing at period start	4,633	2,266	9,400	9,300
Borrowing repaid in year	(2,367)	(1,366)	(700)	(200)
Estimated borrowing in year		8,500	600	0
Est. borrowing at period end	2,266	9,400	9,300	9,100
Est. investments at period end	Nil	Nil	Nil	(200)
Net Borrowing	2,266	9,400	9,300	8,900

It will be seen that over the years to 2012/13 there is considerable movement in the Council's borrowings, current short term loans being repaid, new replacement loans being made. Over the four year period there is an increase of £4.5m.

This increase is necessary:

- To make good borrowings repaid in 2008/09 and
- To fund the prudential borrowings over this period of £2.7m.

It is important to note that the timing of borrowing does not determine the timing of the charge, in the Council's accounts for the repayment of debt (MRP). The MRP provision commences in the year capital expenditure is incurred, not when borrowing is made.

Prudential Indicator 7

The Prudential Code requires authorities to make comparison between net borrowing and the CFR. At its greatest net borrowing should not exceed the current years CFR plus the estimated increases in CFR for the following two years. The figures reported above meet this requirement.

Prudential Indicator 8 – Operational Boundary for External Debt

This is the probable, expected limit on external debt. "Debt" consists of both borrowings and any other long term liabilities, although in Chorley these are so small (£14k) that they have been ignored in setting the limit.

The expected borrowings at year end are as shown in the table below:

	31/3/10 Revised £'000	31/3/11 Estimate £'000	31/3/12 Estimate £'000	31/3/13 Estimate £'000
Expected borrowings	3,500	9,400	9,300	9,100
Other long term liabilities	0	0	0	0
Operational boundary	3,500	9,400	9,300	9,100

The introduction of International Accounting Standards will cause further leases to be reclassified which might affect these limits.

Prudential Indicator 9 - Authorised Limit for External Debt

In the following table the limit has been based on the Capital Financing Requirement (PI 2) since this is a measure of the need for debt.

	31/3/10 Revised £'000	31/3/11 Estimate £'000	31/3/12 Estimate £'000	31/3/13 Estimate £'000
Borrowings	4,000	9,979	9,985	10,100
Other long term liabilities	0	0	0	0
Authorised limit	4,000	9,979	9,985	10,100

#### 4. Economic outlook and expected movement in interest rates

The advice of the Council's consultants is attached at Appendix C2. In summary it describes two completely different views of the economic landscape over the next two years.

- EITHER a strong UK recovery will occur fuelled by a weakened pound, strong exports, and a continuing recovery in house prices. Inflation will fall back, bank rate will rise to 3%, and long term rates as high as 5.5% (10 years) to 6% (50 years) on the back of the high levels of government borrowing.
- OR a weak UK recovery resulting from ongoing shortages of credit from weakened banks, reversal of quantitative easing taking money out of the economy, rising unemployment, depressed consumer demand, and public sector spending cuts and tax rises. Bank rate will remain at 0.5% throughout 2010/11 and the following year, and long term rates will fall back to 3.15% (10 years) to 4.25% (50 years).

The Sector view anticipates moderate growth, but with a balance of risk to the downside. With regard to interest rates it envisages bank rate rising to 1.5% by March 2011 and 3.5% twelve months later. The risk is that longer term borrowing costs will be driven higher by the levels of government borrowing.

#### 5. Borrowing strategy

The borrowing strategy of the Council has to consider three issues:

- The need, and amount, to borrow
- The timing of borrowing
- The period of borrowing

##### Need to Borrow

Normally the Council has a net inflow of cash in the first three quarters of the year. This might allow the additional borrowing of an estimated £8.5m to be deferred, in part or in total, until the last quarter. The instinctive plan is not to borrow until the cash is needed, since holding cash in advance of need will incur a cost. This judgement will however be affected by anticipated movements in interest rates.

##### Interest rate movements and the timing of borrowing

As discussed in paragraph 4 there are different views about interest rate movements. The Sector view is that rates across all periods will increase throughout the year by roughly 0.5%. This would add £42k pa to the cost of borrowing £8.5m. The timing will thus be based on a judgement as to whether the advantage of early borrowing (possible lower rate) is outweighed by the carrying cost (the difference between the cost of the borrowing and the interest it earns prior to it being used).

Period of borrowing

Borrowings can be made for any period up to 50 years. A view will have to be taken regarding the attractiveness of certainty (i.e. by borrowing for a longer period of 5 or 10 years), compared to cheaper, but more volatile short term debt.

**6. Treasury Management Limits on Activity**

The Authority is required to set the following Treasury Indicators. The purpose of these is to minimise the risk resulting from movements in interest rates.

Treasury Indicator 1 – Upper limit on Variable rate exposure

The Council is exposed to interest rate movements on its invested cash. This is predicted to be very low, but the timing of receipts means that from time to time a significant balance might be available. To accommodate this a limit of £10m is proposed for future years. For the current year the limit has been revised to £15m to cover the maximum invested cash during 2009/10.

	2009/10 Revised	2010/11 Estimate	2011/12 Estimate	2012/13 Estimate
Upper limit on variable rate exposure	£15m	£10m	£10m	£10m

Treasury Indicator 2 – Upper limit on fixed rate exposure

The Council is exposed to fixed rate interest on any long term liabilities and PWLB borrowings. The maximum estimated exposure is shown in the following table.

	2009/10 Revised	2010/11 Estimate	2011/12 Estimate	2012/13 Estimate
Upper limit on fixed rate exposure	£5.0m	£9.9m	£10.0m	£10m

Treasury Indicator 3 - Maturity structure of borrowing

The Council is required to determine upper and lower limits for the maturity structure of its debt. The following limits have been set to give maximum flexibility

	2010/11	
	Lower Limit	Upper Limit
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 to 5 years	0%	100%
5 to 10 years	0%	100%
10 years and above	0%	100%

Treasury Indicator 4 – Total principal sums invested for greater than 364 days

It is not planned to make any investments for periods over 364 days.

**7. Use of Treasury Advisors**

The Council currently use Sector as its treasury management consultant. Their contract expires in 2010 and a retendering exercise is underway.

Whilst the adviser supports the internal treasury function, under current market rules and the CIPFA Code, responsibility for treasury management cannot be delegated outside the Authority; therefore, decision making and responsibility remains with the Council.

**8. Performance Indicators**

Investments – the generally accepted indicator is 7-day LIBID (The London Interbank Bid rate). This is the rate that could be obtained by the “passive” deposit of money onto the money market. Active investment, in normal times, should outperform this. It is recommended that this be set as an indicator although the narrow range of counterparties will affect the ability to achieve this.

## INVESTMENT STRATEGY 2010/11

### 1. Introduction

- 1.1 Under the Power in Section (15) (1) of the Local Government Act 2003 the CLG has issued Guidance on Local Government Investments in March 2004, and is currently consulting on a new version updated in light of the investigations into the Icelandic banking crisis. Each Authority is recommended to produce an annual strategy that sets out its policies to manage investments, giving priority to security and liquidity. This strategy follows the updated guidance.
- 1.2 The major element in the guidance is that authorities should distinguish between lower risk (specified investments), and other investments (non-specified). These terms are explained in more detail below.
- 1.3 The specific issues to be addressed in the Investment Strategy are as follows. This includes new matters proposed in the draft; these are marked (UPD) below:
- How “high” credit quality is to be determined
  - How credit ratings are to be monitored
  - To what extent risk assessment is based upon credit ratings and what other sources of information on credit risk are used (UPD)
  - The procedures for determining which non specified investments might prudently be used
  - Which categories of non-specified investments the Council may use
  - The upper limits for the amounts which may be held in each category of non- specified investment and the overall total.
  - The procedures to determine the maximum periods for which funds may be committed.
  - What process is adopted for reviewing and addressing the needs of members and treasury management staff for training in investment management (UPD).
  - The Authority’s policies on investing money borrowed in advance of spending needs. The statement should identify measures to minimise such investments including limits on (a) amounts borrowed and (b) periods between borrowing and expenditure (UPD)

### 2. Chorley Strategy 2010/11

#### Objectives

2.1 The Council’s investment priorities are:

- The security of capital and
- The liquidity of its investments.

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

2.3 The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity. The Council will restrict borrowing to a maximum of that envisaged to be required in the following eighteen months.

#### Use of Specified and Non-Specified Investments

2.4 Specified investments are those made:

- with high “quality” institutions, the UK Government or a local authority,
- for periods of less than one year and
- denominated in sterling.

Other investments are “non-specified”. These could include investments in gilts, bond issues by other sovereign bodies and those issued by multilateral development banks, commercial paper, and any deposits for a period exceeding one year.

In 2010 the Council will restrict its investments to those which are specified.

#### Counterparty Selection Criteria

2.5 A specified investment is defined as one with a high quality institution. In determining which institutions are “high” quality the Council will rely on the credit rating service of Sector, its current treasury advisor. This utilises the following information

- credit ratings of the three main agencies
- credit watches and outlooks, also provided by the agencies.
- Credit Default Swap spreads –The “spread” is the charge levied by one institution against another for providing what is in essence insurance against the risk that a loan might be subject to certain events (including default). It is an indicator of the markets perception of the credit standing of an institution.
- The sovereign rating of the country in which an institution is based.
- Whether an institution is nationalised or partly nationalised  
It results in institutions being colour coded. The colour coding is used to determine the maximum amount and duration of any investment in those institutions.

2.6 The Council may use AAA rated Money Market Funds

2.7 The Council may lend to the UK Government (which includes the Debt Management Office)

2.8 The Council may lend to other Local Authorities

The current list of counterparties falling within this criteria is attached.

#### Monitoring of Credit ratings

2.9 Credit Ratings are monitored daily and email alerts are received if a rating changes or an institution is put on ratings watch

#### Time and money Limits

2.10 Currently the maximum amount that can be placed with a financial institution is £1m. This limit applies to the total of all deposits (in call accounts, in deposit accounts or on short term deposit). However, to allow some flexibility in exceptional circumstances, the £1m limit may be increased to £2m.

**2.11 It is recommended that the limit on call accounts (Tier 6) be increased to £2m,** This increase is proposed on the grounds that these accounts allow instant access, and the institutions used are, by definition, those with the least credit risk.

2.12 The current time limits are shown in the attached table. No change is recommended

#### Member Training

2.13 The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date, requires a suitable training process for members and officers. The Council will address this by .arranging training through its treasury management consultants.



**Current list of Financial Institutions and Investment Criteria**

Investment Group	Category	Institutions	Sector colour code	Sovereign rating	Max period	Limit per Institution
Tier 1	Sovereign or Sovereign "type"	DMADF  Local Authority  UK Govt backed Money market funds			6 months  1 year  n/a instant access	No limit  £1m  Not used
Tier 2	UK Nationalised Institutions	None (N Rock deposits no longer guaranteed)				
Tier 3	Institutions guaranteed by other governments	None (Irish Banks are guaranteed but have been removed from Chorley's list)				
Tier 4A (nb2)	UK Partly nationalised institutions; with access to the Credit Guarantee Scheme	RBS group (inc Nat West)  Lloyds Group (inc HBoS & Lloyds)	Blue  Blue	AAA stable from all 3 agencies	1 year  1 year	£1m  £1m
Tier 4B (nb2)	Independent UK Institutions with access to the Credit Guarantee Scheme	HSBC  Santander  Barclays, Nationwide	Orange  Red  Green Green	AAA stable from all 3 agencies	1 year  6 months  3 months	£1m  £1m  £1m
Tier 5	Money Market Funds	Standard Life Global liquidity MM Fund	Aaa/MR1+		instant access	£1m
Tier 6	Deposit/Call Accounts	Santander, Bank of Scotland, Nat West			Call accounts with instant access	£1m

Note - Under the Credit Guarantee Scheme certain "eligible institutions" have access to liquidity from HM Treasury if required.

Note - The Sector colour coding suggests the following time limits on investments  
Green (3 months), Orange (6 months), Red (1 year), Purple (2 years), Blue (1 year)

The proposals in the Investment Strategy will not increase the list of institutions. If approved it will increase the amounts which can be placed in the call accounts (Tier 6).

**ANNUAL STATEMENT OF MRP POLICY 2010/11**

The Council implemented the new MRP guidance in 2008/9 and 2009/10 and will assess their MRP for 2010/11 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

The major proportion of the MRP for 2010/11 relates to debt incurred prior to 2008/9. MRP will continue to be charged on this at the rate of 4%, in accordance with option 1 of the guidance. There are some capital schemes since then which generate a further MRP liability (i.e. capital expenditure which is not financed by any grant or contribution e.g. vehicles). The MRP liability on this will be based on the estimated useful life of the asset, using the equal annual instalment method of calculation (option 3 of the guidance).

Estimated life periods will be determined under delegated powers with reference to the guidance. As some types of capital expenditure are not capable of being related to an individual asset, the MRP will be assessed on a basis which most reasonably reflects the anticipated period of benefit arising from the expenditure.

**APPENDIX C1****Treasury Management Clauses to form part of Financial Regulations**

1. This Council will create and maintain, as the cornerstones for effective treasury management:
  - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
  - Suitable Treasury Management Practices (TMP's), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The contents of the Policy Statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.

2. The Council will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid year review and an annual report after its close, in the form prescribed in the TMP's.
3. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the Council's policy statement and TMP's, and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
4. The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Note – The Policy Statement referred to in paragraph 1 above is as the model defined in the Code. It defines treasury management (as the management of investments and cash flows, banking, money market and capital market transactions, the control of risk and the optimising of performance consistent with those risks). It identifies risk management as the prime criteria for measuring performance. Finally it commits the organisation to employing performance measurement techniques.

Note – A full version of the relevant Financial Regulations and Financial Procedure Rules 4 is attached at Appendix C. The old wording requiring deletion is struck out and the new wording requiring insertion is underlined.

**APPENDIX C2**

**The following is the advice of the Council’s consultants - Sector**

**“Economic outlook and expected movement in interest rates**

The interest rate forecast is as follows:

Year	Bank Rate %	PWLB Rates %		
		5 year	10 year	25 year
2010/11	0.5-1.5	3.05-3.60	4.00-4.45	4.55-4.90
2011/12	1.5-3.5	3.60-4.60	4.45-5.00	4.90-5.20
2012/13	3.5-4.5	4.60-4.85	5.0-5.15-	5.20-5.35

Economic Background

**4.1. Introduction**

- The credit crunch storm of August 2007 eventually fed through to the near collapse of the world banking system in September 2008. This then pushed most of the major economies of the world into a very sharp recession in 2009 accompanied by a dearth of lending from banks anxious to rebuild their weakened balance sheets. Many governments were forced to recapitalise and rescue their major banks and central banks precipitately cut their central bank rates to 0.10 – 1.00% in order to counter the recession.
- The long awaited start of growth eventually came in quarter 3 2009 in the US and the EU. However, there was disappointment that the UK failed to emerge from recession in quarter 3.
- Inflation has plunged in most major economies and is currently not seen as being a problem for at least the next two years due to the large output gaps and high unemployment putting a lid on wage growth. In many countries there have been widespread pay freezes in 2009 and these are likely to be persistent for some time.
- Deflation could become a threat in some economies if they were to go into a significant double dip recession.
- Asian countries, especially China, are buoying world demand through their own stimulus measures.
- There still needs to be a radical world rebalancing of excess savings rates by cash rich Asian and oil based economies and excess consumption rates in Western economies if the world financial system is not to avoid a potential rerun of this major financial crisis in years to come.
- Most major economies have resorted to a huge expansion of fiscal stimulus packages in order to encourage a fast exit from recession. This, together with expenditure on direct support provided to ailing banks, has led to a drastic expansion in government debt levels which will take many years to eliminate and to restore the previous health of national finances.

**4.2 Two growth scenarios**

- The current big issue is ‘how quickly will the major world economies recover?’ There is a sharp division of opinion on this question as set out below, with a knock on effect on interest rates.

#### 4.2.1 Strong recovery

- This is a normal cyclical recovery which will be strong in the major world economies. The US still has potential to add further fiscal stimulus in 2010 to ensure that strong recovery continues after the current round of stimulus measures end. Growth in the EU is likely to be strong in 2010 and not require such help.

#### The UK:

- GDP growth will almost get back to the long term average of about 2.5% in 2011 but is likely to peak in the first half of the year as inventory rebuilding and stimulus measures fade and fiscal contraction kicks in later in the year.
- The economy will rebalance with strong growth in exports and import substitution helped by strong recovery in the EU and the rest of the world.
- Sterling has depreciated by 25% since the peak in 2007 and is likely to stay weak.
- Consumer spending – only a mediocre recovery is expected due to a steady increase in the savings ratio from +5.6% in 2009 to about 8% in 2011 as consumers pay down debt or build cash balances. Consumer incomes will be held down by wage freezes and increases in taxation.
- House price recovery is expected to persist helped by a low Bank Rate for a prolonged period; the peak to trough fall in house prices is now expected to be no more than 20%. House prices to rise by about 6% in 2010, and 3% in 2011; mortgage approvals will rise back to the level of 75 - 80,000 per month needed to ensure a continuation of a trend of rising house prices.
- CPI inflation to peak @ 2.5% in early 2010 after the rise in VAT in January but then to fall to a trough near 1.5% in early 2011 and to stay below 2% for the rest of 2011.
- The current MPC attitude is one of hang on as long as possible before increasing Bank Rate. The aim of this would be to try to ensure that growth gets going at a decent rate and that Bank Rate gets back to 4 – 5% before the next recession and that all assets purchased through QE have been sold off by then. The first Bank Rate increase is expected in Q3 2009.
- If there is a change of Government in 2010 with a more aggressive fiscal approach then this could delay the timing of Bank Rate starting to go up.
- The fiscal deficit is 6.4% of GDP, about £90bn, which is expected to fall at £11bn p.a. over eight years at currently planned rates. This is similar to the peak deficit of 7% in 1990s which was remedied to a surplus of 1.6% in the space of 6 years helped by strong, steady economic growth of 3% p.a. supported by loose monetary policy that compensated for the fiscal squeeze.
- Gilt yields, especially longer term ones, are currently artificially low due to the Bank of England's Quantitative Easing operations. £200bn of gilts, commercial bonds and paper are being purchased under this scheme which has inflated prices and depressed yields. Once this campaign ends, yields will inevitably rise but will also rise due to the huge level of issuance of new gilts to finance the fiscal deficit. Long gilt yields are therefore forecast to reach 6% during 2011.
- Gilt yields could rise higher if there was a hung Parliament in 2010 or if the fiscal situation deteriorates further.
- The major risk to this scenario would be a lack of supply of bank credit. However, it is felt that the Bank of England is on alert to ensure that this does not happen and would continue various measures to assist the expansion of credit.

#### 4.2.2 Weak recovery

- The current economic cycle is not a normal business cycle but a balance sheet driven cycle. Over borrowed banks, corporates and consumers are focused on shrinking their levels of borrowing to more viable and affordable levels and this balance sheet adjustment will take several years to be effected. Repayment of debt will therefore act as a major head wind to the required increase in demand in the economy. Consequently there will only be weak economic recovery over the next few years after the initial sharp inventory rebuilding rebound fades. GDP growth is forecast to reach only +1.5% in 2011.
- Fiscal contraction will further dampen economic recovery driven by a strong political agenda to accelerate cuts in expenditure and increases in taxation after the general election in 2010.
- The consumer savings ratio will rise so as to eliminate over borrowing and to insure against people losing their jobs during this downturn. This will depress consumer expenditure, the main driver of the UK economy.
- Growth will also be hampered by a reduced supply of credit from weakened banks compounded by weak demand for credit.
- The eventual reversal of Quantitative Easing will take cash out of the economy and reduce demand in the economy.
- Unemployment is likely to rise to near to 3m in 2010 and take years to subside due to weak growth. High unemployment will reduce tax income and increase expenditure on benefits and the costs of local authority services.
- Inflation will not be a threat for several years as the current 6% output gap will take until 2014 to be eliminated.
- However, deflation is a major danger for some years: the major falls in manufacturing prices over the last 12 -18 months have still to feed through to the economy and then to impact wage deflation.
- CPI inflation will blip up over 2% in early 2010 but will then be on a strong downward trend to about -1% in 2011.
- There is no need for the MPC to change Bank Rate from 0.5% in 2010 or 2011 and possibly for 5 years as they will need to counter the fiscal contraction which will dampen demand in the economy.
- Long PWLB rates will FALL from current levels to near 4% in 2010 due to weak economic recovery and minimal inflation so that the real rate of return (net of inflation) on long gilts is healthy at these low levels

#### 4.2.3 Sector view

- Sector recognises that at the current time it is difficult to have confidence as to exactly how strong the UK economic recovery will prove to be. Both the above scenarios are founded on major assumptions and research which could or could not turn out to be correct.
- Sector has adopted a more moderate view between these two scenarios outlined above i.e. a moderate return to growth.
- We do, however, feel that the risks that long term gilt yields and PWLB rates will rise markedly are high.
- There are huge uncertainties in all forecasts due to the major difficulties of forecasting the following areas: -
  - degree of speed and severity of fiscal contraction after the general election
  - timing and amounts of the reversal of Quantitative Easing,
  - speed of recovery of banks' profitability and balance sheet imbalances
  - changes in the consumer savings ratio
  - rebalancing of the UK economy towards exporting and substituting imports
- The overall balance of risks is weighted to the downside i.e. the pace of economic growth disappoints and Bank Rate increases are delayed and / or lower
- There is an identifiable risk of a double dip recession and deleveraging creating a downward spiral of falling demand, falling jobs and falling prices and wages leading to deflation but this is considered to be a small risk and an extreme view at the current time on the basis of current evidence

**APPENDIX C3****Revisions to Appendix 4 of the Financial regulations and Financial Procedure Rules****Treasury Management****Why is this important?**

3.96 Many millions of pounds pass through the authority's books each year. This led to the establishment of codes of practice. These aim to provide assurances that the authority's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the authority's capital sum.

**Key controls**

~~3.97 The Council has adopted the CIPFA publication *Treasury Management in the Public Services: Code of Practice (the Code)*.~~

3.97 The Council has adopted the CIPFA publication *Treasury Management in the Public Services: Code of Practice (the Code)*.

3.98 This organisation will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies objectives and approach to risk management of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this council. Such amendments will not result in the council materially deviating from the Code's key principles.

3.99 This council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid year review and an annual report after its close, in the form prescribed in the TMPs.

3.100 This council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Executive Cabinet, and for the execution and administration of treasury management decisions to the Chief Finance Officer who will act in accordance with the Council's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's *Standard of Professional Practice on Treasury Management*.

3.101 This Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies

**Responsibilities of chief finance officer – treasury management and banking**

3.102 To arrange the borrowing and investments of the authority in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the authority's treasury management policy statement and strategy.

3.103 To report minimum of three times a year on treasury management activities to the executive.

3.104 To operate such bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the chief finance officer.

**Responsibilities of chief officers – treasury management and banking**

3.105 To follow the instructions on banking issued by the chief finance officer.

**Responsibilities of chief finance officer – investments and borrowing**

3.106 To ensure that all investments of money are made in the name of the authority or in the name of nominees approved by the full council.

3.107 To ensure that all securities that are the property of the authority or its nominees and the title deeds of all property in the authority's ownership are held in the custody of the appropriate chief officer.

3.108 To effect all borrowings in the name of the authority.

3.109 To act as the authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the authority.

**Responsibilities of chief officers – investments and borrowing**

3.110 To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the full council, following consultation with the chief finance officer.

**Responsibilities of chief officers – trust funds and funds held for third parties**

3.111 To arrange for all trust funds to be held, wherever possible, in the name of the authority. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the chief finance officer, unless the deed otherwise provides.

3.112 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the chief finance officer, and to maintain written records of all transactions.

3.113 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

**Responsibilities of the chief finance officer – imprest accounts**

3.114 To provide employees of the authority with cash or bank imprest accounts to meet minor expenditure on behalf of the authority and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount.

3.115 To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.

3.116 To reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

**Responsibilities of chief officers – imprest accounts**

3.117 To ensure that employees operating an imprest account:

- (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained



- (b) make adequate arrangements for the safe custody of the account
- (c) produce upon demand by the chief finance officer cash and all vouchers to the total value of the imprest amount
- (d) record transactions promptly
- (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder
- (f) provide the chief finance officer with a certificate of the value of the account held at 31 March each year
- (g) ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made
- (h) on leaving the authority's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the chief finance officer for the amount advanced to him or her.

This page is intentionally left blank

Report of	Meeting	Date
Statutory Finance Officer	Council	2 March 2010

## **STATUTORY FINANCE OFFICER REPORT ON THE BUDGET**

### **PURPOSE OF REPORT**

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

### **RECOMMENDATION(S)**

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 proposals for 2010/11.

### **EXECUTIVE SUMMARY OF REPORT**

3. This report is required by statute and the Statutory Finance Officer should set out for members how the budget has been constructed and the assumptions that underpin that budget. The Statutory Finance Officer is required to comment on the proposals so the Council can be reassured that the risks contained in the budget are manageable and do not compromise the delivery of the budget.
4. This paper outlines the key assumptions and risks and identifies that working balances should be increased to mitigate some of that risk moving forward. In terms of the 2010/11 budget all the key budgets have been reworked to align with expected outturn for 2009/10. The budget now contains fewer targets and is based upon known facts rather than what could be delivered in terms of savings and efficiencies, in other words the budget is forecast to balance.
5. Having reviewed the underlying assumptions and commented on the position in relation to risks and working balances, I am satisfied that the budget assumptions are reasonable, the key financial risks have been considered and the budget is deliverable.

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

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

6. To comply with the statutory requirement to produce a report for Members of the Council on the risks contained in the budget and the level of working balances required to support that budget.

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

7. None.

**CORPORATE PRIORITIES**

7. This report relates to the following Strategic Objectives:

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

**BACKGROUND**

8. Under the requirement 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 estimates and the adequacy of working balances.

9. The Robustness of the Estimates and Risk Issues

In terms of the budget proposals, once again for 2010/11, a thorough reassessment of the budget has been undertaken by Directors and their accountants based upon the latest available information. In terms of key assumptions contained particularly in the 2010/11 budget, these are contained in the Medium Term Financial Strategy but summarised for convenience below.

Table1: Key Assumptions

Key Assumptions	2010/11 %/£'000	2011/12 %/£'000	2012/13 %/£'000
Pay Award	0.5%	1.5%	1.5%
Increase Pension Contribution	1%	2%	2%
Increase in Grant Settlements	£129	0	0
Increase in Council Tax	0	0	0
Performance Reward Grant	£150	£150	0
Housing and Planning Delivery Grant	£127	0	0
LAGBI	£75	£75	0

In terms of the key assumptions I would make the following comments:

10. Pay Award

The assumptions are based on the fact that inflation is set to increase over the financial planning period. That said the Local Government employer organisations have recently informed the unions that it will not accept requests for any increase in Local Government pay for 2010/11. Thereafter the policy on pay is unclear but the possibility of a pay freeze over the period is real. For that reason I believe the risk to the forecast is on the downside with actual awards likely to be less than the forecast.

11. Pension Contribution

The Local Government Pension Scheme for Lancashire was last valued as at March 2007 with a new employer contribution rate taking effect from April 2008. The revaluation indicates that the Council’s target contribution rate would be 21% resulting in a stepped increase of 1% per annum until 2011/12. The pension fund is due to be revalued at March 2010 with the new employer rate taking effect from April 2011.

12. The value of the pension fund has been adversely affected by depressed financial markets and in particular the fall in the value of equity prices. The performance of the fund and the assumptions made in terms of liabilities will have a major bearing on the future employer rate. I have therefore factored in a 2% annual increase to reflect the current value of the fund.

13. In the longer term major structural change is needed to the terms offered by the fund if the current deficit is to be reduced and/or eliminated.

14. Revenue Support Grant 2010/11

Next year 2010/11, will be the final year of the Governments most recent comprehensive spending review (CSR07). The CSR provided Local Authority funding details for three years (2008/09 – 2010/11). The figure for 2010/11 was confirmed last month (January 2010) and is exactly in line with the “indicative” announcement made at the commencement of the CSR.

15. As a reminder, the table below summaries the year on year percentage increase in formula grant awarded to different types of Local Authority when compared on a like for like basis. As can be seen from the table District Councils will have received on average the lowest increases of all authority types over the period of the CSR.

Table2: Increase in Formula Grant

<b>Increase in Formula Grant – Year on Year</b>			
	<b>2008/09</b> %	<b>2009/10</b> %	<b>2010/11</b> %
<b>Overall</b>	3.5	2.8	2.6
<b>Metropolitan Districts</b>	3.7	2.9	2.6
<b>Unitary</b>	4.8	3.4	3.0
<b>County Council’s</b>	5.2	4.2	4.1
<b>Shire Districts</b>	1.7	1.4	1.3
<b>Chorley BC</b>	2.7	1.7	1.5

16. Revenue Support Grant Settlement 2011/12 and Future Years

Whilst the CSR (2007) originally provided local authorities with certainty of funding for three years, as it is not a “rolling” three year period, there is no official notification of funding levels beyond 2010/11. The next spending announcements are expected to be after the forthcoming general election and take effect from April 2011. Naturally this brings

significant uncertainty in trying to assess future grant funding and represents a key risk for the Council's Medium Term Financial Strategy.

17. The Revenue Budget Forecast contained in the Medium Term Financial Strategy assumes grant funding for 2011/12 and beyond continues at the same level as 2010/11. However general consensus is that public expenditure will be reduced in future years, including support for local authorities. Therefore any reduction in funding will merely serve to increase future years forecasts of the expected revenue budget funding gap.
18. The table below demonstrates the grant levels we could expect to receive and the financial impact of several grant funding scenarios.

Table 3: Projected Levels of Grant

	<b>2010/11 £million</b>	<b>2011/12 £million</b>	<b>2012/13 £million</b>
<b>Grant Freeze</b>	<b>8.487</b>	<b>8.487</b>	<b>8.487</b>
<b>At 3% Reduction in Grant:</b>		8.232	7.985
<b><i>Cash Reduction</i></b>		<b><i>0.255</i></b>	<b><i>0.502</i></b>
<b>At 5% Reduction in Grant:</b>		8.063	7.660
<b><i>Cash Reduction</i></b>		<b><i>0.424</i></b>	<b><i>0.827</i></b>

19. Council Tax and Performance Grants

Without more robust information in respect of the level of Government Grant it is unrealistic to attempt to anticipate future Council Tax increases. The administrations aim in the financial strategy remains to contain future increase below inflation. However, without knowing or understanding the capping criteria to be used in the next CSR period or the affect of the economic downturn or inflation it is not possible to predict accurately. Accordingly no account of any potential Council Tax increase has been used in the forecasts and the same approach has been adopted to the Government Grant issue.

20. The same scenario also applies to a number of grants currently available as performance reward grant, the future of which is unclear. I expect some of these to be replaced with others as successive Governments have used this approach to deliver on policy objectives. What is unclear at this stage is what they will be and whether Chorley will be eligible, therefore no assumption has been made in future years forecasts regarding potential replacements.

Other significant issues

21. Icelandic Bank

Monitoring reports detailing the most up to date position as regards the Councils deposits frozen in Landisbanki have been presented to members previously. The officers of the Council continue to work proactively with the Local Government Association to recover the frozen funds. In respect of Landisbanki, the following is the current position:

- Our claim has been accepted as having preferential creditor status, but this position is being challenged by the unsecured creditors. The LGA legal advisors remain confident of being able to defend this challenge.

- Agreement has now been reached on the terms of the deal that will compensate creditors of the old Landisbanki and the latest valuation and forecast would suggest that recovery will be now equal to (or exceed the estimate of 83p in the pound)
- The capitalisation direction has been refused and on this basis funds should be set aside to cover the estimated improvement.

## 22. Concessionary Bus Travel

The demand led nature of concessionary travel expenditure and the materiality in terms of the Councils overall spending mean that this continues to represent a key risk. There are a number of issues that could affect both spending on concessionary travel and future Government funding.

23. Firstly, the negotiation with a bus operator over the subsidy reimbursement level that they recover from local authorities in Lancashire will have a bearing on the amount the Council spends. At present the bus operator have offered 61% with a counter offer being made by the Lancashire Authorities of 59.5%. At the time of writing the report the matter is still unanswered. In addition the current pooling arrangement that Chorley benefits from is likely to be amended for 2010/11, again this matter is unresolved at this point.
24. Finally the Government has announced its intention to transfer the responsibility for concessionary travel to County Councils with effect from April 2011. Whilst from a financial risk perspective this may appear to be helpful to District Councils, there is growing concern that, in disaggregating the grant support for concessionary travel, this may result in a net loss of funding. The Government is expected to publish its initial thoughts on the topic in the summer.

## 25. Free Swimming

Presently the Council receives Government Grants to part fund free swimming for the under 16's and over 60's. Together with a contribution from our leisure provider Active Nation and a further grant from the PCT, the cost is neutral to the Council. This arrangement however, is only due to last until the end of this forth coming financial year 2010/11. Thereafter the funding arrangements are unclear, so no provision at this stage has been made in the budget post the end of the scheme.

## 26. Other Risks

The length and depth of the recession is likely to continue to have an impact on the Councils budget both on revenue in terms of income generation and on capital in terms of the Councils ability to release capital receipts from both preserved right to buy sales and on the sale of its own assets. However as there is an element of latitude contained in the estimates of the level of likely receipts, I am content that the risk to some extent has been mitigated.

## 27. Level of Reserves

The budget for 2010/11 has been established based upon not using working balances to fund recurrent expenditure. Whilst this was done in 2009/10 as a short term measure, part of the budget strategy for 2010/11 was to return to the balanced position and the budget proposals achieve this key aim.

28. The risks outlined in my statutory report on the budget indicate that post the general election, the public finances and funding for some parts of Local Government is likely to diminish either in cash or real terms. On this basis I believe it would be prudent to look to

increase the level of working balances during 2010/11 and 2011/12 in anticipation of future potential funding issues.

29. The level of balances is a matter of judgement but given the uncertainty moving forward I propose that the level of working balances is increased to a target of £2m by the end of March 2011/12. The current forecast position as at the end of this financial year 2009/10 is shown in the table below.

Table 4: Forecast Balances as at 31<sup>st</sup> March 2010

	£'000
<b>General fund working balance forecast Feb monitoring</b>	1,262
<b>VAT recovery 09/10 and 10/11</b>	545
<b>Recovery of Parkwise sums in dispute</b>	59
<b>Set aside for impairment of Icelandic bank deposit</b>	(310)
<b>Forecast balances 31/03/2010</b>	1,556

**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	

Financial implications are indicated in the body of the report.

GARY HALL  
DIRECTOR OF TRANSFORMATION

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gary Hall	5480	3 February 2010	Appendix D



# **Medium Term Financial Strategy 2010/11 – 2012/13**



## **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

This financial strategy builds on the previous strategy presented to the Council in February 2009. Since that date much has changed and local authorities now face a period of significant uncertainty and challenges as the resource base for the public sector is likely to contract over the next financial planning period 2010/11 – 2012/13.

This document therefore sets out the Councils financial strategy for the three year period. During the period the Government will present the next iteration of the Comprehensive Spending review and whilst the forecasts do not seek to anticipate the impact this may have on Chorley Council, as this is impossible to do, it recognises that there is a serious risk of a contraction of resources and government grant during that period.

The aim of the strategy is to set out in financial terms the impact of the Councils existing policy commitments and the likely resources available to meet them. The strategy covers the general fund or tax payers account and the capital investment programme.

The administrators continuing financial aims during the period are:

- To continue to restrain the levels of Council Tax rises below inflation
- To continue to provide value for money for the Council Tax payers of Chorley
- To continue to spend and allocate resources to the services that matter to the tax payer in Chorley
- To only undertake borrowing that is necessary so the impact on the tax payer is minimised

In a tighter fiscal regime where the level of government support is likely to diminish the overriding aims will be difficult to achieve, but set out in strategy are the ways in which this could be achieved.

## WHAT HAS BEEN ACHIEVED

The previous strategy approved at last years Council set the agenda for Council's efficiency programme. During the period significant progress has been made against the strategy set out in the table below is a summary of the savings achieved to date.

<b>MTFS Savings Achieved</b>	<b>£</b>
Maximise opportunities for better procurement	(16,170)
3 year Programme of Value for Money recovery	(413,710)
Further develop the Shared Services agenda	(135,710)
Lobby the Government on grant distribution issues	(444,670)
<b>Total</b>	<b><u>(1,010,260)</u></b>

**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. Supporting people to get involved in improving their communities	4. Improve environmental sustainability and combat 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 Reduced inequalities in rural areas	3.1 People will be engaged in shaping and delivering neighbourhood plans 3.2 Increase the level of volunteering in the borough 3.3 Empowered local communities managing community assets	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 provision and services that address community requirements 5.3 There will be more affordable housing 5.4 Safer communities 5.5 Seek funding to improve and extend 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 co-ordinated, public services 6.4 An excellent Council that is continually striving to improve

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

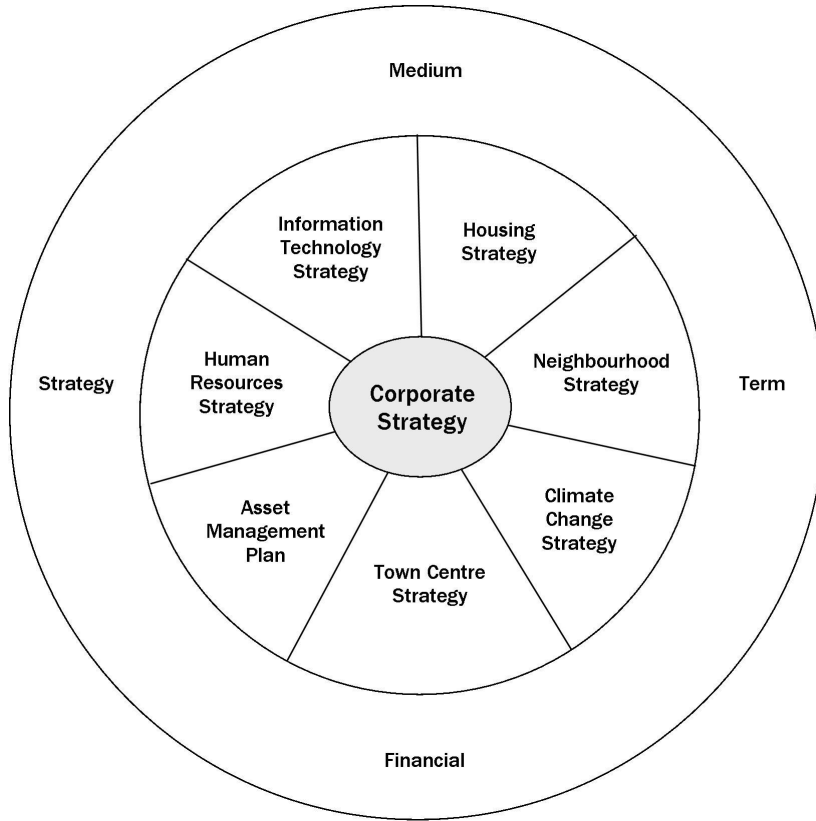
Over the last financial planning period, the Council has been successful in delivering on the Corporate Plan and managing its resources, the Audit Commission recognising Chorley efforts.

In this respect the key strategy over the next financial planning period will be:

**To continue to maximise the use of its resources, continuing to deliver its current policy objectives and only realigning resources where it is necessary to ensure achievement of the objectives, outcomes and targets in the Corporate Plan**

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. The general principals being that resources be 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.

At present the Council is on target to deliver on most of the targets in the Corporate Plan and as such there are no current plans to realign the resource base and the resources being used to deliver each of the Councils key strategic objectives. \*

\* See quarter 3 2009/10 monitoring report.



**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:

- Comprehensive Spending Review due to be undertaken
- The change to the Free Concessionary Travel which will be delivered by upper tier authorities post 2011
- Financing for affordable housing and the significant reduction in government funding for this

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. Indications are that these will continue to be a priority for Government. The 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 for 2009/10 drastically cut the grants made available to local authorities to fund housing schemes.

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 1: Assumption contained in 3 year forecasts

<b>Assumption</b>	<b>2010/11 %/£'000</b>	<b>2011/12 %/£'000</b>	<b>2012/13 %/£'000</b>
Pay Award	0.5%	1.5%	1.5%
Council Tax Increases	0%	0%	0%
Pension Contribution	1%	2%	2%
Grant Settlement	£129	0	0
Housing Planning Grant	£127	0	0
Performance Reward Grant	£150	£150	0
LAGBI Grant	£75	£75	0

Table 2: Capital Programme (Appendix B2)

<b>Capital</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>Total</b>
	£'m	£'m	£'m	£'m
Prudential Borrowing	0.613	0.506	0.615	1.734
Preserved RTB Receipts	0.090	0.009	-	0.099
Receipts from asset sales	0.427	-	0.100	0.527
VAT Shelter Receipts	1.087	0.091	0.266	1.444
Developers & Other Contributions	5.125	0.849	-	5.974
Government Grants	1.299	0.480	0.480	2.259
<b>Total</b>	<b>8.641</b>	<b>1.935</b>	<b>1.461</b>	<b>12.037</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 E1.

Table 3: Budget Gap 2010/11 – 2012/13

Year	Budget Gap £'000
2010/11	0
2011/12	653
2012/13	932

The table shows that over the financial planning period post 2010/11 a further £1.585m will need to be found from the following sources:

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

In each of the financial years 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 these will not be replaced. However clearly the Government will want to ensure that some of its key policy objectives are achieved and it is likely that new funding arrangements will be put in place. However the scale of this and the likelihood of Chorley attracting that funding is not possible to estimate.

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 2010/11– 2012/13.
- Identify the savings required to balance the budget seeking to minimise the impact on front line service users.

In this respect it will look to:

- Make better use of its asset base and further 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 by 2010/11.
- Undertake a year on year baseline review of expenditure.
- Maximise the opportunities to attract specific grants.
- Further develop the Shared Services agenda.
- Continue to lobby the Government to redress some of the grant distribution issues.
- Renegotiate some of its longer term contracts on more favourable terms.

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 likely to be an aspiration to rationalise the Council's use of administrative buildings. Should it be achieved this could generate savings in the region of £150k per annum through savings in running costs and sale or rent of redundant sites. The project has been delayed during 2009/10 as there are clear links to the local development framework and the Town Centre, as the Council occupies three key strategic sites in the Town Centre. Therefore the project will be developed to align with the site allocations plan currently being developed. This will be key to informing the Councils Asset Strategy.

### **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 2010/11 and 2012/13 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. A particular emphasis will be given to the purchase and maintenance of computer software solutions.

### **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 £194k in annual salary savings. The most recent review of the support services will see a 2% reduction on the total salary budget in 2010/11. The remaining reviews will cover all predominantly leisure, housing and customer services.

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 £157k is not unreasonable over the next two financial years.

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

The Council's 2009/10 budget includes savings from the growth of the Shared Financial Service of £50k. This was achieved through the integration of posts the emergency planning function into the Shared Assurance Services and the sharing of a Crime and Disorder Manager post. It also includes a further target of £119k from the sharing of services on:

- Planning Policy and Enforcement (under discussion)
- Extending the financial shared service looking at revenues and benefits (under discussion)
- Crime and Disorder Reduction Partnership (completed)



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 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 and discussions are ongoing with potential parties including South Ribble Council, West Lancs Council and Lancashire County Council.

### **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 resulted in a realignment of Government Grant 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 2008/9 the loss to the Chorley tax payer totalled almost £191k. Some progress has been made with the DWP on this issue and they now recognise the impact it is having on some authorities. We are continuing to work with them to see if a solution can be found.

As the current arrangements for the funding of free swimming end in 2010/11, the Council will if appropriate and following an evaluation of the scheme seek to lobby the Government to continue to provide the resources necessary to extend the scheme.

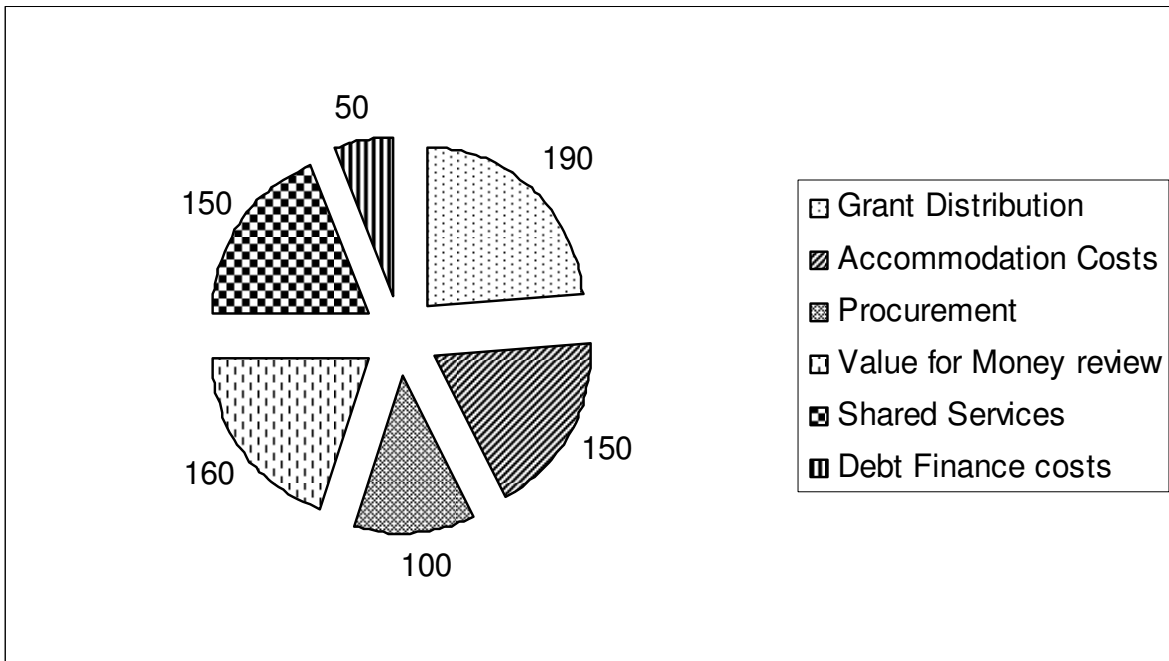
### **Debt Financing Charges**

The Capital Programme 2010/11 to 2012/13 requires the use of capital receipts from the sale of assets of £0.527m and the use of VAT Shelter Receipts of £1.444m. In total however there is potentially an additional sum of £0.801m to be generated from asset sales and a further £0.873m from the VAT Shelter. If all sums are achieved there is therefore a sum of £1.674 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 could be set aside to reduce the Council's debt. A sum of £0.350m would reduce the ongoing revenue costs by approximately £0.050m 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.

Diagram 2: Potential areas for future savings



Total potential efficiencies and savings total £800k. Therefore once the future funding arrangements become clearer the current strategy will need to be revisited to align savings and efficiencies targets with potential saving streams.

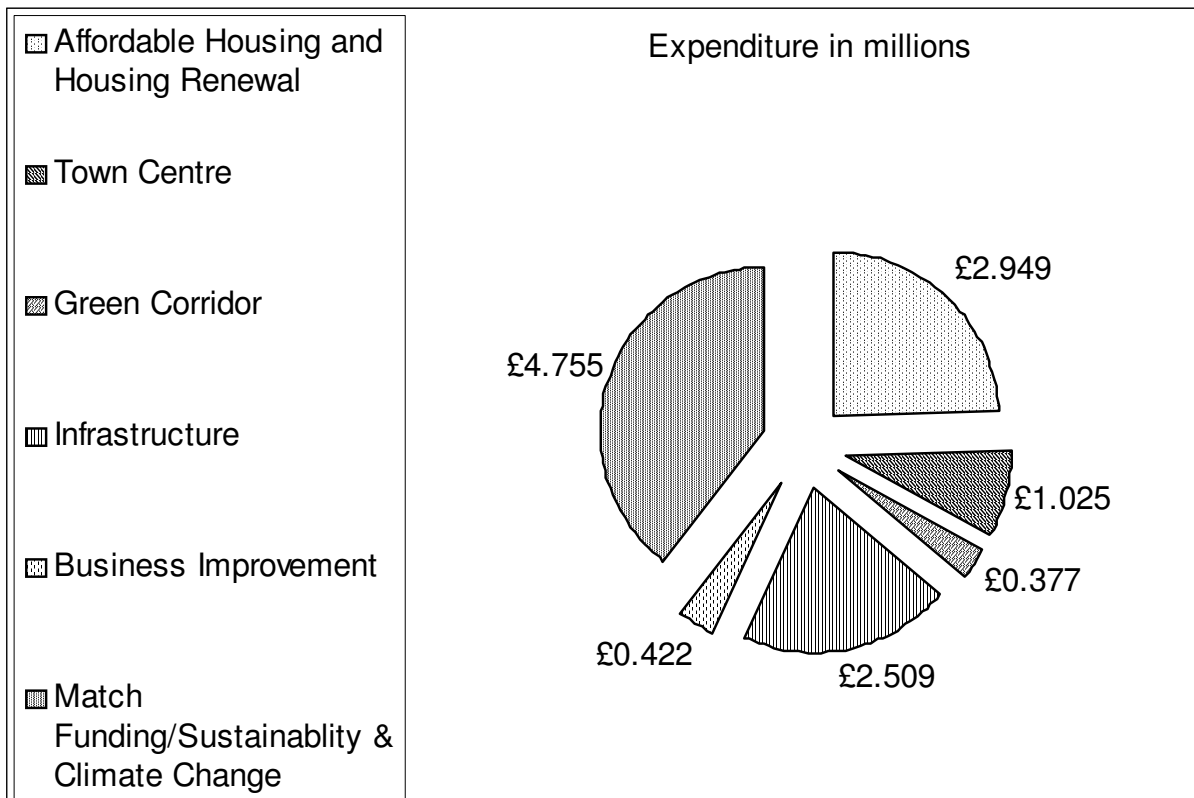
**Capital Programme Forecasts**

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 continue to identify land 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 £12.037m as follows over the 3 year period but will only be required to borrow £1.734m.

Diagram 3: Priority Areas for Investment



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

**WORKING BALANCES**

The current financial strategy that takes us up until the end of 2011/12 allowed for working balances to be in a minimum of £1m. This was based upon the then risk profile.

However, from 2010/11 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 CSR11 means that there is a risk of less rate support grant over the planning period 2011/12-2012/13 the public finances may impact adversely on further grant support.
- The Concessionary travel scheme is set to be moved to upper tier authorities in 2011 and there is a risk that when the funding is moved to upper tier it may be more than current cost, this is becoming clearer and will result in costs being greater some inherent issue in the potential transfer of grant.
- The Government is continuing 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 CSR 11 but all of the issues have the propensity to affect the Council’s ability to both balance its budget and continue to deliver effective services.

In this respect, I now propose that working balances are kept at a higher level in recognition of the risks.

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 £1,556k at the end of March 2010. The working balances position is made up of estimated balances in hand and forecast forward as shown below.

Table 4: Forecast Working Balances

	£'000
<b>General fund working balance forecast Feb monitoring</b>	1,262
<b>VAT recovery 09/10 and 10/11</b>	545
<b>Recovery of Parkwise sums in dispute</b>	59
<b>Set aside for impairment of Icelandic bank deposit</b>	(310)
<b>Forecast balances 31/03/2010</b>	1,556

In previous years the Council has been faced with the prospects of making savings and 2010/11-2012/13 will be exactly the same. The savings are necessary firstly to contain Council Tax and secondly, to redirect resources into corporate priorities if necessary.

Some inherent risks remain in the budget and the underlying assumptions I have made have been outlined for members. 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 impact of CSR 11 crystallise. On the basis the Council's strategic objectives in relation to working balances will be:

- To establish working balances no lower than £2m over the financial planning period 2009/10-2011/12.
- To review the financial risks facing the Council during 2010/11 taking into account the latest information available.

**TREASURY MANAGEMENT**

The Chartered Institute of Public Finance and Accounting have published a new 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 March 2010, via the production of Annual Treasury Management.

## Analysis of Budget Variations 2009/10 - 2012/13

Appendix E1

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	Notes
<b>Cash Base Budget Requirement</b>	<b>14,817</b>	<b>15,016</b>	<b>14,507</b>	<b>15,244</b>	
<b>Movements:</b>					
Inflation					
Pay	156	41	170	164	
Pensions	162	68	195	204	
Non-Pay	163	127	76	81	
Contractual	70	25	82	<b>250</b>	(a)
Income	24	(43)	1	(28)	
Increments	108	90	57	27	
Revenue Effects of the Capital Programme	-	-	-	-	
Volume - Income	70	(174)	<b>195</b>	26	(b)
Volume - Expenditure	112	(6)	(26)	9	
Investment	-	-	-	-	
Rebasing of Base Budget	163	-	-	-	
Savings Achieved	(254)	(747)	(13)	-	
Senior Management Review	-	-	-	-	
Savings - Other	-	-	-	-	
Review of Fees & Charges	-	-	-	-	
Savings Proposals	(748)	-	-	-	
Directorate changes from Dec Draft	244	-	-	-	
<b>Contingency:</b>					
- Management of the Establishment	(70)	110	-	-	
<b>Directorate &amp; Corporate Cash Budgets</b>	<b>15,016</b>	<b>14,507</b>	<b>15,244</b>	<b>15,976</b>	
<b>Net Financing Transactions:</b>					
- Net Interest/Premiums/Discounts	103	71	36	20	
- MRP less Commutation Adjustment	358	464	446	469	
<b>Total Expenditure</b>	<b>15,477</b>	<b>15,042</b>	<b>15,727</b>	<b>16,466</b>	
<b>Financed by:</b>					
Council Tax - Borough	(6,305)	(6,322)	(6,354)	(6,385)	
Parish Precepts	594	595	595	595	
Council Tax Parishes	(594)	(595)	(595)	(595)	
Aggregate External Finance	(8,358)	(8,487)	(8,487)	(8,487)	
LAA Reward Grant	(150)	(150)	(150)	-	
Area Based Grant	(23)	(29)	(29)	(29)	
LABGI Grant	(150)	(75)	(75)	-	
Collection Fund Surplus	16	20	20	20	
Use of General Balances	(273)	-	-	-	
Use of General Balances (Concessionary Travel)	(234)	-	-	-	
<b>Total Financing</b>	<b>(15,477)</b>	<b>(15,043)</b>	<b>(15,074)</b>	<b>(14,881)</b>	
<b>Net Expenditure</b>	<b>(0)</b>	<b>(0)</b>	<b>653</b>	<b>1,585</b>	
Analysis of Net Expenditure (Budget Gap)					
<b>Net Expenditure in Year</b>	<b>(0)</b>	<b>(0)</b>	<b>653</b>	<b>932</b>	

**Notes**

(a) includes £207k increase in Veolia waste contract in 2012/13.

(b) assumes cessation of Housing &amp; Planning Delivery Grant of £127k in 2011/12.

<b>BUDGET UPDATE</b>			Appendix F
<b>Significant Movements from 2009/10 Budget</b>	<b>£'000</b>	<b>£'000</b>	<b>Comments</b>
<b>1) External Factors</b>			
Concessionary Travel Grant/Pooling Adj.	(426)		Redistribution of grant agreed for 2010/11.
Increase in Government Settlement	(129)		Represents a 1.5% increase from 2009/10.
		(555)	
<b>2) Savings Achieved</b>			
Corporate Services Restructure	(220)		In line with report to Executive Cabinet 3/12/09.
Senior Management Restructure	(443)		In line with report to Executive Cabinet 12/11/09.
Energy saving on Indoor Leisure contract	(20)		Various energy saving measures, eg, insulation of the pool during non use hours.
Rephasing of ISP contract with LCC	(15)		Higher implementation costs resulted in lower ongoing revenue costs.
Other contract savings	(22)		Various minor savings achieved across directorates.
Corporate Policy Consultancy	(12)		Reduced budget provision required as work done internally.
BT ESP8 lines move to broadband	(5)		Continuation of the programme to replace expensive data connections
Pre-Application planning advice	(10)		Introduction of new charges as per report.
		(747)	
<b>3) Volume Changes</b>			
<b>Employees</b>			
Pay	(7)		Reduced pay award in 2009/10, and 0.5% provision for 2010/11.
Pensions	60		Increase in pension rate by 1% for 2010/11
Increments	90		
		143	
<b>Other Expenditure</b>			
Non Domestic Rates	31		Increase in rates resulting from revaluations, in particular car parks.
Markets Refuse Contract	16		Market Walk have increased the refuse collection cost
Local Development Framework	50		This is the additional contribution required to LDF reserve for 2010/11.
Liberata Contract	13		Inflationary increase on contract.
Duxbury Park Coach House Rent	12		
Lancashire Economic Partnership subscriptions	(14)		LEP annual subscriptions have reduced by £14k
External Audit (incl. Shared Services & IFRS)	13		Increased costs to cover Shared Services and IFRS issues.
Shared Assurance Services recharge	(12)		Reduction in recharge to SRBC in line with SRBC draft budget.
IT costs for Gov. Connect Security	12		New requirement for annual security testing to enable us to use Gov Direct
Fuel (Petrol/Diesel)	22		Budget now brought into line to reflect price increases over last two years.
		143	

<b>BUDGET UPDATE</b>			Appendix F
<b>Significant Movements from 2009/10 Budget</b>	<b>£'000</b>	<b>£'000</b>	<b>Comments</b>
<b>Income</b>			
Reduction in Parking Fees/Permits income	119		To bring in line with forecast income in 2009/10 as reported in budget monitoring.
Reduction in Planning/Building Control Fees income	43		Budget rebased in line with 2008/09 income volumes and 2009/10 forecast.
Saving from Shared Enforcement Officer not achieved	23		Proposed saving not achieved as shared service not yet implemented.
Saving from Shared Head of Revs & Bens not achieved	25		Proposed saving not achieved as shared service not yet implemented.
Income from Street Naming/Numbering not achieved	10		Slowdown in housing developments, budget phased to rise back over next 3 years.
Land Charges income (increase in fees)	(19)		Increase in fees in line with report to Cabinet.
Cotswold House Rents/Voids	(28)		Increased voids based on 2008/09 void rates
Cotswold House - Lifeskills Grant	(20)		Supporting People Grant to fund Life Skills coordinator post
Reduction in Recharges to Capital Schemes	50		Recharges adjusted to reflect Capital programme.
Shared Financial Services recharge	(17)		Inflationary increase in recharge to SRBC for 2010/11.
Buckshaw Waste Collection charges	(14)		Budget rebased in line with 2008/09 income and 2009/10 forecast.
Astley Park Catering	(12)		Contract with Southcott Catering Ltd allows for increased rent to year 5.
Housing & Planning Delivery Grant	(25)		Extra revenue income as no capital / revenue split based on 09/10 announcement.
Cemetery Income	15		Budget rebased in line with 2008/09 income and 2009/10 forecast.
Benefits Admin Subsidy Grant	19		Further 2.5% reduction in grant awarded by DWP for 2010/11.
		169	
<b>Other Changes</b>			
Net Financing	74		
Housing & Council Tax Benefits	70		Based on predicted increase in volume and rent levels for 2010/11.
Reduction in use of LABGI grant	75		Reduced use of grant for 2010/11 as outlined in 2009/10 budget papers.
Increase in Council Tax Base	(19)		Represents 0.3% increase in Council Tax Base for 2010/11.
Reduction in Management of the Establishment savings target	50		Reduction based on reduced number of Senior Management posts.
Reduction in Procurement/Efficiency savings target	60		Significant savings achieved over recent years therefore unlikely to maintain.
Additional Area Based Grant	(6)		Additional grant awarded for 2010/11.
Use of General Balances 2009/10	273		No use of general balances for 2010/11
Use of General Balances (Concessionary Travel) 2009/10	234		No use of general balances for 2010/12
Deficit on Collection Fund	20		
Other minor variances	16		
		847	
<b>Budget Gap 2010/11</b>	<b>0</b>	<b>0</b>	



<b>Special Expenses 2010-11</b>												
<b>Parish</b>	<b>Taxbase</b>	<b>Grounds Maintenance Costs</b>	<b>Borough Special Expenses at Band D</b>	<b>Borough General Expenses</b>	<b>Borough Services Council Tax</b>	<b>Parish Precept</b>	<b>2010/11 Band D Parish Precept</b>	<b>2010/11 Combined Borough and Parish</b>	<b>2009/10 Band D Parish Precept</b>	<b>Percentage Increase</b>	<b>2009/10 Combined Borough and Parish</b>	<b>Percentage Increase</b>
	<b>No.</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>%</b>	<b>£</b>	<b>%</b>
Adlington	1,951.60	9,289	4.76	159.99	<b>164.75</b>	17,500	<b>8.97</b>	<b>173.72</b>	<b>8.95</b>	0.2%	<b>173.67</b>	0.0%
Anderton	498.90	1,004	2.01	159.99	<b>162.00</b>	4,500	<b>9.02</b>	<b>171.02</b>	<b>8.92</b>	1.1%	<b>170.94</b>	0.0%
Anglezarke	17.00	-	-	159.99	<b>159.99</b>	-	-	<b>159.99</b>	-	0.0%	<b>159.99</b>	0.0%
Astley Village	1,092.00	29,012	26.57	159.99	<b>186.56</b>	21,840	<b>20.00</b>	<b>206.56</b>	<b>21.34</b>	-6.3%	<b>207.77</b>	-0.6%
Bretherton	291.40	-	-	159.99	<b>159.99</b>	9,124	<b>31.31</b>	<b>191.30</b>	<b>30.02</b>	4.3%	<b>190.01</b>	0.7%
Brindle	456.10	2,137	4.69	159.99	<b>164.68</b>	6,600	<b>14.47</b>	<b>179.15</b>	<b>14.47</b>	0.0%	<b>179.13</b>	0.0%
Charnock Richard	677.20	2,623	3.87	159.99	<b>163.86</b>	25,000	<b>36.92</b>	<b>200.78</b>	<b>37.26</b>	-0.9%	<b>201.15</b>	-0.2%
Clayton le Woods	4,692.30	176,907	37.70	159.99	<b>197.69</b>	117,307	<b>25.00</b>	<b>222.69</b>	<b>25.00</b>	0.0%	<b>222.58</b>	0.0%
Coppull	2,343.30	18,404	7.85	159.99	<b>167.84</b>	79,950	<b>34.12</b>	<b>201.96</b>	<b>34.86</b>	-2.1%	<b>203.70</b>	-0.9%
Croston	1,026.90	9,464	9.22	159.99	<b>169.21</b>	21,740	<b>21.17</b>	<b>190.38</b>	<b>21.17</b>	0.0%	<b>190.29</b>	0.0%
Cuerden	39.50	449	11.38	159.99	<b>171.37</b>	1,030	<b>26.08</b>	<b>197.45</b>	<b>25.18</b>	3.6%	<b>196.18</b>	0.6%
Eccleston	1,557.60	7,473	4.80	159.99	<b>164.79</b>	43,240	<b>27.76</b>	<b>192.55</b>	<b>28.25</b>	-1.7%	<b>193.04</b>	-0.3%
Euxton	3,409.80	61,283	17.97	159.99	<b>177.96</b>	113,200	<b>33.20</b>	<b>211.16</b>	<b>33.76</b>	-1.7%	<b>212.11</b>	-0.4%
Heapey	379.80	6,482	17.07	159.99	<b>177.06</b>	9,360	<b>24.64</b>	<b>201.70</b>	<b>24.64</b>	0.0%	<b>201.66</b>	0.0%
Heath Charnock	794.20	16,488	20.76	159.99	<b>180.75</b>	5,750	<b>7.24</b>	<b>187.99</b>	<b>6.60</b>	9.7%	<b>187.25</b>	0.4%
Heskin	345.90	1,424	4.12	159.99	<b>164.11</b>	10,723	<b>31.00</b>	<b>195.11</b>	<b>28.00</b>	10.7%	<b>192.13</b>	1.6%
Hoghton	358.20	2,412	6.73	159.99	<b>166.72</b>	4,400	<b>12.28</b>	<b>179.00</b>	<b>12.09</b>	1.6%	<b>178.69</b>	0.2%
Mawdesley	749.40	1,000	1.33	159.99	<b>161.32</b>	24,000	<b>32.03</b>	<b>193.35</b>	<b>32.04</b>	0.0%	<b>193.36</b>	0.0%
Rivington	50.80	-	-	159.99	<b>159.99</b>	1,600	<b>31.50</b>	<b>191.49</b>	<b>27.56</b>	14.3%	<b>187.55</b>	2.1%
Ulnes Walton	257.50	-	-	159.99	<b>159.99</b>	5,365	<b>20.83</b>	<b>180.82</b>	<b>20.68</b>	0.7%	<b>180.67</b>	0.1%
Wheulton	393.60	-	-	159.99	<b>159.99</b>	11,380	<b>28.91</b>	<b>188.90</b>	<b>27.97</b>	3.4%	<b>187.96</b>	0.5%
Whittle Woods	1,982.70	44,026	22.20	159.99	<b>182.19</b>	32,150	<b>16.22</b>	<b>198.41</b>	<b>15.92</b>	1.9%	<b>198.28</b>	0.1%
Withnell	1,239.10	10,504	8.48	159.99	<b>168.47</b>	29,275	<b>23.63</b>	<b>192.10</b>	<b>23.63</b>	0.0%	<b>192.07</b>	0.0%
All other parts of the Council's area	10,599.70	289,295	27.29	159.99	<b>187.28</b>	-	-	<b>187.28</b>	-	0.0%	<b>187.19</b>	0.0%
<b>Total</b>	<b>35,204.50</b>	<b>689,679</b>	<b>19.59</b>	<b>159.99</b>	<b>179.58</b>	<b>595,034</b>	<b>16.90</b>	<b>196.48</b>	<b>16.93</b>	<b>-0.2%</b>	<b>196.58</b>	<b>-0.1%</b>

This page is intentionally left blank

Report of	Meeting	Date
Director of Transformation	Budget Council	22 <sup>nd</sup> February 2010

## **BUDGET CONSULTATION 2010/11**

### **PURPOSE OF REPORT**

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

### **RECOMMENDATION(S)**

2. That Council note the consultation responses.

### **EXECUTIVE SUMMARY OF REPORT**

3. Consultation on the draft budget 2010/11 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. In order to ensure that the Council takes into account the views of all of its residents, an online survey about the budget was also conducted through the Council website, which involved the Chorley Smile Citizens Panel, Parish Councils, Chamber of Trade and other residents and stakeholders across the borough.
4. 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. However, 38.8% of respondents also indicated that they would like see a Council Tax freeze. Popular areas for investment were protecting business in Chorley and tackling crime and anti social behaviour.
5. There were 130 responses to the budget consultation, which is the highest rate of public involvement in setting the budget that there has ever been.

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

**(If the recommendations are accepted)**

6. N/A

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

7. N/A

**CORPORATE PRIORITIES**

8. This report relates to the following Strategic Objectives:

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

**BACKGROUND**

- 9. Consulting on the budget, and taking into 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.
- 10. This report contains details of the results of the consultation carried out for the 2010/11 budget cycle. It has included; a straw poll in the one stop shop, an online survey on the Council’s website which involved the Chorley Smile Citizens Panel, Parish Councils, Chamber of Trade and other residents and stakeholders across the borough. The budget principles were also published on the Council’s website for members of the public to view.

**INTRODUCTION TO THE CONSULTATION**

- 11. During the current recession, and financial pressures that the Council faces, the administration proposed that the budget for 2010/11 should concentrate on protecting services to the public and protecting them from the affects of recession while keeping council tax rises as low as possible. Therefore, during each public consultation, people were asked to comment on whether they thought this was the right approach, or whether Council Tax should be raised or cut, with the corresponding changes in service levels. They were also asked for other suggestions about priority areas.
- 12. 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**

- 13. The majority of the respondents (51.2%) felt that the current proposal, to increase Chorley’s element of the Council Tax below the rate of inflation was appropriate. A high percentage of respondents (38.8%) also felt that a Council Tax freeze would be appropriate. The reasons given by respondents centred on the importance of relieving the pressure on residents who are suffering because of the recession. Respondents also emphasised the importance of protecting core services and rooting out inefficiencies.

**PRIORITY AREAS FOR INVESTMENT**

- 14. The consultation also asked what area respondents would like to see investment in to see the biggest improvement in their area

15. The top priority of respondents was to protect frontline services, making sure that efficiencies come from managerial and administrative costs. The other key priorities that respondents identified were as follows:
- Tackling crime – continuing to fund the 22 PCSO’s in the borough (36.7%)
  - Reducing worklessness – continuing to tackle unemployment (32.8%)
  - Protecting businesses – restricting increases in car parking charges and market rents (30.4%)
  - Dealing with anti social behaviour – providing street pastors and play rangers to help reduce anti social behaviour (31%)
16. The responses that have been collated from the budget consultation will be used by members to set the budget for 2010/11. Due to nationally recognised efficiency savings that we have made, Chorley Council will be freezing Council Tax in this budget. In response to the budget consultation, other priorities for spending on frontline services will continue to be in line with the priorities identified as important by the public.
- Helping to fund 22 PCSOs across the borough
  - Helping people to get back into work and reduce unemployment
  - Freezing car park charges and market rents in Chorley for the next 12 months
  - Provide street pastors and play rangers to help reduce anti social behaviour

**CONCLUSION**

17. The majority of respondents who participated in the online budget consultation 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. However, there were also a high percentage of respondents who also expressed a preference for a council tax freeze.
18. Popular areas for investment were; tackling crime and anti social behaviour and protecting business in Chorley.

**IMPLICATIONS OF REPORT**

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

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

**COMMENTS OF THE DIRECTOR OF TRANSFORMATION**

20. 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 any budget setting meetings.

GARY HALL  
DIRECTOR OF TRANSFORMATION

There are no background papers to this report.

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
----------------------	------------	-------------	---------------

Adele Reynolds	5325	22 <sup>nd</sup> February 2010	Budget Consultation Report 1011
----------------	------	--------------------------------	---------------------------------