

## **SPECIAL COUNCIL**

TUESDAY, 28TH FEBRUARY 2017, 6.30 PM  
COUNCIL CHAMBER, TOWN HALL, CHORLEY

### **AGENDA**

#### **APOLOGIES**

##### **1 DECLARATIONS OF ANY INTERESTS**

Members are reminded of their responsibility to declare any pecuniary interest in respect of matters contained in this agenda.

If you have a pecuniary 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.

##### **2 MINUTES OF MEETING TUESDAY, 24 JANUARY 2017 OF COUNCIL** (Pages 5 - 10)

##### **3 MAYORAL ANNOUNCEMENTS**

##### **4 PUBLIC QUESTIONS**

Members of the public who have requested the opportunity to ask question(s) on any item(s) on the agenda will have three minutes to put their question(s) to the relevant Councillor. Members of the public will be allowed to ask one short supplementary question.

##### **5 GENERAL FUND REVENUE AND CAPITAL BUDGET AND COUNCIL TAX 2017/18** (Pages 11 - 36)

To seek approval to recommendations from the Executive contained in the attached report of the Chief Finance Officer (introduced by the Executive Member for Resources) and within the appendices listed below.

###### **A APPENDIX A1: FORMAL COUNCIL TAX RESOLUTION 2017/18 (TO FOLLOW)**

###### **B APPENDIX A2: PAY POLICY 2017/18** (Pages 37 - 46)

###### **C APPENDIX B: CUMULATIVE BUDGET DEFICIT AND BUDGET STRATEGY 2017/18 TO 2019/20** (Pages 47 - 48)

<b>D</b>	<b>APPENDIX C1: CAPITAL PROGRAMME 2016/17 TO 2019/20</b>	(Pages 49 - 50)
<b>E</b>	<b>APPENDIX C2: CAPITAL PROGRAMME FINANCING 2016/17 TO 2019/20</b>	(Pages 51 - 52)
<b>F</b>	<b>APPENDIX C3: DEVELOPERS' CONTRIBUTIONS</b>	(Pages 53 - 54)
<b>G</b>	<b>APPENDIX D: TREASURY MANAGEMENT STRATEGY 2017/18 TO 2019/20 (TO FOLLOW)</b>	
<b>H</b>	<b>APPENDIX D1: ADVICE OF TREASURY MANAGEMENT CONSULTANTS (TO FOLLOW)</b>	
<b>I</b>	<b>APPENDIX E: STATUTORY FINANCIAL OFFICER REPORT (TO FOLLOW)</b>	
<b>J</b>	<b>APPENDIX F: MEDIUM TERM FINANCIAL STRATEGY 2017/18 TO 2019/20</b>	(Pages 55 - 80)
<b>K</b>	<b>APPENDIX G: VARIANCE ANALYSIS - MOVEMENTS FROM 2016/17 ORIGINAL ESTIMATES</b>	(Pages 81 - 82)
<b>L</b>	<b>APPENDIX H: SPECIAL EXPENSES &amp; PARISH PRECEPTS 2017/18</b>	(Pages 83 - 84)
<b>M</b>	<b>APPENDIX I: BUDGET CONSULTATION 2017/18</b>	(Pages 85 - 92)
<b>N</b>	<b>APPENDIX J: ASSESSING THE IMPACT OF 2017/18 BUDGET PROPOSALS</b>	(Pages 93 - 104)
<b>O</b>	<b>APPENDIX K: ASSESSING THE IMPACT OF CHANGES TO HOUSEHOLD WASTE COLLECTION</b>	(Pages 105 - 116)
<b>6</b>	<b>ALTERNATIVE BUDGET 2017/18</b>	
	To consider a report of the Conservative Group (to follow).	
<b>A</b>	<b>APPENDIX: ALTERNATIVE BUDGET 2017/18 TO 2019/20 (TO FOLLOW)</b>	
<b>7</b>	<b>CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITOR</b>	(Pages 117 - 128)
	To consider the attached report of the Chief Executive which was agreed at Governance Committee on 25 January 2017.	
<b>8</b>	<b>ANY URGENT BUSINESS PREVIOUSLY AGREED WITH THE MAYOR</b>	

GARY HALL  
CHIEF EXECUTIVE

Electronic agendas sent to Members of the Council.

If you need this information in a different format, such as larger print or translation, please get in touch on 515151 or [chorley.gov.uk](http://chorley.gov.uk)

To view the procedure for public questions/ speaking click here

<https://democracy.chorley.gov.uk/documents/s67429/Appendix%203%20Standing%20Orders%20Aug%202016.pdf> and scroll to page 46

This page is intentionally left blank

**MINUTES OF COUNCIL****MEETING DATE** Tuesday, 24 January 2017

**MEMBERS PRESENT:** Councillor Doreen Dickinson (Mayor), Councillor Mark Perks (Deputy Mayor) and Councillors Aaron Beaver, Eric Bell, Martin Boardman, Alistair Bradley, Charlie Bromilow, Terry Brown, Henry Counce, Paul Clark, Jean Cronshaw, Alan Cullens, John Dalton, Christopher France, Gordon France, Margaret France, Jane Fitzsimons, Anthony Gee, Danny Gee, Tom Gray, Keith Iddon, Mark Jarnell, Hasina Khan, Zara Khan, Paul Leadbetter, Margaret Lees, Roy Lees, Sheila Long, Adrian Lowe, Marion Lowe, Matthew Lynch, June Molyneaux, Greg Morgan, Alistair Morwood, Mick Muncaster, Steve Murfitt, Beverley Murray, Debra Platt, Kim Snape, Richard Toon, John Walker, Paul Walmsley, Alan Whittaker and Peter Wilson

**OFFICERS:** Gary Hall (Chief Executive), Jamie Carson (Director (Early Intervention and Support)), Chris Sinnott (Director (Policy and Governance)), Asim Khan (Director (Customer and Digital)), Chris Moister (Head of Legal, Democratic & HR Services) and Carol Russell (Democratic Services Manager)

**APOLOGIES:** Councillors Graham Dunn, Joyce Snape and Ralph Snape

**17.C.394 Declarations of Any Interests**

There were no declarations of interest received.

**17.C.395 Minutes of meeting Tuesday, 22 November 2016 of Council**

**RESOLVED – that the minutes of the last Council meeting held on 22 November 2016 be approved as a correct record for signature by the Mayor.**

**17.C.396 Mayoral Announcements**

The Mayor referred to the recent sad death of Ken Ball, former Councillor for the Coppull ward and Mayor of the Borough in 2010/11. All those present at the meeting, stood in silence in memory of former Councillor Ball.

The Mayor then provided an update on her fundraising activities which, following the Charity Ball on 3 February, would include a Soul Night, an Easter Tea Dance and a Houghton Weavers Concert.

#### **17.C.397 Public Questions**

There were no public questions for consideration.

#### **17.C.398 Executive Cabinet**

Councillor Alistair Bradley, Executive Leader presented general reports of the Executive Cabinet meetings held on 17 November and 8 December 2016; and 19 January 2017. He corrected an error in the report of the meeting on 19 January under the Draft Budget and Summary Position for the Medium Term, to read a proposed 2% Council Tax increase from 2017/18.

Councillor Alistair Bradley, Executive Leader proposed, Councillor Peter Wilson Executive Member for Resources, seconded and it was **RESOLVED – that the reports be noted.**

#### **17.C.399 Overview and Scrutiny Committee and Task and Finish Groups**

Councillor John Walker, Chair of the Committee presented a general report of a meeting of the Overview and Scrutiny Committee on 6 October; Performance Panel meetings on 22 September and 1 December 2016; and an update on the task group looking into the issue of Child Sexual Exploitation which had now concluded its review and produced a final report. He also thanked senior officers for their support for the work of the Committee.

Councillor John Walker, Chair of the Overview and Scrutiny Committee proposed, Councillor Roy Lees Vice Chair, seconded and it was **RESOLVED – that the report be noted.**

#### **17.C.400 2017/18 Council Tax Support Scheme**

Councillor Peter Wilson, Executive Member for Resources requested that this item be deferred for consideration to the next Council meeting on 28 February, in order for the proposed changes outlined in paragraph 4 of the report, to be reconsidered.

Councillor Peter Wilson, Executive Member for Resources proposed, Councillor Alistair Bradley, Executive Leader seconded, and it was **RESOLVED – that this item be deferred for consideration at the next Council meeting on 28 February 2017.**

#### **17.C.401 Householder Design Guidance Supplementary Planning Document**

Councillor Paul Walmsley, Executive Member for Public Protection, presented a report seeking approval to the adoption of the Householder Design Guidance Supplementary Planning Document (SPD) which was appended to the report. The draft SPD had been agreed at the Council meeting on 20 September 2016 and had since been subject to consultation and subsequent minor amendments.

Councillor Martin Boardman referred to the importance of this planning guidance and recommended that all Members read the SPD in detail, as it would impact on their

neighbourhoods. He further requested that a Member Learning Session be organised to ensure Members are fully informed about the changes.

Councillor Paul Walmsley, Executive Member for Public Protection proposed, Councillor June Molyneaux seconded and it was **RESOLVED – that the Householder Design Guidance Supplementary Planning Document as detailed in Appendix 1, be adopted and a Member Learning Session be arranged to cascade the changes.**

**17.C.402 To consider a Notices of Motion given in accordance with Council procedure Rule 10**

Councillor Alistair Bradley submitted the following notice of motion under Council Procedure Rule 10:

*“Chorley Council recognises the huge difficulties being faced by the NHS. The shortage of doctors required has been highlighted in a Health Select Committee Report which warned that A&E departments need at least 8,000 doctors – 50% more than currently employed – to keep pace with the rise in emergency admissions in the last five years. The extent of the staffing shortage was underlined by Simon Stevens, Chief Executive of NHS England, who stated last week that the prime minister’s insistence that the service was getting more money than it asked for was not true and asked why under current plans real-terms spending on health would actually fall in 2018-19. In light of this the Council has no faith in the government’s ability to protect our NHS and invest to ensure it provides a first class service in the future. The Council is also concerned about the future plans for the configuration of the NHS in our locality, currently being developed through the Sustainability and Transformation Plan (STP), which appears to be the government’s answer to reorganising NHS services to meet the huge deficit in funding. We are concerned that this process may result in the loss of NHS services in our immediate locality with little public engagement or accountability. The Council has attempted to take an active role in public service reform in order to improve and protect services rather than manage decline. With the huge crisis in funding and staffing we do not believe the current STP’s can deliver improvements within the health service. We therefore propose to write to the Secretary of State for Health to ask that the current STP process is remodelled so that it seeks to protect health and social care services, ensure they retain their local identity and strengthen local democratic accountability.”*

In presenting the motion, Councillor Bradley referred to his concerns about the Sustainability and Transformation Plan (STP) proposed by the Government as the basis for the reorganisation of the NHS. He had sympathy for those delivering NHS services, with major cuts to funding services but he did not feel a further reorganisation was the solution.

Councillor Hasina Khan seconded the motion, referring to the many meetings she attended in her role as lead member for health and wellbeing and the need for current NHS systems to work effectively rather than to move to new systems.

As a member of LCC’s Health Scrutiny Committee, Councillor Alan Cullens reported that he had seen the STP, but as yet, many councillors and the public had not. He asked that the motion be withdrawn and brought back when everyone had had the opportunity to see the STP and to consider the issues it raises.

Councillors Richard Toon, Mark Jarnell, Charlie Bromilow, Margaret France, Adrian Lowe, Zara Khan and Jane Fitzsimons spoke in support of the motion. In summary, they referred to:

- the need for the Government to increase funding for the NHS
- the increased privatisation and fragmentation of services
- the tremendous pressure on hospitals and staff; and problems in recruiting qualified staff
- the need to meet the health needs of an increasing elderly population
- the limited availability of local out of hours GP services following a recent tender process
- praise for the work of the campaign group for their commitment and work towards getting the partial restoration of A & E services at Chorley
- that the STP was not in the best interests of the local community

Councillor Bradley indicated that he did not wish to withdraw the motion. He had lost confidence in the process and there was a need for the Government to resolve the issues and ensure appropriate funding of the NHS.

On request, the vote was recorded as follows:

**For (the motion)**

Councillors Beaver, Bradley, Bromilow, Brown, Clark, Cronshaw, Fitzsimons, C France, G France, M France, A Gee, D Gee, Gray, Jarnell, H Khan, Z Khan, M Lees, R Lees, A Lowe, M Lowe, Lynch, Molyneaux, Morwood, Murfitt, Murray, K Snape, Toon, Walmsley, Whittaker and Wilson.

**Against (the motion) - None**

**Abstained**

Councillors Bell, Boardman, Counce, Cullens, Dalton, Iddon, Leadbetter, Long, Morgan, Muncaster, Perks, Platt, and Walker.

**The motion was CARRIED.**

**17.C.403 Exclusion of the Public and Press**

Councillor Alistair Bradley, Executive Leader proposed, Councillor Peter Wilson, Deputy Leader, seconded and it was **RESOLVED – that the press and public be excluded for the remaining item of business due to the disclosure of exempt information under Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act.**

**17.C.404 Proposed Changes to the Waste Collection Service**

Councillor Peter Wilson (on behalf of Councillor Graham Dunn, Executive Member for Customer and Advice Services) presented a report seeking approval to significant changes to the waste collection service provided to households in the Borough in order to generate future savings and simplify paper and card recycling. This was necessary since the Council would lose £900,000 in waste cost share funding from LCC from 2018.



The report had been approved at Executive Cabinet on 19 January and Council was asked to agree the waste collection changes, along with the financial implications for both the capital programme and prudential borrowing.

The new service and changes proposed were as follows:

- continued fortnightly collections of the green bin for general waste
- the introduction of an optional green waste collection at £30 per year for those residents who wished to take up the service and for which they would receive a grey bin
- the current brown bin would be used for both paper and card (rather than the current black pod), and would be collected monthly, due to the increase in capacity
- a charge would be imposed for lost or damaged bins

Councillor Alistair Bradley seconded the proposed changes which he said were necessary because of continued funding cuts.

Councillor Eric Bell felt the proposed changes would be confusing for residents and he proposed an amendment, supported by Councillor Martin Boardman. The amended proposals were to:

- retain the green waste collection in the brown bin and collect monthly in winter, fortnightly in summer
- the green bin with general waste to remain unchanged
- use green box for paper and card to be collected monthly
- retain blue bin for recycling which without the pod would increase capacity and could be collected monthly

The Conservative Group referred to the introduction of a £30 charge for garden waste as a garden tax which impacted in particular on those in rural areas and would be confusing for residents. Residents would also need to accommodate 4 rather than 3 wheeled bins.

Members of the Labour Group challenged the Conservative Group to provide the savings achieved by their amendment, as no financial impact was circulated and they felt the proposals would not meet the £900,000 shortfall.

**The Conservative amendment, proposed by Councillor Eric Bell and seconded by Martin Boardman, was put to the vote and LOST.**

The substantive motion, as outlined in the report, proposed by Councillor Peter Wilson, Executive Member for Resources and seconded by Councillor Alistair Bradley, Executive Leader was put to the vote and **CARRIED** and it was therefore **RESOLVED** - **that the following proposals be adopted:**

- 1. A charge for all new and replacement wheeled bins is introduced from April 2017 (excluding new garden waste bins).**
- 2. A subscription based garden waste collection service is introduced with a proposed effective date of May 2017.**

- 3. That co-mingled paper and card collections are introduced in July 2017 and the brown bins currently in circulation are used for this purpose. Collection frequency will change to four weekly for this waste stream.**

**17.C.405 Any urgent business previously agreed with the Mayor**

Councillor Boardman asked that the Leader of the Council write to congratulate David Ryding of Bretherton on his success at the World Cup, Slalom Championship in Austria earlier in the month.

Mayor

Date



Report of	Meeting	Date
Chief Finance Officer (Introduced by the Executive Member for Resources)	Special Council	28 February 2017

## **GENERAL FUND REVENUE AND CAPITAL BUDGET AND COUNCIL TAX 2017/18**

### **PURPOSE OF REPORT**

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

### **RECOMMENDATION(S)**

2. The Executive recommends that Council:
  - a) Approves the budget and proposals set out in this report including:
    1. Council Tax set out in the resolutions (at Appendix A1)
    2. The Council's Pay Policy (at Appendix A2) and publication on the Council's website from April 2017.
  - b) Note the Council's cumulative budget deficit & budget strategy 2017-18 to 2019-20 (Appendix B)
  - c) Approve the capital programme for 2017/18 and note the indicative programme for 2018/19 to 2019/20 (Appendices C1, C2 & C3)
  - d) Approve the Treasury Management Strategy (Appendix D) including advice from Treasury Management Consultants (Appendix D1)
  - e) Note the advice of the Statutory Finance Officer in relation to the robustness of the budget and the risks contained within it as set out in the Statutory Report (Appendix E).
  - f) Approve the Council's Medium Term Financial Strategy (MTFS) (Appendix F)
  - g) Note significant budget movements from the 2016/17 Budget (at Appendix G)
  - h) Note Special Expenses and Parish Precepts (at Appendix H)
  - i) Note the Budget Consultation 2017/18 Report (at Appendix I) and the amendments to the household waste collection service following feedback from the budget consultation and wider feedback, these include:
    - a) reducing the impact that the changes have on low income households by

offering, on request, free home compost bins for those entitled to passported benefits

- b) offering the choice, on request, of a smaller 140 litre grey garden waste bin where in special circumstances the standard 240 litre bin would be unsuitable
- j) Note the Assessing the Impact of Budget Proposals 2017/18 Report (at Appendix J).
- k) Note the integrated impact assessment relating to the changes to the household waste collection (at Appendix K) and note the amendment to the household waste proposals included in this report namely:
  - a) reducing the impact that the changes have on low income households by offering, on request, free reconditioned replacement waste bins (if available) for those entitled to passported benefits

### EXECUTIVE SUMMARY OF REPORT

3. The Council has experienced significant reductions in funding since 2010/11. The Draft Local Government Finance Settlement 2017/18 to 2020/21 published on 15 December 2016 announced further large scale reductions in the Council's resources. Funding received through the finance settlement will fall from £5.7m in 2016/17 to £4.2m in 2019/20. This excludes the huge reductions in New Homes Bonus grant that will fall by approximately £1.6m per year from 18/19 onwards. In addition, as Lancashire County Council (LCC) also faces significant funding cuts, Chorley Council will experience reductions of approximately £1m in LCC support from 2018/19 onwards.
4. Despite this unprecedented decline in funding the Council has maintained effective budgetary planning and continues to deliver efficiency savings. However the Council recognises that it must **make decisions early on in the budget planning period to prepare itself for the large reduction in funding expected in 2018/19 onwards**. In order for the Council to continue to deliver services and investment it must look to generate additional resources through the introduction of a subscription based garden waste collection service and charging for replacement bins. In addition, the large reduction in funding from Central Government is predicated on the assumption that all Councils will increase Council Tax by at least 2%. For the first time in seven years, the Council will look to increase Council Tax to offset this ongoing reduction in Central Government support.
5. The budget is set to ensure the objectives of the Council's Corporate Strategy priorities are met. The strategy is focussed on the delivery of large scale capital projects as well as alternative models of service delivery. By making policy decisions early on the Council is resourced to deliver the Corporate Strategy priorities and commit to recurrent investments such as the events programme, investing in neighbourhood projects, grants for the improvements of retail facilities and continuing to provide a PCSO presence in the borough.

6. The Executive presents a budget that:-

- **Mitigates the reduction in Central Government grant and introduction of a reverse tariff, by increasing Council Tax by 2% in 2017/18 and including a 2% increase in Council Tax in 2018/19 and 2019/20 as part of the medium term budget strategy.**
- **Protects the impact on front line services that the reduction in LCC funding will have by introducing a subscription based garden waste collection service and charging for replacement bins**
- **Delivers budget efficiency savings and increased income of £0.416m in 2017/18 onwards**
- **Continues to deliver investment in strategic priorities including £0.652m in 2017/18 and £0.468m in 2018/19 onwards**
- **Seeks to bridge the forecasted budget gap, in particular through shared services and investing in projects that generate net income streams for the Council.**
- **Is consistent with the Medium Term Financial Strategy.**
- **Minimises the revenue impact of the Council’s borrowing commitment to fund the capital programme.**
- **Enhance the financial resilience of the Council’s budget by increasing the level of working balances from £3.0m to £4.0m by the end of 2018/19.**

<b>Confidential report</b> Please bold as appropriate		<b>No</b>
<b>Key Decision?</b> Please bold as appropriate	<b>Yes</b>	
<b>Reason</b> Please bold as appropriate	(1) <b>A change in service provision that impacts upon the service revenue budget by £100,000 or more.</b>	(2) A contract worth £100,000 or more.
	(3) A new or un-programmed capital scheme of £100,000 or more.	(4) Significant impact in environmental, social or physical terms in two or more wards.

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

7. To ensure the Council complies with the requirement to set the budget for 2017/18

**ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

- 8. None

**CORPORATE PRIORITIES**

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

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

**BACKGROUND**

- 10. The Executive published the 2017/18 Draft Budget and Summary Budget Position over the Medium Term at Executive Cabinet on 19 January 2017. The report set out the Executive’s intention for spending and investment in the borough for the forthcoming financial year 2017/18. These papers expand upon that report and set out in more detail for Council the Executive’s budget proposals in 2017/18.

**BUDGET CONSULTATION RESULTS**

- 11. Consultation on the 2017/18 budget ran from the 20 January to the 10 February 2017. The consultation was publicised through a structured digital campaign including 18,689 emails delivered to residents signing up to receive communications via the MyChorley account feature on the council website, as well as social media, traditional media and awareness raising through local networks including In The Boro, the VCFS Network and equality forum.
- 12. The formal consultation received 540 qualitative responses through an open ended question format which enabled individuals to give their views and opinions on the proposals, as part of more meaningful engagement. This is a significant increase in the level of feedback compared to last year’s survey where only 243 respondents offered additional views or comments. Posts to Facebook received a total 24,813 views and 85 comments reaching a wide representation of the population and generally younger demographic aged 25-34. The feedback and summary analysis of the consultation is shown at Appendix I.
- 13. The responses have been collated and analysed to identify the main key words or phrases and then grouped together based on whether they indicated a positive or negative response to the proposals. A proportion of the comments offered suggestions for improvement or highlighted concerns, rather than a definable positive or negative view point and these have been grouped together as ‘neutral’. It should be noted that responses often included more than one comment or suggestion, covering more than one area. Where this occurred, the main area of comment was selected.

14. The following table shows the distribution of positive, negative and neutral viewpoints.

Positive view of the proposals	<b>43%</b>
Negative view of the proposals	<b>38%</b>
Neutral view point	<b>19%</b>

15. The majority of positive comments (51%) indicated general acceptance of the proposals, with many stating that they were 'reasonable' and 'fair'. Around 15% of positive responses also made reference to changes to waste collections; 11% of comments highlighted strong satisfaction with the council and its budget strategy; 8% of respondents said they would be prepared to pay more in return for greater level of investment and improvement.
16. The majority of negative comments relate to changes to waste collections (41%) and specifically the charge for garden waste collections, agreed by Council prior to consultation on the budget commencing. Other themes included opposition to increase in council tax (28%); concerns around future developments (16%); investment in the wider borough (6%) and impact on personal income (4%).
17. The consultation report at Appendix I sets out the planned council activity in response to feedback; this includes changes to the waste collection scheme such as options for smaller bins and composting containers for people on passported benefits.

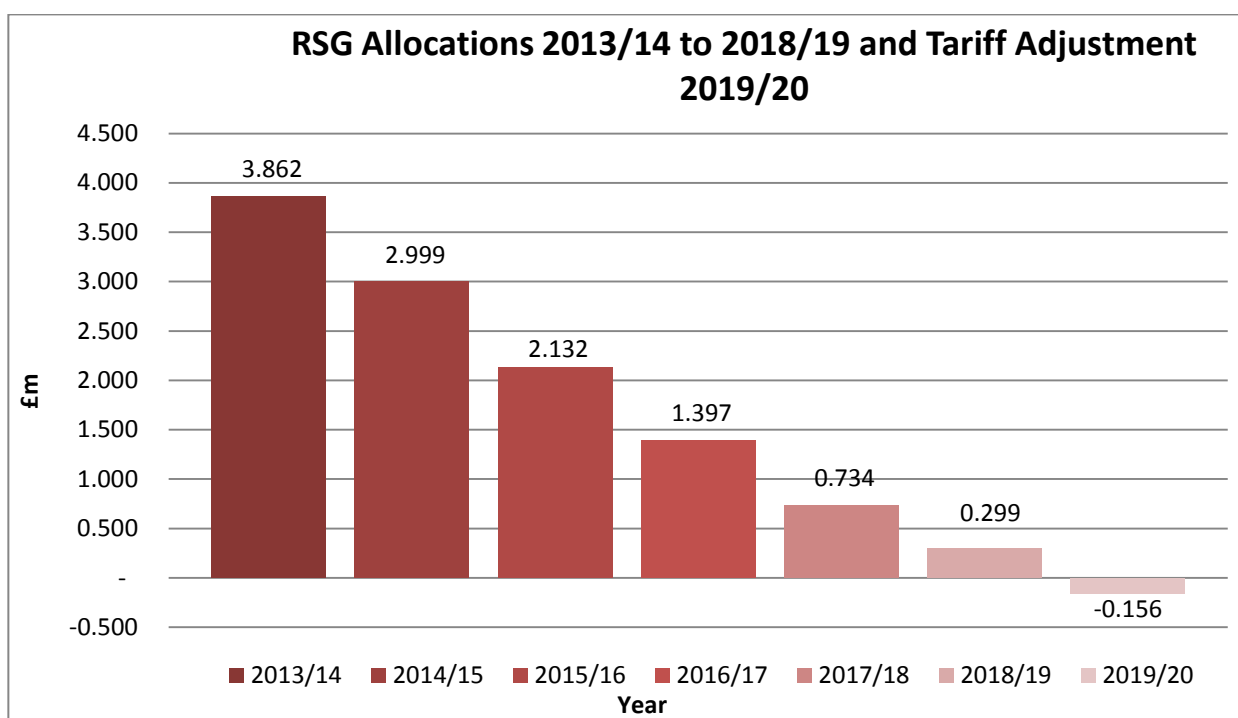
**THE BUDGET – REDUCTIONS IN FUNDING SOURCES**

18. The provisional local government finance settlement 2017 to 2018 was announced on the 15 December 2016. As per previous finance settlements, Chorley Council has and will continue to experience large reductions in its major funding sources. The challenge to meet these reductions has never been as severe as they will be in the coming three years. The effects on the largest funding sources are outlined below. These figures are based upon the allocations outlined in the provisional finance settlement as the confirmation of the final settlement has not yet been received.

Revenue Support Grant (RSG)

19. The Local Government Finance Settlement 2016/17 offered all Councils a four year Revenue Support Grant (RSG) settlement from 2016/17 to 2019/20. In accordance with Government requirements an Efficiency Plan was agreed at Full Council in September 2016. This document is published on the Council's [website](#) and outlines its approach to meeting the budgetary challenges it faces in the coming years. On 16 November 2016 the Council received confirmation from DCLG on its four year RSG settlement. As such the figures reported below have been included in the Council's forecast budget position.

20. The graph below illustrates the removal of RSG over the coming years and the introduction of a tariff in 2019/20. This reduction in funding is based upon a government comparison of the Council's total level of assumed resources and total assumed level of spending needs. The government funding statement includes the assumption that the Council will increase Council tax by at least 2% every year from 2016/17 onwards.





New Homes Bonus

21. The allocation of NHB was subject to consultation with the announcement regarding its future not made until the draft finance settlement on 15 December 2016. The allocation has been reduced from 6 to 4 years with a 5<sup>th</sup> transitional year in 2017/18. In addition the allocation in 2017/18 onwards will be reduced using a 'deadweight adjustment'. This assumes that the Council should at least expand the housing base by 0.4% per annum; any growth below this level would not receive funding. For Chorley this is approximately 150 band D equivalents per year. It is possible this deadweight adjustment will be adjusted further in future years. At the current rate this adjustment reduces the NHB allocation to the Council of over £200k per annum.

**Table 1: Cumulative Reductions in Forecast New Homes Bonus 2016/17 to 2019/20**

	16/17 £m	17/18 £m	18/19 £m	19/20 £m
Forecast NHB Allocation – prior to changes	(4.455)	(4.753)	(4.610)	(4.471)
Forecast NHB Allocation – Draft Local Government Finance Settlement 2017	(4.455)	(4.006)	(2.982)	(2.797)
Reduction in Funding	0.000	0.747	1.628	1.674

22. The table above outlines the forecast NHB allocations using figures prior to the changes in funding and the forecast allocations announced in December 2016. When fully implemented the cuts to NHB allocation are in the region of £1.6m a year representing a **10% reduction in total funding available to Chorley Council**.

Lancashire County Council

23. Lancashire County Council's MTF5 identifies a budget shortfall of £262m by 2020/21. It is expected that existing income received by the Council from LCC will be removed in future years. Chorley Council is currently in a 'Cost Share' arrangement with LCC whereby the County pay over to district councils sums via the Lancashire Waste Partnership. This represents compensatory payments for loss of income from when the previous recycling credits system was revised. Due to reductions in funding experienced at LCC, this cost share arrangement will expire in March 2018. If no replacement agreement is available, this income stream will be withdrawn as at that date, this represents a £930k fall in income.
24. In addition LCC will withdraw Supporting People funding from September 2017. This represents a total loss in funding of £138k, £69k in 2017/18 and an additional £69k in 2018/19 onwards, for sheltered housing at Cotswold House in Chorley. The scheme will continue with Chorley Council making up the deficit in funding from mid-2017/18 onwards.

**Table 2: Summary of Year-on-Year Reductions in Major Funding Sources**

<b>Funding Source</b>	<b>17/18 £m</b>	<b>18/19 £m</b>	<b>19/20 £m</b>	<b>Total £m</b>
Reduction in RSG	0.663	0.435	0.455	1.553
Reduction in NHB	0.747	0.881	0.046	1.674
Reduction in LCC Income	0.070	1.003	0.000	1.073
<b>Total Year-on-Year Loss of Funding</b>	<b>1.480</b>	<b>2.319</b>	<b>0.501</b>	<b>4.300</b>

25. The Council faces enormous reductions in its funding. The large reductions summarised above emphasise the size of the task the Council faces to bridge the gap, in particular the Council faces a £2.3m reduction in funding in 2018/19 alone.
26. The budget is based upon the reductions in funding described above and the following key budget assumptions outlined in table 3. These assumptions (for example, the 0% increase in Council Tax) set out the existing position, before the policy decisions outlined in this report are implemented.

**Table 3: Gross Budget Deficit (Existing Position) - Key Budget Assumptions**

<b>Key Assumptions</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Increase in Council tax	0%	0%	0%
Growth in Council Tax Base	2.1%	1.0%	1.0%
Growth in Retained Business Rates	0%	0%	0%
Reduction in Revenue Support Grant	£0.663m	£0.435m	£0.455m
Total Forecast New Homes Bonus	(£4.007m)	(£2.982m)	(£2.798m)
Total Forecast Uncommitted New Homes Bonus Built Into the Base Budget	(£3.106m)	(£2.323m)	(£2.398m)
Net Financing of Market Walk	£0.716m	£0.840m	£0.858m
Future Service Pension Rate	14.4%	14.4%	14.4%
Additional Business Rates - Lancashire Pooling Arrangement	(£0.726m)	(£0.726m)	(£0.726m)
Lancashire Waste Partnership Income	(£0.933m)	0	0
Supporting People Income from LCC	(£0.069m)	0	0
Pension Fund Deficit Recovery	£0.791m	£0.841m	£0.966m
Pay Award	1%	1%	1%
Investment Projects Built into Base Budget	£0.468m	£0.468m	£0.468m

Other Budget Assumptions

27. As part of a **triennial pension review** the Lancashire County Pension Fund announced an increase in employer pension contributions to meet the future costs of the scheme. The contributions have increased from 11.1% to 14.4% resulting in an increase in Council's contribution of approximately £275k per annum.
28. The budget has been constructed in accordance with the Council's **Pay Policy**. The Localism Act requires that the Pay Policy is approved formally by the Council and published on the web site in April 2017. The updated policy is attached at Appendix A2. The recognised trade unions and national employer organisations are currently negotiating on the 2017/18 pay claim, a 1% increase is assumed in the budget each year for 2017/18 through to 2019/20.
29. The **revaluation of business rates** in 2016 has resulted in an increase in rateable values on average across the country. However Chorley, like most Councils in Northern England, experienced on average a reduction in rateable values. As a result the government has reduced Chorley Council's tariff to create a budget neutral effect of the revaluations. The impact of the changes to tariffs and the new multipliers have been budget neutral for the Council however there remain large risks with regard to **retained business rates**:
- a) The DCLG consultation regarding the tariff adjustments suggests there will be further adjustments in 2018/19 that may impact positively or negatively on the Council's retained business rates
  - b) The Government has launched its further consultation on the design of the reformed 100% retained business rates system. The consultation proposes a full implementation of the system to begin in 2019/20 with a revised baseline and tariff/top-ups being set every 5 years. The overriding principle of the new system is that the changes will be fiscally neutral. Councils will be expected to continue the delivery of current services or take on additional responsibilities if the reforms were to result in an increase in retained business rates. Transitional arrangements are not finalised, as a result the funding in the period leading up to full implementation, as well the income the Council will retain in 2019/20, is unknown and creates significant uncertainty in the three year budget planning process.
  - c) A large risk associated with business rates income relates to two applications for mandatory charitable relief received from Lancashire Teaching Hospitals NHS Foundation Trust. If successful the application would be backdated to 2010 and therefore have a significant impact on the Council's revenue budget. A headline figure is a potential £1.3m impact on the Council's general fund and an approximate £200k further reduction in ongoing retained business rates.
30. For the reasons highlighted above the Council will assume no growth in its retained business rates budget. Although the Council will continue to focus resources on expanding local businesses, there are still large uncertainties that may erode progress on retained business rates income.
31. The four year settlement and the announcement of the changes to the NHB grant offer the Council some certainty of funding over the coming three years. As a result the

Council is able to build into the base budget **£468k of recurrent investment projects** per year. These are described further in table 9.

## SUMMARY

32. The reductions in funding outlined in Table 2 and the budget assumptions made in Table 3 result in an ongoing cumulative budget deficit in 2017/18 to 2019/20 as described below and detailed further in Appendix B.

**Table 4: Cumulative Gross Budget Deficit**

	2017/18 £m	2018/19 £m	2019/20 £m
Cumulative Gross Budget Deficit	0.629	2.801	3.333

33. The next section of the report outlines how this budget will support the Council's Corporate Strategy priorities. It will then describe what measures the Council has and will introduce to bridge the cumulative budget deficits and create headroom in 2017/18 for further investment in Corporate Strategy priorities.

**SUPPORTING COPORATE STRATEGY PRIORITIES**

34. The budget figures summarised in tables 3 & 4 include recurrent annual resources that will deliver the Corporate Strategy priorities through a programme of activities designed to achieve sustainable local growth and reform in the way that the Council delivers services. A list of the projects supporting each priority is shown below along with the resources that will fund them:

**Table 5: Projects to Deliver Corporate Strategy Priorities**

Corporate Strategy Project	Source of funding
Involving residents in improving their local area and equality of access for all	
Progress delivery of the Westway integrated sport facility	Capital Programme
Improve the look and feel of local neighbourhoods across the borough	Base Budget
Develop new ways to deliver services with communities	16/17 Investment Project Funded 16/17 to 18/19
Clean safe and healthy communities	
Deliver the Primrose Gardens Retirement Living	Capital Programme
Deliver the enabling phase of integrated community wellbeing	Base Budget
Deliver a project to get people ready for work	Remaining LCC Transition Fund & External Funding
A strong local economy	
Deliver the Steeley Lane Gateway project	Capital Programme
Deliver economic opportunities at Botany	Base Budget
Deliver street level improvements to the town centre	Capital Programme
Develop activity to promote Chorley as a visitor destination including the Chorley Flower Show	Now included in the Base Budget
Deliver the extension to Market Walk	Capital Programme
An ambitious council that does more to meet the needs of residents and the local area	
Improve access to council services by making services more efficient	Base Budget
Integrate public services through the Chorley Public Service Reform Partnership	Continued Investment & Transformation Challenge Award
Deliver the Chorley Youth Zone	Capital Programme

35. In order to further the delivery of the corporate priorities **£468k of investment funding** is included in the base budget from 2017/18 onwards. This includes £20k towards the Council’s employee health scheme. The other investment budgets are outlined below, all these budgets are included in the budget deficit identified in Table 4:

**Table 6: Recurrent Investment Packages in the Base Budget from 2017/18 onwards**

Investment	Description
Police Community Support Officers - £110k	The Council will make a contribution of £110k towards part-funding PCSO posts in the borough, although further discussions and agreements need to be reached with the police and crime commissioner. The Executive Cabinet will be expecting the police to allocate fully funded posts to the borough according to their risk and threat analysis. The £110k contribution will fund PCSOs over and above the risk and threat level.
Retail Improvement Grants - £70k	The retail improvement grants scheme has been successful in regenerating the Council’s shopping areas, creating jobs and reducing the number of empty units. A budget of £70k will be built into the base budget to continue these achievements. Due to the high demand from businesses for the grants a review is being undertaken to revise the application criteria. This will maximise the benefit successful applicants receive from the grants whilst ensuring the budget is sufficient to meet demand throughout the year.
Chorley Council Events Programme - £159k	The Council’s events programme continues to go from strength-to-strength attracting record numbers of visitors and increased interest from corporate sponsorship. This budget will continue to enable the Council to deliver and improve the events programme while working to reduce the overall net cost.
Neighbourhood Preferred Projects - £50k	Neighbourhood working is a key priority for Chorley Council. Neighbourhood meetings allow neighbourhood groups to identify and agree the preferred projects that are important to the residents of each of the eight neighbourhood areas. The Council will continue to fund the delivery of projects that best meet the needs of its neighbourhoods. Where possible this funding will be used in partnership with external funding from other stakeholders to ensure the best outcomes for the Council’s residents are delivered.
Digital Inclusion Officer - £20k	This ongoing budget will deliver support to residents to improve their confidence online.
Chorley Works - £39k	Chorley Works has been successful in delivering a number of employment-related interventions for local residents. These include Confidence Building and Life Skills courses, employability workshops and 1:1 support and organising work trials and work experience placements with local businesses and organisations. In the future, Chorley Works will be working in collaboration with the Chorley Futures ESF project and therefore, is likely to make more of a significant impact on the lives of Chorley residents.

36. In addition to these investments the figures in the Council's base budget deficit illustrated in Table 4 includes the following one off allocations:
- For 2017/18 a one-off allocation of £100k for continued support during the implementation period of LCC's service reductions.
  - Subject to European funding approval the Council will match fund £300k towards the £760k Chorley Futures Project that will identify barriers to training and employment, and plan an individually tailored programme of interventions to move beneficiaries closer to the labour market.
37. The £468k ongoing investment in corporate strategy priorities will be supplemented by an additional **£184k of investment projects for 2017/18**. These investments are made possible through the Council's achievement in bridging the 2017/18 budget deficit and creating sufficient headroom for additional investments. How this has been achieved is outlined in the next section of the report.

#### **BRIDGING THE BUDGET GAP – WHAT HAS BEEN ACHIEVED & IDENTIFIED**

38. A key influencing factor on the forthcoming budget is the effective management of the budget in the preceding financial year. The Council recognised that due to proposed decreases in NHB allocation and the reduction in RSG the Council faced a budget deficit in 2017/18. To bridge this immediate budget gap the Executive Cabinet has achieved and identified proposals for immediate budget savings in preparation for 2017/18.

#### **SAVINGS ACHIEVED AND SAVINGS TO BE ACHIEVED FOR 2017/18**

39. **Budget efficiency savings and increased income of £416k have been achieved and identified** and will be delivered to help reduce the budget deficit in 2017/18. This excludes changes to the waste collection service. The 2017/18 savings are attributable to the following key areas:-
- Review of Contracts (£59k) - The re-procurement of the Council's insurance contract has achieved an annual saving of £59k per annum. Cost efficiencies were achieved by appointing a common insurance broker and undertaking joint procurement exercise with South Ribble Borough Council.
  - Review of Income Streams (£50k) - The continued success of the Chorley's Market Walk Shopping Centre has led to full occupancy of its units in 2017/18. As a result an additional £50k has been built into the Council's income budget in 2017/18 onwards.
  - Base Budget Review (£100k) – The management accounts team in conjunction with service managers have agreed £100k of budgets that are underutilised or no longer required moving forward.
  - A review of the Management Structure (£67k) – A review of the management structure was undertaken and reported to Council in January 2016 to create a structure that enables implementation of the future governance models and public

service reform. Savings are profiled as follows: £229k (2016/17); £295k (2017/18) and £347k (2018/19).

- Productivity gains (£140k) - there are changes that need to be made to some staffing structures to ensure that the Council's organisation remains fit for purpose and able to deliver the Council's priorities. Therefore, prior to the start of the 2017/18 financial year, work is being undertaken that will result in changes to structures that are forecast to result in cumulative savings of approximately £140k in 2017/18 and £163k 2018/19 onwards. It should be noted that these savings will be generated through the deletion of vacant posts and therefore should not lead to a reduction in service delivery.

#### **USE OF THE LCC TRANSITION FUND**

40. In 2016/17 it was agreed to create a £1.0m transition fund to support the implementation period of LCC's service reductions to address its own budget deficit position. To meet the challenges faced in 2017/18 the Council has reviewed the committed expenditure against this provision. To date the fund has been used to:
- enable the continued 6/6a & 109a/24a bus services until March 2017
  - enable continued library provision in Adlington, Coppull and Eccleston until March 2018
  - fund the Council's £300k match funding towards the £760k European funded Chorley Futures Project. This will provide employment support to a target cohort who should previously have been potentially able to access support through the County Council.
41. It is proposed that a further £100k is left in the reserve in 2017/18 for potential future commitments that address LCC reductions in service provision.
42. After taking into account these commitments **the remaining balance on the fund is £285k**. This budget proposal will set aside this balance to cover the remaining 2017/18 budget deficit and create some headroom for additional investment and increases in earmarked reserves, outlined later on this report.

#### **RESHAPING THE WASTE COLLECTION SERVICE**

43. From April 2018 the Council will no longer receive waste cost share funding from LCC, currently £930k per year. Changes to the waste collection service were agreed at Full Council in January 2017. The changes are:
1. a charge for all new and replacement wheeled bins is introduced in April 2017
  2. a subscription based garden waste collection service is introduced in May 2017
  3. co-mingled paper and card collections is introduced in May 2017 with collection every four weeks resulting in a potential saving in the current waste and recycling contract

#### *Responding to Feedback and Impact Assessments*

44. It is proposed that amendments to the household waste collection service are actioned. This follows feedback received from the Budget Consultation Report (Appendix I), as well as wider feedback, and the actions taken identified following the Integrated Impact Assessment of the Household Waste Collection Service (Appendix J).



45. The household waste collection service will now:
- offer, on request, free home compost bins for those entitled to passported benefits
  - offer the choice, on request, of a smaller 140 litre grey garden waste bin where in special circumstances the standard 240 litre bin would be unsuitable
  - offer, on request, free reconditioned replacement waste bins for households (if available) for those entitled to passported benefits
46. In addition, the Council will continue to commit resources to develop and implement a communications and engagement plan that will inform residents of proposals and changes and collate feedback on the scheme.

**Table 7: Forecast Savings and Income from changes to Waste Collection Service**

	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>
Charge for Replacement Bins	(0.060)	(0.070)	(0.070)
Introducing a Subscription Based Garden Waste Collection Service	(0.215)	(0.400)	(0.400)
Changes to Frequency of Collection	(0.310)	(0.310)	(0.310)
<b>Total Savings and Income</b>	<b>(0.585)</b>	<b>(0.780)</b>	<b>(0.780)</b>

47. The additional net income and savings that are forecast to be generated from these schemes are £585k in 2017/18 and £780k from 2018/19 onwards. The savings are lower in the 2017/18 due to costs of implementation. The net income from introducing subscription based garden waste collection includes the annual cost of running the scheme and the annual cost of financing the purchase of bins. The recent amendments to the scheme do not influence the savings and income outlined in table 7. Although these changes go some way to address the reduction in support from LCC it is clear the Council must find additional means to address this loss of income.

### **INCREASE IN COUNCIL TAX**

48. The Executive is proposing a 2% increase in council tax in 2017/18 and including a 2% increase in council tax in 2018/19 and 2019/20 as part of the medium term budget strategy. An increase, together with further savings options, would not only help to address the budget deficit but also be used to invest in projects that support delivery of the Council's corporate priorities.
49. Importantly, the reductions in Central Government funding announced in the Draft Local Government Finance Settlement 2016 were made with the assumption that not only would Councils expand the council tax base by building more homes but in addition, Councils would reduce the impact of grant reductions by increasing council tax by at least 2% year-on-year. The funding mechanisms from central government will effectively penalise councils for not increasing council tax by at least 2%. Increasing council tax has a significant and cumulative effect on increasing Council's resources. This will be required when central government remove RSG in 19/20 and replace it with an additional business rates tariff.

50. In addition, through freezing or reducing council tax over the past 7 years, Chorley Council has one of the lowest precepts (excluding Parish precepts) in Lancashire

District Council	2015/16	2016/17	Increase 2016/17
Chorley	177.41	177.41	0.00%
Pendle	240.38	245.16	1.99%
Preston	285.06	290.73	1.99%
South Ribble	208.38	208.38	0.00%
West Lancashire	183.55	186.76	1.75%
Wyre	180.16	183.31	1.75%

### SUMMARY OF SAVINGS AND ADDITIONAL INCOME

51. Table 8 illustrates that through savings achieved to date and identified for 2017/18, the use of the unutilised LCC transition reserve, reshaping the waste collection service and increasing council tax the Council is able to generate £1.4m of additional resources for 2017/18. This has allowed the Council to set a balanced budget in 2017/18 with additional available resources. **The budget deficits in 2018/19 and 2019/20 are forecasts**, in particular they are modelled on a medium term strategy option to increase council tax by 2% in 2018/19 & 2019/20.

**Table 8: Meeting the Budget Deficit**

	2017/18 £m	2018/19 £m	2019/20 £m
<b>Cumulative Gross Budget Deficit</b>	<b>0.629</b>	<b>2.801</b>	<b>3.333</b>
Savings Achieved	(0.276)	(0.327)	(0.327)
Productivity Savings to be Achieved in 2017/18	(0.140)	(0.163)	(0.163)
Use of LCC Transition Fund	(0.285)		
Increase Council Tax by 2%	(0.127)	(0.260)	(0.398)
Reshaping the Waste Collection Service	(0.585)	(0.780)	(0.780)
<b>Adjusted Forecast Budget Deficit/(Available Resources)</b>	<b>(0.784)</b>	<b>1.270</b>	<b>1.665</b>

52. The next section of this report outlines why it has been necessary to generate £784k of available resources the budget for 2017/18 including the need to continue to invest in the Corporate Strategy priorities and to create reserves to ensure the continued financial resilience of the Council.

<b>UTILISING RESOURCES AVAILABLE IN 2017/18</b>
---

### ADDITIONAL INVESTMENT IN CORPORATE STRATEGY PRIORITIES

53. As well as the £468k of investment funding built into the base budget identified in Table 6, the Council has identified a one-off provision to fund projects that will further deliver the Council's corporate strategy priorities in the next financial year. A **£184k investment project fund** will be created for 2017/18 to fund the following priorities:

**Table 9: Additional One-Off Investment in Corporate Strategy Priorities 2017/18**

<b>Investment Package</b>	<b>2017/18 £</b>	<b>Description</b>
VCFS Network	15,000	Commission a service to provide infrastructure support to the sector
Support to Food Provision Schemes	15,000	Support schemes that are providing assistance to those who are most vulnerable and in need of food parcels, nutritious meals and related assistance
Public Service Reform	15,000	Deliver work to transform the way public services are delivered locally and to explore public service integration
16/17 Young Person's Drop In Centre	15,000	Provide a service for 16/17 year olds at risk of becoming homeless with the aim of preventing homelessness and keeping young people at home through support and mediation services
Free Swimming	7,000	Offer free swimming for under 16s during summer school holiday
North West in Bloom	20,000	This project will build on previous successes in the North West in Bloom competition, working with the 'Chorley in Bloom' charity group, schools, local communities, friends groups and others to prepare Chorley for 2016 competition
Business Support and Inward Investment Grants	82,000	This fund will encourage the growth of businesses in Chorley Borough and is in addition to the £70k built into the base budget for retail improvements
Deliver the Skills Framework	15,000	This project will carry out the action plan to respond to the supply and demand issues, opportunities and challenges identified in the recently commissioned Chorley Skills framework.
<b>TOTAL</b>	<b>184,000</b>	

**INCREASE IN EARMARKED RESERVES FOR 2017/18**

54. This report has outlined that there are large forecast budget deficits that will need to be addressed during the medium term planning period. In order to meet these deficits the Council must be resourced correctly to allow it to reform and restructure in the best way possible to continue to deliver services in a more innovative and efficient manner. Significant upfront costs are likely to be incurred in order for the Council to successfully implement the necessary strategies. As such it is proposed that reserves are created to meet these future costs.
55. The budget paper proposes that the **change management reserve is increased to £200k** in 2017/18. This reserve has been fully utilised in 2016/17 for costs relating to restructures undertaken during that period. Further staffing changes will take place as part of the transformation and shared services strategies and so this reserve will need to be resourced correctly for the Council to fund these changes.
56. As part of the 2016/17 budget setting process the Council set aside £600k in a reserve to fund investment in income generating schemes that would create net income for the Council in order to bridge its budget deficit. To date £220k has been committed against this budget for the preliminary costs of bringing the Digital Office Park to the planning stage and for procurement support. In order to deliver future reductions in net expenditure it is important for the Council to continue to set aside resources to enable investments that will generate future income streams.
57. In particular the agreed acquisition of HCA employment land as part of a £2.9m land swap will mean Chorley Council acquire 33.7 acres of land, the majority identified for development for employment purposes. As a result of these large investments **it is proposed that the Council set aside £300k of reserves in 2017/18 to realise the income generating potential from these employment sites.** This will result in the reserve being brought back to over £600k in 2017/18.
58. Finally, it is expected that the Council will incur one off expenditure in 2017/18 relating to the maintenance of its assets. This will include works to Council offices that will prepare for changes implemented through the Transformation Strategy. These works will be in addition to the Council's annual maintenance budget and so **it is proposed that in 2017/18 £100k is set-aside for these works.**

**Table 10: Cumulative Budget Deficit after Proposed Transfers to Reserves**

	<b>2017/18 £m</b>
<b>Adjusted Budget Deficit/(Available Resources)</b>	<b>(0.784)</b>
Creation of an Investment Project Fund	0.184
Increase in Change Management Reserve	0.200
Increase in Income Generating Investment Fund	0.300
Increase in Maintenance Reserve	0.100
<b>Adjusted Budget Deficit/(Available Resources)</b>	<b>0.000</b>

**GENERAL BALANCES**

59. As per the 2016/17 MTFS the Council will set aside £4m of general fund reserves to enable the Council to manage the peaks and troughs in expenditure and income it may experience throughout the MTFS period. Through setting the budget and utilising underspends in 2016/17 the Council is on track to meet its MTFS target of £4m general balances by 2018/19 as reported to Executive Cabinet on 16 February 2017.
60. The Council recognises that use of the general reserve may be required during the MTFS period. The transition to the new 2019/20 100% business rates retention regime may require the use of the balances to meet transitional budget changes. In addition, the profiling of income generating projects may result in net income not being realised until later in the MTFS period.
61. As outlined in this report there is a £1.3m risk to general balances associated with two applications for mandatory charitable relief received from Lancashire Teaching Hospitals NHS Foundation Trust.

**THE BUDGET – HOW THE FINANCIAL CHALLENGE WILL BE MET**

62. The MTFS (Appendix F) describe in the more detail the strategies that the Council will pursue to meet the budget deficit throughout the MTFS period. To achieve a sufficient reduction in net expenditure in these years the Council's Strategy will be:

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

63. As detailed in Table 11 and discussed further in the MTFS, the strategies put forward will look to bridge the budget deficit in 2018/19 and 2019.

**Table 11: Estimated Medium Term Financial Strategy Cumulative Budget Deficit and Cumulative Savings**

	2018/19 £m	2019/20 £m
<b>Forecast Budget Deficit</b>	<b>1.270</b>	<b>1.665</b>
Renegotiate Contracts	(0.070)	(0.315)
Transformation – Productivity Gains	(0.300)	(0.400)
Transformation – Shared Service	(0.600)	(0.650)
Transformation - Income Generation	(0.300)	(0.300)
<b>Adjusted Medium Term Budget Deficit</b>	<b>0.000</b>	<b>0.000</b>

#### CAPITAL PROGRAMME 2017/18 to 2019/20

64. The capital programme is set out in detail in appendix C1 covering existing and new proposed capital schemes to support the Council and the delivery of the Corporate Strategy priorities. Appendix C2 gives details of the capital programme's planned financing arrangements.
65. The estimates used to produce the new three year capital programme rely on the most up to date forecasted outturn for 2016/17. This budget is based on the three year capital forecast included in the quarter three Revenue and Capital Monitoring Report presented to Executive Cabinet on 16<sup>th</sup> February 2017. As such the details of the projects within the programme will not be repeated in this report however three further additions to the capital programme are being put forward as part of this budget strategy. In addition it is proposed that the Chorley East Health Centre is deleted from the programme.

#### *Additions to Capital Programme*

66. The **Council's IT** hardware and some software systems require major investments to bring them to a standard to allow the Council to effectively implement the Customer & Digital Strategy as part of the wider Transformation Strategy. This includes enabling shared services, empowering Council employees to work smarter and develop shared approach to community action and co-production. Specifically the budget will fund the replacement of network, computer and storage hardware that is currently unsupported to government standards in the next one to three years. It will also fund a desktop refresh, integrated voice and mobile platform, replacement corporate WiFi and new city WiFi and improve business continuity and disaster recovery arrangements. **The estimated costs of works are £750k with a £275k contribution from ICT revenue reserves accumulated in prior years.**
67. As outlined in the report the **Council owned assets** will require investment to allow the Council to implement its Transformation Strategy, this could include the upfront costs

associated with co-location for shared services or to enhance the Council’s portfolio of income generating assets. As part of the developments the Council will receive an income source from partner organisations such as LCFT via contributions for the cost of occupying and maintaining the shared facilities. In addition the Council is currently assessing the scale of works required to its reservoirs so as it remains compliant with the Reservoirs Act 1975 and the anticipated changes to the act. It is proposed **that an additional £100k is set aside in 17/18, 18/19 and 19/20** to fund these likely requirements for capital improvements.

- 68. The original budget for the Steeley Lane Gateway Improvement Project was £200k of which £180k has been committed to survey works and works to Theatre Walk, Bus Station Crossing and Eastway-Steeley Lane. The total budget required to complete all the works relating to this project was £300k including further works to the Subway and Pedestrian routes. The original proposals assumed a contribution from Network Rail would be made towards these later improvements in conjunction with their station works and, although the Council has pursued this funding it has not materialised. In addition the original costing based on 2013 prices must now be inflated for 2017/18 delivery. As a result this budget proposes an increase in the Steeley Lane Gateway budget of £160k to deliver all the works relating to this project.
- 69. The Council will identify the most appropriate method of financing these three growth items as to minimise the impact on the revenue budget. It is currently assumed the ICT investment will be funded through reserves and capital receipts. The remaining additional capital budget investment is forecast to be funded through prudential borrowing however it is envisaged that some of the rental income received from partner organisations occupying Council buildings will be set aside to finance some of this capital expenditure.

*Deletions to Capital Programme*

- 70. Due to long standing issues regarding access to NHS England funding via the Clinical Commissioning Group, the Chorley East Health Centre has not been identified as a priority project for delivery as part of the 2016 Corporate Strategy November 2016. As such it is proposed that this project is removed from the capital programme with the expectation that it may be replaced in the future with another health centre related scheme.
- 71. The proposals contained in the quarter three revenue and capital monitoring and the additions/deletions outlined in this report would create a capital programme as follows:-

	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Capital Expenditure	24.648	8.965	0.800	<b>34.413</b>

- 72. Capital financing for the period 2017/18 to 2019/20 is set out in Appendix C2 and summarised below in Table 12.

**Table 12: Capital Programme Financing 2017/18 to 2019/20**

Assumption	2017/18	2018/19	2019/20	Total	Note
	£m	£m	£m	£m	
Prudential Borrowing	0.625	0.260	0.100	<b>0.985</b>	(a)
Prudential Borrowing forecast to be cost neutral to the revenue budget	9.133	6.061		<b>15.194</b>	(b)
Reserves	1.916			<b>1.916</b>	
Developer & Other Contributions	5.013			<b>5.013</b>	(c)
CIL	1.300			<b>1.300</b>	(d)
Capital Receipts	1.215			<b>1.215</b>	
New Homes Bonus	0.475	0.332	0.330	<b>1.137</b>	(e)
Grants	4.971	2.312	0.370	<b>7.653</b>	(f)
<b>Total</b>	<b>24.648</b>	<b>8.965</b>	<b>0.800</b>	<b>34.413</b>	

- a) These figures include £525k borrowing for the Chorley Youth Zone as well as growth in budget for Steeley Lane and Asset Improvements outlined previously in the report
- b) This borrowing will be revenue neutral to the Council as it either relates to income generating projects that will cover the repayments or it relates to Primrose Garden Retirement Living in which borrowing is expected to be replaced by S106 contributions
- c) These relate to £1.3m market walk extension public realm works, £1.5m LCC contributions for Chorley Youth Zone and Primrose Retirement. Other allocations relate to play and open space projects, as these schemes are designed and approved it is expected that further allocations will be drawn down in 2018/19 & 2019/20.
- d) Contribution to market walk extension public realm works
- e) Allocation in 2017/18 includes carry forward from 2016/17 to fund Astley 2020 thereafter £400k is budgeted year on year towards to the capital programme minus the forecast savings from charging for garden receptacles
- f) Includes the HCA grant for Primrose Gardens and ERDF grant for the Digital Office Park. The Disabled Facilities Grant is currently assumed at £370k per year based on the 2015/16 lower allocation. The budget will be increased in-year if confirmation is received that the higher allocation received in 2016/17, approximately £600k, will continue.

73. The Council will receive further S106 contributions and allocate them to appropriate projects when they have been received. A summary of S106 funding received and allocated is attached in appendix C3.



**CONCLUSIONS**

74. This paper outlines for the Council the Executive's budget proposals for 2017/18 which are:

- **Mitigates the reduction in Central Government grant and introduction of a reverse tariff, by increasing Council Tax by 2% in 2017/18 and including a 2% increase in Council Tax in 2018/19 and 2019/20 as part of the medium term budget strategy.**
- **Protects the impact on front line services that the reduction in LCC funding will have by introducing a subscription based garden waste collection service and charging for replacement bins**
- **Budget efficiency savings and increased income of £0.416m have been secured for 2017/18**
- **The successful implementation of the MTFS has allowed the Council to include in the budget £0.652m of revenue investment packages in 2017/18 and £0.468m in 2018/19 onwards**
- **The successful implementation of the MTFS has allowed the Council to create resources to create reserves to enhance the financial resilience of the Council and better enable the implementation of the Transformation Strategy**
- **Investments will be made in key areas to support the new Corporate Strategy:**
  - 1. INVOLVE RESIDENTS IN IMPROVING THEIR LOCAL AREA AND EQUALITY OF ACCESS FOR ALL.**
  - 2. CLEAN, SAFE AND HEALTHY COMMUNITIES.**
  - 3. AN AMBITIOUS COUNCIL THAT DOES MORE TO MEET THE NEEDS OF RESIDENTS AND THE LOCAL AREA.**
  - 4. A STRONG LOCAL ECONOMY.**
- **The MTFS sets out proposals consistent with the funding implications of the government's Spending Review 2016 and the Provisional Local Government Finance Settlement 2017.**
- **The assumptions included in the budget have been assessed in the light of the latest information available at this time. They are also compatible with:**
  - 1. the proposed Pay Policy as set out in Appendix A2.**
  - 2. the proposed Treasury Management Strategy as set out in Appendix D**

75. The MTFS contains the updated budget forecasts to 2019/20 which identifies that further budget savings will be required to bridge the funding gap in future years. The forecasted budget deficit in 2018/19 is estimated to be £1.665m and the MTFS sets out

options that can be considered to bridge this gap. Therefore the MTFS provides a plan to deliver a balanced budget over the longer term in Appendix F.

- 76. The Council will need to continue working extremely hard, be innovative and creative to continue to make efficiencies and at the same time minimise the impact on services. There are still factors that may affect the current forecast financial position namely the scheduled reform in BRR. 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.
- 77. The contents of this report are supplemented with additional reports, policies and statements to provide further details as referenced below:

Appendix A1	Formal Council Tax Resolution 2017/18
Appendix A2	Pay Policy 2017/18
Appendix B	Cumulative Budget Deficit & Budget Strategy 2017-18 to 2019-20
Appendix C1	Capital Programme 2016/17 to 2019/20
Appendix C2	Capital Programme Financing 2016/17 to 2019/20
Appendix C3	Developers' Contributions
Appendix D	Treasury Management Strategy 2017/18 to 2019/20
Appendix D1	Advice of Treasury Management Consultants
Appendix E	Statutory Financial Officer Report
Appendix F	Medium Term Financial Strategy 2017/18 to 2019/20
Appendix G	Variance Analysis – Movements from 2016/17 Original Estimates
Appendix H	Special Expenses /Parish Precepts 2017/18
Appendix I	Budget Consultation 2017/18
Appendix J	Assessing the Impact of 2017/18 Budget Proposals
Appendix K	Assessing the Impact of the Changes to Household Waste Collection

**IMPLICATIONS OF REPORT**

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

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

**COMMENTS OF THE STATUTORY FINANCE OFFICER**

79. The financial implications of the above report are detailed in the report and furthermore in the MTFS 2017/18 to 2019/20 (appendix F) and the Statutory Finance Officer's Report (appendix E).

**COMMENTS OF THE MONITORING OFFICER**

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

**COMMENTS OF THE HEAD OF HR AND OD**

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

**COMMENTS OF DIRECTOR**

82. The potential equality implications of the proposal contained within this report are set out in Appendix J, and should be considered as part of the decision making process. In addition, an integrated impact assessment has been undertaken with regard to the changes in the waste collection service. That is available as an appendix to this report (appendix K).

**GARY HALL  
CHIEF FINANCE OFFICER**

Report Author	Ext	Date	Doc ID
James Thomson	5025	17/02/17	GENERAL FUND REVENUE AND CAPITAL BUDGET AND COUNCIL TAX 2017/18

Background Papers:

Background Papers			
Document	Date	File	Place of Inspection
2017/18 Draft Budget and Summary Budget Position Over the Medium Term	19/01/2017		<a href="https://democracy.chorley.gov.uk/documents/s71696/Budget%20Report.pdf">https://democracy.chorley.gov.uk/documents/s71696/Budget%20Report.pdf</a>
Efficiency Plan	20/09/2016		<a href="https://democracy.chorley.gov.uk/documents/s68052/Efficiency%20Plan%20Full%20Council%20Report.pdf">https://democracy.chorley.gov.uk/documents/s68052/Efficiency%20Plan%20Full%20Council%20Report.pdf</a>

This page is intentionally left blank

## **PAY POLICY 2017/18 POLICY STATEMENT**

### **1. INTRODUCTION**

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

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

In addition the Policy must be agreed by the Full Council and be publically available.

### **2. POLICY OBJECTIVE**

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

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

### **3. CHORLEY BOROUGH COUNCIL'S RESPONSIBILITY**

It is the Council's responsibility to ensure that:

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

### **4. OUTCOMES**

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

## POLICY PROCEDURE

### 1. SCOPE

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

### 2. PAY STRUCTURE

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

A copy of the nationally negotiated pay spine and the grades to which it relates at Chorley Council are included below incorporating a pay award of between £175 to £300 on the bottom 7 spinal column points and a 1% increase to the remaining pay points effective from the 1<sup>st</sup> April 2016 which was agreed as part of the 2016/17 national pay negotiations. A further pay award effective from 1 April 2017 has been agreed, again incorporating, between £225 to £300 on the bottom 7 spinal column points and 1% increase on the remaining pay points.

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

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

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

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

### 3. SENIOR MANAGEMENT REMUNERATION

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

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

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

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

#### **Chief Executive**

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

The level of salary for the Chief Executive, who is the Head of Paid Services, is £107,060 which is inclusive of the 7.5% Director's Car Lease Scheme contribution if this benefit is taken.

This figure is a single spot point and therefore there is no incremental progression. The salary increased with effect from 1 April 2016 by 1% in respect of a national pay awards under the Chief Executive Conditions of Service.

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

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

- Shared Assurance Services

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

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

Professional fees where membership of a particular professional organisation is required by the Chief Executive to carry out the full role of the post will be reimbursed. The current Chief



Executive is reimbursed for membership of the Chartered Institute of Public Finance which is required for the role of Statutory Finance Officer.

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

Chief Executive Salary (including lease car contribution)	Median salary (SCP 25)	Ratio
£107,060	£22,434	1:4.8

### **Deputy Chief Executive/Director (Early Intervention and Support)**

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

The level of salary for the Deputy Chief Executive/Director (Early Intervention and Support) is a single spot salary of £83,446, which is inclusive of the 7.5% Director's Car Lease Scheme contribution if this benefit is taken <sup>(1)</sup>.

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

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

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

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

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

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





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

Deputy Chief Executive/Director (Early Intervention and Support) Salary (including lease car contribution)	Median salary (SCP 25)	Ratio
£83,446	£22,434	1:3.7

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

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

The level of salary for all the Directors is a single spot salary of £70,000 which is inclusive of the 7.5% Director’s Car Lease Scheme contribution if this benefit is taken.

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

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

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

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

Director Salary (including lease car contribution)	Median salary (SCP 25)	Ratio
£70,000	£22,434	1:3.1

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

The level of salary for The Head of Governance is paid in accordance with the National Pay Spine as detailed within paragraph 2 of the Procedure, and was evaluated using the Single Status Job Evaluation Scheme, at PO Scale K (£49,891 to £51,656). Appointment would normally be at the bottom of the grade with incremental progression based upon annual increases until the maximum of the grade is reached.



In addition The Head of Governance is entitled to participate in the Council Car Lease Scheme which provides for a maximum of 7.5% of salary (£3,874) towards the cost of a lease car.

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

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

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

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

Head of Legal, Democratic & HR Services (including lease car contribution)	Median salary (SCP 25)	Ratio
£51,656	£22,434	1:2.3

**4. OTHER CONDITIONS RELATING TO SENIOR MANAGEMENT AND OTHER EMPLOYEES**

**Pension Arrangements**

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

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

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

**Performance Related Pay**

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



## **Bonuses**

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

## **Payments on the termination of employment**

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

## **Senior Managers returning to Chorley Council**

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

## **Professional Subscriptions**

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

## **Other Benefits**

Chorley Council pays for all employees including the senior managers detailed within this policy, to have level 1 access to a Health Care Plan, if they so wish. For all those employees participating in the scheme the value of the benefit is £52 per employee per annum. Anyone wanting to increase the level of cover, or include partners or spouses on the Health Care Plan must pay any additional premium themselves, through their salary.

# **5. LOWEST PAID EMPLOYEES**

## **Lowest Paid Employees**

At a meeting of the Council on the 8<sup>th</sup> January 2013, Chorley Council adopted the "Living Wage Foundation" rates for all its employees, excluding apprentices (see below), to address the issue of low pay. The Living Wage Foundation, which is a national body, established and annually updates what it considered to be a "living wage" which is an hourly rate and is currently £8.45 for outside London. The rate is set by the Centre for Research in Social Policy and is based upon what it considers to be the basic cost of living to provide a minimum income standard. This compares with the National Minimum Wage which is currently £7.50 per hour for employees aged 25 and over.

Both hourly rates appertaining to Scale 1 (£8.20 and £8.37 are below the National Living Wage, which now falls within the scale 2 of the national pay structure (see table below). Work was undertaken by the Council in light of its commitment to the Living Wage Foundation rates, to redesign existing scale 1 posts to give them greater responsibilities



which subsequently meant that they were re-evaluated under the national scheme detailed previously, to scale 2. Therefore all posts within Chorley Council, excluding apprentices, are paid at scale 2 as a minimum.

Salary range for Scale 2

Point	Annual salary	Hourly rate
13	£16,191	£8.57
14	£16,481	£8.72

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

### Apprenticeships

There are a number of apprentices currently employed by Chorley Council, within Streetscene, Leisure and Customer, Services. With effect from 1<sup>st</sup> April 2014 the Council agreed that apprentices should receive the current National Minimum Wage relating to their age. With effect from 1<sup>st</sup> April 2017 the new minimum wage rates are detailed below:-

Under 18	£4.05 per hour
18 - 20	£5.60 per hour
21 - 24	£7.05 per hour
25 and over	£7.50 per hour

Apprenticeships are usually employed for a fixed period of 2 years. It is difficult to ascertain the exact cost of the minimum wage for all apprentices as it depends upon the age profile and date of birth of the apprentices at any given time, as the rate can vary by up to £3.45 per hour.

## 6. GENDER PAY INFORMATION

This information is published in compliance with the The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 and relates to the 6 April 2017.

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

	Male	Female	Difference
Mean hourly rate	£13.87	£13.70	1.2%
Median hourly rate	£11.99	£11.99	0%

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

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

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



	Male	Female
Lower quartile	55.0%	44.0%
Lower middle quartile	38.6%	61.4%
Upper middle quartile	46.0%	53.0%
Upper quartile	54.2%	45.8%

## 7. COMPLIANCE

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

## 8. PUBLICATION

This policy will be published on the Chorley Council website as soon as possible after it has been approved by Full Council.

## 9. GLOSSARY OF TERMS

**Chief Officer Appointment Panel** - Member Panel appointed annually at full Council

**Head of Paid Service** – Statutory Officer appointed in accordance with section 4 of the Local Government and Housing Act 1989. The Chief Executive and Senior Officer at the Council with responsibility for co-ordinating and organising council business and ensuring proper management of staff.

**Monitoring Officer** – Statutory Officer appointed in accordance with section 5 of the Local Government and Housing Act 1989. The officer with responsibility for ensuring the legality of the Council's actions.

**Returning Officer** – Statutory Officer appointed in accordance with section 35 of the Representation of the People Act 1983. The RO has responsibility for the conduct of Council elections. The role is an independent statutory function which is appointed to by, but sits separate to the Council. The Constitution appoints the Chief Executive as RO.

**Statutory Finance Officer** - Statutory Officer appointed in accordance with section 151 of the Local Government Act 1972. The officer with responsibility for the proper administration of the Council's financial affairs.



**NJC FOR LOCAL GOVERNMENT SERVICES  
PAY SCALES 01/04/2017 TO 31/03/2018**

<b>SCALE 1</b>			<b>SCALE 2</b>		
SCP	Annual Salary	Hourly Rate	SCP	Annual Salary	Hourly Rate
<b>11</b>	15,507	8.2040	<b>13</b>	16,191	8.5659
<b>12</b>	15,823	8.3712	<b>14</b>	16,481	8.7193

<b>SCALE 3</b>			<b>SCALE 4</b>		
SCP	Annual Salary	Hourly Rate	SCP	Annual Salary	Hourly Rate
<b>15</b>	16,772	8.8732	<b>19</b>	18,560	9.8192
<b>16</b>	17,169	9.0833	<b>20</b>	19,238	10.1779
<b>17</b>	17,547	9.2832	<b>21</b>	19,939	10.5487
<b>18</b>	17,891	9.4652			

<b>SCALE 5</b>			<b>SCALE 6</b>		
SCP	Annual Salary	Hourly Rate	SCP	Annual Salary	Hourly Rate
<b>22</b>	20,456	10.8223	<b>26</b>	23,166	12.2560
<b>23</b>	21,057	11.1402	<b>27</b>	23,935	12.6628
<b>24</b>	21,745	11.5042	<b>28</b>	24,717	13.0765
<b>25</b>	22,434	11.8687			

<b>SO1</b>			<b>SO2</b>		
SCP	Annual Salary	Hourly Rate	SCP	Annual Salary	Hourly Rate
<b>29</b>	25,694	13.5934	<b>32</b>	28,203	14.9208
<b>30</b>	26,556	14.0495	<b>33</b>	29,033	15.3599
<b>31</b>	27,394	14.4928	<b>34</b>	29,854	15.7943

<b>PRINCIPAL OFFICER</b>					
SCP	Annual Salary	Hourly Rate	SCP	Annual Salary	Hourly Rate
<b>33</b>	29,033	15.3599	<b>51</b>	45,265	23.9476
<b>34</b>	29,854	15.7943	<b>52</b>	46,196	24.4402
<b>35</b>	30,480	16.1255	<b>53</b>	47,146	24.9425
<b>36</b>	31,288	16.5529	<b>54</b>	48,068	25.4304
<b>37</b>	32,164	17.0164	<b>55</b>	49,007	25.9273
<b>38</b>	33,106	17.5147	<b>56</b>	49,891	26.3948
<b>39</b>	34,196	18.0914	<b>57</b>	50,774	26.8619
<b>40</b>	35,093	18.5660	<b>58</b>	51,656	27.3289
<b>41</b>	36,019	19.0559	<b>59</b>	52,540	27.7964
<b>42</b>	36,937	19.5415	<b>60</b>	53,423	28.2634
<b>43</b>	37,858	20.0288	<b>61</b>	54,306	28.7304
<b>44</b>	38,789	20.5213	<b>62</b>	55,188	29.1975
<b>45</b>	39,660	20.9821	<b>63</b>	56,072	29.6650
<b>46</b>	40,619	21.4895	<b>64</b>	56,955	30.1320
<b>47</b>	41,551	21.9826	<b>65</b>	57,839	30.5996
<b>48</b>	42,474	22.4709	<b>66</b>	58,720	31.0661
<b>49</b>	43,387	22.9539	<b>67</b>	59,604	31.5336
<b>50</b>	44321	23.4480			

PO-A 33-36	PO-E 38-41	PO-I 50-52	PO-M 62-64
PO-B 34-37	PO-F 40-43	PO-J 53-55	PO-N 65-67
PO-C 35-38	PO-G 43-46	PO-K 56-58	
PO-D 36-39	PO-H 46-49	PO-L 59-61	

<b>Cumulative Budget Deficit &amp; Budget Strategy 2017-18 to 2019/20</b>	<b>2017/18 ESTIMATE £'000</b>	<b>2018/19 ESTIMATE £'000</b>	<b>2019/20 ESTIMATE £'000</b>
<b>CASH BASE BUDGET REQUIREMENT</b>	<b>14,059</b>	<b>14,423</b>	<b>15,422</b>
<b>Cash Movements:</b>			
Inflation Pay	133	99	96
Pensions	276	13	13
Pensions Rate Adj.	(165)	50	126
Non-Pay	33	6	20
Contractual	190	161	78
Income	202	16	(104)
Increments	47	22	10
Volume Expenditure	40	39	(45)
Volume Income	(4)	137	25
Loss of Income - LCC waste/recycling agreement	18	933	0
Market Walk Extension	0	(150)	(235)
Retirement Village	30	45	243
Digital Office Park	65	(7)	(76)
Chorley Employment Inclusion Programme	295	(295)	0
Chorley Youth Zone - Additional Contribution	0	50	0
Transformation Strategy Savings 2016/17	24	0	0
New Revenue Investment 2016/17	(1,408)	0	0
Recurrent Revenue Investment	468	0	0
LCC Transition Fund	100	(100)	0
<b>DIRECTORATE CASH BUDGETS</b>	<b>14,423</b>	<b>15,422</b>	<b>15,573</b>
Contingency:			
- Management of the Establishment	(150)	(150)	(150)
<b>Directorate &amp; Corporate Budgets</b>	<b>14,273</b>	<b>15,272</b>	<b>15,423</b>
<b>Net Financing Transactions:</b>			
- Net Interest/Premiums/Discounts	3	(4)	(22)
- Minimum Revenue Provision (MRP - capital financing)	543	549	549
- MRP £23m & Borrowing £13m for Market Walk	366	345	327
- Additional interest on Borrowing not initially taken	350	495	531
<b>sub total</b>	<b>1,263</b>	<b>1,386</b>	<b>1,386</b>
<b>TOTAL EXPENDITURE</b>	<b>15,536</b>	<b>16,658</b>	<b>16,808</b>
<b>Financed By:</b>			
Council Tax - Borough	(6,376)	(6,439)	(6,503)
Revenue Support Grant	(734)	(299)	156
Retained Business Rates	(2,930)	(2,930)	(2,930)
Business Rates Pooling	(717)	(717)	(717)
Government Section 31 Grants	(678)	(678)	(678)
Business Rates Retention Reserve	(539)	(53)	(23)
Collection Fund (Surplus)/Deficit - Business Rates	485	0	0
Use of NHB for Capital Investment (Future Years)	(400)	(400)	(400)
Use of NHB for contribution to General Balances	(500)	(259)	0
Use of uncommitted NHB	(3,107)	(2,323)	(2,398)
Council Tax Discount Family Annexes Grant	(5)	0	0
Collection Fund (Surplus)/Deficit - Council Tax	(80)	0	0
Transfers to/(from) Earmarked Reserves	73	(18)	17
Transition Fund - Transfer to Reserve	100	0	0
Transfer to/(from) General Balances	500	259	0
<b>TOTAL FINANCING</b>	<b>(14,906)</b>	<b>(13,857)</b>	<b>(13,475)</b>
<b>Cumulative Gross Budget Deficit Position</b>	<b>629</b>	<b>2,801</b>	<b>3,333</b>
Savings Achieved	(276)	(327)	(327)
Productivity Savings to be achieved in 2017/18	(140)	(163)	(163)
Use of LCC Transition Fund	(285)	0	0
Increase Council Tax by 2%	(127)	(260)	(398)
Reshaping the Waste Collection Service	(585)	(780)	(780)
<b>Adjusted Forecast Cumulative Budget Deficit Position</b>	<b>(784)</b>	<b>1,270</b>	<b>1,665</b>
<b>Utilising Resources Available in 2017/18</b>			
Creation of an Investment Project Fund	184		
Increase in Change Management Reserve	200		
Increase in Income Generating Investment Fund	300		
Increase in Maintenance Reserve	100		
<b>Adjusted Cumulative Budget Deficit Position 2017/18</b>	<b>0</b>	<b>1,270</b>	<b>1,665</b>
<b>Future Savings</b>			
Renegotiate Major Contracts	-	(70)	(315)
Transformation – Productivity Gains	-	(300)	(400)
Transformation – Shared Service	-	(600)	(650)
Transformation - Income Generation	-	(300)	(300)
<b>Forecast Adjusted Medium Term Budget Gap</b>	<b>-</b>	<b>0</b>	<b>0</b>

This page is intentionally left blank



**Capital Programme 2016/17 to 2019/20****APPENDIX C1**

	2016/17 Current Forecast £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2017/18 to 2019/20 £'000
<i>Customer &amp; Digital</i>					
ICT Refresh	-	750			750
Recycling receptacles	115	55	45	30	130
Recycling receptacles - Garden Waste	500	0	0		0
Puffin Crossing Collingwood Rd	48	0	0		0
People & Places Vehicles & Plant	166	0	0		0
Bank Hall	2,200	0	0		0
Path Works to Cemeteries	55	98	77		175
<b>Total Customer &amp; Digital</b>	<b>3,084</b>	<b>903</b>	<b>122</b>	<b>30</b>	<b>1,055</b>
<i>Policy &amp; Governance</i>					
Chorley Youth Zone	880	1,025	0		1,025
Astley 2020	210	445	0		445
<b>Total Policy &amp; Governance</b>	<b>1,090</b>	<b>1,470</b>	<b>0</b>	<b>0</b>	<b>1,470</b>
<i>Early Intervention</i>					
Chorley Adaptation Grant (Formerly DFG)	614	370	370	370	1,109
Cotswold House Improvements Final Phase	858	0	0		0
Leisure Centres Improvements	4	87	30	100	217
Delivery of CCTV 15/16 - 17/18	355	0	0		0
<b>Total Early Intervention</b>	<b>1,831</b>	<b>456</b>	<b>400</b>	<b>470</b>	<b>1,325</b>
<i>Regeneration &amp; Inward Investment</i>					
Asset Improvements	110	336	280	300	916
Market Walk Extension	3,000	9,030	0		9,030
Public Realm Works	80	920			920
Steeley Lane Gateway	0	114	160		274
Buckshaw Community Centre	475	0	0		0
Big Wood Access Improvements	83	0	0		0
Buckshaw Village Rail Station	0	726	0		726
Eaves Green Play Development	10	47	0		47
Play, Recreation and Open Space Projects	241	1,001	0		1,001
Rangletts Recreation Ground	97	0	0		0
Carr Brook Trim Trail	11	0	0		0
Yarrow Valley Car Park	11	209	0		209
Recreation Strategy	0	105	0		105
Primrose Retirement Village	711	3,482	5,553		9,036
Westway Playing Fields Sports Campus	11	949	0		949
Digital Office Park	770	4,900	2,450		7,350
Land Swap with HCA	2,948	0	0		0
<b>Total Regeneration &amp; Inward Investment</b>	<b>8,559</b>	<b>21,819</b>	<b>8,443</b>	<b>300</b>	<b>30,563</b>
<b>Total Capital Programme</b>	<b>14,563</b>	<b>24,648</b>	<b>8,965</b>	<b>800</b>	<b>34,413</b>

This page is intentionally left blank

**Capital Programme Financing 2016/17 to 2019/20****APPENDIX C2**

	2016/17	2017/18	2018/19	2019/20	Total 2017/18 to 2019/20
	£'000	£'000	£'000	£'000	£'000
<b>External Funding</b>					
External Contributions	1,420	5,013	0		5,013
CIL		1,300			1,300
Grants	3,966	4,971	2,312	370	7,652
<b>Total External Funding</b>	<b>5,386</b>	<b>11,284</b>	<b>2,312</b>	<b>370</b>	<b>13,965</b>
<b>Chorley Council Resources</b>					
Reserves and Revenue Contribution to Capital	657	1,916	0		1,916
New Homes Bonus	264	475	332	330	1,137
Capital Receipts	2,678	1,215	0		1,215
<b>Self- Financing Prudential Borrowing</b>					
Market Walk Extension	3,000	6,353			6,353
Digital Office Park	395	2,450	1,225		3,675
Recycling receptacles - Garden Waste	500				0
<b>Prudential Borrowing to be Replaced with S106</b>					
Primrose Retirement Village	711	331	4,836		5,167
<b>Planned Prudential Borrowing</b>					
Other Prudential Borrowing	592	100	260	100	460
Chorley Youth Zone	380	525			525
<b>Total Chorley Council Resources</b>	<b>9,177</b>	<b>13,364</b>	<b>6,653</b>	<b>430</b>	<b>20,447</b>
<b>Capital Financing Total</b>	<b>14,563</b>	<b>24,648</b>	<b>8,965</b>	<b>800</b>	<b>34,413</b>

This page is intentionally left blank

## Developers' Contributions 2015/16 to 2019/20

APPENDIX C3

Budgeted use of developers' contributions

	BAL B/F	2015/16		BAL C/F	2016/17		BAL C/F	2017/18		BAL C/F	2018/19		BAL C/F	2019/20		BAL C/F
	31/03/2015 £000	RECEIVABLE £000	USE £000	31/03/2016 £000	RECEIVABLE £000	BUDGETED USE £000	31/03/2017 £000	FORECAST RECEIVABLE £000	BUDGETED USE £000	31/03/2018 £000	FORECAST RECEIVABLE £000	BUDGETED USE £000	31/03/2018 £000	FORECAST RECEIVABLE £000	BUDGETED USE £000	31/03/2018 £000
Various Purposes	(2,335)	(2,387)	533	(4,189)		527	(3,662)	0	1,407	(2,255)	0	0	(2,255)	0	0	(2,255)
Affordable Housing	(176)	(90)	0	(266)	9		(257)	0	0	(257)	0	0	(257)	0	0	(257)
Transport	(777)	(161)	0	(938)		48	(890)	0	696	(195)	0	0	(195)	0	0	(195)
Environmental Improvements	(86)		0	(86)		75	(11)	0	0	(11)	0	0	(11)	0	0	(11)
Play & Open Space	(1,970)	110	163	(1,697)	(500)	255	(1,942)	(207)	1,405	(744)	0	0	(744)	0	0	(744)
	<b>(5,345)</b>	<b>(2,527)</b>	<b>695</b>	<b>(7,177)</b>	<b>(491)</b>	<b>905</b>	<b>(6,763)</b>	<b>(207)</b>	<b>3,508</b>	<b>(3,462)</b>	<b>0</b>	<b>0</b>	<b>(3,462)</b>	<b>0</b>	<b>0</b>	<b>(3,462)</b>

(1)/(2)/(3)

(2)

(2)

(2)

(2)/(4)

(1) Income receivable includes accrued contributions from developers at the Buckshaw Site

(2) Further contributions will be receivable between 2016/17 and 2019/20

(3) Income to be allocated to fund the town centre public realm works in 2017/18 identified in the Market Walk Extension paper approved at Full Council in Sep 2017

(4) Forecast income receivable in 2017/18 includes additional developer contributions identified but not yet invoiced (as the triggers have not been hit) to fund Westway and King George sites

## Use of Contributions Receivable from Developers 2014/15 to 2017/18

	2014/15	2015/16	2016/17	2017/18
	USE £000	USE £000	FORECAST USE £000	BUDGETED USE £000
Rangletts Recreation Ground	635	383	81	
Market Walk Extension				1,377
Affordable Housing projects at Beaconsfield Terrace, Halliwell Street and St George's Street	375			
Cotswold House Improvements	47			
Puffin Crossing Collingwood Rd/Letchworth Drive			48	
Buckshaw Village Cycle Network	11			
Buckshaw Community Centre		150	475	
Buckshaw Village Railway Station				726
Big Wood Access Improvements	12		75	
Eaves Green Play Development	179	49	54	47
Play and Recreation Fund projects	24			215
Adlington Play Facilities (Grove Farm )	164			
Play, Recreation and Public Open Space projects	188	42	69	
Carr Brook Trim Trail		72	11	
King George V playing pitches			86	368
Westway			5	774
	<b>1,635</b>	<b>695</b>	<b>905</b>	<b>3,508</b>

This page is intentionally left blank

# Medium Term Financial Strategy 2017/18 to 2019/20



# Table of Contents

FOREWORD AND INTRODUCTION.....	3
CORPORATE PRIORITIES.....	5
FINANCIAL OUTLOOK AND KEY BUDGET CHALLENGES.....	6
INVESTMENT AND SUPPORTING THE CORPORATE STRATEGY ..	11
HOW THE FINANCIAL CHALLENGE WILL BE MET .....	13
UTILISING RESOURCES AVAILABLE IN 2017/18 .....	17
BUDGET STRATEGY.....	19
CAPITAL PROGRAMME .....	22
WORKING BALANCES .....	23
TREASURY MANAGEMENT.....	24



## FOREWORD AND INTRODUCTION

The aim of this strategy is to set out in financial terms the impact of the Council's existing policy commitments and the likely resources available to meet them and to support the Council's Corporate Strategy. This strategy covers the general fund, or taxpayers account, and the capital investment programme whilst also recognising working balances and the Treasury Strategy.

This Medium Term Financial Strategy (MTFS) continues to plan a route by which the budget gap could be bridged in order to deliver the Corporate Strategy. For a number of successive years local authorities have faced fundamental changes to funding and a period of significant budget reductions and challenges.

The MTFS therefore gives the Council an overview of future budget gaps so strategic decisions can be made over levels of future spending, Council Tax levels, investment, policies for fees and charges and asset purchase or disposal.

The Council has experienced significant reductions in funding since 2010/11. The Draft Local Government Finance Settlement published on 15 December 2016 announced further large scale reductions in the Council's resources. Funding received through the finance settlement will fall from £5.7m in 2016/17 to £4.2m in 2019/20. In addition to this the New Homes Bonus grant will be cut by approximately £1.6m from 2018/19 onwards. The Council will also experience reductions of over £1m in LCC support from 2018/19 onwards.

Despite these financial challenges the administration's financial aims are to make decisions early on in the budget planning period. In doing this the Council is able to adequately plan and budget for the delivery of the Corporate Strategy priorities identified later on in this strategy.

The update of the Council's MTFS is crucial for maintaining effective budgetary planning allowing for the continued investment in the Council's strategic priorities whilst delivering high quality services to its residents. This strategy continues to deliver efficiency savings and outlines the Council's ambition to build on its success in investing in income generating schemes and delivering shared services.

Concurrent to delivering investment, a financial strategy will also be implemented seeking to:

- **Deliver a balanced budget by 2019/20**
- **Mitigate the reduction in Central Government grant and introduction of a reverse tariff, by increasing Council Tax by 2% in 2017/18 and including a 2% increase in Council Tax in 2018/19 and 2019/20 as part of the medium term budget strategy**
- **Protect the impact on front line services that the reduction in LCC funding will have by introducing a subscription based garden waste collection service and charging for replacement bins**
- **Deliver budget efficiency savings and increased income in 2017/18 onwards to improve financial resilience, balance the budget and minimise the impact that cuts in funding have on front line services**

- **Identify future uncommitted resources and commit the balances to support the Council's Transformation Strategy and the transition period to further funding regime changes expected in 2019/20**
- **Continue to deliver investment in Corporate Strategy priorities**
- **Enhance the financial resilience of the Council's budget by increasing the level of working balances from £3.0m to £4.0m by the end of 2018/19**
- **Make the Council more financially self-sufficient with specific emphasis on investing in income generating projects**
- **Deliver the Transformation Strategy and support the organisation in fundamentally changing service delivery models to make them more sustainable in the coming years.**

In conjunction with the operational budget the MTFS will encompass all aspects of the Council's financial health including the capital programme and the effective management of its cash balances. These principles are outlined in this report and in the Council's Treasury Strategy (appendix D).

With each financial year bringing with it even tighter fiscal conditions in the retraction of centrally controlled funding and added local risk of 100% business rates retention, the overriding aims of the MTFS will be increasingly difficult to address. Nevertheless this strategy sets out ways in which it is envisaged this could be achieved.

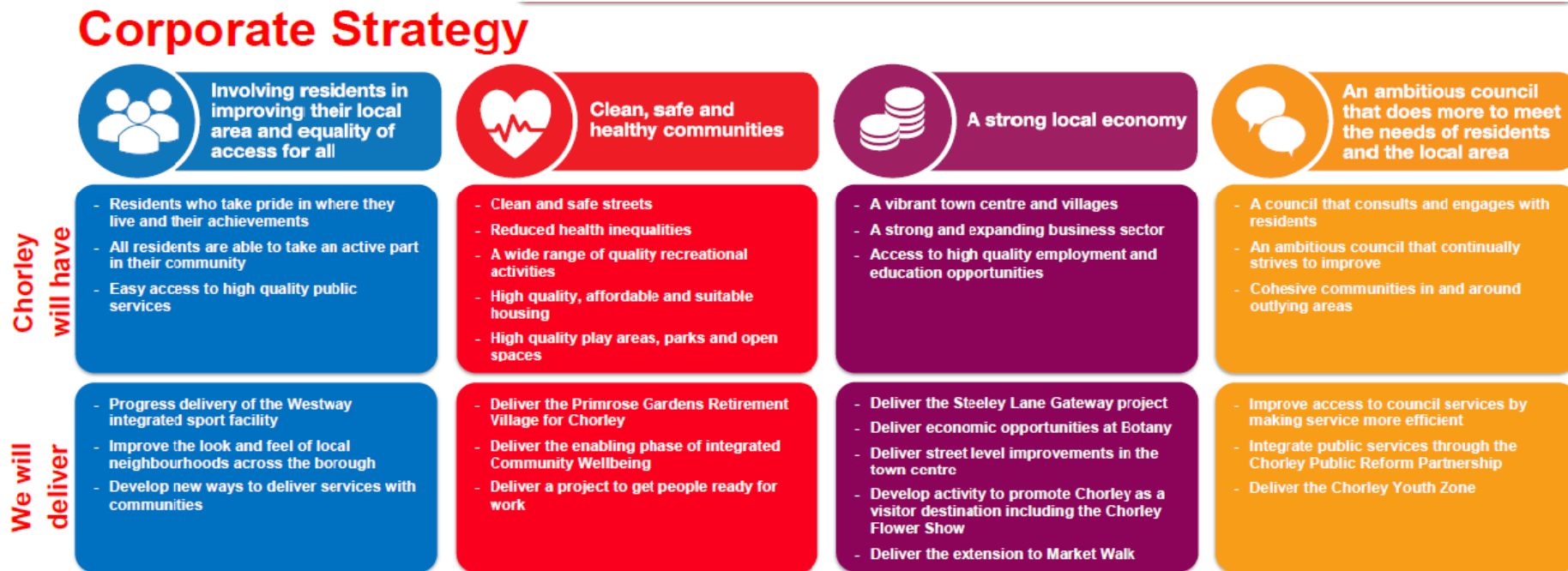
The following sections of the MTFS will include:

1. What the Council's corporate priorities are
2. The financial outlook and key challenges over the planning period to 2019/20
3. Where the Council will continue to invest in its services to deliver its Corporate Strategy priorities
4. How the Council has balanced the budget and created available resources in 2017/18. How the Council will use the resources to create earmarked reserves to enable the implementation of the Transformation Strategy
5. Strategies the Council will explore to deliver a balanced budget in the medium term
6. The delivery of the capital programme
7. Planning for the level of working balances
8. Treasury management and strategy

## CORPORATE PRIORITIES

This section of the strategy sets out the Council's policy direction. The overall purpose of the financial strategy is to identify resources that are sustainable and financially resilient in order to deliver the objectives, targets and measures contained in the Corporate Strategy. It is important for the financial strategy to facilitate the achievement of the Council's policy objectives.

The key priorities and long term outcomes of the Council's Corporate Strategy are set out below:



The delivery of the Corporate Strategy is supported through a series of key projects and the organisational plan. In each case, the resources required to deliver the projects and plans are broadly developed through the business planning process, and resources identified during the budget planning process. The allocation of resources outlined in this strategy should be sufficient for the Council to achieve its business plans and projects, which support the delivery of the Corporate Strategy's vision, priorities and long term outcomes.

**FINANCIAL OUTLOOK AND KEY BUDGET CHALLENGES**

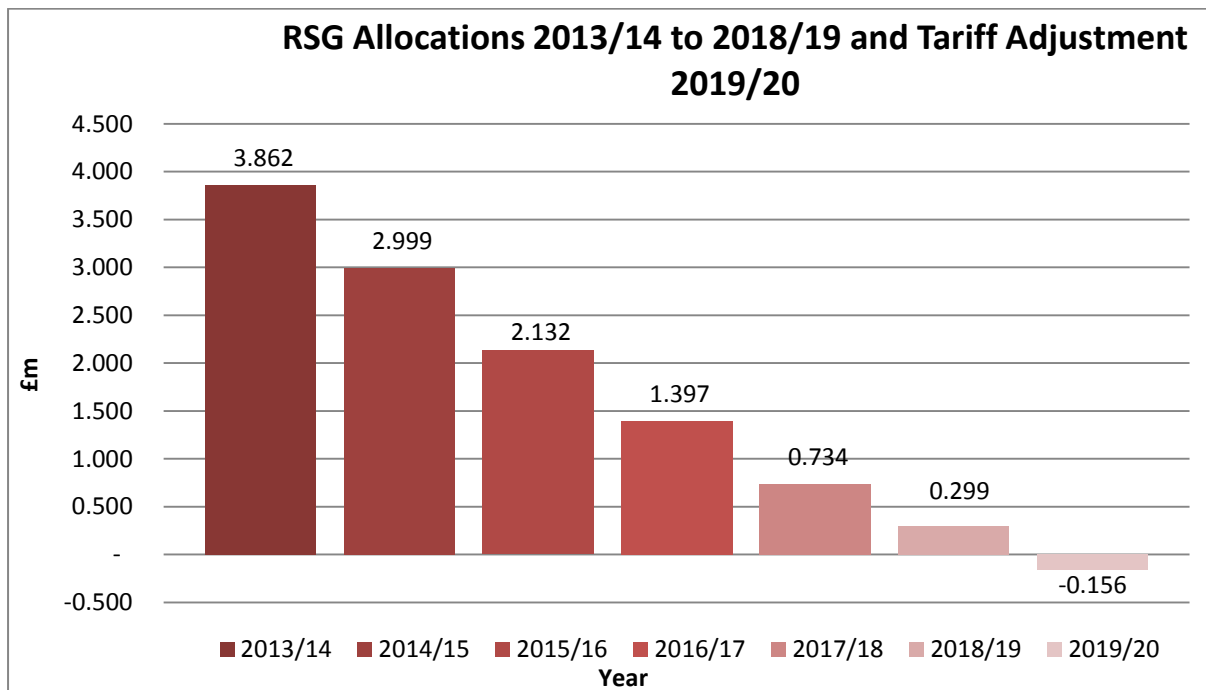
This section sets out the financial challenges facing the Council in delivering its corporate priorities within a balanced and affordable budget.

The provisional local government finance settlement was announced on the 15 December 2016. As per previous finance settlements, Chorley Council has and will continue to experience large reductions in its major funding sources. The challenge to meet these reductions has never been as severe as they will be in the coming three years. The effects on the largest funding sources are outlined below. These figures are based upon the allocations outlined in the provisional finance settlement as the confirmation of the final settlement has not yet been received.

**Revenue Support Grant (RSG)**

The Local Government Finance Settlement 2015 offered all Councils a four year Revenue Support Grant (RSG) settlement from 2016/17 to 2019/20. In accordance with Government requirements an Efficiency Plan was agreed at Full Council in September 2016. This document is published on the Council's [website](#) and outlines its approach to meeting the budgetary challenges it faces in the coming years. On 16 November 2016 the Council received confirmation from DCLG of its four year RSG settlement. As such these allocations are included in Council's forecast budget position outlined in the MTFS.

The graph below illustrates the removal of RSG over the coming years and the introduction of a tariff in 2019/20. This reduction in funding is based upon a government comparison of the Council's total level of assumed resources and total assumed level of spending needs. The government funding statement includes the assumption that the Council will increase Council tax by at least 2% every year from 2016/17 onwards.



## New Homes Bonus

In the draft settlement announced in December 2016, the government has made further reductions to the Council's allocation of New Homes Bonus (NHB). The grant will fall from 6 years to 4 years with a transitional 5<sup>th</sup> year in 2017/18. In addition from 2017/18 onwards the Council will not receive NHB for approximately the first 150 homes it builds. The table below outlines the forecast NHB allocations using figures prior to the changes in funding and the forecast allocations announced in December 2016.

**Table 1: Cumulative Reductions in Forecast New Homes Bonus 2016/17 to 2019/20**

	16/17 £m	17/18 £m	18/19 £m	19/20 £m
Forecast NHB Allocation – prior to changes	(4.455)	(4.753)	(4.610)	(4.471)
Forecast NHB Allocation – Draft Local Government Finance Settlement 2017	(4.455)	(4.006)	(2.982)	(2.797)
Reduction in Funding	0.000	0.747	1.628	1.674

When fully implemented the cuts to NHB allocation are in the region of £1.6m a year representing a **10% reduction in total funding available to Chorley Council**.

Despite these large reductions in NHB allocations the grant still represents a significant source of income for Chorley Council. In order to meet budget pressures and funding reductions the Council recognises **that all uncommitted new homes bonus will be built into the revenue base budget**. Budget strategies outlined later in this report will be used to meet the remaining budget gap and create available resources to provide the Council with opportunities to invest in its corporate priorities and create earmarked reserves.

## Lancashire County Council

Chorley Council is currently in a 'Cost Share' arrangement with Lancashire County Council whereby the County pay the district councils via the Lancashire Waste Partnership. This represents compensatory payments for loss of income from when the previous recycling credits system was revised. The arrangement is due to expire in March 2018 and therefore if no replacement agreement is available, this income stream will be withdrawn as at that date. This represents a £900k fall in income and is reflected in the 2018/19 deficit in Appendix B of the budget report also on this agenda.

In addition LCC will withdraw Supporting People funding from September 2017. This represents a total loss in funding of £138k, £69k in 2017/18 and a further £69k in 2018/19 onwards, for sheltered housing at Cotswold House in Chorley. The scheme will continue with Chorley Council making up the deficit in funding from mid-2017/18 onwards.

**Table 2: Summary of Year-on-Year Reductions in Major Funding Sources**

Funding Source	17/18 £m	18/19 £m	19/20 £m	Total £m
Reduction in RSG	0.663	0.435	0.455	1.553
Reduction in NHB	0.747	0.881	0.046	1.674
Reduction in LCC Income	0.070	1.003	0.000	1.073
<b>Total Year-on-Year Loss of Funding</b>	<b>1.480</b>	<b>2.319</b>	<b>0.501</b>	<b>4.300</b>

The Council faces enormous reductions in its funding. The large reductions summarised above emphasise the size of the task the Council faces to bridge the gap, in particular the Council faces a £2.3m reduction in funding in 2018/19 alone.

The budget is based upon the reductions in funding described above and the following key budget assumptions outlined in table 3. These assumptions (for example, the 0% increase in Council Tax) set out the existing position, before the policy decisions outlined in this strategy are implemented.

**Table 3: Gross Budget Deficit (Existing Position) - Key Budget Assumptions**

Key Assumptions	2017/18	2018/19	2019/20
Increase in Council tax	0%	0%	0%
Growth in Council Tax Base	2.1%	1.0%	1.0%
Growth in Retained Business Rates	0%	0%	0%
Reduction in Revenue Support Grant	£0.663m	£0.435m	£0.455m
Total Forecast New Homes Bonus	(£4.007m)	(£2.982m)	(£2.798m)
Total Forecast Uncommitted New Homes Bonus Built Into the Base Budget	(£3.106m)	(£2.323m)	(£2.398m)
Net Financing of Market Walk	£0.716m	£0.840m	£0.858m
Future Service Pension Rate	14.4%	14.4%	14.4%
Additional Business Rates - Lancashire Pooling Arrangement	(£0.726m)	(£0.726m)	(£0.726m)
Lancashire Waste Partnership Income	(£0.933m)	0	0
Supporting People Income from LCC	(£0.069m)	0	0
Pension Fund Deficit Recovery	£0.791m	£0.841m	£0.966m
Pay Award	1%	1%	1%
Investment Projects Built into Base Budget	£0.468m	£0.468m	£0.468m

#### Other Budget Assumptions

As part of a **triennial pension review** the Lancashire County Pension Fund announced an increase in employer pension contributions to meet the future costs of the scheme. The contributions have increased from 11.1% to 14.4% resulting in an increase in Council's contribution of approximately £275k per annum.

## Business Rates Retention

Chorley continues to benefit from being a member of the Lancashire Business Rates Pooling agreement which gained ministerial approval in November 2015. In essence all member authorities are treated as one in respect of levy payments normally paid to Central Government. The result is that all members of the pool retain the levy payment normally passed over to the Government to fund Safety Net payments. This lead to in a £725k increase in the budgeted retained business rates at Chorley Council. Membership and approval of the pool is made on an annual basis and the pool has been confirmed for 2017/18.

The **revaluation of business rates** in 2016 has resulted in an increase in rateable values on average across the country. However Chorley, like most councils in Northern England, experienced on average a reduction in rateable values. As a result the government has reduced Chorley Council's tariff to create a budget neutral effect of the revaluations. The impact of the changes to tariffs and the new multipliers have been budget neutral for the Council however there remain large risks with regard to **retained business rates**:

- a) The DCLG consultation regarding the tariff adjustments suggests there will be further adjustments in 2018/19 that may impact positively or negatively on the Council's retained business rates
- b) The Government has launched its further consultation on the design of the reformed 100% retained business rates system. The consultation proposes a full implementation of the system to begin in 2019/20 with a revised baseline and tariff/top-ups being set every 5 years. The overriding principle of the new system is that the changes will be fiscally neutral. Councils will be expected to continue the delivery of current services or take on additional responsibilities if the reforms were to result in an increase in retained business rates. Transitional arrangements are not finalised, as a result the funding in the period leading up to full implementation, as well the income the Council will retain in 2019/20, is unknown and creates significant uncertainty in the three year budget planning process.
- c) A large risk associated with business rates income relates to two applications for mandatory charitable relief received from Lancashire Teaching Hospitals NHS Foundation Trust. If successful the application would be backdated to 2010 and therefore have a significant impact on the Council's revenue budget. A headline figure is a potential £1.3m impact on the Council's general fund and an approximate £200k further reduction in ongoing retained business rates.

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

The four year settlement and the announcement of the changes to the NHB grant offer the Council some certainty of funding over the coming three years. As a result the Council is able to build into the base budget **£468k of recurrent investment projects** per year. These are described further in Table 6.

**SUMMARY**

The reductions in funding outlined in Table 2 and the budget assumptions made in Table 3 result in an ongoing cumulative budget deficit in 2017/18 to 2019/20 as described below and detailed further in Appendix B.

**Table 4: Gross Budget Deficit (Existing Position)**

	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>
Cumulative Gross Budget Deficit	0.629	2.801	3.333

The next section of the strategy outlines how this budget will support the Council's Corporate Strategy priorities. It will then describe what measures the Council has and will introduce to bridge the cumulative budget deficits and create headroom in 2017/18 for further investment in Corporate Strategy priorities.



## INVESTMENT AND SUPPORTING THE CORPORATE STRATEGY

The budget figures summarised in Tables 3 & 4 include recurrent annual resources that will deliver the Corporate Strategy priorities through a programme of activities designed to achieve sustainable local growth and reform in the way that the Council delivers services. A list of the projects supporting each priority is shown below along with the resources that will fund them:

**Table 5: Projects to Deliver Corporate Strategy Priorities**

Corporate Strategy Project	Source of funding
Involving residents in improving their local area and equality of access for all	
Progress delivery of the Westway integrated sport facility	Capital Programme
Improve the look and feel of local neighbourhoods across the borough	Base Budget
Develop new ways to deliver services with communities	16/17 Investment Project Funded 16/17 to 18/19
Clean safe and healthy communities	
Deliver the Primrose Gardens Retirement Living	Capital Programme
Deliver the enabling phase of integrated community wellbeing	Base Budget
Deliver a project to get people ready for work	Remaining LCC Transition Fund & External Funding
A strong local economy	
Deliver the Steeley Lane Gateway project	Capital Programme
Deliver economic opportunities at Botany	Base Budget
Deliver street level improvements to the town centre	Capital Programme
Develop activity to promote Chorley as a visitor destination including the Chorley Flower Show	Now included in the Base Budget
Deliver the extension to Market Walk	Capital Programme
An ambitious council that does more to meet the needs of residents and the local area	
Improve access to council services by making services more efficient	Base Budget
Integrate public services through the Chorley Public Service Reform Partnership	Continued Investment & Transformation Challenge Award
Deliver the Chorley Youth Zone	Capital Programme

In order to further the delivery of the corporate priorities **£468k of investment funding** is included in the base budget from 2017/18 onwards. This includes £20k towards the Council's employee health scheme. The other investment budgets are outlined below, all these budgets are included in the budget deficit identified in Table 4:

**Table 6: Recurrent Investment Packages in the Base Budget from 2017/18 onwards**

Investment	Description
Police Community Support Officers - £110k	The Council will make a contribution of £110k towards part-funding PCSO posts in the borough, although further discussions and agreements need to be reached with the police and crime commissioner. The Executive Cabinet will be expecting the police to allocate fully funded posts to the borough according to their risk and threat analysis. The £110k contribution will fund PCSOs over and above the risk and threat level.
Retail Improvement Grants - £70k	The retail improvement grants scheme has been successful in regenerating the Council's shopping areas, creating jobs and reducing the number of empty units. A budget of £70k will be built into the base budget to continue these achievements. Due to the high demand from businesses for the grants a review is being undertaken to revise the application criteria. This will maximise the benefit successful applicants receive from the grants whilst ensuring the budget is sufficient to meet demand throughout the year.
Chorley Council Events Programme - £159k	The Council's events programme continues to go from strength-to-strength attracting record numbers of visitors and increased interest from corporate sponsorship. This budget will continue to enable the Council to deliver and improve the events programme while working to reduce the overall net cost.
Neighbourhood Preferred Projects - £50k	Neighbourhood working is a key priority for Chorley Council. Neighbourhood meetings allow neighbourhood groups to identify and agree the preferred projects that are important to the residents of each of the eight neighbourhood areas. The Council will continue to fund the delivery of projects that best meet the needs of its neighbourhoods. Where possible this funding will be used in partnership with external funding from other stakeholders to ensure the best outcomes for the Council's residents are delivered.
Digital Inclusion Officer - £20k	This ongoing budget will deliver support to residents to improve their confidence online.
Chorley Works - £39k	Chorley Works has been successful in delivering a number of employment-related interventions for local residents. These include Confidence Building and Life Skills courses, employability workshops and 1:1 support and organising work trials and work experience placements with local businesses and organisations. In the future, Chorley Works will be working in collaboration with the Chorley Futures ESF project and therefore, is likely to make more of a significant impact on the lives of Chorley residents.

In addition to these investments the figures in the Council's base budget deficit illustrated in Table 4 includes the following one off allocations:

- For 2017/18 a one-off allocation of £100k for continued support during the implementation period of LCC's service reductions.
- Subject to European funding approval the Council will match fund £300k towards the £760k Chorley Futures Project that will identify barriers to training and employment, and plan an individually tailored programme of interventions to move beneficiaries closer to the labour market.

The £468k ongoing investment in corporate strategy priorities will be supplemented by an additional **£184k of investment projects for 2017/18**. These investments are made possible through the Council's achievement in bridging the 2017/18 budget deficit and creating sufficient headroom for additional investments. How this has been achieved is outlined in the next section of the strategy.

## HOW THE FINANCIAL CHALLENGE WILL BE MET

### WHAT HAS BEEN ACHIEVED TO BALANCE THE 2017/18 BUDGET?

The current MTFS set out ways in which the budget pressures and deficit have been addressed in the short term and how they will be addressed over a longer period. The successful implementation of the strategy has secured a balanced budget position in advance of the next financial year.

A key influencing factor on the forthcoming budget is the effective management of the budget in the preceding financial year. The Council recognised that due to proposed decreases in NHB allocation and the reduction in RSG the Council faced a budget deficit in 2017/18. To bridge this immediate budget gap the Executive Cabinet has achieved and identified proposals for immediate budget savings in preparation for 2017/18.

**Table 7: Savings and Increased Income Achieved Year-On-Year from 2014/15 to 2017/18**

Saving/Increased Income	Achieved 2014/15 £m	Achieved 2015/16 £m	Achieved 2016/17 £m	Achieved 2017/18 £m	Total
Productivity Gains	0.331	0.017	0.085	0.140	0.573
Pay Policy	0.036	-	-		0.036
Review of Contracts	0.035	0.200	-	0.059	0.294
Review of Income Streams - Inc. Market Walk	-	0.446	-	0.050	0.496
Review of the Base Budget	0.094	0.045	0.128	0.100	0.367
Review of Management Structure 16/17	-	-	0.229	0.067	0.296
Investment Yield	0.442	-	-		0.442
Lancashire Business Rates Retention Pooling	-	-	0.725		0.725
<b>Total Saving/Increased Income</b>	<b>0.938</b>	<b>0.708</b>	<b>1.167</b>	<b>0.416</b>	<b>3.299</b>

## SAVINGS ACHIEVED AND SAVINGS TO BE ACHIEVED FOR 2017/18

**Budget efficiency savings and increased income** (excluding changes to the waste collection service) of £0.416m will be delivered to help reduce the budget deficit in 2017/18. These savings are added to the £1.167m (16/17), £0.708m (15/16) and £0.938m (14/15) delivered in the past three years. The 2017/18 savings are attributable to the following key projects:-

- Review of Contracts (£59k) - The re-procurement of the Council's insurance contract has achieved an annual saving of £59k per annum. Cost efficiencies were achieved by appointing a common insurance broker and undertaking joint procurement exercise with South Ribble Borough Council.
- Review of Income Steams (£50k) - The continued success of the Chorley's Market Walk Shopping Centre has led to full occupancy of its units in 2017/18. As a result an additional £50k has been built into the Council's income budget in 2017/18 onwards.
- Base Budget Review (£0.100m) – The management accounts team in conjunction with service managers have identified £100k of budgets that are underutilised or no longer required moving forward.
- A review of the Management Structure (£0.067m) – A review of the management structure was undertaken and reported to Council in January 2016 to create a structure that enables implementation of the future governance models and public service reform. Savings are profiled as follows: £0.229m (2016/17); £0.295m (2017/18) and £0.347m (2018/19)
- Productivity gains (£140k) - there are changes that need to be made to some staffing structures to ensure that the Council's organisation remains fit for purpose and able to deliver the Council's priorities. Therefore, prior to the start of the 2017/18 financial year, work is being undertaken that will result in changes to structures that are forecast to result in cumulative savings of £140k (17/18) and £163k (18/19). Many of these posts are vacant and should therefore not lead to a reduction in service provision

## USE OF THE LCC TRANSITION FUND

In 2016/17 it was agreed to create a £1.0m transition fund to support the implementation period of LCC's service reductions to address its own budget deficit position. To meet the challenges faced in 2017/18 the Council has reviewed the committed expenditure against this provision. To date the fund has been used to:

- enable the continued 6/6a & 109a/24a bus services until March 2017
- enable continued library provision in Adlington, Coppull and Eccleston until March 2018
- fund the Council's £300k match funding towards the £760k European funded Chorley Futures Project. This will provide employment support to a target cohort who should previously have been potentially able to access support though the County Council.

It is proposed that a further £100k is left in the reserve in 2017/18 for potential future commitments that address LCC reductions in service provision.

After taking into account these commitments **the remaining balance on the fund is £285k**. This budget proposal will set aside this balance to cover the remaining 2017/18 budget deficit and create some headroom for additional investment and increases in earmarked reserves, outlined later on this strategy.

### RESHAPING THE WASTE COLLECTION SERVICE

From April 2018 the Council will no longer receive waste cost share funding from LCC, currently £930k per year. Changes to the waste collection service were agreed at Full Council in January 2017. The changes are:

1. A charge for all new and replacement wheeled bins is introduced in April 2017
2. A subscription based garden waste collection service is introduced in May 2017
3. Co-mingled paper and card collections are introduced in May 2017 with collection every four weeks resulting in a potential saving in the current waste and recycling contract

**Table 8: Forecast Cumulative Savings and Income from changes to Waste Collection Service**

	2017/18 £m	2018/19 £m	2019/20 £m
Charge for Replacement Bins	(0.060)	(0.070)	(0.070)
Introducing a Subscription Based Garden Waste Collection Service	(0.215)	(0.400)	(0.400)
Changes to Frequency of Collection	(0.310)	(0.310)	(0.310)
<b>Adjusted Budget Deficit/(Available Resources)</b>	<b>(0.585)</b>	<b>(0.780)</b>	<b>(0.780)</b>

The additional net income and savings that are forecast to be generated from these schemes are £585k in 2017/18 and £780k from 2018/19 onwards. The savings are lower in the 2017/18 due to costs of implementation. The net income from introducing subscription based garden waste collection includes the annual cost of running the scheme and the annual cost of financing the purchase of bins. Although these changes go some way to address the reduction in support from LCC it is clear the Council must find additional means to address this loss of income.

### INCREASE IN COUNCIL TAX

The Executive is proposing a 2% increase in council tax in 2017/18 and including a 2% increase in council tax in 2018/19 and 2019/20 as part of the medium term budget strategy. An increase, together with further savings options, would not only help to address the budget deficit but also be used to invest in projects that support delivery of the Council's corporate priorities.

Importantly, the reductions in Central Government funding announced in the Draft Local Government Finance Settlement 2016 were made with the assumption that not only would Councils expand the council tax base by building more homes but in addition, Councils would reduce the impact of grant reductions by increasing council tax by at least 2% year-

on-year. The funding mechanisms from central government will effectively penalise councils for not increasing council tax by at least 2%. Increasing council tax has a significant and cumulative effect on increasing Council’s resources. This will be required when central government remove RSG in 19/20 and replace it with an additional business rates tariff.

In addition, through freezing or reducing council tax over the past 7 years, Chorley Council has one of the lowest precepts (excluding Parish precepts) in Lancashire as per the figures below.

District Council	2015/16	2016/17	Increase 2016/17
Chorley	177.41	177.41	0.00%
Pendle	240.38	245.16	1.99%
Preston	285.06	290.73	1.99%
South Ribble	208.38	208.38	0.00%
West Lancashire	183.55	186.76	1.75%
Wyre	180.16	183.31	1.75%

**SUMMARY OF SAVINGS AND ADDITIONAL INCOME**

Table 9 illustrates that through savings achieved to date and identified for 2017/18, the use of the unutilised LCC transition reserve, reshaping the waste collection service and increasing council tax the Council is able to generate £1.4m of additional resources for 2017/18. This has allowed the Council to set a balanced budget in 2017/18 with additional available resources. Table 8 illustrates that through savings achieved to date and identified for 2017/18, the use of the unutilised LCC transition reserve, reshaping the waste collection service and increasing council tax the Council is able to generate £1.4m of additional resources for 2017/18. This has allowed the Council to set a balanced budget in 2017/18 with additional available resources. **The budget deficits in 2018/19 and 2019/20 are forecasts**, in particular they are modelled on a medium term strategy option to increase council tax by 2% in 2018/19 & 2019/20.

**Table 9: Adjusted Budget Deficit/(Available Resources)**

	17/18 £m	18/19 £m	19/20 £m
<b>Gross Cumulative Budget Deficit</b>	<b>0.629</b>	<b>2.801</b>	<b>3.333</b>
Savings Achieved	(0.276)	(0.327)	(0.327)
Productivity Savings to be Achieved in 2017/18	(0.140)	(0.163)	(0.163)
Use of LCC Transition Fund	(0.285)		
Increase Council Tax by 2%	(0.127)	(0.260)	(0.398)
Reshaping the Waste Collection Service	(0.585)	(0.780)	(0.780)
<b>Adjusted Budget Deficit/(Available Resources)</b>	<b>(0.784)</b>	<b>1.270</b>	<b>1.665</b>

The next section of this strategy outlines why it has been necessary to generate £784k of available resources the budget for 2017/18 including the need to continue to invest in the Corporate Strategy priorities and to create reserves to ensure the continued financial resilience of the Council.

## UTILISING RESOURCES AVAILABLE IN 2017/18

### ADDITIONAL INVESTMENT IN CORPORATE STRATEGY PRIORITIES

As well as the £468k of investment funding built into the base budget identified in Table 6, the Council has identified a one-off provision to fund projects that will further deliver the Council's corporate strategy priorities in the next financial year. A **£184k investment project fund** will be created for 2017/18 to fund the following priorities:

**Table 10: Additional One-Off Investment in Corporate Strategy Priorities 2017/18**

Investment Package	2017/18 £	Description
VCFS Network	15,000	Commission a service to provide infrastructure support to the sector
Support to Food Provision Schemes	15,000	Support schemes that are providing assistance to those who are most vulnerable and in need of food parcels, nutritious meals and related assistance
Public Service Reform	15,000	Deliver work to transform the way public services are delivered locally and to explore public service integration
16/17 Young Person's Drop In Centre	15,000	Provide a service for 16/17 year olds at risk of becoming homeless with the aim of preventing homelessness and keeping young people at home through support and mediation services
Free Swimming	7,000	Offer free swimming for under 16s during summer school holiday
North West in Bloom	20,000	This project will build on previous successes in the North West in Bloom competition, working with the 'Chorley in Bloom' charity group, schools, local communities, friends groups and others to prepare Chorley for 2016 competition
Business Support and Inward Investment Grants	82,000	This fund will encourage the growth of businesses in Chorley Borough and is in addition to the £70k built into the base budget for retail improvements
Deliver the Skills Framework	15,000	This project will carry out the action plan to respond to the supply and demand issues, opportunities and challenges identified in the recently commissioned Chorley Skills framework.
<b>TOTAL</b>	<b>184,000</b>	

## INCREASE IN EARMARKED RESERVES FOR 2017/18

This report has outlined that there are large forecast budget deficits that will need to be addressed during the medium term planning period. In order to meet these deficits the Council must be resourced correctly to allow it to reform and restructure in the best way possible to continue to deliver services in a more innovative and efficient manner. Significant upfront costs are likely to be incurred in order for the Council to successfully implement the necessary strategies. As such it is proposed that reserves are created to meet these future costs.

The strategy proposes that the **change management reserve is increased to £200k** in 2017/18. This reserve has been fully utilised in 2016/17 for costs relating to restructures undertaken during that period. Further staffing changes will take place as part of the transformation and shared services strategies and so this reserve will need to be resourced correctly for the Council to fund these changes.

As part of the 2016/17 budget setting process the Council set aside £600k in a reserve to fund investment in income generating schemes that would create net income for the Council in order to bridge its budget deficit. To date £220k has been committed against this budget for the preliminary costs of bringing the Digital Office Park to the planning stage and for procurement support. In order to deliver future reductions in net expenditure it is important for the Council to continue to set aside resources to enable investments that will generate future income streams.

In particular the agreed acquisition of HCA employment land as part of a £2.9m land swap will mean Chorley Council acquire 33.7 acres of land, the majority identified as development for employment purposes. As a result of these large investments **it is proposed that the Council set aside £300k of reserves in 2017/18 to realise the income generating potential from these employment sites.** This will result in the reserve being brought back to over £600k in 2017/18.

Finally, it is expected that the Council will incur one off expenditure in 2017/18 relating to the maintenance of its assets. This will include works to Council offices that will prepare for changes implemented through the Transformation Strategy. These works will be in addition to the Council's annual maintenance budget and so **it is proposed that in 2017/18 £100k is set-aside for these works.**

**Table 11: Cumulative Budget Deficit after Proposed Transfers to Reserves**

	2017/18 £m
<b>Adjusted Budget Deficit/(Available Resources)</b>	<b>(0.784)</b>
Creation of an Investment Project Fund	0.184
Increase in Change Management Reserve	0.200
Increase in Income Generating Investment Fund	0.300
Increase in Maintenance Reserve	0.100
<b>Adjusted Budget Deficit/(Available Resources)</b>	<b>0.000</b>



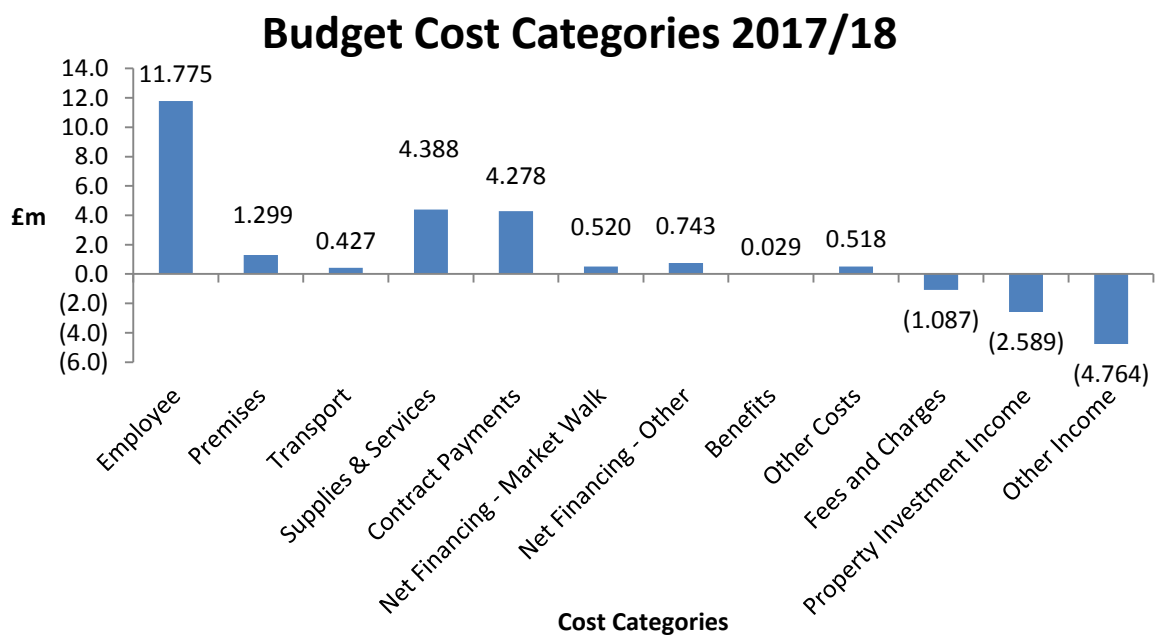
**BUDGET STRATEGY**

Despite the balanced budget in 2017/18 there are large forecast budget gaps in 2018/19 and 2019/20. To achieve a reduction in net expenditure the Council’s Strategy will be:

- To deliver a balanced budget over the Financial Planning period to 2019/20
- To realise savings through the procurement of major contracts
- To identify the efficiencies through shared services and alternative delivery models that will enable the Council to balance the budget whilst seeking to minimise the impact on front line service users
- To make the Council more financially self-sufficient with specific emphasis on creating investments that will generate net income to the Council. This includes identifying future uncommitted resources and commit the balances to support income generating schemes.
- To establish working balances no lower than £4.0m over the financial planning period 2016/17 to 2018/19.

**FINANCIAL CONTEXT**

The strategy outlined further below seeks to close the budget gap by 2019/20. In order to protect front line services the priority of the MTFs is to seek to apply an appropriate balance between maximising income opportunities and reducing costs. To put the strategy in a financial context the total budgeted expenditure of £15.536m in 2017/18 (appendix B) is spent in the following areas:-



## **REALISING SAVINGS THROUGH THE PROCUREMENT OF MAJOR CONTRACTS**

During the MTFs period the Council will undertake large procurement exercises on major contracts that are coming to the end of the contract agreement periods. The ambition for the Council is that through these procurement exercises it will transform its delivery of key services whilst generating cost savings and continuing to provide excellent service quality.

The Council encourages an innovative approach to service delivery and therefore various options will be considered including the utilisation of existing Council premises and vehicles, expanded shared procurement with other Councils and the consideration of bringing some services completely in-house. A target savings of **£70k and £315k** has been included in the 2018/19 & 2019/20 budget forecast however it is expected that further efficiencies can be identified earlier on in the medium term once the procurement exercises are underway.

## **TRANSFORMATION STRATEGY – SHARED SERVICES**

Shared services continue to be a significant method by which councils generate savings and capacity for service delivery. Nationally, there are many examples of shared services, ranging from individual posts and services to full shared management teams. South Ribble and Chorley Councils are the most obvious partners for developing further shared services, given the strong track-record of joint working and similarities between the two.

A paper will be presented to the Executive Cabinet in 2017 that sets out a joint ambition to create a close working relationship, with the ultimate aim to develop full shared services serving two independent and sovereign councils. This work will mean some upfront investment, although costs will be able to be contained within existing resources.

Cost savings achieved by other district councils would suggest that a 10% saving would be achievable over the long term by sharing officer structures and key contracts. A target cumulative saving of **£600k in 2018/19 and £650k by 2019/20** is included within this strategy.

## **TRANSFORMATION STRATEGY – PRODUCTIVITY GAINS**

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

- The Transformation Strategy will facilitate a greater integration of public services. In partnership with Lancashire Care NHS Foundation Trust (LCFT) the Council is implementing an Integrated Community Wellbeing Service. The proposal is to integrate public services that relates to promoting health and wellbeing of individuals or communities and are aimed particularly around prevention and early intervention. The service will consist of functions drawn from both LCFT and Chorley Council and will include around 45 FTE from Chorley Council. The partnership is currently in the enabling phase but when implemented is anticipated to generate opportunities for savings over the long-term.
- The Transformation Strategy will develop and implement the 'WorkSmart' programme. This will facilitate a shared culture of smarter working, maximising the use of technology and digital information. Cost savings are expected through process/productivity improvements and consolidation of office space.

- The Transformation Strategy will develop a Council approach to community-action and co-production. Communities and residents will be empowered to take an active role in their community, realising the value of key local assets. Residents will be engaged, communities more resilient with increased customer.

At this early stage savings linked to each strand of the transformation strategy cannot be estimated, it is assumed in the MTFs that **cumulative savings of £300k (2018/19) and £400k (2019/20) are achievable.**

### TRANSFORMATION STRATEGY – INCOME GENERATION

Councils across the country are exploring a number of different strategies in dealing with ongoing budget pressures and ensuring the future sustainability of Council services. Chorley Council encourages a creative approach when meeting budget gaps through generating revenue streams. In 2013 the Council purchased the Market Walk shopping centre and as a landlord generates approximately £1m surplus per annum. The Council is investing £12m capital expenditure to further extend the retail and leisure offer with the expectation to generate a further £400k annual surplus. In addition, the Council is seeking to diversify its investment portfolio by building a £9m Retirement Living Complex and £8m Digital Office Park both of which have successful external funding bids and approved planning permission.

Despite these positive steps the Council is taking, further work must be undertaken to recognise fully the potential revenue streams the Council is able to generate.

The Council commissioned an independent review of the investments it can make to generate net income. The findings of this document can be found via the link at the end of this report. The report provides a framework for the Council to assess different income generating options. These will vary in terms of the ease of implementation and the scale of returns and social impact. With the £600k investment fund that has been set aside the Council is able to develop its income generating strategy and begin to realise returns within the MTFs period. It is assumed the Council can realise **£300k by 2018/19.**

Table 12 below summarises the options available for consideration to bridge the forecasted budget deficit over the MTFs period.

**Table 12: Summary of the Council's Strategies for Generating Efficiency Savings and Increasing Net Income**

STRATEGY	2017/18 £m	2018/19 £m	2019/20 £m
<b>Forecast Budget Deficit</b>	-	<b>1.270</b>	<b>1.665</b>
Renegotiate Contracts	-	(0.070)	(0.315)
Transformation – Productivity Gains	-	(0.300)	(0.400)
Transformation – Shared Service	-	(0.600)	(0.650)
Transformation – Income Generation Strategy	-	(0.300)	(0.300)
<b>Adjusted Medium Term Budget Deficit</b>	-	<b>0.000</b>	<b>0.000</b>

## CAPITAL PROGRAMME

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

- The resources available will be targeted at areas that deliver corporate priorities.
- Borrowing will be managed to ensure the future impact on revenue is minimised.
- The Council will consider the purchase and/or development of assets to generate a sustainable revenue stream to counteract against the risk of future reductions in grant funding and year to year fluctuations in locally sourced funding and to invest in regeneration of the Borough.
- The Council will consider working with partners to assist them to meet their objectives where there is no impact on Council Tax.
- The Council will continue to identify land to assist in delivering its affordable housing targets.
- The Council will look to maximise opportunities to attract external finance to sustain its programme of work although this is likely to be limited in the next financial planning period.

Details of the capital programme including new capital investment are outlined in the Budget Report and Appendices C1 to C3 also on this Council agenda. The Council proposes to invest £34.413 into the capital programme to support the Council's Corporate Strategy and the priorities within it.

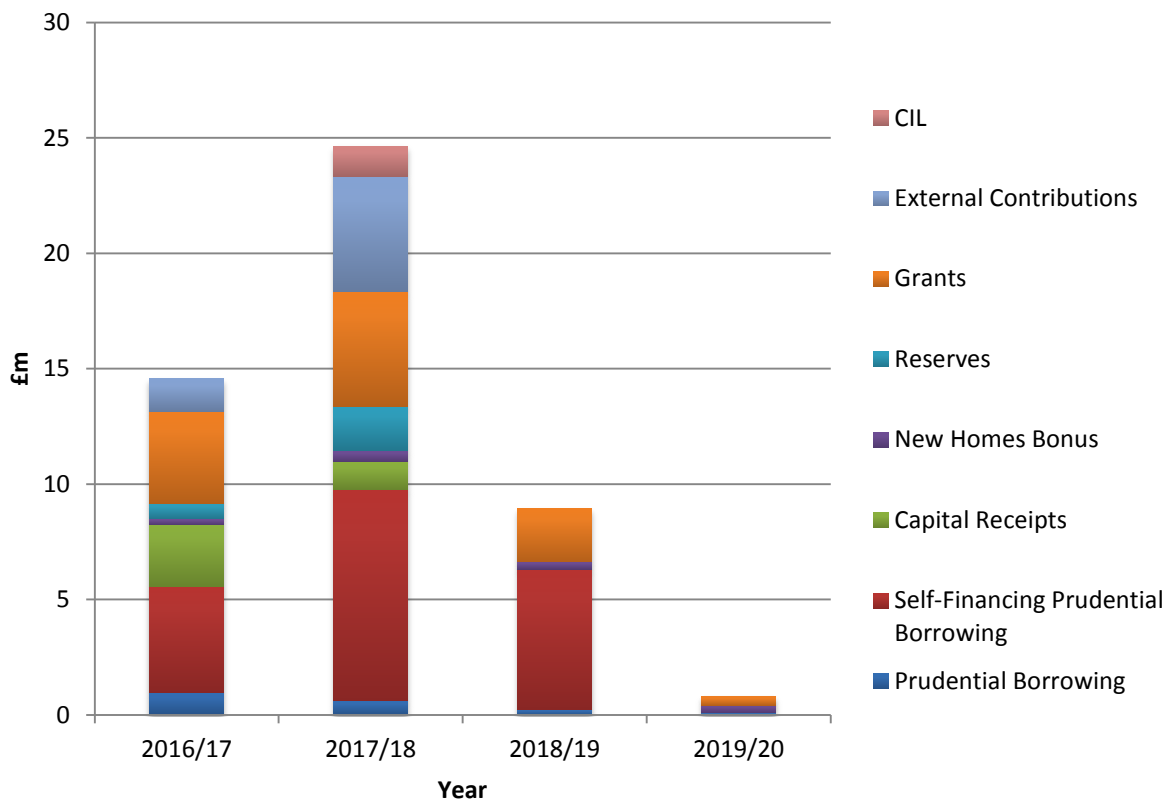
The capital programme includes large investments that will generate income to meet the borrowing that is used to fund them including a £8.120m Digital Office Park and £12.030m Market Walk Extension.

The budget report also outlines three additions to the capital programme to enable the Council to deliver the Corporate and Transformation Strategy, these include:

- Investment of £750k in the Council's **ICT infrastructure** to allow the Council to effectively implement the Customer & Digital Strategy as part of the wider Transformation Strategy.
- Investment of £300k over 3 years in the **assets owned by the Council** to further the delivery of shared services and alternative models of service delivery including sharing accommodation with partner organisations such as LCFT.
- An additional £160k to complete the full scope of works relating to the **Steeley Lane Gateway Improvement Project**.

The financing of the capital programme for the period 2016/17 to 2019/20 is set out in Appendix C2 and summarised in the proceeding chart.

### Capital Expenditure & Financing 2016/17 to 2019/20



### WORKING BALANCES

The Council is required to maintain adequate financial reserves to meet the needs of the authority. This report has identified a number of external factors that will have a negative impact on the Council’s financial risk profile. Working balances must be maintained to respond to these risks as well as providing the necessary resources to fund any required restructuring of Council services.

The 2016/17 MTFS identified a need for working balances to reach £4.0m by 2018/19. The rationale for this position is that the Council should have working balances that would enable it to cover the loss of any deposit it holds should this occur. This was one of the criticisms made of some Councils who did not have sufficient reserves should a banking crisis result in the loss of a significant proportion of such deposits. Currently the Treasury Strategy places a £3.0m upper limit on investments with banks (other than the part-nationalised RBS Group), building societies, money market funds, and local authorities.

In addition, working balances are there to protect Councils against the ‘peaks and troughs’ in expenditure and income and they allow fluctuations to be managed by bringing budgets

back into balance. The increased reliance on business rates to fund the Council's expenditure creates uncertainty over the MFTS period. Variances against the forecast business rates base can be created by numerous occurrences including appeals, delays in receiving valuations and a slowdown in the economy. Increasing working balances enable the Council to better manage these unforeseen variances.

Working balances will also be increased to fund any unavoidable expenditure relating to restructures the Council undertakes relating to its fundamental review of costs. This may be required if costs exceed funding set aside in earmarked reserves identified earlier on this strategy.

The Council continues to manage its budget effectively with no significant overspends on recurrent budgets in the last few years. In light of the moveable platform on which core funding now sits, the emphasis on approach within the MFTS will be on financial sustainability and flexibility over the medium and longer term. The use of working balances is legitimate but should only be a short term strategy.

The working balances position is made up of estimated balances in hand and forward forecasts, as per the Revenue and Capital Monitoring Report sent to Executive Cabinet on 16 February 2017, as shown below:

**Table 13: Forecast General Fund 2016/17 to 2018/19**

<b>General Balances</b>	<b>£m</b>
Opening Balance 2016/17	2.685
Budgeted contribution to General Balances	0.500
Forecast revenue budget underspend	0.098
<b>Forecast General Fund Closing Balance 2016/17</b>	<b>3.283</b>
Budgeted contribution to General Fund 17/18	0.500
Budgeted contribution to General Fund 18/19	0.259
<b>Forecast General Fund Closing Balance 2018/19</b>	<b>4.042</b>

## **TREASURY MANAGEMENT**

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

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

In all respects the Council complies with the above and reviews these requirements in the annual Treasury Strategy and also in the Treasury Mid-Year Review reports.

In respect of Council Strategy for Treasury Management the principles will be as follows:-

**The Council will:**

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

**The prudential indicators, targets and measures will be agreed as part of the budget setting process in February 2017, via the production of the annual Treasury Management Strategy**

<b>Background Papers</b>			
<b>Document</b>	<b>Date</b>	<b>File</b>	<b>Place of Inspection</b>
Income Generation – Independent Review	17/02/2017	<a href="https://democracy.chorley.gov.uk/documents/s73004/Chorley%20Council%20-%20Income%20Generation%20-%20Independent%20Review.pdf">https://democracy.chorley.gov.uk/documents/s73004/Chorley%20Council%20-%20Income%20Generation%20-%20Independent%20Review.pdf</a>	
Efficiency Plan	20/09/2016	<a href="https://democracy.chorley.gov.uk/documents/s68052/Efficiency%20Plan%20Full%20Council%20Report.pdf">https://democracy.chorley.gov.uk/documents/s68052/Efficiency%20Plan%20Full%20Council%20Report.pdf</a>	

This page is intentionally left blank



**Variance Analysis - Movements from 2016/17 Original Estimates**

Description	Details	2017/18 Budget Changes £	2017/18 Budget Changes £
<b>DIRECTORATE CASH BUDGETS</b>			<b>14,059,430</b>
<b>STAFFING</b>	Increase in staffing costs of 1% pay award, increments, and impact on N.I. & Pension.		
	- Employees - Pay Awards	132,810	
	- Employees - Pay Increments	46,880	
	- Impact of Pension rate change for 2017/18	275,740	
	- Change in Pension deficit charges for 2017/18	(165,100)	
			<b>290,330</b>
<b>CONTRACTS</b>			
Waste contract	Inflation on original contract, plus property growth and vehicle replacement cost - this does not include savings through adjustments to the frequency of collection identified below under 'budget savings' heading	148,570	
Insurance Services	Inflationary increase on Council's original insurance premiums plus increase in Insurance Premium Tax (IPT).	17,790	
Active Nation leisure contract	Annual inflationary increase in costs for the Council's leisure centres contract.	11,230	
ICT Contracts	Annual inflationary increases in contract costs for various computer equipment/software contracts.	10,860	
Water Charges	Provision for anticipated increase in revised United Utilities surface water charges no longer required.	(20,000)	
Other Contracts	Inflationary increases on all other contracts.	21,820	
			<b>190,270</b>
<b>OTHER NON-PAY</b>			
Housing Benefits	Estimated reduction in income from housing benefit overpayments recovered based on latest forecasts for 2016/17.	91,650	
Regulatory Services	Empty Properties and Enforcement Officer post funded from investment budget carried forward in reserves.	37,110	
Customer Transformation	Debt Recovery Officer staffing costs to 16/10/17 funded from reserves	13,460	
Buckshaw Community Centre	Full year anticipated net cost of the new centre	10,000	
Economic Development	Employer Engagement Officer staffing costs to 07/11/17 funded from reserves	5,720	
Elections	No local elections in 2017/18. Budget saving offset by transfer to reserve for use in future years.	(114,000)	
Non Domestic Rates	Reduction in business rates for Council offices & premises following .	(59,110)	
Stagecoach Depot	Assumes Stagecoach Depot will be leased to an external party who will be liable for Business Rates/Utilities	(22,600)	
External Funding	Funding for External Funding Officer post held in reserve to cover period to 21/07/16 end of Fixed Term post.	(9,200)	
Misc.	Various minor changes	7,700	
			<b>(39,270)</b>
<b>INCOME GENERATION</b>			
Parking Strategy	Changes to Parking Charges	180,000	
Council Tax	Reduction in estimated Council Tax Summons/Committal costs recovered.	35,000	
Investment Portfolio	Rental income from new retail units 98-102 Market St and new lease with Café Ambio from April 2017.	(8,900)	
Waste and Recycling Services	Increase in collection of bulky waste items by Veolia	(8,890)	
Misc.	Various minor changes	8,580	
			<b>205,790</b>
<b>INCOME (GOVERNMENT GRANTS)</b>			
Housing Benefit Administration	Reduction in Housing Benefit Admin Subsidy Grant receivable in 2017/18	24,580	
Housing Benefit Administration	Changes to Universal Credit Grant and New Burdens Grants for 2017/18	(1,740)	
			<b>22,840</b>
<b>INCOME (OTHER GRANTS &amp; CONTRIBUTIONS)</b>			
Housing Services	Assumed reduction in LCC Supporting People funding for 2017/18.	69,260	
LCC waste/recycling agreement	Amendment to waste/recycling Cost Share agreement with LCC for 2017/18	17,670	
Home Improvement Grants	Integrated Home Improvement Service (IHIS) - agreement with Lancashire County Council to continue for 2017/18	(20,000)	
Corporate Policy - Children's Partnership Board	Children's Partnership Board - LCC funding allocation 2016/17 only	15,000	
			<b>81,930</b>
<b>ADJUSTMENT FOR GROWTH ITEMS</b>			
New Revenue Investment 2016/17	One year growth items dropping out of budgets in 2017/18	(1,408,000)	
Digital access and inclusion	Budget funded by 2015/16 New Homes Bonus held in earmarked reserve for 2016/17 only.	(25,000)	
Accommodation finding service	Budget funded by 2015/16 New Homes Bonus held in earmarked reserve for 2016/17 only.	(18,000)	
Employment support fund with Runshaw College	Budget funded by 2015/16 New Homes Bonus held in earmarked reserve for 2016/17 only.	(10,000)	
Economic Development	New Market Walk, Markets & Town Centre Officer post funded by Market Walk service charge from 2018/19	33,980	
Waste & Streetscene Services	New Graduate Trainee post in Waste & Recycling Services as per report to Executive Cabinet 19/01/17	21,010	
Growth Lancashire	Membership of Growth Lancashire for 2017/18	15,000	
			<b>(1,391,010)</b>
<b>TRANSFORMATION STRATEGY</b>			
Chorley Employment Inclusion Programme	Funding for 3 year programme	300,000	
Digital Park	Business Support Package including external funding project manager and marketing prior to opening	65,230	
Retirement Village	Net cost of retirement village including temporary manager and marketing	30,300	
Parking Strategy	Implementation costs for 2017/18 only	20,000	
ESIF grant funding	Chorley Futures SO1 at 25%	(4,610)	
			<b>410,920</b>
<b>BUDGET SAVINGS</b>			
Waste Collection Service	Garden Waste subscription - forecast net income including the cost of financing the purchase of bins	(215,000)	
Waste Collection Service	Garden Waste - 4 weekly comingled collection and revised garden waste collection take-up	(310,000)	
Waste Collection Service	Garden Waste - forecast reduction in funding required for purchase of replacement waste receptacles	(60,000)	
Productivity Savings (Staffing changes)	Savings from vacant posts to be deleted in 2017/18	(140,000)	
Base Budget Review savings agreed for 2016/17	See Schedule of Base Budget Review Savings	(100,380)	
Senior Management Structure Review	Savings target from review of Senior Management Structure for 2016/17 to 2018/19	(66,500)	
Budget Savings Achieved	Insurance contract procurement	(59,090)	
Budget Savings Achieved	Market Walk additional revenue	(50,000)	
Single Front Office Review	Reduction in 2017/18 to take account of one-off savings in 2016/17	24,000	
			<b>(976,970)</b>
<b>NEW REVENUE INVESTMENT</b>			
Recurrent Revenue Investment	Recurrent Revenue Investment items introduced for 2017/18	468,440	
LCC Transition Fund 2017/18	New Revenue Investment items for 2017/18 only	100,000	
			<b>568,440</b>
<b>DIRECTORATE CASH BUDGETS</b>			<b>13,422,700</b>

This page is intentionally left blank

**Special Expenses/Parish Precepts 2017-18**

Parish	Tax Base 2017/18 No	Borough General Expenses 2017/18 £	Borough Special Expenses 2017/18 £	Borough Services Council Tax 2017/18 £	Parish Precept 2017/18 £	Parish Top-up 2017/18 £	Parish Yield 2017/18 £	Band D Parish Charge 2017/18 £	Band D Parish Charge 2016/17 £	Change in Parish Charge 2017/18 %	Total Charge 2016/17 £	Total Charge 2017/18 £
Adlington	1,984.42	161.56	4.91	166.47	18,500	1,816	16,684	8.41	8.87	-5.19%	172.07	174.88
Anderton	484.82	161.56	2.10	163.66	4,900	294	4,606	9.50	9.47	0.32%	169.92	173.16
Anglezarke	18.91	161.56	-	161.56	-	-	-	-	-	0.00%	158.39	161.56
Astley Village	930.92	161.56	27.60	189.16	24,357	3,877	20,480	22.00	21.16	3.97%	206.61	211.16
Bretherton	288.58	161.56	-	161.56	16,900	414	16,486	57.13	35.69	60.07%	194.08	218.69
Brindle	450.08	161.56	4.77	166.33	6,800	273	6,527	14.50	14.41	0.62%	177.48	180.83
Charnock Richard	670.65	161.56	3.93	165.49	28,000	345	27,655	41.24	41.28	-0.10%	203.52	206.73
Clayton Le Woods	4,708.06	161.56	38.38	199.94	115,035	11,458	103,577	22.00	13.45	63.57%	209.47	221.94
Coppull	2,243.01	161.56	8.07	169.63	92,625	10,576	82,049	36.58	35.32	3.57%	201.62	206.21
Croston	1,044.20	161.56	9.44	171.00	23,150	1,440	21,710	20.79	20.79	0.00%	188.43	191.79
Cuerden	40.78	161.56	11.58	173.14	1,150	2	1,148	28.15	25.98	8.35%	195.72	201.29
Eccleston	1,640.80	161.56	4.93	166.49	45,726	1,636	44,090	26.87	26.33	2.05%	189.55	193.36
Euxton	4,295.49	161.56	17.31	178.87	152,653	1,709	150,944	35.14	24.37	44.19%	199.73	214.01
Heapey	371.25	161.56	17.69	179.25	9,140	327	8,813	23.74	23.74	0.00%	199.47	202.99
Heath Charnock	798.65	161.56	21.51	183.07	7,750	335	7,415	9.28	9.58	-3.13%	189.06	192.35
Heskin	352.27	161.56	2.20	163.76	12,169	544	11,625	33.00	33.00	0.00%	193.55	196.76
Hoghton	339.14	161.56	6.96	168.52	6,000	167	5,833	17.20	16.82	2.26%	182.03	185.72
Mawdesley	752.94	161.56	1.37	162.93	28,750	794	27,956	37.13	37.16	-0.08%	196.89	200.06
Rivington	52.60	161.56	-	161.56	2,500	169	2,331	44.32	44.66	-0.76%	203.05	205.88
Ulnes Walton	247.92	161.56	-	161.56	5,999	205	5,794	23.37	23.37	0.00%	181.76	184.93
Wheilton	404.94	161.56	-	161.56	12,262	432	11,830	29.21	29.43	-0.75%	187.82	190.77
Whittle Le Woods	2,421.20	161.56	21.42	182.98	37,647	-	37,647	15.55	15.03	3.46%	194.42	198.53
Withnell	1,196.59	161.56	8.78	170.34	29,270	1,483	27,787	23.22	23.30	-0.34%	190.30	193.56
Other parts of the Borough	10,195.42	161.56	27.12	188.68	-	-	-	-	-	-	184.98	188.68
	<b>35,933.64</b>	<b>161.56</b>	<b>19.40</b>	<b>180.96</b>	<b>681,283</b>	<b>38,296</b>	<b>642,987</b>	<b>17.89</b>	<b>15.15</b>	<b>18.09%</b>	<b>192.56</b>	<b>198.85</b>

**Note:**

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

There is no change in the value of the Top-up payment from 2016/17

This page is intentionally left blank



## APPENDIX I

Report of	Meeting	Date
Director (Policy and Governance)	Special Council	28 February 2017

### BUDGET CONSULTATION 2017/18

#### PURPOSE OF REPORT

1. This report provides the Council with the results of the public consultation carried out on the Executive's draft budget investment proposals for 2017/18.

#### RECOMMENDATION(S)

2. That Members use the results which highlight the views of residents to inform their decisions on setting the budget for 2017/18.
3. That members note the changes to the household waste collection service in response to the consultation feedback

#### EXECUTIVE SUMMARY OF REPORT

4. Consultation on proposed budget principles for 2017/18 received a total of 540 responses to the online survey and also significant interaction online through social media. The open question format enabled individuals to give detailed feedback on the proposals and their views as to how the council might improve, supporting more meaningful engagement.
5. Content analysis of the comments showed a relatively even distribution of positive, negative and neutral feedback with more positive view points overall. The majority of negative comments related to changes to waste collection, approved by Council prior to the consultation commencing; a number of changes have been made in response to the feedback.

Confidential report Please bold as appropriate	Yes	No

#### CORPORATE PRIORITIES

6. This report relates to the following Strategic Objectives:

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

**BACKGROUND**

7. The 2017/18 budget consultation process started following approval of the budget position paper by Executive Cabinet on the 10 January 2017, which set out the budget forecast and guiding principles for application of the budget over the next 3 year financial period.
8. The consultation question format set out the key principles of the budget proposals along with a summary of the current context and challenges facing the council in future years. Proposals included:
  - Increase in council tax by 2%
  - Continuation of major investment projects to be delivered this year: Market Walk extension £17m; Chorley Youth Zone £4.8m; Primrose Gardens Retirement Village £9.7m; and Digital Health Park £8.1m
  - Continuation of investment in retail grants, developing the award-winning events programme and funding PCSOs
  - A balanced budget
  - Preservation of priority services
9. Respondents were asked to review the proposals and provide their comments in response to an open question, with the intention of gaining more qualitative feedback to gain a deeper insight into views and opinions. This approach avoided using closed questions to gather residents' views on issues and decisions that were being made based on other factors such as the budget deficit over the next three years.

**BUDGET CONSULTATION RESULTS**

10. Consultation on the 2017/18 budget response ran from the 20 January to the 10 of February 2017. The consultation was publicised through a structured digital campaign including 18,689 emails delivered to residents signing up to receive communications via the MyChorley account feature on the council website, as well as traditional media and awareness raising through local networks.
11. The formal consultation received 540 qualitative responses through an open ended question format which provided detailed feedback. This is a significant increase in the level of feedback compared to last year's survey where only 243 respondents offered additional views or comments.
12. As well as completing the online survey, residents were also invited to share their views and comments using social media. Posts to Facebook received a total 24,813 views and 85 comments reaching a wide representation of the population and generally younger demographic aged 25-34.
13. The responses have been collated and analysed to identify the main key words or phrases and then grouped together based on whether they indicated a positive or negative response to the proposals. A proportion of the comments offered suggestions for improvement or highlighted concerns, rather than a definable positive or negative view point and these have been grouped together as 'neutral' with further analysis by theme. It should be noted that responses often included more than one comment or suggestion, covering more than one area. Where this occurred, the main area of comment was selected.
14. The following table shows the distribution of positive, negative and neutral viewpoints.

Positive view of the proposals	<b>43%</b>
--------------------------------	------------

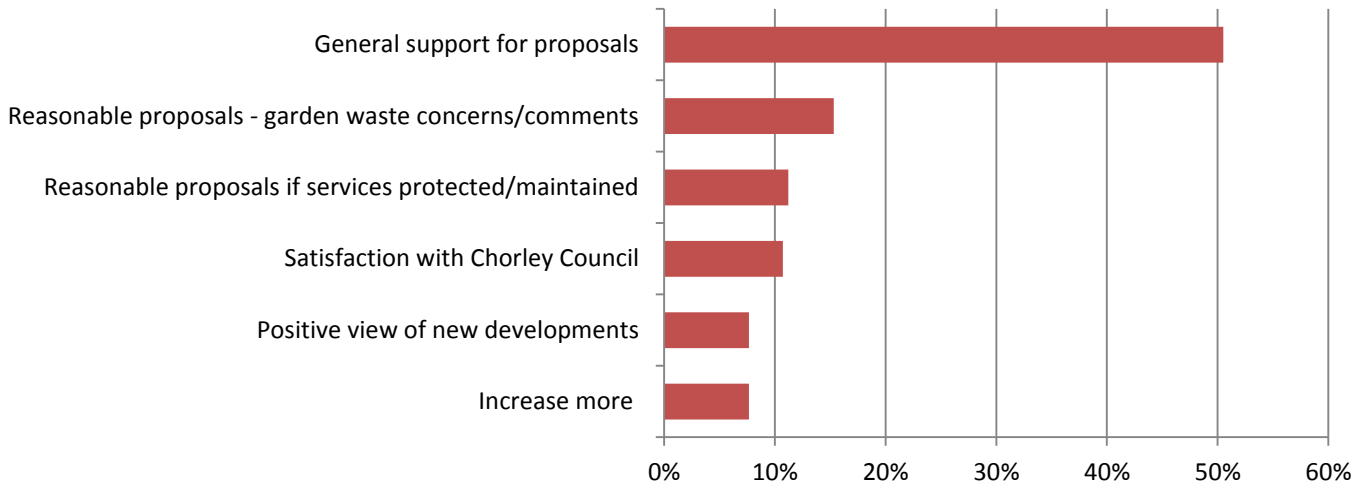
Negative view of the proposals	<b>38%</b>
Neutral view point	<b>19%</b>

A selection of comments is available at appendix A.

**Positive Responses**

15. Of those comments indicating a positive view point, the following themes can be identified:

**Positive response themes**

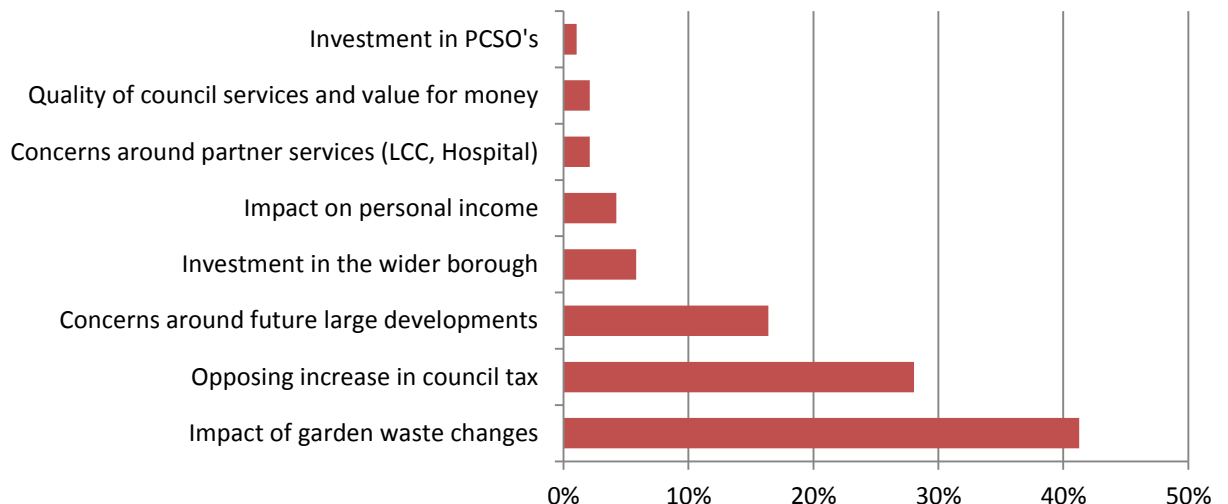


16. The majority of positive comments (51%) indicated general acceptance of the proposals, with many stating that they were ‘reasonable’ and ‘fair’. Some positive comments also referenced garden waste changes and around 11% of comments highlighted strong satisfaction with the council and its budget strategy; 8% said they would be prepared to pay more in return for greater level of investment and improvement.

**Negative Responses**

17. Of those comments expressing a negative view point, the following themes can be identified:

**Negative response themes**



*Household Waste Collection*

18. The majority of negative comments (41%) relate to changes to waste collections and specifically the charge for garden waste collections, agreed by Council prior to consultation on the budget commencing. In response to the feedback provided, a number of changes will be made to the garden waste collection scheme with more detail included in the table at appendix B which provides a brief note of action being taken or planned by the council for each negative theme.
19. Regarding the changes to the waste collection service, the suggested actions based on the consultation and wider feedback are:
  - to reduce the impact that the changes have on low income households by offering free home compost bin, on request, for those entitled to passported benefits
  - to offer the choice, on request, of a smaller 140 litre grey garden waste bin where in special circumstances the standard 240 litre bin would be unsuitable

**Neutral Responses**

20. Of those comments expressing a neutral view point and providing comments or feedback, key themes include:

<b>Alternative budget strategies</b>	Suggestions to reduce funding in other areas e.g. arts, business grants, PCSO's
	Consideration to increase funding for particular service areas e.g. buses, other public services including health services, wellbeing facilities and children's centres
	Options to identify further efficiencies through reduced council costs such as the mayor and senior officer pay
<b>Comments on specific aspects of future developments</b>	Design of the Youth Zone, retail offer for Market Walk, clarification of plans for Primrose Gardens Retirement Living
<b>Comments on specific aspects of garden waste scheme</b>	Clarification on the process, uses for waste receptacles and concerns around fly tipping.

21. Social media feedback also provides an indication of views; comments generally showed a mix of people who did not want to see any increase, those that were happy to do so as long as the council carried on the good work in improving Chorley and some referring to the garden waste collections as a cost they would not be willing to pay.

**IMPLICATIONS OF REPORT**

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

Finance	X	Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	



No significant implications in this area		Policy and Communications	
--	--	---------------------------	--

#### COMMENTS OF THE STATUTORY FINANCE OFFICER

23. The financial implications of this report are contained in the main budget setting report in the pack. In particular the changes to the waste collection in response to this consultation are outlined in the main budget report.

#### COMMENTS OF THE MONITORING OFFICER

24. There are no comments.

GARY HALL  
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Vicky Willett	5248	14 <sup>th</sup> February 2017	Budget Consultation Council Report 2017

**APPENDIX A: SUMMARY OF COMMENTS**

<b>POSITIVE</b>
Doing a good job despite hardship. Other areas don't seem to be doing all that well, but Chorley seems to be keeping on top with limited impact to costs to tax payers
I am all for improvement in services and I don't think the increase is unreasonable.
Making the best of the situation
I agree to the proposals, I think a lot of progress has been made in Chorley over the last few years.
Balanced budget, fantastic. Improving Market Walk, great!
7p per week increase seems like a bargain to me for all the changes and maintained services.
<b>NEGATIVE</b>
You say there are no plans to cut services yet you are introducing a charge for bins
Things are tighter everywhere and I don't think an increase is warranted
Added to Lancashire CC increase we are now 69 pence per week worse off. Has our income increased? No, in fact the opposite is true
I believe that charging for removal of garden waste will encourage an enormous amount of fly tipping. It will also discourage people to sweep up leaves etc outside their homes. The extra amount placed into the general collection will be significant.
Would rather no uplift for these projects and more put to government areas that will protect our NHS' future. Care in the community etc... Don't increase taxes for your proposals!
Charging for garden waste will result in fly tipping most houses do not have room for another bin
<b>NEUTRAL (No definable positive or negative view point, or mixed. Includes no comment)</b>
I would rather have better hospitals and safer streets than a digital health park, or better shops. I believe a better hospital, quicker emergency treatments, shorter waiting lists etc would be a much better choice.
Not sure about some of your developments.
Cut funding to all public art projects.
I am all for protecting the environment but we also need to protect road users by dealing with pot holes which damage vehicles.
An increase was always inevitable, will be closely monitoring 2018/19 budget!

## Appendix B - Current and planned activity in response to negative themes

Category	Details	Notes
Impact of garden waste changes	Comments included concerns around the additional charge for garden waste collections, extra recycling container (cost and storage) and potential for fly tipping	From April 2018 the Council will no longer receive waste cost share funding from LCC, currently £930k per year. Changes to the waste collection service were agreed at Full Council in January 2017. In response to feedback, a number of changes have been made to the scheme including options for smaller bins and composting containers for people receiving passported benefits. The associated Integrated Impact Assessment includes actions to ensure the scheme is implemented fairly.
Opposing increase in council tax	Comments stated a preference for no increase in council tax	The proposed increase in council tax is needed to help address the budget deficit, avoid cuts to frontline services and enable investment in priorities. It is also in line with central government assumptions to reduce the impact of grant reductions. Chorley continues to have one of the lowest precepts in Lancashire.
Concerns around future developments	Comments referred to the potential risks of large investments including Market Walk and the Youth Zone	New developments will provide vital services and future income schemes for the council to help ensure that it is fully self-sufficient when central government grant ends. We will continue to engage with residents on future developments to ensure that proposals are well communicated with opportunities to provide feedback.
Investment in the wider borough	Comments highlighted concerns around funding for services in rural areas including community facilities and bus routes	The council continues to invest in initiatives that will benefit the whole of the borough and has also recently made funding support available to protect a number of community facilities and bus routes serving rural areas.
Quality of council services and value for money	Comments highlighted particular council services that should be improved including street sweeping for estates and tree cutting.	The council monitors performance across all services to ensure continued value for money. The recently approved Streetscene Strategy sets out a clear plan for improving the effectiveness and efficiency of street and neighbourhood services over the next 3 years.
Impact on personal income	Comments indicated concerns around impact on personal income and ability to meet the increase as well as other living costs when wages may not have increased.	A key corporate priority for the Council is to ensure access to high quality employment and education opportunities. A number of support schemes are available to provide assistance to those who may not be able to meet the cost of living.
Concerns around partner services (LCC, Hospital)	Comments noted concerns linked to funding for the hospital and also Lancashire County Council services such as street lights and pot	The Council will incorporate this feedback in its response to Lancashire County Council budget proposal and continue to work with our partners including the hospital to protect and improve services.

	holes.	
PCSO's	Comments suggested reducing funding for PCSO's	The Council will make a contribution of £110k towards part-funding PCSO posts in the borough, although further discussions and agreements need to be reached with the police and crime commissioner to ensure value for money.



**APPENDIX J**

Report of	Meeting	Date
Director Policy and Governance	Council	28 <sup>th</sup> February 2017

**ASSESSING THE IMPACT OF 2017/18 BUDGET PROPOSALS**

**PURPOSE OF REPORT**

1. To provide Members with an assessment of the impact of the budget proposals on equality, health and sustainability.

**RECOMMENDATION(S)**

2. It is recommended that Members use the information provided in this report and the completed Integrated Impact assessment attached to inform the budget process to ensure that fair financial decisions are made.

**EXECUTIVE SUMMARY OF REPORT**

1. Under equality legislation in the Equality Act 2010, public authorities have legal duties to pay ‘due regard’ to the need to eliminate unlawful discrimination and promote equality of opportunity between people who share a protected characteristic and those who do not, as well as to promote good race relations. The law requires that this duty to pay ‘due regard’ be demonstrated in the decision making process, including when making financial decision.
2. To meet this requirement in relation to the budget growth proposals 2017/2018, work has been undertaken to assess the impact of the proposals. This report presents the findings and recommendations based on this work.

<b>Confidential report</b> Please bold as appropriate	Yes	<b>No</b>
--	-----	-----------

**CORPORATE PRIORITIES**

3. This report relates to the following Strategic Objectives:

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

**BACKGROUND**

4. Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show ‘due regard’ in terms of the Equality Act. This includes financial decisions, as set out in the guidance *Using the*

*Equalities Duties to make fair financial decisions*, as published by the Equality and Human Rights Commission, September 2010.

- 5. These assessments must be carried out at a formative stage in the development of a policy, procedure or practice and can take any form appropriate as long as the legal duties are met. The framework that has been used in this process is to undertake integrated impact assessments - this includes an assessment of equality, sustainability, health, and reputation.
- 3. An overall integrated impact assessment has been developed on the proposed budget. This includes consideration of the budget principles, proposed approach to achieving a balanced budget and areas for investment.

**RESULTS OF THE IMPACT ASSESSMENTS**

- 4. Actions include monitoring the take up of financial assistance schemes and promoting access to sources of financial support as needed. In line with the Council’s Equality Scheme, each of the projects, once approved and as more information about them is known should complete an Integrated Impact Assessment to ensure that any potentially negative impacts are mitigated or avoided.

**IMPLICATIONS OF REPORT**

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

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

**COMMENTS OF THE STATUTORY FINANCE OFFICER**

- 7. The financial implications of this report are contained in the main budget setting report within this document pack.

**COMMENTS OF THE MONITORING OFFICER**

- 8. There are no comments.

**COMMENTS OF DIRECTOR POLICY AND GOVERNANCE**

- 9. This report supports the Council in fulfilling its duty to have due regard to eliminate discrimination and promote equality, as required by the Equality Act and the council’s Equality Scheme. Members should consider the implications during their decision making.

CHRIS SINNOTT  
DIRECTOR POLICY AND GOVERNANCE

Report Author	Ext	Date	Doc ID
Kate Cronin	5348	14/02/17	Budget Equality Impact Assessment 2017

# Integrated Impact Assessment

<b>Name of the service, policy, strategy or project being assessed</b>	Overall 2017/18 budget proposals		
<b>What does the service, policy, strategy or project do?</b>	Makes proposals for the budget setting process for 2017/18		
<b>Who is it intended to benefit and how?</b>	Chorley residents – by considering these budget growth options the Council will be better placed to invest in priorities and frontline services.		
<b>Officer responsible for completing the assessment</b>	Kate Cronin/Vicky Willett		
<b>Date of Assessment</b>	12/02/2017	<b>Date of Review</b>	12/02/2018

Equality Impact Assessment	Yes	No	Evidence	Further action required
<p>1. Have consultations with relevant groups, organisations or individuals indicated that this particular activity will create problems which are specific to them?</p>	x		<p>Consultation on the 2017/18 budget ran from the 20<sup>th</sup> January to the 10<sup>th</sup> February 2017 using a combination of online survey promoted via the council website; email survey to parish councils via intheboro; provision of paper based surveys where appropriate and social media.</p> <p>540 residents responded to the online consultation and posts to Facebook received a total 24,813 views and 85 comments. Equality monitoring demonstrated a response representative of the general Chorley population.</p> <p>Changes to the waste collection service were agreed at Full Council in January 17 and are the subject of a separate Integrated Impact Assessment</p>	

**What potential impact does this activity make to:**

	P	N	U	NI	Evidence	Further action required
<p>1. Equality of opportunity amongst customers of different ages (Age)</p>			x		<p>A number of the investment proposals will have a positive impact on age groups that may otherwise be disadvantaged. This includes proposals that are targeted to young people such as delivery of the Chorley Youth Zone and the free swimming programme which allows young</p>	<p>Monitor take up of financial assistance schemes and promote access to sources of financial support as needed.</p>



				<p>people to access free swimming sessions during school holidays. The Primrose Gardens Retirement Village will enhance residential care facilities for older people within the borough.</p> <p>Low income younger families and older people who may be less able to mitigate the impact of an increase in council tax will be able to access local provisions to assist anyone in need of support with paying their council tax through the local Council Tax Support Scheme for working age or similar arrangements (with some additional protections) for those of pension age. The Discretionary Hardship Policy also offers additional short term assistance.</p>	
2. Equality of opportunity amongst with or without a physical or mental disability (Disability)			x	<p>No investment proposals should have a differential effect on any customers because of these characteristics.</p> <p>Those with a disability can apply for certain council tax exemptions and reliefs from the council, dependent on their individual circumstances.</p>	
3. Equality of opportunity amongst customers of different gender backgrounds (Gender Reassignment)			x	<p>No proposals should have a differential effect on any customers because of these characteristics.</p>	

4. Equality of opportunity amongst customers who are pregnant or parents (Pregnancy and Maternity)				x	No proposals should have a differential effect on any customers because of these characteristics.	
5. Equality of opportunity amongst customer groups of different racial backgrounds (Race)				x	No proposals should have a differential effect on any customers because of these characteristics.	
6. Equality of opportunity amongst customers of different religions (Religion or Belief)				x	No proposals should have a differential effect on any customers because of these characteristics.	
7. Equality of opportunity amongst customers that live in different parts of Chorley (Rurality)	x				A number of the proposals include elements which will positively support customers which live in rural areas of the borough. They include improving access to council services by making services more efficient – one element of this project will include the delivery of digital inclusion initiatives to enhance resident’s access to public services.	
8. Equality of opportunity amongst male and female customers (Sex)				x	No proposals should have a differential effect on any customers because of these characteristics.	
9. Equality of opportunity amongst customers of different sexual orientations (Sexual Orientation)				x	No proposals should have a differential effect on any customers because of these characteristics.	
10. Equality of opportunity amongst customers who are married or in a civil partnership (Marriage and civil partnerships)				x	No proposals should have a differential effect on any customers because of these characteristics.	

Health Impact Assessment	P	N	U	NI	Evidence	Further action required
<b>What potential impact does this activity make upon:</b>						
<p>1. Promoting healthy lifestyles for Chorley residents. For the latest Health Observatory information please see the data on this link <a href="http://www.apho.org.uk/resource/item.aspx?RID=126958">http://www.apho.org.uk/resource/item.aspx?RID=126958</a></p>	x				<p>The proposed investment in the following schemes will help to promote healthier lifestyles for Chorley residents:</p> <ul style="list-style-type: none"> <li>• Free swimming</li> <li>• Progress the delivery of the Westway integrated sport facility</li> <li>• Delivery of the enabling phase of the Integrated Community Wellbeing Service</li> </ul>	
<p>2. Enabling residents to Start Well (pre-birth – 19)</p> <p>Possible issues to consider are;</p> <ul style="list-style-type: none"> <li>• Promoting healthy pregnancy</li> <li>• Reducing infant mortality</li> <li>• Reducing childhood obesity</li> <li>• Supporting children with long term conditions</li> <li>• Supporting vulnerable families and children</li> </ul>			x		<p>The proposed investment in the following schemes all support residents to ‘start well’:</p> <ul style="list-style-type: none"> <li>• Free swimming</li> <li>• Deliver the Skills Framework</li> <li>• Youth Zone</li> <li>• 16/17 young person’s drop in centre</li> </ul> <p>Lower income households are more likely to be affected by a rise in council tax as they have less disposable income to reduce the impact; however assistance is available including through the local Council Tax Support Scheme and Discretionary Hardship Policy.</p>	<p>Monitor take up of financial assistance schemes and promote access to sources of financial support as needed.</p>
<p>3. Enabling residents to Live well (16 -75 years) Possible issues to consider are;</p> <ul style="list-style-type: none"> <li>• Promoting healthy settings, healthy workforce and</li> </ul>	x				<p>The proposed investment in the following schemes all support residents to ‘live well’:</p>	

Health Impact Assessment	P	N	U	NI	Evidence	Further action required
<p>economic development</p> <ul style="list-style-type: none"> <li>Promoting mental wellbeing and healthy lifestyles</li> <li>Reducing avoidable deaths</li> <li>Improving outcomes for people with learning disabilities</li> </ul>					<ul style="list-style-type: none"> <li>Deliver a project to get people ready for work</li> <li>Chorley Council events programme</li> <li>Deliver the skills framework</li> <li>Supporting the VCFS network</li> <li>Market Walk Development</li> <li>Business support and inward investment grants</li> </ul>	
<p>4. Enabling residents to Age Well (over 65 years). Possible issues to consider are;</p> <ul style="list-style-type: none"> <li>Promoting independence</li> <li>Reducing social isolation</li> <li>Managing long term conditions and dementia</li> <li>Reducing emergency admissions and direct admissions to residential care settings</li> <li>Supporting carers and families</li> </ul>			x		<p>The proposed investment will support residents to 'Age Well':</p> <ul style="list-style-type: none"> <li>Deliver the Primrose Gardens Retirement Village</li> <li>Deliver the Integrated Community Wellbeing Service</li> <li>Supporting the VCFS network</li> </ul> <p>Lower income households may be less able to mitigate the impact of an increase in council tax; however assistance is available through council tax support with additional provisions to protect those of pension age.</p>	

Reputational Impact Assessment	P	N	U	NI	Evidence	Further action required
<b>What potential impact does this activity make upon:</b>						
1. Chorley Council's reputation. Possible issues to consider are;				x	Balanced feedback was received through consultation. The proposed	

Reputational Impact Assessment	P	N	U	NI	Evidence	Further action required
<ul style="list-style-type: none"> <li>Proving to local residents that we provide value for money</li> <li>Informing and engaging with local residents</li> <li>Building trust and confidence in Chorley Council</li> <li>Improving customer satisfaction with council services</li> <li>Chorley Council's role as a community leader</li> </ul>					<p>increase in council tax is needed to help address the budget deficit, avoid cuts to frontline services and enable investment in priorities. It is also in line with central government assumptions to reduce the impact of grant reductions. Chorley continues to have one of the lowest precepts in Lancashire.</p> <p>Comprehensive and transparent communications will be provided to residents including the 17/18 council tax booklet posted to all residents.</p>	
<p>2. Our ability to deliver the Corporate Strategy. Issues to consider are;</p> <ul style="list-style-type: none"> <li>A council that consults and engages with residents</li> <li>An ambitious council that continually strives to improve</li> </ul>	x				<p>Each of the proposed projects has a link to one or more of the corporate priorities as set out in the Corporate Strategy and will therefore support its delivery.</p>	

Agenda Page 101

Sustainability Impact Assessment	P	N	U	NI	Evidence	Further action required
<b>What potential impact does this activity make upon:</b>						
<p>1. The effective protection of Chorley's environment. Possible issues to consider are;</p> <ul style="list-style-type: none"> <li>Limiting waste generation &amp; encouraging recycling</li> <li>Limiting factors that contribute to climate change</li> <li>Protection of and improving access to the natural environment</li> </ul>	x				<p>A number of proposed schemes will have a positive impact on Chorley's environment. These include:</p> <ul style="list-style-type: none"> <li>Re-shaping the waste collection service (further detail can be found in the separate re-shaping the</li> </ul>	

Agenda Item 5n

Sustainability Impact Assessment	P	N	U	NI	Evidence	Further action required
					waste collection service (IIA) <ul style="list-style-type: none"> <li>• Improve the look and feel of neighbourhoods across the borough</li> <li>• Develop activity to promote Chorley as a visitor destination including the Chorley Flower Show</li> <li>• North West in bloom</li> </ul>	
2. Prudent usage of natural resources. Possible issues to consider are; <ul style="list-style-type: none"> <li>• Limiting use of non sustainable energy, water, minerals and materials</li> <li>• Reducing the need to travel and encouraging walking, cycling and low carbon modes of travel</li> </ul>				X	No proposals should have a differential effect on the prudent usage of natural resources.	
3. Social progress amongst all of Chorley's communities. Possible issues to consider are; <ul style="list-style-type: none"> <li>• Opportunities for education and information</li> <li>• Provision of appropriate and sustainable housing</li> <li>• Reduced fear of crime and community safety</li> <li>• Access to cultural and leisure facilities</li> <li>• Encouraging engagement and supporting volunteering</li> </ul>	X				A number of proposed schemes will have a positive impact on social progress amongst all of Chorley's communities. These include: <ul style="list-style-type: none"> <li>• Support for PCSO's</li> <li>• Supporting the VCFS network</li> <li>• Delivery of the skills framework</li> <li>• Delivery of the Chorley Futures project</li> <li>• Delivery of the Youth Zone, Market Walk and Westway projects – which will see large scale</li> </ul>	

Sustainability Impact Assessment	P	N	U	NI	Evidence	Further action required
					improvements and new facilities in and around the town centre	
<p>4. A vibrant local economy in Chorley. Possible issues to consider are;</p> <ul style="list-style-type: none"> <li>• Supporting better quality jobs and developing the skills of local residents</li> <li>• Supporting local business by procuring goods and services locally</li> <li>• Strengthening links with public, private and third sector partners</li> </ul>	X				<p>A number of proposed schemes will have a positive impact on a vibrant local economy. These include:</p> <ul style="list-style-type: none"> <li>• Delivery of Market Walk</li> <li>• Delivering street level improvements to the town centre</li> <li>• Chorley Works</li> <li>• Delivering the skills framework</li> <li>• Delivery of retail improvement grants</li> <li>• Business Support and inward investment</li> <li>• Delivery of economic opportunities at Botany</li> <li>• Developing Chorley as a visitor destination including the Chorley Flower Show</li> </ul>	

\*this equality strand is covered by the Public Sector Equality Duty in respect of which the s.149 requires only that due regard be paid to the need to eliminate discrimination, harassment or victimisation or other conduct which is prohibited by the Act.

### Integrated Impact Assessment Action Plan

If any further actions were identified through the Integrated Impact Assessment then these should be listed in the table below. These should be added to the relevant business/service plan to ensure that any actions are carried out.

Actions needed following Integrated Impact Assessment	Start Date	End Date	Lead Officer
Monitor take up of financial assistance schemes and promote access to sources of financial support as needed.	April 2017	April 2018	Asim Khan/Rebecca Huddleston



# Integrated Impact Assessment

<p><b>Name of the service, policy, strategy or project being assessed</b></p>	<p>Changes to household waste collections: Introduction of charging for garden waste collection Change in frequency and waste receptacle for card and paper Introduction of charging for replacement bins</p>
<p><b>What does the service, policy, strategy or project do?</b></p>	<p><b>Provides a waste collection service to households</b></p>
<p><b>Who is it intended to benefit and how?</b></p>	<p><b>All households</b></p>

**Officer responsible for completing the assessment**

Jo Oliver, Waste & Streetscene Manager  
Vicky Willett Performance and Partnerships  
Manager

**Date of Assessment**

**31 Jan 2017**

**Date of Review**

**1 October 2017**

## Introduction

### What is an Integrated Impact Assessment?

The integrated impact assessment is a tool to ensure that any policy, project or service is assessed to consider any positive or negative impacts for Chorley residents with regards to equalities, health or sustainability. It is important that this is done in a timely manner and ideally it should precede the start of the project, policy or strategy concerned.

### Why do we need to do Impact Assessments?

Chorley Council is committed as a community leader, service provider and employer that we will work to ensure that everybody is afforded equality of opportunity and good life chances. The Impact Assessment is a tool we use to ensure that we fulfil these commitments, and thus meet our legal duties.

### Quick Steps for Completion

1. There are four sections;
    - Equality – This section considers the impact on our 10 equality strands, which are; age, disability, gender re-assignment, pregnancy and maternity, race, religion and belief, rurality, marriage and civil partnerships, sex and sexual orientation.. When completing this section, reference should be made to the Council's [Equality Scheme](#)
    - Health – the impact on potential health impacts. There is a link in the section to the current public health observatory information
    - Reputation – the impact on the Council's reputation and our ability to deliver our key priorities. Reference should be made to the Council's [Corporate Strategy](#)
  - Sustainability – the impact on environmental and sustainability issues. Reference should be to the climate change strategy
- Each section has a number of questions which should be given a rating, and evidence given for why the rating has been selected.

#### Code Description

P	Positive beneficial impact
N	Negative undesirable impact
U	Uncertainty over impact
NI	No specific impact/neutral impact

2. Actions – Once a rating is given, actions should be identified to mitigate any negative impacts or maximise any positive impacts of the policy/project/strategy that is being assessed.
3. Once the toolkit has been completed, changes should be made to the policy/project/service to respond to any actions identified.

## Storage and review

Once completed and signed off, all Integrated Impact Assessments should be sent to the Performance and Partnerships Team.

Existing assessments should be reviewed every two years.

Equality Impact Assessment	Yes	No	Evidence	Further action required
1. Have consultations with relevant groups, organisations or individuals indicated that this particular activity will create problems which are specific to them?		No	<p>Over 50% of Councils now provide chargeable garden waste collections including several in Lancashire.</p> <p>Charging for replacement waste containers is also common practise and encourages householders to take better care of their waste containers.</p> <p>Residents in feedback would like to be able to mix their paper and card together, less sorting for the householder.</p>	The consultation and feedback received on budget consultation should be analysed to identify trends and issues with the proposed scheme.

**What potential impact does this activity make to:**

	P	N	U	NI	Evidence	Further action required
1. Equality of opportunity amongst customers of different ages (Age)			√		All customers with gardens will be eligible to join the scheme. Options to sign up online or over the 'phone.	The take up and feedback should be monitored to identify any differential uptake in the service from people currently receiving assisted collections
2. Equality of opportunity amongst with or without a physical or mental disability (Disability)			√		Council will continue to offer assisted collections if requested for garden waste.	The take up and feedback should be monitored to identify any differential uptake in the service from people currently receiving assisted collections.
3. Equality of opportunity amongst customers of different gender backgrounds (Gender Reassignment)				√	All customers with gardens will be eligible to join the scheme. Charges for replacement waste containers and the change to four weekly collections for paper and card will apply to	

					households.	
4. Equality of opportunity amongst customers who are pregnant or parents (Pregnancy and Maternity)				√	All customers with gardens will be eligible to join the scheme. Charges for replacement waste containers and the change to four weekly collections for paper and card will apply to households.	
5. Equality of opportunity amongst customer groups of different racial backgrounds (Race)				√	All customers with gardens will be eligible to join the scheme. Charges for replacement waste containers and the change to four weekly collections for paper and card will apply to households.	
6. Equality of opportunity amongst customers of different religions (Religion or Belief)				√	All customers with gardens will be eligible to join the scheme. Charges for replacement waste containers and the change to four weekly collections for paper and card will apply to households.	
7. Equality of opportunity amongst customers that live in different parts of Chorley (Rurality)				√	All customers with gardens will be eligible to join the scheme. Approx. 140 properties still have a weekly refuse (black bag) only collection due to access difficulties for collection vehicles these will not be able to join the garden waste collection	

				<p>scheme.</p> <p>Properties in rural areas are more likely to have larger gardens, which may mean that they would be more adversely impacted by the introduction of charging. However, it is also likely that those properties would have more space for home composting. Therefore, the impact is uncertain.</p>	
8. Equality of opportunity amongst male and female customers (Sex)			√	<p>All customers with gardens will be eligible to join the scheme. Charges for replacement waste containers and the change to four weekly collections for paper and card will apply to households.</p>	
9. Equality of opportunity amongst customers of different sexual orientations (Sexual Orientation)			√	<p>All customers with gardens will be eligible to join the scheme. Charges for replacement waste containers and the change to four weekly collections for paper and card will apply to households.</p>	
10. Equality of opportunity amongst customers who are married or in a civil partnership (Marriage and Civil partnerships) *			√	<p>All customers with gardens will be eligible to join the scheme. Charges for replacement waste containers and the change to four weekly collections for paper and card will apply to</p>	

					households.	
Health Impact Assessment	P	N	U	NI	Evidence	Further action required
<b>What potential impact does this activity make upon:</b>						
1. Promoting healthy lifestyles for Chorley residents. For the latest Health Observatory information please see the data on this link <a href="http://www.apho.org.uk/resource/item.aspx?RID=126958">http://www.apho.org.uk/resource/item.aspx?RID=126958</a>				√	These changes will have negligible impact on health.	
2. Enabling residents to Start Well (pre-birth – 19) Possible issues to consider are; <ul style="list-style-type: none"> <li>• Promoting healthy pregnancy</li> <li>• Reducing infant mortality</li> <li>• Reducing childhood obesity</li> <li>• Supporting children with long term conditions</li> <li>• Supporting vulnerable families and children</li> </ul>				√	The Council will have a small number of reconditioned bins available to households on low incomes if they are unable to afford replacement.	Take up of reconditioned bins will be monitored.
3. Enabling residents to Live well (16 -75 years) Possible issues to consider are; <ul style="list-style-type: none"> <li>• Promoting healthy settings, healthy workforce and economic development</li> <li>• Promoting mental wellbeing and healthy lifestyles</li> <li>• Reducing avoidable deaths</li> <li>• Improving outcomes for people with learning disabilities</li> </ul>				√	These changes will have a negligible impact.	
4. Enabling residents to Age Well (over 65 years). Possible issues to consider are; <ul style="list-style-type: none"> <li>• Promoting independence</li> <li>• Reducing social isolation</li> <li>• Managing long term conditions and dementia</li> <li>• Reducing emergency admissions and direct admissions to residential care settings</li> </ul>				√	These changes will have a negligible impact.	



<ul style="list-style-type: none"> <li>Supporting carers and families</li> </ul>						
--	--	--	--	--	--	--

Reputational Impact Assessment	P	N	U	NI	Evidence	Further action required
<b>What potential impact does this activity make upon:</b>						
1. Chorley Council's reputation. Possible issues to consider are; <ul style="list-style-type: none"> <li>Proving to local residents that we provide value for money</li> <li>Informing and engaging with local residents</li> <li>Building trust and confidence in Chorley Council</li> <li>Improving customer satisfaction with council services</li> <li>Chorley Council's role as a community leader</li> </ul>		√			Communications plan agreed. Residents informed by social media and a letter going to all households of the changes and the reasons why.  Staff responding to issues raised by residents in a timely manner. Some initial negative feedback.	To continue with communications plan, including taking on board feedback received to adapt the scheme.
2. Our ability to deliver the Corporate Strategy. Issues to consider are; <ul style="list-style-type: none"> <li>A council that consults and engages with residents</li> <li>An ambitious council that continually strives to improve</li> </ul>	√				These changes will help deliver a balanced budget for the Council following the loss of waste cost share income of c £1m per year.	

Sustainability Impact Assessment	P	N	U	NI	Evidence	Further action required
<b>What potential impact does this activity make upon:</b>						
<p>1. The effective protection of Chorley’s environment. Possible issues to consider are;</p> <ul style="list-style-type: none"> <li>• Limiting waste generation &amp; encouraging recycling</li> <li>• Limiting factors that contribute to climate change</li> <li>• Protection of and improving access to the natural environment</li> </ul>	√				<p>Charging for garden waste collections will limit waste generation. Residents will be encouraged to home compost where possible. Residents will be discouraged from disposing of their garden waste with their refuse.</p> <p>The bigger receptacle for mixed paper and card will provide an additional 50l capacity encouraging people to recycle more.</p>	
<p>2. Prudent usage of natural resources. Possible issues to consider are;</p> <ul style="list-style-type: none"> <li>• Limiting use of non-sustainable energy, water, minerals and materials</li> <li>• Reducing the need to travel and encouraging walking, cycling and low carbon modes of travel</li> </ul>	√				<p>Home composting is more sustainable method of disposal than separate garden waste collections.</p> <p>Changing paper and card collections to four weekly will reduce collection vehicle mileage.</p>	
<p>3. Social progress amongst all of Chorley’s communities. Possible issues to consider are;</p> <ul style="list-style-type: none"> <li>• Opportunities for education and information</li> <li>• Provision of appropriate and sustainable housing</li> <li>• Reduced fear of crime and community safety</li> <li>• Access to cultural and leisure facilities</li> <li>• Encouraging engagement and supporting volunteering</li> </ul>				√	<p>These changes will not impact social progress.</p>	

Sustainability Impact Assessment	P	N	U	NI	Evidence	Further action required
<p>4. A vibrant local economy in Chorley. Possible issues to consider are;</p> <ul style="list-style-type: none"> <li>Supporting better quality jobs and developing the skills of local residents</li> <li>Supporting local business by procuring goods and services locally</li> <li>Strengthening links with public, private and third sector partners</li> </ul>				√	These changes will have a negligible impact on the local economy.	

\* this equality strand is covered by the Public Sector Equality Duty in respect of which the s.149 requires only that due regard be paid to the need to eliminate discrimination, harassment or victimisation or other conduct which is prohibited by the Act.

### Integrated Impact Assessment Action Plan

If any further actions were identified through the Integrated Impact Assessment then these should be listed in the table below. These should be added to the relevant business/service plan to ensure that any actions are carried out.

Actions needed following Integrated Impact Assessment	Start Date	End Date	Lead Officer
Monitor the take up of reconditioned bins provided to low income households.	April 2017	September 2017	Jo Oliver
Monitor the uptake and feedback received with the changes to the service to identify any differential impact from people who currently receive assisted collections	April 2017	September 2017	Jo Oliver
Develop and implement a communications and engagement plan to inform residents of proposals and changes and to collate feedback on the scheme.	January 2017	September 2017	Jo Oliver / Andrew Daniels

Actions needed following Integrated Impact Assessment	Start Date	End Date	Lead Officer



Report of	Meeting	Date
Chief Executive (on behalf of the Chair of the Governance Committee)	Council	28 <sup>th</sup> February 2017

## CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITORS

### PURPOSE OF REPORT

1. To inform members of the various arrangements available to the Council to appoint its external auditor beyond the 2017/18 financial year when the current contract with Grant Thornton comes to an end. These include setting up an independent auditor appointment panel or opting-into a Sector Led Body (SLB) that will negotiate contracts and make the appointment on behalf of councils.
2. To explain the relative advantages and disadvantages of the various options available.
3. To inform members that Public Sector Audit Appointments Ltd. (PSAA) has been chosen as the SLB by the Secretary of State and that the Council has now received an invitation from PSAA to become an opted-in authority, to which replies must be made by the deadline of 9<sup>th</sup> March 2017.
4. **To inform members that the Governance Committee has already considered the various options available at its meeting on 25<sup>th</sup> January 2017 as is now recommending that Council accepts the invitation from PSAA to become an opted-in authority for the purposes of the appointment of its external auditor thus dispensing with the need to set up its own appointment panel.**

### RECOMMENDATION

5. That Council approves option 3 in the report thereby accepting the invitation from Public Sector Audit Appointments Ltd. to become an opted-in authority for the purposes of the appointment of its external auditor.

### EXECUTIVE SUMMARY OF REPORT

6. Members have previously been informed that all large local government bodies including Chorley Council remain on current external audit contracts until the completion of the 2017/18 audits but that new appointments will need to be made by 31st December 2017.
7. Therefore in 2017 the Council will need to make a choice between the various options for appointing its external auditor, which in summary are:
  - setting up an independent Auditor Appointment Panel
  - joining with other councils to set up a joint independent Auditor Appointment Panel
  - Using an existing independent panel of the authority (if a suitable panel already exists)
  - opting-in to a SLB that will negotiate contracts and make the appointment on behalf

of councils, removing the need to set up an independent Auditor Appointment Panel.

8. Although the Council has until December 2017 to make an appointment, in practical terms this means one of the above options will need to be in place by spring 2017 in order that the contract negotiation process can be carried out during 2017.
9. The Local Government Association (LGA) is strongly supportive of the SLB approach as it believes this offers best value to Councils by reducing set-up costs and having the potential to negotiate lowest fees in order to deliver economic and efficient external audit arrangements across all authorities.
10. As the greatest economies of scale would come from the maximum number of councils acting collectively in opting-in to a SLB, in order to maximise their negotiating position the LGA recently contacted Councils to test their opinion as to whether they would be potentially interested in the SLB approach. Whilst keeping all the Council's options open, the CEO has notified the LGA of the Council's potential support for the SLB.
11. PSAA has subsequently been chosen by the Secretary of State as the SLB and on 27<sup>th</sup> October 2016, Council CEOs received a formal letter from them inviting authorities to opt-in to the sector led approach (**See Appendix**).
12. The length of the compulsory appointing period is the 5 consecutive financial years commencing 1<sup>st</sup> April 2018.
13. A decision to become an opted-in authority must be taken in accordance with the prevailing regulations; that is by the members of an authority meeting as a whole (in the case of Chorley Borough Council).
14. The closing date to notify PSAA of the authority's acceptance of their invitation is 9<sup>th</sup> March 2017.

<b>Confidential report</b> Please bold as appropriate	Yes	No
--	-----	----

**CORPORATE PRIORITIES**

15. This report relates to the following Strategic Objectives:

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

**BACKGROUND**

16. The Local Audit and Accountability Act 2014 brought the Audit Commission to a close and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State for Communities and Local Government determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.
17. The Council's current external auditor is Grant Thornton, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by PSAA, the transitional body set up by the LGA with delegated authority from the Secretary of State.
18. Over recent years the Council has benefited from reduction in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission.
19. Current fees are based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.
20. When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to local appointment of the auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities.
21. The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council.
22. The registration process has not yet commenced and so the number of firms is not known but it is reasonable to expect that the list of eligible firms may include the top 10 or 12 firms in the country, including our current auditor. It is unlikely that small local independent firms will meet the eligibility criteria.

**The Options for Local Appointment of External Auditors**

23. There are three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act):

**Option 1 - To make a stand-alone appointment**

In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor.

*Advantages/benefits*

- Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

*Disadvantages/risks*

- Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on going expenses and allowances.
- The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.
- The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.

**Option 2 - To set up a joint auditor panel / local joint procurement arrangement**

The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council need to liaise with other local authorities to assess the appetite for such an arrangement.

*Advantages/benefits*

- The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.
- There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

*Disadvantages/risks*

- The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or possibly only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.
- The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.



**Option 3 – To opt-in to a sector led body**

In response to the consultation on the new arrangement the LGA successfully lobbied for Councils to be able to ‘opt-in’ to a SLB appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

*Advantages/benefits*

- The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities.
- By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation.
- Any conflicts at individual authorities would be managed by the SLB who would have a number of contracted firms to call upon.
- The appointment process would not be ceded to locally appointed independent members. Instead a separate body set up to act in the collective interests of the ‘opt-in’ authorities. The LGA are setting up such a body utilising the knowledge and experience acquired through the setting up of the transitional arrangements.

*Disadvantages/risks*

- Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.
- In order for the SLB to be viable and to be placed in the strongest possible negotiating position the SLB will need Councils to indicate their intention to opt-in before final contract prices are known.

**IMPLICATIONS OF REPORT**

24. In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below. This report has implications in the following areas and the relevant Directors’ comments are included:

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

**COMMENTS OF THE STATUTORY FINANCE OFFICER**

25. Current external audit fees levels are likely to increase when the current contracts end in 2018.
26. The cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 above will need to be estimated and included in the Council's budget for 2017/18. This will include the cost of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members fees and allowances.
27. Opting –in to a national SLB provides maximum opportunity to limit the extent of any increases by entering into a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel.

**COMMENTS OF THE MONITORING OFFICER**

28. Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements.
29. Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
30. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

**GARY HALL  
CHIEF EXECUTIVE**

There are no background papers to this report.

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
Garry Barclay	01772 625272	26/1/17	External Audit Appointment

27 October 2016

**Email:** [appointingperson@psaa.co.uk](mailto:appointingperson@psaa.co.uk)

Gary Hall  
Chorley Borough Council  
Town Hall  
Market Street  
Chorley Lancashire PR7 1DP

Copied to: Susan Guinness, Head of Finance, Chorley Borough Council  
Chris Moister, Head of Governance & Legal services, Chorley Borough Council

Dear Mr Hall

### Invitation to opt into the national scheme for auditor appointments

As you know the external auditor for the audit of the accounts for 2018/19 has to be appointed before the end of 2017. That may seem a long way away, but as there is now a choice about how to make that appointment, a decision on your authority's approach will be needed soon.

We are pleased that the Secretary of State has expressed his confidence in us by giving us the role of appointing local auditors under a national scheme. This is one choice open to your authority. We issued a prospectus about the scheme in July 2016, available to download on the [appointing person](#) page of our website, with other information you may find helpful.

The timetable we have outlined for appointing auditors under the scheme means we now need to issue a formal invitation to opt into these arrangements. The covering email provides the formal invitation, along with a form of acceptance of our invitation for you to use if your authority decides to join the national scheme. We believe the case for doing so is compelling. To help with your decision we have prepared the additional information attached to this letter.

I need to highlight two things:

- we need to receive your formal acceptance of this invitation by 9 March 2017; and
- the relevant regulations require that, except for a body that is a corporation sole (a police and crime commissioner), the decision to accept the invitation and to opt in needs to be made by the members of the authority meeting as a whole. We appreciate this will need to be built into your decision making timetable.

If you have any other questions not covered by our information, do not hesitate to contact us by email at [appointingperson@psaa.co.uk](mailto:appointingperson@psaa.co.uk).

Yours sincerely



Jon Hayes, Chief Officer

## Appointing an external auditor

### Information on the national scheme

#### Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit company established by the Local Government Association (LGA). We administer the current audit contracts, let by the Audit Commission before it closed.

We have the support of the LGA, which has worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national procurement body. We have established an advisory panel, drawn from representative groups of local government and police bodies, to give access to your views on the design and operation of the scheme.

#### The national scheme for appointing local auditors

We have been specified by the Secretary of State for Communities and Local Government as the appointing person for principal local government bodies. This means that we will make auditor appointments to principal local government bodies that choose to opt into the national appointment arrangements we will operate for audits of the accounts from 2018/19. These arrangements are sometimes described as the 'sector-led body' option, and our thinking for this scheme was set out in a prospectus circulated to you in July. The prospectus is available on the [appointing person](#) page of our website.

We will appoint an auditor for all opted-in authorities for each of the five financial years beginning from 1 April 2018, unless the Secretary of State chooses to terminate our role as the appointing person beforehand. He or she may only do so after first consulting opted-in authorities and the LGA.

#### What the appointing person scheme will offer

We are committed to making sure the national scheme will be an excellent option for auditor appointments for you.

We intend to run the scheme in a way that will save time and resources for local government bodies. We think that a collective procurement, which we will carry out on behalf of all opted-in authorities, will enable us to secure the best prices, keeping the cost of audit as low as possible for the bodies who choose to opt in, without compromising on audit quality.

Our current role means we have a unique experience and understanding of auditor procurement and the local public audit market.

Using the scheme will avoid the need for you to:

- establish an audit panel with independent members;
- manage your own auditor procurement and cover its costs;
- monitor the independence of your appointed auditor for the duration of the appointment;
- deal with the replacement of any auditor if required; and
- manage the contract with your auditor.

Our scheme will endeavour to appoint the same auditors to other opted-in bodies that are involved in formal collaboration or joint working initiatives, if you consider that a common auditor will enhance efficiency and value for money.

We will also try to be flexible about changing your auditor during the five-year appointing period if there is good reason, for example where new joint working arrangements are put in place.

Securing a high level of acceptances to the opt-in invitation will provide the best opportunity for us to achieve the most competitive prices from audit firms. The LGA has previously sought expressions of interest in the appointing person arrangements, and received positive responses from over 270 relevant authorities. We ultimately hope to achieve participation from the vast majority of eligible authorities.

### **High quality audits**

The Local Audit and Accountability Act 2014 provides that firms must be registered as local public auditors with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of registered firms' work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC), under arrangements set out in the Act.

We will:

- only contract with audit firms that have a proven track record in undertaking public audit work;
- include obligations in relation to maintaining and continuously improving quality in our contract terms and in the quality criteria in our tender evaluation;
- ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any quality concerns are detected at an early stage; and
- take a close interest in your feedback and in the rigour and effectiveness of firms' own quality assurance arrangements.

We will also liaise with the National Audit Office to help ensure that guidance to auditors is updated as necessary.

### **Procurement strategy**

In developing our procurement strategy for the contracts with audit firms, we will have input from the advisory panel we have established. The panel will assist PSAA in developing arrangements for the national scheme, provide feedback to us on proposals as they develop, and helping us maintain effective channels of communication. We think it is particularly important to understand your preferences and priorities, to ensure we develop a strategy that reflects your needs within the constraints set out in legislation and in professional requirements.

In order to secure the best prices we are minded to let audit contracts:

- for 5 years;
- in 2 large contract areas nationally, with 3 or 4 contract lots per area, depending on the number of bodies that opt in; and
- to a number of firms in each contract area to help us manage independence issues.

The value of each contract will depend on the prices bid, with the firms offering the best value being awarded larger amounts of work. By having contracts with a number of firms, we will be able to manage issues of independence and avoid dominance of the market by one or two firms. Limiting the national volume of work available to any one firm will encourage competition and ensure the plurality of provision.

## **Auditor appointments and independence**

Auditors must be independent of the bodies they audit, to enable them to carry out their work with objectivity and credibility, and in a way that commands public confidence.

We plan to take great care to ensure that every auditor appointment passes this test. We will also monitor significant proposals for auditors to carry out consultancy or other non-audit work, to protect the independence of auditor appointments.

We will consult you on the appointment of your auditor, most likely from September 2017. To make the most effective allocation of appointments, it will help us to know about:

- any potential constraints on the appointment of your auditor because of a lack of independence, for example as a result of consultancy work awarded to a particular firm;
- any joint working or collaboration arrangements that you think should influence the appointment; and
- other local factors you think are relevant to making the appointment.

We will ask you for this information after you have opted in.

Auditor appointments for the audit of the accounts of the 2018/19 financial year must be made by 31 December 2017.

## **Fee scales**

We will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising our own costs. Any surplus funds will be returned to scheme members under our articles of association and our memorandum of understanding with the Department for Communities and Local Government and the LGA.

Our costs for setting up and managing the scheme will need to be covered by audit fees. We expect our annual operating costs will be lower than our current costs because we expect to employ a smaller team to manage the scheme. We are intending to fund an element of the costs of establishing the scheme, including the costs of procuring audit contracts, from local government's share of our current deferred income. We think this is appropriate because the new scheme will be available to all relevant principal local government bodies.

PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk, most likely as evidenced by audit fees for 2016/17. Pooling means that everyone in the scheme will benefit from the most competitive prices. Fees will reflect the number of scheme participants – the greater the level of participation, the better the value represented by our scale fees.

Scale fees will be determined by the prices achieved in the auditor procurement that PSAA will need to undertake during the early part of 2017. Contracts are likely to be awarded at the end of June 2017, and at this point the overall cost and therefore the level of fees required will be clear. We expect to consult on the proposed scale of fees in autumn 2017 and to publish the fees applicable for 2018/19 in March 2018.

## Opting in

The closing date for opting in is 9 March 2017. We have allowed more than the minimum eight week notice period required, because the formal approval process for most eligible bodies, except police and crime commissioners, is a decision made by the members of an authority meeting as a whole.

We will confirm receipt of all opt-in notices. A full list of authorities who opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters that would prevent us appointing a particular firm.

If you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2018. The earliest an auditor appointment can be made for authorities that opt in after the closing date is therefore for the audit of the accounts for 2019/20. We are required to consider such requests, and agree to them unless there are reasonable grounds for their refusal.

## Timetable

In summary, we expect the timetable for the new arrangements to be:

- Invitation to opt in issued 27 October 2016
- Closing date for receipt of notices to opt in 9 March 2017
- Contract notice published 20 February 2017
- Award audit contracts By end of June 2017
- Consult on and make auditor appointments By end of December 2017
- Consult on and publish scale fees By end of March 2018

## Enquiries

We publish frequently asked questions on our [website](#). We are keen to receive feedback from local bodies on our plans. Please email your feedback or questions to: [appointingperson@psaa.co.uk](mailto:appointingperson@psaa.co.uk).

If you would like to discuss a particular issue with us, please send an email to the above address, and we will make arrangements either to telephone or meet you.

This page is intentionally left blank