

Report of	Meeting	Date
Chief Finance Officer (Introduced by the Executive Member for Resources)	Full Council	25 February 2020

GENERAL FUND REVENUE AND CAPITAL BUDGET AND COUNCIL TAX 2020/21

PURPOSE OF REPORT

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

RECOMMENDATION(S)

2. The Executive recommends that Council:
 - a) Approve the budget and proposals set out in this report including:
 - Council Tax set out in the resolutions (at Appendix A)
 - b) Note Special Expenses and Parish Precepts (at Appendix B)
 - c) Approve the Council's Medium-Term Financial Strategy (MTFS) (Appendix C)
 - d) Note the Council's forecast cumulative budget deficit & budget strategy 2020-21 to 2022-23 (Appendix D)
 - e) Note significant budget movements from the 2019/20 Budget (at Appendix E)
 - f) Note the general fund forecast assumptions (at Appendix F)
 - g) Approve the capital programme for 2019/20 to 2022/23 (Appendices G1, G2 & G3)
 - h) Approve the Capital Strategy (Appendix H)
 - i) Approve the Treasury Management Strategy (Appendix I) and note the advice of the treasury management consultants (Appendix I1)
 - j) Approve the Council's Pay Policy (at Appendix J) and publication on the Council's website from April 2020
 - k) Note the advice of the Statutory Finance Officer in relation to the robustness of the budget and the risks contained within it as set out in the Statutory Report (Appendix K).
 - l) Note the Budget Consultation 2020/21 Report (at Appendix L)
 - m) Note the Assessing the Impact of Budget Proposals 2020/21 Report (at Appendix M)
 - n) Approve the recommendations from the outcome of consultation regarding changes to Council Tax Support Scheme (at Appendix N)

EXECUTIVE SUMMARY OF REPORT

3. The Government has announced a one-year funding settlement for 2020/21 only. Planned changes from the Fair Funding Review and 75% Business Rates retention have been delayed by at least one year until April 2021 at the earliest. There remains significant uncertainty in the funding for local authorities however what we do know is:
 - Chorley Council will no longer be part of a 75% business rates pilot in 2020/21 and instead revert to the Lancashire Business Rates Pool. This will result in an expected fall in retained business rates funding for the council and its residents of £500k.
 - Chorley Council has been successful in the past of delivering additional housing in the borough to meet the need of its expanding population. This previously resulted in the council receiving over £4m per year in New Homes Bonus grant from Government. This grant will now be removed over the coming three years meaning the council will be forced to find at least £2m funding per year from other sources.
4. There remains great uncertainty in funding levels from business rates in 2021/22 onwards due to the expected implementation of the 75% business rates retention system and fair funding review. This budget assumes that from 2021/22 the benefit the council gains from pool membership will be lost meaning the council could experience a reduction in business rates income of over £800k per year from 2021/22 onwards.
5. Funding to Chorley Council is forecast to fall from over £17m in 2016/17 to under £12m by 2022/23. However, the council has been ambitious in its approach to meeting the budget deficit through generating efficiency savings and additional income. Through effective forward planning and through making prudent capital investments, the council has been able to balance the budget in 2020/21 without the need to increase council tax.
6. The budget is set to ensure the objectives of the council's Corporate Strategy priorities are met. The strategy is focussed on the delivery of large-scale capital projects as well as alternative models of service delivery. By making policy decisions early on the council is resourced to deliver the Corporate Strategy priorities and commit to recurrent investments such as investing in neighbourhood projects, preventing the cancellation of bus routes in the borough and continuing to provide anti-social behaviour services. The budget also provides additional resources to support climate change prevention measures, to improve the services from Chorley Bus Station, to fund outreach work for young people in more rural areas and will provide more council tax support for those on low income.
7. The council continues to invest in the borough and this budget includes £77m of capital investment from 2019/20 to 2022/23. This includes investment in Astley Park and Hall, building new GPs surgeries to provide better healthcare to residents, continuing to improve the town centre offer as well as investing over £5m in play and open spaces. The council will continue its success of investing in assets that generate a net income to the council.

Confidential report Please bold as appropriate	Yes	No
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Key Decision? Please bold as appropriate	Yes	No
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Reason Please bold as appropriate	1, a change in service provision that impacts upon the service revenue budget by £100,000 or more	2, a contract worth £100,000 or more
	3, a new or unprogrammed capital scheme of £100,000 or more	4, Significant impact in environmental, social or physical terms in two or more wards

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

8. To ensure the Council complies with the requirement to set a balanced budget for 2020/21

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

9. None, setting the budget is a statutory responsibility

CORPORATE PRIORITIES

10. 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

11. The Executive published the 2020/21 Draft Budget and Summary Budget Position over the Medium Term at Executive Cabinet on 16 January 2020. The report set out the Executive's intention for spending and investment in the borough for the forthcoming financial year 2020/21. These papers expand upon that report and set out in more detail for Council the Executive's budget proposals in 2020/21.

BUDGET CONSULTATION RESULTS

12. Consultation ran from the 17th January to the 9th of February 2020. The consultation was publicised through a structured digital campaign including 14,481 emails delivered to residents signed up to receive communications via the My Account feature on the council website. The emails received 6,810 unique views (47.03%) and 1,998 link clicks (19.93%). Awareness was also raised through traditional media outlets and local networks.
13. The formal consultation received 320 qualitative responses through one open-ended question format via an online survey which provided detailed feedback. This is a lower level of feedback compared to last year's survey where 487 individuals responded to the online survey which only included two opened ended questions. This decline could be due to last year's budget consultation asking residents to respond to more significant amendments to the budget and also the effect of GDPR. From across all the posts during the budget consultation period on Facebook and Twitter, we received a total of 21,799 post views and the posts reached a total of 87,546 users, and 2,664 engagements (likes, comments and shares) reaching a wide representation of the population. The feedback and summary analysis of both the online survey and social media responses is shown at Appendix L.
14. 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.
15. The following table shows the distribution of positive, negative and neutral viewpoints.

Positive view of the proposals	63%
Neutral point of view	13%
Negative view of the proposals	19%
Non-applicable comments	5%

16. The majority of positive comments (63%) indicated general acceptance of the proposals, with many stating that they were 'achievable' and 'reasonable'. In addition to this, comments also referenced a positive view of the proposal to freeze council tax (13%) with further positive views around investment in the town centre (9%), environment (3%), parks (3%) and health (3%).
17. The majority of negative comments (15%) relate to the freeze of council tax for this year with respondents querying the purpose of freezing council tax when public services need more funding and proposals around investment in the environment, in particular proposing more should be done to combat climate change or that too much in the budget is allocated to spend on climate change (15%). In addition, there were concerns around the investment in the town centre, in particular in relation to the amount of investment comparatively in rural areas (10%) and comments around insufficient investment in housing (10%) and highways (9%).

THE BUDGET – REDUCTIONS IN FUNDING SOURCES

Spending Round 2019 and Provisional Local Government Finance Settlement

18. 2019-20 was due to be the final year of the Government's four-year Settlement, however following the Spending Round 2019, councils will receive a further one-year Settlement as the planned changes from the Fair Funding Review and 75% Business Rates retention have been delayed by at least one year until April 2021 at the earliest. Budget assumptions have been made based on the Final Local Government Finance Settlement that was announced on 7 February 2020.

Business Rates

19. Chorley Council benefited in 2019/20 from being a member of the Lancashire 75% business rates pilot. The spending round 2019 announced that all 75% pilots will be disbanded. The budget assumes that in 2020/21 the council will revert to membership of the Lancashire business rates pool as per the confirmation from Government.
20. Forecasting levels of business rates beyond 2020/21 remains complicated due to uncertainty regarding the quantum of business rates that will remain when the system is reset. The date of this reset is still uncertain, this budget assumes it will take place on April 2021. The level of business rates retained by Chorley Council under the new system will also depend on the outcome of the fair funding review. This review will set new baseline funding allocations for all Local Authorities and aims to simplify the existing system and provide an up to date assessment of Authorities relative needs and resources. Early consultations have taken place by MHCLG, but there is insufficient information to make informed estimates to date.
21. A large risk that was associated with business rates income related to two applications for mandatory charitable relief received from Lancashire Teaching Hospitals NHS Foundation Trust. If successful, the application would have been back dated to 2010 and therefore have a significant impact on the Council's revenue budget. A headline figure is a potential £2.4m impact on the Council's general fund and a further c£280k reduction in ongoing retained business rates. However, the High Court has ruled that NHS Trusts and Foundation Trusts are not eligible for mandatory business rates relief. Although a favourable outcome for councils, given the large amounts of money involved for Foundations Trusts across the country it seems likely that an appeal will be submitted.
22. A final consideration to the council's retained business rates income is the potential for there to be a national economic slow-down. More detailed analysis is given in Appendix F – General Fund Forecast Assumptions. In brief this may result in an increase in the number of appeals against rateable values as well as reducing local economic activity and therefore reducing retained business rates. The council's provision for appeals will stand at approximately £4.5m in 2020/21 which is comparable to the national average. In addition, the council's business rates income equalisation reserve has approximately £1m set aside over the medium-term to manage the risk of temporary reductions in retained business rates.
23. For the reasons highlighted above the Council will also assume no inflation from 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.

New Homes Bonus

24. The spending review announced a gradual reduction and ultimate removal of New Homes Bonus. Government proposals are for allocations to reduce as follows:

- 2020/21 – 4 year allocation - for Chorley Council approximately £2.3m
- 2021/22 – 2 year allocation - for Chorley Council approximately £1.1m
- 2022/23 – 1 year allocation - for Chorley Council approximately £550k

Council Tax

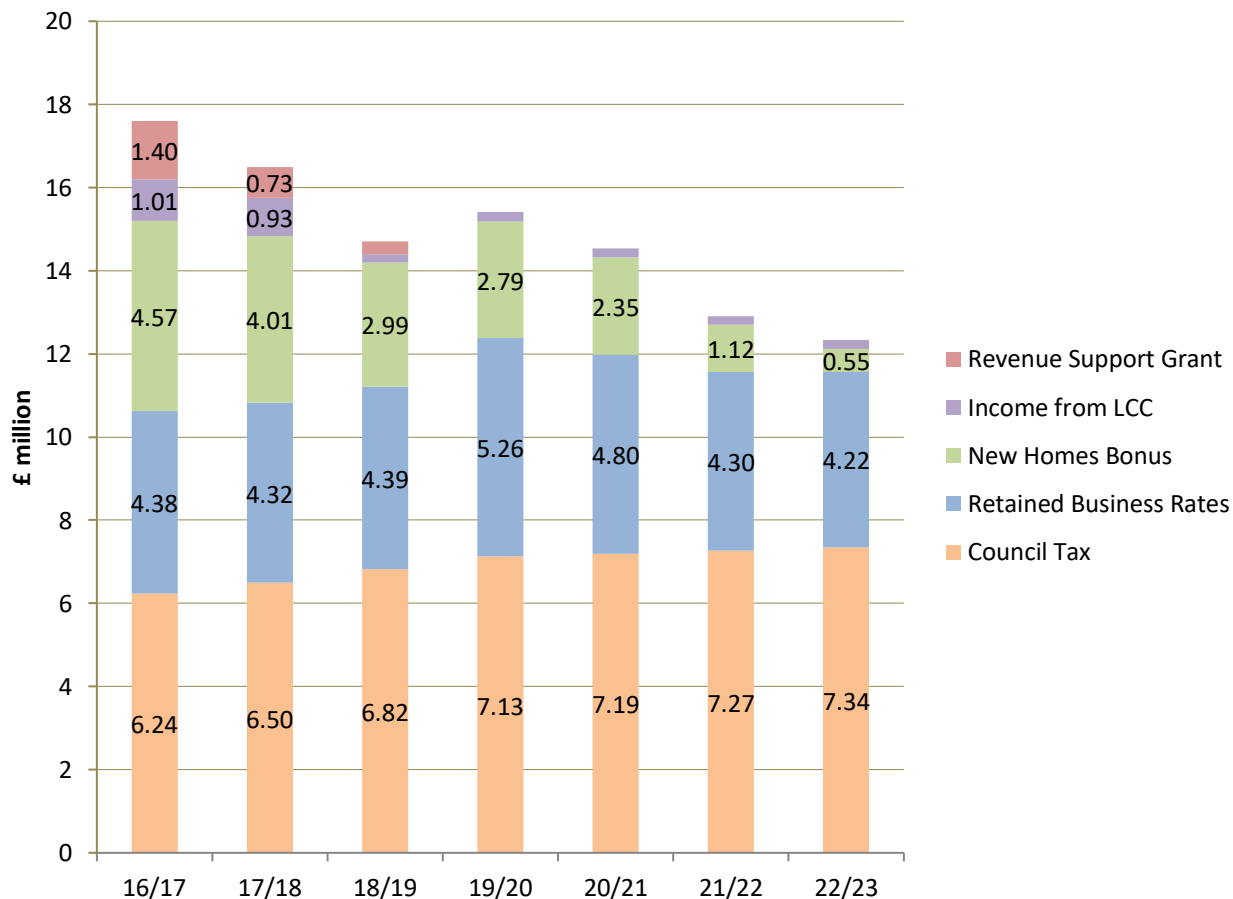
25. Chorley borough has experienced expansion of housing over the past few years.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21 Estimate
New Band D equivalent dwellings brought in base	1,259	677	751	680	520	434
Growth (year-on-year)	3.8%	2.0%	2.1%	1.89%	1.42%	1.20%
Additional council tax income to CBC each year	£223k	£120k	£133k	£123k	£97k	£83k

26. The council expects a gradual slowdown in house building over the coming three years however it is also recognised that there are still sites coming forward.

27. Funding to Chorley Council is forecast to fall from over £17m in 2016/17 to £12m by 2022/23

Major Sources of Council Funding



Pay Award

28. An average 2% pay increase per year has been assumed for 2020/21 to 2022/23. However, Unions are strongly supporting a 10 per cent pay increase and a £10 minimum hourly rate claim for local government workers in England, Wales and Northern Ireland for the year starting April 2020. Every 1% increase in pay results in over £100k of additional expenditure to Chorley Council.
29. There has been a recent announcement from Government that the national living wage will increase by 6.2% in 2020/21. This will not affect Chorley Council's pay bands for 2020/21 as the council pays above this level already.

Pensions

30. As part of a **triennial pension review** the Lancashire County Pension Fund announced an increase in employer pension contributions for 2020/21 to 2022/23 to meet the future costs of the scheme. The contributions have increased from 14.4% to 16.4% resulting in an increase in the council's contribution. This is lower than the 17.1% assumed in the previous year's budget.
31. The Lancashire County Pension Fund has outperformed most local authority pension funds over the past 3 years. Looking forward the pension fund has provided figures that forecast Chorley Council's contribution to the prior year deficit will reduce by approximately £500k, reducing the council's budgeted contributions by over £1.5m over the next three years.
32. In addition to the reduction in the deficit, the council has also opted to pay the deficit of £1.2m off in one-lump sum. The pension payments will be accrued in each year however paying it off up front saves the council over £70k in revenue costs over the coming three years.

Brexit

33. Concerns remain about the impact of the United Kingdom's withdrawal from the European Union (BREXIT). Much speculation continues around the likely financial effects of this but it is clear that continued uncertainty has presented significant issues across the economy and the stock market. The potential risks to the Council include changes to interest rates and inflation, a slowdown in the local economy affecting rental and property values and income from retained business rates. The council set aside a reserve of £300k in 2019/20 to mitigate the impact that the UK leaving the EU could have on local businesses and Corporate Priorities. These risks will be closely monitored and reported throughout the period of the MTFS.

Budget Deficit

34. The Council's forecast gross budget deficit is summarised in table 1 and is based upon the reductions in funding described above and the following key budget assumptions.

Table 1: Cumulative Gross Budget Deficit as at February 2020

	2020/21 £m	2021/22 £m	2022/23 £m
Gross Budget Deficit	0.257	2.075	3.079

35. All deficits and savings identified in the table 1 and in the remainder of this report are cumulative. For example, the deficit of £3.079m in 2022/23 identified above is the result of a £2.075m deficit in 2021/22 and further budget pressures and reduced funding of £1.004m identified for 2022/23.

Table 2: Key Budget Assumptions

Key Assumptions	2020/21	2021/22	2022/23
Increase in Retained Business Rates through Growth	0%	0%	0%
Total Forecast New Homes Bonus	£2.346m	£1.125m	£0.550m
Future Service Pension Rate	16.4%	16.4%	16.4%
Pension Fund Deficit Recovery	£0.416m	£0.432m	£0.450m
Additional Business Rates - Lancashire Pool	(£0.800m)	£0.000m	£0.000m
Income from LCC	(£0.210m)	(£0.210m)	(£0.210m)
Pay Award (average)	2%	2%	2%

36. The cumulative budget deficits are based upon the reductions in funding described previously in the report and the key budget assumptions outlined in table 2. It should be noted that some of the assumptions are still potentially subject to change that may impact positively or negatively on the budget.
37. A detailed breakdown of the three-year budget including the gross budget deficit is provided in Appendix D of this agenda. Included in this appendix are the revenue budget implications regarding the Council's capital projects, as with other assumptions it should be noted that the profile of expenditure and income is potentially subject to change. Risks surrounding these budget assumptions may be managed through the use of general reserves as outlined at the end of this report. A full description of budget assumptions and risks are provided in Appendix F and in Appendix K of this agenda.

BRIDGING THE BUDGET GAP

38. A key influencing factor on the forthcoming budget is the effective management of the budget in the preceding years. The Council recognised that reductions in funding and ongoing expenditure budget pressures have resulted in a budget gap of £0.257m in 2020/21 increasing to £3.079m in 2022/23. To bridge this budget gap the Executive Cabinet has achieved forecast cumulative budget savings and additional income of **£1.183m** over the medium-term. This is in addition to a total of £4.179m savings and additional income already achieved in prior years, summarised below.

Table 3: Efficiency Savings and Income Generation

Saving/Increased Income	Cumulative Savings and Income Achieved	Forecast Cumulative Savings and Income	Total
	2014/15 to 2019/20	2020/21 to 2022/23	
	£m	£m	£m
Efficiency Savings	1.691	0.201	1.892
Review of Contracts	1.394	0.000	1.394
Review of Income Streams	0.202	0.007	0.209
Income from Capital Investments	0.892	0.975	1.867
Saving/Increased Income	4.179	1.183	5.362

Efficiency Savings

39. Chorley Council has been successful in providing excellent services to residents whilst also generating savings in staffing budgets. Past efficiencies include over £300k savings from the review of senior management positions and staffing efficiencies in areas such as early intervention and neighbourhood teams. The council is now embarking on the expansion of **shared services** with South Ribble Borough Council. The first phase will go live on 1 April 2020 and is expected to generate £201k of staffing savings to Chorley Council by 2022/23.

Additional Income

40. The council has a strong track record of investing in assets that enable improvements to local infrastructure that provide improvements to services and deliver new services to residents within the borough. These include:
- the purchase and extension of the **Market Walk Shopping Centre** that now provides residents with a wide range of retail, food and night-time shopping experiences. In total the shopping centre is forecast to generate net income of £1.2m per year.
 - the construction of **Strawberry Fields Digital Office Park** provides local SMEs with modern digital office space unlike anything in the region. The development is proving popular with many business and occupancy is forecast to increase over the coming two years with a modest estimate of net income to the council of £180k per annum by 2022/23.

- **Primrose Gardens** the new extra care facility for the over 55s opened in October 2019 and is expected to be fully occupied by the end of March 2020. The popularity of new scheme has meant it is expected to provide a small net income to the council of between £50k and £65k.
- On 23 July 2019 Full Council approved the £33m purchase of the **Logistics House site in Buckshaw**. The council will lease the building back to the current tenant with an expected net income, after borrowing costs, of £450k rising to £900k towards the end of the lease term.

41. Table 4 illustrates through efficiency savings and additional income generated the council is able to set a balanced budget with some available resources for re-investment in 2020/21. This has been achieved without increasing Chorley council's share of council tax in 2020/21. These figures also include approximately £1m a year investment in corporate strategy priorities.

Table 4: Cumulative Budget Deficit

	2020/21 £m	2021/22 £m	2022/23 £m
Gross Budget Deficit	0.257	2.075	3.079
Shared Services – Phase 1	(0.115)	(0.201)	(0.201)
Review of Fees & Charges 20/21	(0.007)	(0.007)	(0.007)
Net Income – Market Walk Extension	(0.250)	(0.280)	(0.280)
Net Income – Strawberry Fields	0.000	(0.150)	(0.180)
Net Income – Primrose Gardens	(0.050)	(0.065)	(0.065)
Net Income – Logistics House	(0.450)	(0.450)	(0.450)
Adjusted Budget Deficit/(Available Resources)	(0.615)	0.922	1.896
Income Equalisation Reserve – Logistics House	0.450	0.000	0.000
Operate Chorley Bus Station	0.100	0.100	0.100
Additional Support for the Chorley Youth Zone	0.020	0.020	0.020
Climate Change Officer	0.020	0.020	0.020
Changes to the Council Tax Support Scheme	0.025	0.025	0.025
Adjusted Budget Deficit/(Available Resources)	0.000	1.087	2.061

42. The council is prudent when managing the income streams it generates through capital investment. The council will set aside the initial £450k of net income from the Logistics House site in 2020/21 to create an income equalisation reserve that can be used as part of the management of the site. Further analysis of the council's reserves is given later on in this report.

Additional Investment in Corporate Priorities

43. Through the effective management of the budget Chorley Council is able to invest in additional projects that deliver its Corporate Priorities. The opportunity has arisen to take over the management of the **Chorley Bus Station** from LCC. Chorley Council has a strong track record of delivering bus services more efficiently and effectively than were previously managed by LCC. Chorley Council therefore welcomes the opportunity to operate the bus station, that it already owns, and improve the services for residents. It is forecast to cost £100k per annum with the expectation that costs will be better managed by Chorley Council as the station is incorporated into the council's master plan for the town centre as a whole.
44. Chorley Council declared a **Climate Emergency** at Full Council on 19 November 2019. The 2020/21 budget includes resources to fund a climate change officer and the council will set aside reserves to help develop local climate change initiatives. This will only be the council's starting point; the Overview and Scrutiny Task Group has undertaken a review and will make further recommendations to Executive Cabinet.
45. The council has worked with Inspire to deliver a project to encourage more young people from targeted areas to become members of the **Youth Zone**. The council will set aside an additional £20k per year to support the Youth Zone, this includes funding to raise awareness in more rural areas.
46. The council has consulted on changes to the its **council tax support scheme**. Under the current scheme, all working aged council taxpayers must pay at least 7.5% of their bill, including those on low income who claim council tax support. Removing this requirement will support Chorley residents with the lowest income to meet the day-to-day costs of living. Further details are given in Appendix N to this report.
47. The budget figures summarised in tables 1 and 4 include approximately £1m of annual revenue investment that will deliver the corporate strategy priorities through a programme of activities designed to meet the fundamental needs of local residents, like health, housing and jobs, while continuing to get Chorley in the best social and economic position for the future. Some of these are summarised below.

Investing in Corporate Priorities

In 2019/20 the council allocated over £1m of revenue investment to deliver corporate strategy priorities through a programme of activities designed to meet the fundamental needs of local residents, like health, housing and jobs, while continuing to get Chorley in the best social and economic position of the future.



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

£50,000 ongoing investment in neighbourhood projects identified as priorities by local residents.

£60,000 to fund resource for digital inclusion to ensure that residents from across the borough are enabled to access services online



A strong local economy

£125,000 to deliver an ambitious events programme including the Flower Show, Chorley Live and Christmas attractions attracting more than 69,000 people



Clean, safe and healthy homes and communities

£120,000 to support the ongoing work of the Youth Zone to continue to deliver high quality diversionary and wellbeing activities for young people in Chorley. This includes budget for additional outreach for those living further from the town centre.

£50,000 to improve street cleaning and litter collections. Resident dissatisfaction was 12.79% for September 2019 compared to a target of 20%.



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

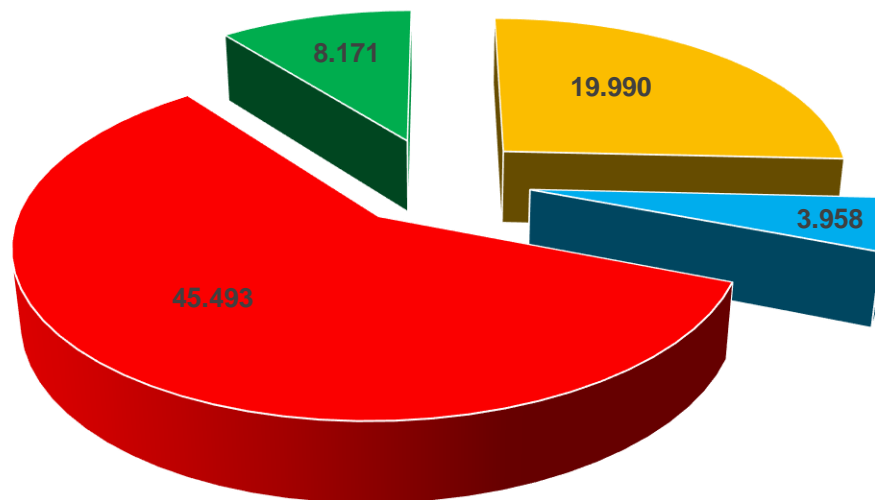
£60,000 to support over 230 vulnerable individuals, achieving better wellbeing outcomes

£70,000 to run and improve key bus routes in the borough to mitigate the impact of county wide cuts, ensuring that residents can access all areas of the borough

CAPITAL PROGRAMME 2019/20 to 2022/23

48. Details of the capital programme including new capital investment are outlined in the Appendix G1. The capital programme for 2019/20 to 2022/23 totals £77m and is an indication of how ambitious the council is in delivering its Corporate Strategy and the priorities within it. An overview of the capital programme is detailed below.

Total Capital Programme 2019/20 to 2022/23
£m



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

49. Within the capital programme are the proposed changes made in the draft budget as described below in Table 5

Table 5: Changes to the Capital Programme

Project	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Works to Existing Markets	-	0.400	-	-
Chapel St and Surrounding Public Realm	0.300	2.200	-	-
Purchase of Affordable Housing	-	1.500	-	-
Chorley Borough Service Centres	-	0.500	-	-
Town Centre Public Realm	-	0.300	2.000	1.700
TOTAL	0.300	4.900	2.000	1.700

50. Chorley Council is incredibly proud of its **Famous Markets** that date back to 1498. The council will continue to support its traditional indoor and outdoor markets and will therefore invest £400k in 2020/21 in new market canopies and a refurbishment of the covered market.
51. There council will provide targeted investment of up to £2.5m to improve the environmental quality, built environment and tenant mix within **Chapel Street** and the immediate area. This could result in the council purchasing and re-letting units.
52. The council's Housing Strategy outlined the council's commitment to improve the quality of housing, to meet the changing needs of our residents and to rebalance the housing market. The council manages a wide portfolio of housing including sheltered accommodation, affordable housing and extra care. To build on this success the council will invest further in affordable housing setting aside £1.5m for the purchase, refurbishment and rental of **affordable housing** in the borough.
53. The council has supported its **Local Service Centres** in recent years through grant schemes to local businesses. The council will continue borough-wide investment through targeted capital projects in local service centres and will set aside £500k to plan, prioritise and deliver these projects.
54. Chorley Council has successfully delivered over £15m in delivering the initial stages of its **Town Centre Masterplan** including works to Fazarkerly, Market St South and Market Walk. The council will continue its commitment to deliver the masterplan and will set aside £4m in the coming three-year period to deliver improvements for its residents.
55. The council's capital programme is constructed based upon several objectives including the requirement to be affordable and prudent. To do this the council will ensure that whenever possible the impact of additional investment on revenue budgets will be minimised. The council has a number of sources of funding it can use to invest in the borough including, CIL, s106, grant funding and capital receipts. Where appropriate the council will also generate future revenue income streams through capital investment to exceed the repayment of borrowing.
56. In addition to the projects listed above there is significant investment planned within the borough as outlined below.

The council has successfully delivered major large developments that will radically shape the future for Chorley. Future investment will build on this work to drive forward ambitions for economic growth and ensure that Chorley is an even more attractive place to live, work and invest. The council will also continue to work hard to deliver sustainable public services through transforming the organisation, taking a more commercial approach and working closely with partners to integrate services.

Future capital investment:

Westway Playing Fields – £2.7m to bring forward a top of the range sports complex

Improvements to Union Street Offices – £1m to deliver a better experience to residents that supports the Digital Strategy

Improvements to Astley Hall and Park – £1.6m to ensure a safe and secure local asset that offers a high quality, sustainable visitor attraction for future years

Whittle Health Hub – ensuring access to high quality health facilities for residents from across the borough

Bringing forward large sites for development – housing and industrial units at Shady and Alker Lane

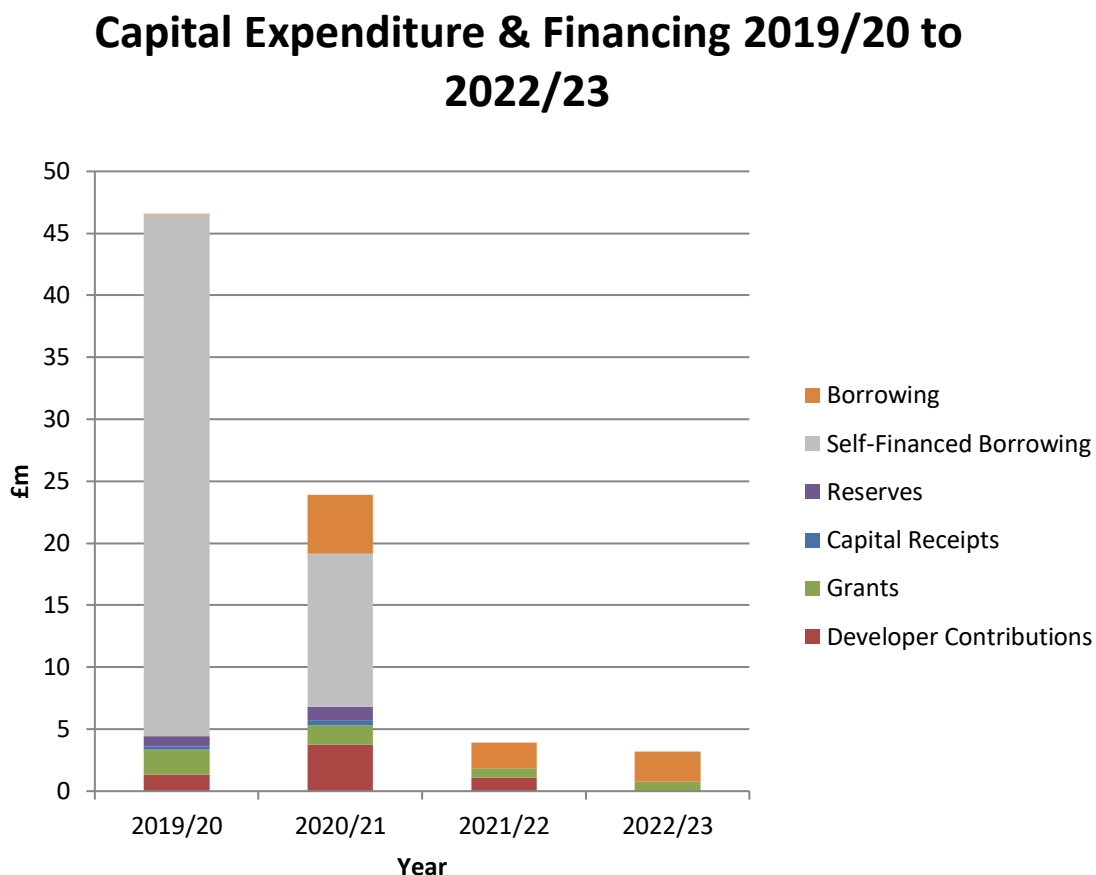
Delivering a new masterplan for **Tatton Recreation Ground** and the surrounding area

Large scale improvements to local **leisure facilities** as part of the renewal of the leisure management contract



CAPITAL FINANCING

57. The financing of the capital programme for the period 2019/20 to 2022/23 is set out in Appendix G2 and summarised in the proceeding chart.



58. The capital programme includes a number of schemes that are forecast to generate revenue that will meet the annual cost of borrowing required to complete the project. These include the £33m purchase of Logistics House in 2019/20, the upcoming £9.2m development at Alker Lane, the £1.5m budget for purchasing affordable housing and the 2020/21 development of the new GP surgery in Whittle-le-Woods.
59. The council will invest at least £4.8m over the coming three years of contributions from developers to regenerate the borough's play, open space and recreation grounds. A summary of s106 funding received and allocated is attached in appendix G3

CAPITAL STRATEGY

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

MEDIUM TERM FINANCIAL PLANNING

Despite the budget savings identified in this report, as outlined above there remain large forecast budget deficits of £1.087m in 2021/22 and £2.061 in 2022/23. To achieve a sufficient reduction in net expenditure the Council's strategy will be:

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

61. Further details of these strategies are given in the MTFS which can be found at Appendix C to the agenda of this report. The key challenge to the council is to find forecast efficiency savings of £1.215m by 2022/23, subject to projected future funding levels. The summary of the savings is given below in Table 6.

Table 6 – Chorley Borough Council Transformation Programme

	2020/21 £m	2021/22 £m	2022/23 £m
Adjusted Budget Deficit/(Available Resources)	0.000	1.087	2.061
<i>Contract Savings</i>			
Leisure Centre Management (expires October 2020)	-	(0.446)	(0.446)
<i>Income Generation</i>			
Investment Sites	-	(0.200)	(0.200)
Parking Income	-	-	(0.200)
Total Income Generation	0.000	(0.200)	(0.400)
<i>Efficiency Savings</i>			
Efficiency Savings		(0.441)	(1.215)
Adjusted Budget Deficit/(Available Resources)	0.000	0.000	0.000

RESERVES

62. Over the past six years the council has made ambitious investments to help enable the delivery of a balanced budget. However, the council has also ensured a prudent and affordable approach to delivering the medium-term financial strategy. The council has set aside and increased the balances to several reserves that can be utilised if unforeseen events have a negative impact on council's finances. The expected balances of these reserved is given in table 7 below.

Table 7: Forecast Reserve Balances - assuming the balances are not utilised over the next 3 years

	2020/21 £m	2021/22 £m	2022/23 £m
General Fund Reserve	4.000	4.000	4.000
<i>Reserves - Income</i>			
Market Walk Income Equalisation Reserve	0.500	0.550	0.600
Logistics House Income Equalisation Reserve	0.450	0.450	0.450
Business Rates Retention Reserve	0.960	0.960	0.960
Total Earmarked Reserves - Income	1.910	1.960	2.010
<i>Reserves – Asset Maintenance</i>			
Market Walk Asset Maintenance	0.150	0.200	0.250
Primrose Gardens Asset Maintenance	0.030	0.060	0.090
General Asset Maintenance	0.150	0.150	0.150
Total Earmarked Reserves – Asset Maintenance	0.330	0.410	0.490
<i>Reserves - Other</i>			
Support for Local Businesses & Corporate Priorities	0.300	0.300	0.300
Change Management Reserve	0.200	0.200	0.200
Total Earmarked Reserves – Other	0.500	0.500	0.500
TOTAL EARMARKED RESEERVES	2.740	2.870	3.000

63. The total forecast level of reserves is expected to be £9.1m in 2020/21 with £6.740m of these reserves identified in table 7. These reserves are necessary to mitigate the financial impact of the uncertainty the council faces such as uncertainty regarding the national and local economy and uncertain future funding levels.

CONCLUSIONS

64. This paper outlines for the Council the Executive's budget proposals for 2020/21 which are:

- **A budget that mitigates against the risk to council funding that has been created by the uncertainty surrounding Government reforms expected in 2021/22.**
- **A budget that has successfully delivered efficiency and income generation strategies meaning there is no increase in council tax from Chorley Council for 2020/21.**
- **A budget that delivers budget efficiency savings and increased income of £1.183 in 2020/21 to 2022/23**
- **The successful implementation of the MTFS has allowed the Council to include in the budget approximately £1m of revenue investment packages in 2020/21 budget.**
- **The successful implementation of the MTFS has allowed the Council to create the resources to invest £100k per year to manage and improve the services from the Chorley Bus Station as well as providing resources for the council to help its residents tackle climate change.**
- **Investments will be made in key areas to support the new Corporate Strategy:**
 - 1. INVOLVE RESIDENTS IN IMPROVING THEIR LOCAL AREA AND EQUALITY OF ACCESS FOR ALL.**
 - 2. CLEAN, SAFE AND HEALTHY COMMUNITIES.**
 - 3. AN AMBITIOUS COUNCIL THAT DOES MORE TO MEET THE NEEDS OF RESIDENTS AND THE LOCAL AREA.**
 - 4. A STRONG LOCAL ECONOMY.**
- **The assumptions included in the budget have been assessed in the light of the latest information available at this time. They are also compatible with:**
 - the proposed Pay Policy as set out in Appendix J.
 - the proposed Treasury Management Strategy as set out in Appendix I

65. The MTFS contains the updated budget forecasts to 2022/23 which identifies that further budget savings will be required to bridge the funding gap in future years. The forecasted budget deficit in 2022/23 is estimated to be £2.061m and the MTFS sets out options that can be considered to bridge this gap. Therefore, the MTFS provides a plan to deliver a balanced budget over the longer term in Appendix C.

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

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

Appendix A	Formal Council Tax Resolution 2020/21
Appendix B	Special Expenses & Parish Precepts 2020/21
Appendix C	Delivering Our Priorities - Chorley Council Medium Term Financial Strategy 2020/21 to 2022/23
Appendix D	Cumulative Budget Deficit & Budget Strategy 2019-20 to 2022-23
Appendix E	Variance Analysis – Movements from 2018/19 Original Estimates
Appendix F	General Fund Forecast Assumptions
Appendix G1	Capital Programme 2019/20 to 2022/23
Appendix G2	Capital Programme Financing 2019/20 to 2022/23
Appendix G3	Developer's Contributions 2017/18 to 2021/22
Appendix H	Capital Strategy
Appendix I	Treasury Management Strategy 2020/21 to 2022/23
Appendix I1	Advice of Treasury Management Consultants
Appendix J	Pay Policy 2020/21
Appendix K	Report of the Chief Finance Officer
Appendix L	Budget Consultation 2020/21
Appendix M	Assessing the Impact of 2020/21 Budget Proposals
Appendix N	Outcome of Consultation Regarding Changes to Council Tax Support Scheme

IMPLICATIONS OF REPORT

68. 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

69. The financial implications of the above report are detailed in the report and furthermore in the MTFS 2020/21 to 2022/23 (Appendix C) and the Chief Finance Officer's Report (Appendix K).

COMMENTS OF THE MONITORING OFFICER

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

COMMENTS OF THE HEAD OF HR AND OD

71. 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 CHIEF OPERATING OFFICER

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

GARY HALL
CHIEF FINANCE OFFICER

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
James Thomson	5025	17/02/20	