

# DELIVERING OUR PRIORITIES

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Chorley Council  
Medium Term Financial Strategy  
2020/21 to 2022/23

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## FOREWORD



**Councillor Peter Wilson**  
Deputy Leader of  
Chorley Council

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

Despite announcements from Government that austerity is over, we continue to expect funding to fall over the coming three years. The Government has already announced the removal of New Homes Bonus funding, costing the council over £2m a year. There remains a huge amount of uncertainty regarding future funding from the Government especially surrounding the future of business rates income retained by Chorley Council.

Despite these forecast funding reductions, the council is setting a balanced budget in 2020/21 with no increase in council tax. We can do this because we have invested in a wide range of developments that not only provide new services to residents and businesses but also generate income for the council. We continue to drive efficiencies and improvements in the services we provide and contracts we manage. We have done all this this while continuing to provide excellent services to our residents

Looking further forward, the council has plans in place to meet the financial challenges it faces. The council has always been innovative when delivering its services and that is why we will continue to transform services to deliver efficiencies as well as investing in income generating projects. The council continues to develop employment and recreation sites, in addition we will be opening a new and improved GPs surgery in Whittle-le-Woods.

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

# **CHORLEY COUNCIL MEDIUM TERM FINANCIAL STRATEGY 2020/21 to 2022/23**

## **INTRODUCTION**

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

## **FINANCE AND CORPORATE PLANNING**

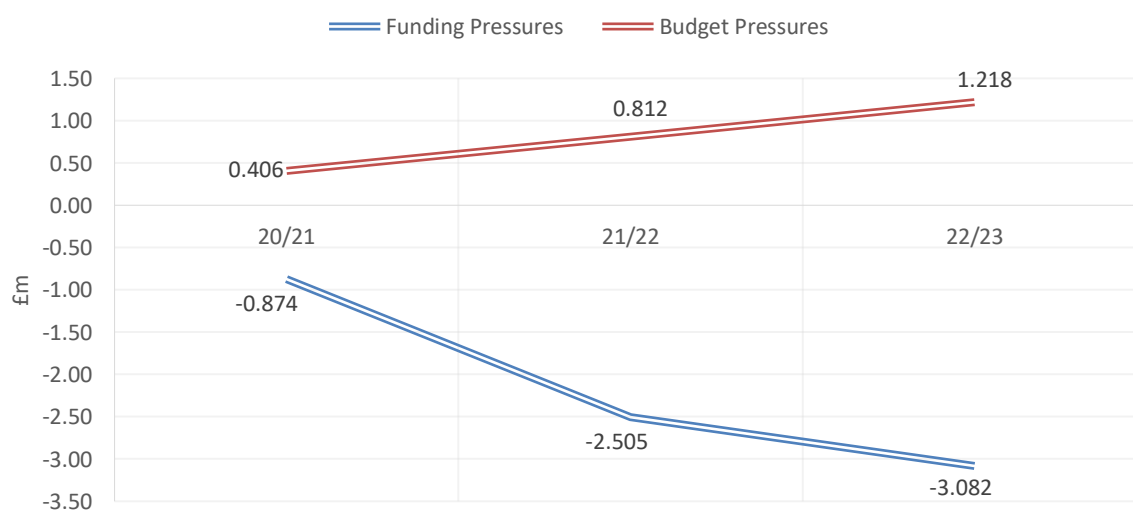
2. Within the framework of legislation and Government controls, local authorities retain responsibility for determining the level of their budgets and how those budgets will be spent, subject to legislation and grant conditions.
3. The purpose of the council's budget is;
  - To enable the council to fulfil its statutory duty to set a Council Tax each financial year
  - To ensure that use of the council's financial resources is planned and that a balanced budget is set in 2020/21.
  - To set financial targets for service managers against which their use of financial resources can be measured and controlled.
  - To facilitate the delivery of the council's corporate strategy and subsequent priorities by allocating resources between services according to agreed strategies and plans.
4. The first is a statutory requirement and the council, if it does nothing else, must fulfil this obligation. All these points are important especially the last regarding the delivery of the council's corporate strategy. It means that finance always needs to be seen in the context of other council plans, whether at service level or, ultimately, at corporate level. Chorley Council will ensure that its financial resources, subject to all other constraints, are allocated in accordance with council priorities.
5. In practice there are a number of constraints that might prevent the council from spending purely in accordance with its current priorities, for example: -
  - Government constraints over use of resources
  - Legal requirements to provide certain services
  - Financial and legal commitments, and other agreements, e.g. staff contracts
  - Costs incurred in implementing change

- Limited availability of resources
  - Time needed to plan for change
  - Pressure to maintain and improve services and not to cut back
6. It is important for the council to recognise these constraints and to plan the use of resources over the short and medium term.

## THE FINANCIAL CONTEXT

7. 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.
8. Setting the council's annual revenue budget has been a challenging process for a number of years. The reductions in Government support as contained in the 2010, and 2015 Spending Reviews have resulted in an unprecedented level of savings and additional income being required. This, coupled with budget pressures, has meant that savings and additional income of over £4m million have been delivered since 2014/15.
9. Despite the Government's announcement that austerity has ended, Chorley Council continues to experience a reduction in Government funding. The council will lose its New Homes Bonus allocation of £2m a year in the coming three years. There is also significant uncertainty regarding the level of retained business rates income.
10. The chart below emphasises the scale of the challenge the council faces in bridging the budget gap over the next 3 years. The chart illustrates the budget gap the council will face if it does not generate efficiencies and additional income. The large drop in funding in 2021/22 is due to the reduction in New Homes Bonus and the forecast outcome of the Fair Funding and Business Rates Review that is expected to be implemented in April 2021. As a result of the latter the council expects to experience a significant reduction in retained business rates income.

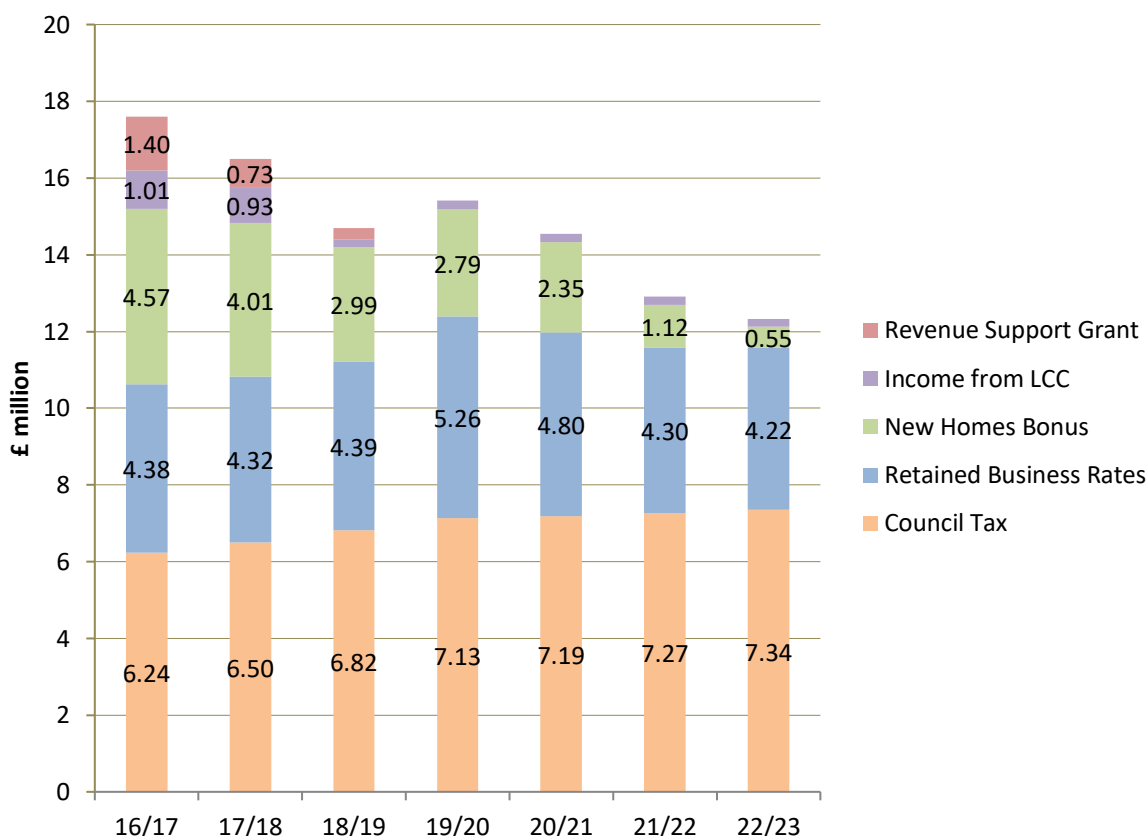
## FUNDING AND BUDGET PRESSURES



## Changes in the Level of Funding

11. Chorley Council has experienced and may continue to experience in the coming three years, large reductions in its major funding sources. Funding to Chorley Council is forecast to fall from over £17m in 2016/17 to £12m by 2022/23, this is illustrated below.

### Major Sources of Council Funding



### Business Rates

12. 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.
13. 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. Further consultations from the MHCLG have not come forward yet meaning there is insufficient information to make informed estimates at this point in time.



14. 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 Foundation Trusts across the country it seems likely that an appeal will be submitted.
15. A final consideration to the council's retained business rates income is the potential for there to be a national economic slow-down. 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.
16. For the reasons highlighted above the Council will also assume no increase in business rates budgets through growth in the collection of business rates. 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

17. New Homes Bonus is a grant allocated to councils for building more homes. Chorley Council has benefited from this grant as it experienced a large expansion in housebuilding in previous years. At its peak the council received over £4m per year in New Homes Bonus that was used to fund investment in corporate priorities.
18. The spending review announced a gradual reduction and ultimate removal of New Homes Bonus grant. 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
19. The provisional finance settlement announced a new consultation on a possible replacement to New Homes Bonus in the spring. This could include moving to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes we need, and which is aligned with other measures around planning performance. As such there may be a replacement to New Homes Bonus however nothing can or has been assumed in the budget.

## Council Tax

20. Chorley borough has experienced expansion of housing over the past few years as outlined in Table 1 below.

**Table 1: Council Tax Base**

	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

21. 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.

## Other Budget Assumptions

### *Pay Award*

22. 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.
23. 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*

24. 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.
25. There has been good news from the Lancashire County Pension Fund that 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.



26. 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*

27. 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.

## PLANNING AND DELIVERY OF THE COUNCILS CORPORATE STRATEGY

28. Despite these financial challenges, Chorley Council continues to deliver projects that meet the priorities of its residents. These projects are outlined as part of the Council's Corporate Strategy. The Corporate Strategy provides a clear statement of what the Council aims to achieve over the next three years. The strategy sets out not only the Council's vision, priorities, and long-term outcomes for the period 2019/20 to 2021/22 but also priority activities to be delivered through the corporate projects and how we intend to measure success over the year ahead. The Corporate Strategy identifies our key priorities as a council which are: -
- a. Involving residents in improving their local area and equality of access for all;
  - b. Clean, safe and healthy communities;
  - c. A strong local economy; and
  - d. An ambitious council that does more to meet the needs of residents and the local area.

### CORPORATE STRATEGY 2019/20 TO 2021/22

29. Chorley Council's corporate strategy 2019/20 to 2021/22 was approved by Full Council on 19 November 2019. The focus of the Corporate Strategy to date has been on delivering schemes and initiatives that achieve visible and tangible outcomes against corporate priorities.
30. As well as delivering major new developments, activity in the past year further contributed to the long-term outcomes identified in the Corporate Strategy by improving facilities for local communities such as the work to facilitate all weather use of the playing pitch and additional car parking facilities at Kem Mill and progress to develop Westway Sports Complex to deliver top of the range sports facilities. 29 schemes were delivered as part of the Play and Open Space Strategy which has included the installation of new play areas, two community gardens and a bowling green across the borough. Neighbourhoods across the borough are more attractive places to live with a further reduction in the number of empty properties and 62 more affordable houses delivered compared to the same time last year. More residents have successfully completed digital skills training and there were almost 1,000 additional visits by older people to council leisure centres compared to the same time last year. The council continues to be ambitious and has invested in improving street cleansing with new sweepers and route optimisation software to ensure a high performing, efficient service.
31. For 2019/20-2021/22, the Corporate Strategy vision, priorities and long-term outcomes stay the same to maintain the long-term impact of strategic activity and investment. This year, in recognition of the critical importance of the green agenda, the Corporate Strategy reflects the commitment of the council to supporting and enabling residents to be more environmentally conscious and leading the way as an organisation. Activity in 2019/20 onwards will ensure that environmental considerations cut across all aspects of council business.
32. Outlined below are just a few of the key projects that have been delivered and will be delivered over the next 3 years. The Medium-Term Financial Strategy delivers a budget that is robust and sustainable and that also delivers both the capital and revenue commitments required to deliver the corporate strategy priorities.

# Investment in Corporate Priorities

The council's investments reinforced the council's direction of travel with an emphasis on housing, delivering better services for residents across the borough and a more commercial approach to support the longer-term sustainability of council services. The strategy successfully progressed large high-profile projects through to the final stages of delivery or completion, shaping the future of Chorley to meet the needs of residents of all ages both now and in future.



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

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

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

£850k investment in modernising ICT infrastructure including improving to web-based services for Chorley residents



## A strong local economy

£15.3m of investment in the successfully completed Market Walk extension project. Over £2m of enhanced car parking in the town centre

The completion of the Digital Office Park that will provide Council owned bespoke digital office space for SMEs - **£8.5m**

£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 communities

The completion of Primrose Gardens retirement living, the council's **£10m** extra care facility

Continued delivery of **£800k** per year of home adaptations to enable Chorley residents to continue independent living

**£1m** investment in the council's play and open spaces

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

£70,000 a year 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



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

Chorley Council is facilitating the **£2.2m** Heritage Lottery Fund (HLF) investment in the redevelopment of Bank Hall, Bretherton.

The council continues to spend over £70,000 per year deliver bus services previously provided by LCC. It is the council's ambition to invest over £100k per annum to operate and improve services from the Chorley Bus Interchange.

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



## MEETING THE FINANCIAL CHALLENGE – THE TRANSFORMATION STRATEGY

33. The last medium-term financial strategy reported to Full Council on 26 February 2019 set out the Council's approach in meeting the financial challenges over the period 2019/20 to 2021/22. The Council's Transformation Strategy was put in place to focus on bridging the gap and delivering a balanced budget through:
- Renegotiation of Contracts
  - Productivity Savings
  - Income Generation
34. Since February 2019 the Council has continued working towards delivering the transformation strategy. Membership of the transformation board has been expanded to Directors and Service Leads to create the Senior Leadership Team. This will facilitate the continued delivery of innovative and wide-ranging efficiency and income generating proposals.

### **SENIOR LEADERSHIP TEAM**

35. In terms of transformation, the purpose of the Senior Leadership Team is to:
- Monitor project progress and issues
  - Ensure proposals meet with the overall objectives of the Transformation Strategy and anticipated savings
  - Consider dependencies between projects to make sure that activity is coordinated (particularly with regard to consultation/service reviews) and monitor overall demands on capacity
  - Review and scrutinise corporate performance
36. There are currently over 20 separate projects that the Senior Leadership Team supports in order to deliver the transformation strategy.

### **WHAT IS THE BUDGET GAP?**

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

**Table 2: Gross Cumulative Budget Deficit**

	2020/21 £m	2021/22 £m	2022/23 £m
<b>Gross Cumulative Budget Deficit</b>	<b>0.257</b>	<b>2.075</b>	<b>3.079</b>

37. All deficits and savings identified in the table 2 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.



## **WHAT HAS BEEN ACHIEVED?**

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**

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

### 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 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
<b>Gross Budget Deficit</b>	<b>0.257</b>	<b>2.075</b>	<b>3.079</b>
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)
<b>Adjusted Budget Deficit/(Available Resources)</b>	<b>(0.615)</b>	<b>0.922</b>	<b>1.896</b>
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
<b>Adjusted Budget Deficit/(Available Resources)</b>	<b>0.000</b>	<b>1.087</b>	<b>2.061</b>

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 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.
47. The budget figures summarised in tables 2 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.

## MEETING THE MEDIUM-TERM FINANCIAL CHALLENGE

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

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

49. The summary of the forecast savings and income generation is given below in Table 5.

**Table 5 – Chorley Borough Council Transformation Programme**

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

## TRANSFORMATION STRATEGY

### Realising Savings through the Procurement of Contracts

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

### Income Generation

#### *Investment Sites*

51. The council owns several sites that are being developed to bring forward the expansion of employment, housing and health services within the borough. These include:
- Land at Alker Lane
  - Land at Shady Lane
  - Land at Cowling Farm
  - The site for a new GP surgery on Preston Road
  - The redevelopment of Tatton Recreation Ground including the disused bus depot
52. These sites are at different stages of advancement but are forecast to generate additional net income for the council of at least £200k by 2021/22.

#### *Council Tax and Parking Charges*

53. The council's ambition to borrow and invest in income generating assets has resulted in there being no requirement to burden council taxpayers with additional council tax increase from Chorley Council in 2020/21. The council will continue to make itself more financially self-sustainable and therefore it proposes there will be no further council tax increases in 2021/22 and 2022/23. However, the uncertainty in Government policy relating to how much Chorley Council will retain in locally generated business rates, means that future increases in council tax must be considered every year as part of the broader strategy in dealing with the budget deficit.
54. The council's **parking charges** were reduced in 2016/17 as part of the updated parking strategy. Future increases in parking charges will be considered by the council if they are deemed necessary to meet the budget deficit. However, new charges would only be introduced as part of a renewed parking strategy and only if changes to parking tariffs would not be detrimental to the already successful improvements to the town centre shopping and night-time economy.

## Efficiency Savings

55. The transformation strategy covers many aspects of change both within the council and in partnership with other organisations. At this stage the main strands of the strategy that could generate savings are outlined further below.
56. The **Digital Strategy** was approved by Executive Cabinet in June 2017. The strategy incorporates 32 separate projects that seek to increase digital take up and inclusion, promote smarter working and develop positive work cultures.
  - The Digital Strategy will develop and implement the '**WorkSmart**' programme. This will facilitate a shared culture of smarter working, maximising the use of technology and digital information. Cost savings are expected through process/productivity improvements and consolidation of office space.
  - Efficiencies are also expected through the further increase in digital take up of council services, enabling customers to access council services online when and wherever they like, while also reducing the demand on more expensive channels such as face to face and over the phone
57. The **Streetscene Modernisation Strategy** was approved by Executive Cabinet in January 2017. The Streetscene service aims to introduce several change themes designed to challenge current working practices and modernise and introduce improvements to deliver high quality services in a co-ordinated way.
58. Developing these strategies requires investment by the council in its infrastructure. Through the WorkSmart programme the council's ambition is to consolidate its portfolio of offices to reduce costs and improve efficiency across its services. To do this, the council has set aside £1.3m in the capital programme to modernise its offices.
59. There are a range of benefits that will be achieved from this work including improving the customer facing areas to improve residents' customer experience when visiting the **Union Street** offices. This will include and encourage the use of self-service terminals and link to one of the digital strategy projects to refresh the council's website, however it will also continue to include a one stop shop for customers who still want to speak to someone face to face. The changes will lead to a better use of space and therefore create additional capacity in the civic offices to enable all office based staff at Bengal Street to move to the Union St building, which will lead to operational savings from rationalising office based staff from across three to two buildings. Improvements in the facilities in the town hall will enhance the commercial offer of the Lancastrian as well as providing additional facilities such as meeting rooms and break out areas.
60. As outlined in this report the council has expanded its **shared services** with South Ribble Borough Council. The expected efficiency savings through the first phase of shared services is included in the draft budget. From here both councils will develop further shared strategies that will deliver improved services for both councils whilst also delivering efficiency savings.

## CAPITAL PROGRAMME

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

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

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

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

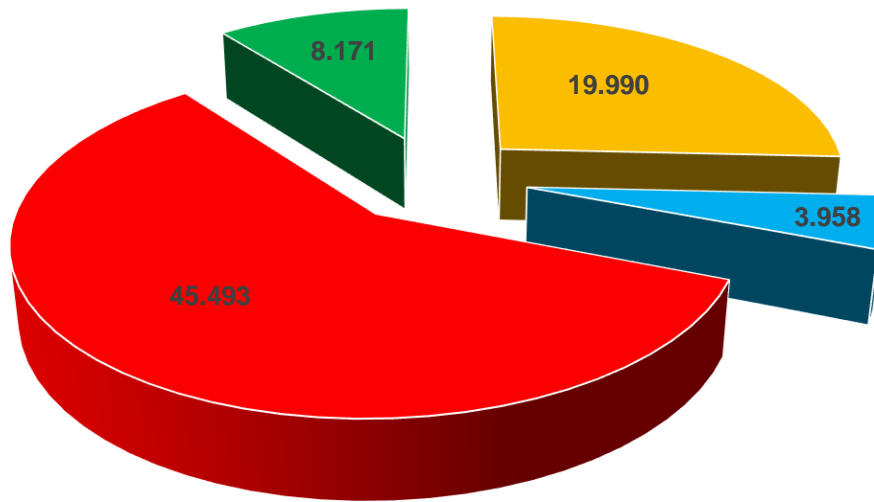
**The council will consider working with partners to assist them to meet both their objectives and the council's objectives; this must have no impact on revenue budgets. This support may include granting loans to organisations at a rate that generates a greater return to the council.**

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

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

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

### FURTHER INVESTMENT – 2019/20 to 2022/23

64. 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.
65. 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.
66. 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.
67. 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.

68. Chorley Council has successfully delivered over £15m in delivering the initial stages of its **Town Centre Masterplan** including works 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. Of this, £300k will be invested in the coming months to improve Queens Rd Car Park.
69. 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.
70. 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** – £1.5m 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

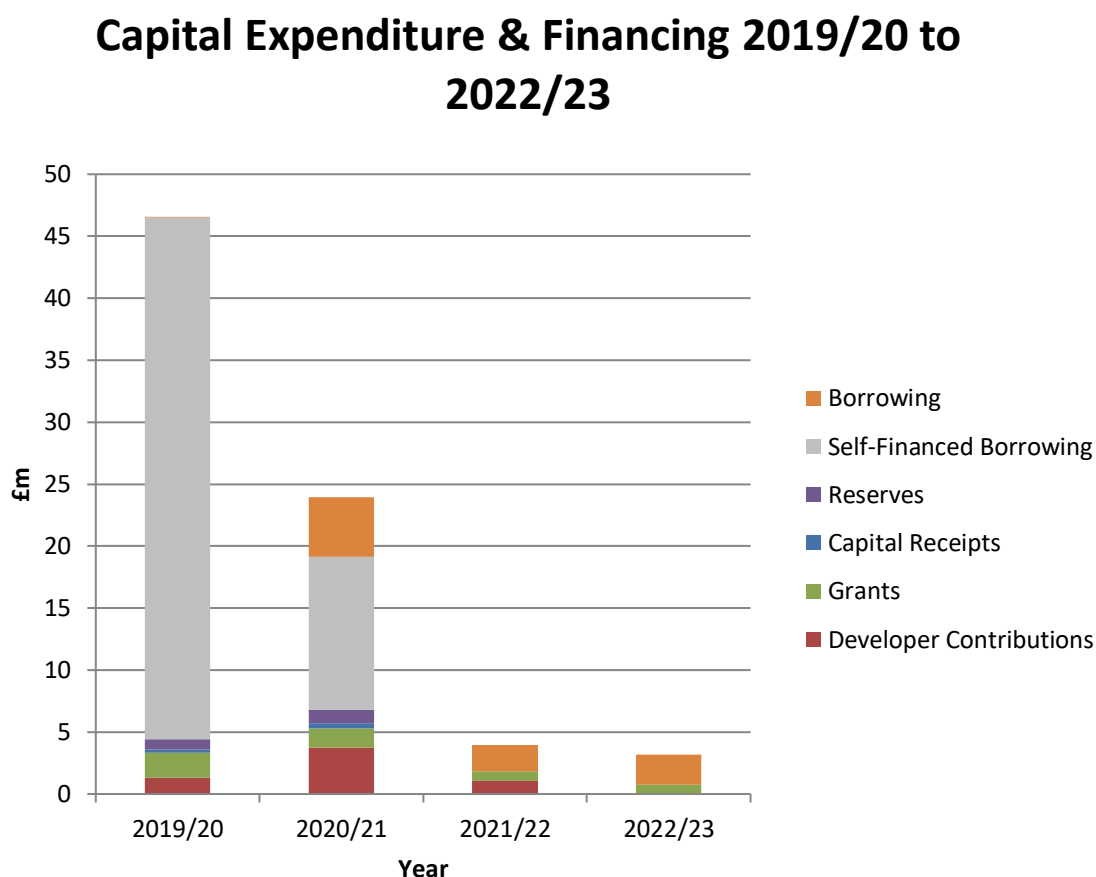
Delivering a new masterplan for **Tatton Recreation Ground** and the surrounding area

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



## **CAPITAL FINANCING**

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



72. 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.
73. 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
74. Appendix H – Capital Strategy - to the budget report outlines the council's capital strategy including specific risks within the programme, performance indicators and the council's capital ambition beyond the three-year budget cycle.

## RESERVES

75. 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 6 below.

Table 6: Forecast Reserve Balances - assuming the balances are not utilised over the next 3 years

	2020/21 £m	2021/22 £m	2022/23 £m
<b>General Fund Reserve</b>	<b>4.000</b>	<b>4.000</b>	<b>4.000</b>

### *Reserves - Income*

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
<b>Total Earmarked Reserves - Income</b>	<b>1.910</b>	<b>1.960</b>	<b>2.010</b>

### *Reserves – Asset Maintenance*

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
<b>Total Earmarked Reserves – Asset Maintenance</b>	<b>0.330</b>	<b>0.410</b>	<b>0.490</b>

### *Reserves - Other*

Support for Local Businesses & Corporate Priorities	0.300	0.300	0.300
Change Management Reserve	0.200	0.200	0.200
<b>Total Earmarked Reserves – Other</b>	<b>0.500</b>	<b>0.500</b>	<b>0.500</b>
<b>TOTAL EARMARKED RESEERVES</b>	<b>2.740</b>	<b>2.870</b>	<b>3.000</b>

76. The total forecast level of reserves is expected to be £9.1m in 2020/21 with £6.740m of these reserves identified in table 6. 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.

## TREASURY MANAGEMENT STRATEGY

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

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

78. 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 2020, via the production of the annual Treasury Management Strategy – Appendix I to the budget report.

## CONCLUSION

79. The review of the MTFS has again been undertaken against a background of significant reductions funding and increasing costs. These factors present a risk to the Council's sustainable financial position unless budget savings continue to be delivered and additional income opportunities are provided alongside the delivery of the council's Corporate Strategy priorities.
80. The MTFS covers three years between 2020/21 and 2022/23 the report outlines how the budget has been balanced for 2020/21 through a combination of efficiency savings and income generation. This has been achieved without increasing council tax in 2020/21.
81. The Council has a successful record of balancing the budget and has delivered budget efficiency savings alongside additional income of over £4m since 2014/15. This has been achieved whilst delivering a large number of Corporate Strategy priorities and an ambitious capital programme.
82. The financial context continues to be increasingly challenging and uncertain. Strategies are outlined in the MTFS as to how the budget gap of £1.087m (2021/22) and £2.061m (2022/23) can be addressed. The strategies build on the council's record of innovative approaches to service delivery as well as its record of investing in income generating assets.
83. The Council will continue to keep the MTFS under review given:
  - the level of efficiency savings and income generation required to balance the budget over the medium term. The timing of the delivery of these targets will need to be closely managed and where necessary reserves utilised to meet temporary delays in transformation strategy net budget reductions.
  - the high degree of uncertainty surrounding the changes to Government policy such as business rates retention and the fair funding review as well as the uncertainty regarding how the UK will leave the EU.