

Report of	Meeting	Date
Director of Finance (Introduced by the Executive Member Resources)	Executive Cabinet	20 January 2022

Draft Budget 2022/23 and Summary Position over the Medium Term

Is this report confidential?	No
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Is this decision key?	No
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Purpose of the Report

- To set out the budget position for 2022/23 including the forecast for the following 2 years to 2024/25 and also present the relevant proposals in respect of:
 - The use of forecast resources identified for 2022/23
 - Budget consultation

Recommendations to Executive Cabinet

- That members agree the contents of this report in order to start the budget consultation process and note the following proposed budget items, in particular:
 - A proposed 1.99% increase in council tax in 2022/23 with no proposed cuts to services
 - The forecast balanced budget for 2022/23 and the forecast budget position in 2023/24 and 2024/25
 - To note the proposals in the report for investment in the Labour Administration's priority areas
 - To increase the capital programme by £74k to supplement the existing £21k budget at Milestones Meadows to deliver key improvements at the site.

Reasons for Recommendations

(If the recommendations are accepted)

- The council wishes to set out its budget proposals and consult on them with residents

Other Options Considered and Rejected

- None, this is the draft budget and alternative budgets may be considered as part of the final budget proposal.

Executive Summary of the Report

5. The report outlines what is a continuation budget for the council, as whilst there are no policy changes, the report details the Labour Administration's ambitious proposals to continue investment of both revenue and capital, to develop and deliver in their priority areas.
6. The budget forecast over the next 3 years has been updated as follows:
 - Due to the continued pressures on council expenditure budgets, combined with the reduction in Government funding provided to the council over the last 10 years, a council tax increase of 1.99% is proposed in 2022/23;
 - The figures include an assumption that council tax will increase by 1.99% in 2023/24 and 2024/25; this assumption will be revisited every year and will be dependent on the outcome of the future Government funding announcements;
 - Continued investment is reflected in ongoing revenue budgets to ensure delivery of corporate strategy priorities;
 - Capital investments of over £48m are included in respect of corporate priority projects over the 3-year period;
 - The figures incorporate strategies to reduce the budget deficit over the medium term.
7. Consultation on the proposed budget for 2022/23 will commence following approval of the proposals by Executive Cabinet. The consultation will invite responses from residents, partners, parish groups and other stakeholders through a variety of methods including a short survey. The feedback will be used to frame the allocation of resources and investments, and the results will be analysed and published in February for consideration as part of the council's final budget.

Corporate Priorities

8. 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 homes and communities	✓	An ambitious council that does more to meet the needs of residents and the local area	✓

Background to the Report

9. The draft budget is published for consultation every year by the council. The figures in the report are subject to the final settlement by Government in 2022.

Funding

Spending Review 2021 and Provisional Local Government Finance Settlement

10. Uncertainty continues regarding the council's future funding streams, with the Government announcing a further one-year financial settlement for 2022/23 rather than the expected multi-year settlement. The Provisional Local Government Finance Settlement 2022/23 was published on 16 December 2021 and the implications of this are outlined below.

Business Rates

11. The 2022/23 budget assumes that the Lancashire Business Rates Pool will continue and the council will remain a member; Chorley Council benefits from additional business rates income of approximately £1m as a result of being in the pool. In the absence of any further information regarding Business Rates Retention reform, the pool is assumed to continue throughout the period of the MTFS.
12. Forecasting the level of business rates income beyond 2022/23 remains complicated due to the level of uncertainty in this area. Following various government announcements, councils have been expecting reforms to the business rates system for over four years. In March 2020, the government published the Terms of Reference for the Business Rates Review, setting out that the objectives of this were to reduce the overall burden on business, to improve the current business rates system and to consider more fundamental changes in the medium-to-long term. In March 2021, the government published the Interim Report of the review, with the final report issued in October 2021
13. The government has concluded from their review;
 - that business rates are a vital component of the business tax mix;
 - that they wish to preserve the benefits of business rates but will make changes to make their operation fairer and more effective for businesses;
 - that they are not proposing changing the nature of the tax, or the basis of valuation;
 - moving forward, they have concluded that increasing the frequency of revaluations would represent a fundamental and meaningful improvement to the business rates system and would help to ensure greater distributional fairness; currently, revaluations are scheduled to take place every 5 years although in practice, and due in part to the pandemic, these have only taken place about every 6-7 years. As such government has announced a 3-yearly cycle for business rates revaluations, starting from the next revaluation in 2023.
14. In light of the above, the quantum of business rates that will remain available to the council after the reset is uncertain.
15. It is also likely however that the level of funding that councils retain from business rates will be reviewed across the country as part of the Government's 'levelling up' agenda. This is expected to flow from the outcome of the Fair Funding Review, however no date has been set for these reforms. As such, in the absence of any further information, the budget assumes the council will retain the current level of business rates enjoyed as part of the Lancashire Pool throughout the three year period of the MTFS.

New Homes Bonus

16. Funding from New Home Bonus (NHB) is assumed to discontinue in 2023/24. The provisional settlement announced an allocation of £886k for 2022/23. No further allocation is assumed after 2022/23. The government consulted on the future of NHB between

February and April 2021 and is due to consult on proposed reforms shortly, with a view to implementing reform in 2023/24. It is expected that a replacement to this funding stream will be announced, however nothing further is known as to how the scheme will operate and what additional levels of funding, if any, will be made available to the council. Once more, this creates a significant degree of uncertainty for the council.

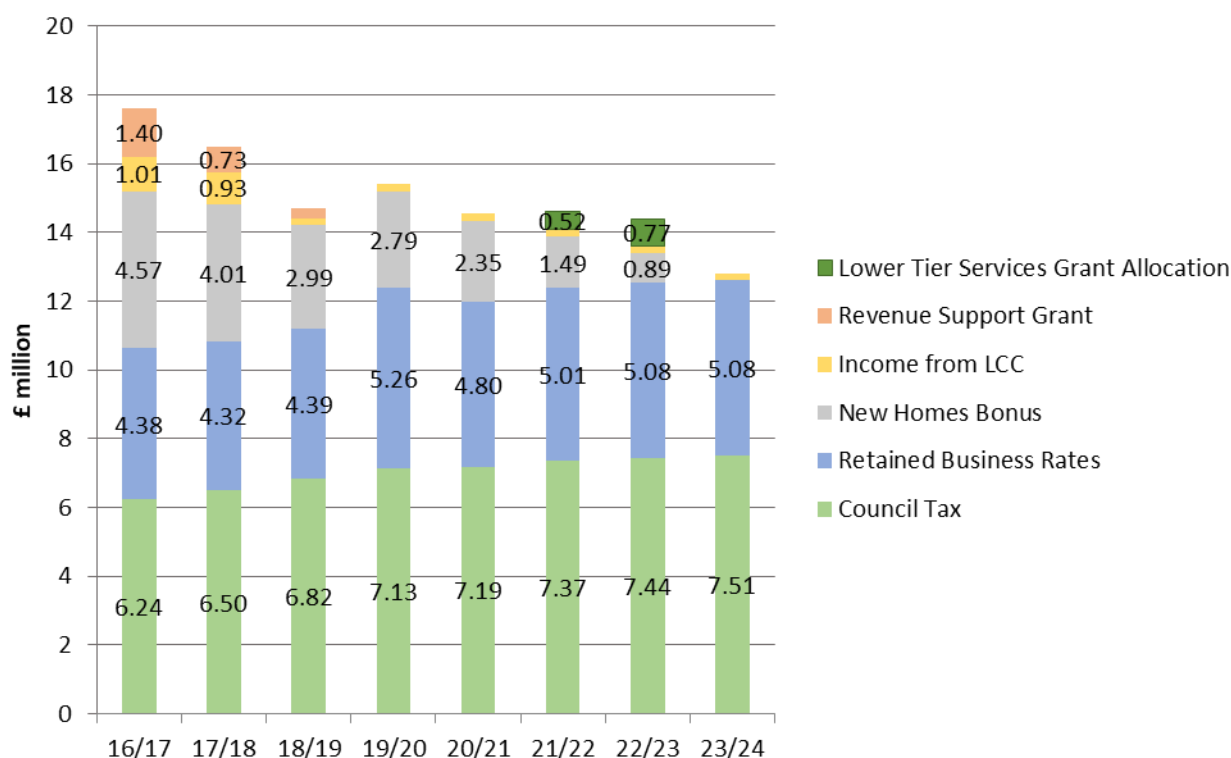
Council Tax

17. The Provisional Local Government Finance Settlement announced a council tax increase limit for district councils of up to 2% or £5 (whichever is the greater) on a Band D equivalent in 2022/23. No announcement has been made regarding future years, however it is assumed that the same principles will continue throughout the future three-year budget period.
18. The Provisional Local Government Finance Settlement publishes the Core Spending Power available to local authorities. This is the level of resources that the Government assumes councils will have available to them and is predicated on all councils across the country increasing council tax up to the referendum limit of 2% (or 5% for authorities with social care responsibilities) year-on-year. As such, if the council were to freeze council tax it would create a gap over the medium-term between the amount of funding that Government assumes it has, and the amount that it would actually generate. This will be important when the Government implements the changes following the Fair Funding Review; i.e. when setting the level of business rates to be retained by the council, the Government will assume that the council enjoys a higher level of council tax to compensate for any potential fall in business rates; this will be based on the assumption that it will have increased council tax up to the referendum limit each year.

Lower Tier Services Grant

19. As referenced above, every year the Government calculates the council's core spending power; this is a combination of the council's council tax income, business rates income and new homes bonus grant allocation. For 2022/23 the reduction in new homes bonus from 2021/22 is not fully offset by the assumed additional income that the council will receive from increasing its council tax charges. As such, the government has retained the Lower Tier Services Grant to compensate the council in 2022/23; first introduced in 2021/22, this is a non-recurring, un-ringfenced grant for 2022/23 of £768k. While a benefit to the council's 2022/23 budget, the one-off nature of this funding stream does mean that the council continues to face significant financial uncertainty over the medium term.

Major Sources of Council Funding



Forecast outturn 2021/22

20. In the last Revenue Monitoring report presented to the Executive Cabinet in November 2021 for Quarter 2 - the 6 months to 30th September, an underspend of £345k was reported; since then the level of the forecast underspend has increased due to the ongoing pressures of the pandemic. The position continues to be refined as we finalise the Quarter 3 Monitoring report in which proposals will be made to utilise this non-recurring underspend to fund investment in some of the priority areas listed in the report below. A review of earmarked reserves will also be undertaken to ensure reserves deliver investment in priority areas, this will include the £900k of reserves set aside for commitments relating to Covid-19.

Expenditure

21. The chart above outlines the forecast level of funding across the next two years in comparison to previous allocations. As the government has only published a one-year settlement, it is assumed that both the Lower Tier Services Grant and the New Homes Bonus will not continue in 2023/24 and beyond.

Pay Award

22. The 2020 Government spending review announced a pay freeze for 2021/22 for the majority of public sector staff, with a guaranteed a pay rise of at least £250 for all staff that earn less than £24,000 per year. At the time of writing this report, the pay negotiations are still ongoing for 2021/22, with the current offer of 1.75% made by the Employers having been rejected by the Trade Unions. The budget has however been adjusted to reflect an uplift of 1.75% in line with the current offer.
23. In the Spending Review in October 2021, the Chancellor said that pay awards for public sector workers in 2022/23 would be in line with CPI. With the negotiations for 2021/22 yet to

conclude, and no fixed point in time announced for the determination of CPI, a provision of 2% has been made in the pay budget, which equates to approximately £200k per year, for Chorley Council in 2022/23; the Government's proposals are not yet agreed with public sector unions.

24. The spending review also announced that the National Living Wage will rise from £8.91 to £9.50 an hour and will be extended to workers aged 23 and over from April 2022. This will not affect Chorley Council's pay bands for 2022/23 as the council pays above this level already.

Pension

25. As part of their triennial pension review in 2020, the Lancashire County Pension Fund announced an increase in employer pension contributions for the council from 14.4% to 16.4% for each of the three financial years 2021/22 to 2023/24, to meet the future costs of the scheme. The same contribution rate is assumed for 2024/25, although this will be reviewed when the new three-year review is undertaken.

Brexit and Covid-19

26. 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 the leave arrangements, with potential risks to the council including increases in inflation and a slowdown in the local economy, impacting upon rental and property values and on income collected from business rates and council tax. In 2021/22 we have seen costs rise, for example:

- those driven by a shortage of HGV drivers which may continue to impact on the waste contract;
- increases in the costs of building materials sourced from the continent impacting on the cost of our capital programme, and;
- increases in the cost of food, both due to the cost of imports and due to the shortage of workers in the agricultural sector within our own economy as European workers have returned home; these cost increases have impacted upon the finances of our residents.

To date the council has received £35k of funding from Government for EU Exit Preparation.

27. The financial impact of Covid-19 has been outlined in the quarterly budget monitoring reports approved by Executive Cabinet throughout 2021/22. This includes:
- Forecast reductions in council tax and business rates collection rates;
 - Government grant funding received to support various initiatives, including support to businesses, providing additional homelessness and food support to residents and support for the test and trace systems;
 - Government support for the reduced level of income received from fees and charges for the first 3 months of 2021/22, including reduced levels of car parking and leisure services income;
 - Reductions in rents at the council's retail and commercial sites
28. As part of the budget setting process for 2022/23, and the two years beyond, the following assumptions have been made regarding Covid-19 and the economy as a whole:

Income

- That a net surplus from Strawberry Fields will be realised from 2023/24 onwards;
- That income from the existing Market Walk development will be reduced for the foreseeable future, by at least £100k, as the retail industry adjusts to a post-Covid environment. It is assumed however that the extension to the Market Walk shopping centre will become fully occupied in the coming twelve months, with a net income of £150k;
- That the impact of Covid-19 on the income from fees and charges will not be permanent and that levels will return to those pre-Covid, including the council's major sources of income such as planning fees and car parking;
- That Garden Waste charges will increase from £30 to £32.50 per annum, which represents an increase of 8.3% or additional income of £65k. This would be the first increase since charges were introduced back in 2017, representing an average annual increase of less than 1.4%. The increase in the subscription charge recognises the increased cost of delivering the service, which has come under pressure not least over the last year due to factors such as a shortage of HGV drivers. In comparison to the proposed increase in the subscription charge, inflation has increased by 15.4% over the same period. Chorley Council's charges will remain comparable to those of the other Lancashire Districts, many of which charge £35 or more per annum.

Expenditure

- That any expenditure relating to the council's compliance with current or future Government Covid-19 requirements will be met through existing budgets or grants from Government. This may include future grants to businesses, support to the homelessness or support to residents such as additional council tax support;
- That the council will continue to support its wholly owned leisure services company, which was established on 1st August 2021 in response to the failure of the leisure operator market. While the leisure market remains extremely challenging, it is expected that this cost to the council will cease over the medium-term as the company develops its services to fully cover its own costs. The company will develop a business plan for the council to approve, as the 100% shareholder in the company. This will set out the plan for the reduction of costs over the coming years.

Budget Deficit

29. The council's total budget deficit is summarised in Table 1 below and is based upon the reductions in funding described above and the key budget assumptions. It should be noted that some of the assumptions are still subject to change, which may impact positively or negatively on the budget.

Table 1: Total Budget Deficit

	2022/23 £m	2023/24 £m	2024/25 £m
Council Tax	(7,368)	(7,441)	(7,514)
Retained Business Rates	(5,007)	(5,080)	(5,153)
Lower Tier Services Grant Allocation	(768)	0	0
New Homes Bonus	(886)	0	0
TOTAL FUNDING	(14,029)	(12,521)	(12,667)
TOTAL NET EXPENDITURE	16,261	16,541	17,005
BUDGET DEFICIT	2,232	4,020	4,338

30. All deficits and savings identified in Table 1, and in the remainder of this report, are cumulative. For example, the deficit of £4.020m in 2023/24 identified above is the result of a £2.232m deficit in 2022/23 and further budget pressures and reduced funding of £1.788m identified for 2023/24.

Table 2: Key Budget Assumptions

Key Assumptions	2022/23	2023/24	2024/25
Increase in Retained Business Rates through Growth	0%	0%	0%
Future Service Pension Rate	16.4%	16.4%	16.4%
Pension Fund Deficit Recovery	£0.450m	£0.467m	£0.467m
Retained Business Rates (including financial benefit of membership of the Lancashire Business Rate Pool)	£5.007m	£5.080m	£5.153m
New Homes Bonus	£0.886m	£0	£0
Lower Tier Services Grant Allocation	£0.768m	£0	£0
Income from LCC – £110k contribution to Minor Adaptations Works and £96k contribution towards support for waste collection	(£0.210m)	(£0.210m)	(£0.210m)
Pay Award (average)	2%	2%	2%
Increase in Garden Waste charges	£0.065m	£0.065m	£0.065m

Balancing the Budget in 2022/23

31. Funding to Chorley Council has fallen from over £17m in 2016/17 to a forecast figure of £12.6m in 2024/25. During the period to date, the council has continued to experience inflationary increases in staffing and non-staff costs, however, the council has been ambitious in its approach to meeting the budget deficit by realising efficiency savings and generating additional income.
32. The council has been successful in controlling its costs whilst continuing to provide the high-quality services that are expected by its residents. The council achieves this by continually reviewing its budgets and contracts. Staffing efficiencies of over £1m have been achieved since 2014/15, with further savings realised through the council's commitment to exploring and investing in alternative delivery models; this has included sharing services with South Ribble Borough Council
33. The council will continue to invest in the borough to improve housing, to provide employment opportunities, and to maximise opportunities to generate income, thereby making the council less reliant on the increasingly uncertain funding from Government.

Table 3: Balancing the Budget

	2022/23 £m	2023/24 £m	2024/25 £m
TOTAL BUDGET DEFICIT	2,232	4,020	4,338
<i>Efficiency Savings</i>			
Shared Services – Phase 1	(270)	(270)	(270)
Shared Services – Phase 2 Forecast	(210)	(210)	(210)
<i>Income Generation</i>			
Market Walk Site	(816)	(862)	(861)
Primrose Retirement	(140)	(140)	(140)
Strawberry Fields	0	(100)	(100)
Investment in Logistics House Site	(450)	(450)	(450)
Increase Garden Waste Subscription	(65)	(65)	(65)
NET DEFICIT / (SURPLUS)	281	1,923	2,242

34. The total forecast savings from the two phases of **shared services** with South Ribble Borough Council are £480k for 2022/23 onwards. £270k has been achieved through phase 1 of shared services, with a further £210k identified as part of phase 2, this includes sharing services such as ICT and Customer Services. Having achieved significant savings in the first two phases of shared services, the councils will now develop and agree the scope for future development of the relationship and as such, no further shared service savings have been included in the MTFs at this stage.

35. Prior to COVID-19 the £16m investment in the extension to the **Market Walk Shopping Centre** was forecast to bring the council a net income of over £200k per annum. The council has revised the expectations regarding its investment in retail and at this point in time, there are five tenants occupying the site, which is at 90% occupancy, generating approximately £100k net income per annum. There remains interest in the remaining 2 units with a forecast total net income over the medium-term of £150k. The addition to the Market Walk development has notably improved the town centre, providing new jobs and delivering on the council's ambition and vision to regenerate the town centre. The total net income (after borrowing) from the Market Walk site in total is estimated at £816k in 2022/23 increasing thereafter as occupancy levels are expected to increase.
36. All 65 **Primrose Gardens** apartments are now occupied. In pursuing this Corporate Strategy project, the council has supported people to live independently whilst receiving the care and support needed to enjoy later life whilst generating a net income of approximately £140k for the council.
37. The £8.5m investment in **Strawberry Fields Digital Office Park** had reached 40% occupancy prior to the COVID-19 pandemic. Since then the council has managed the site as efficiently as possible including:
- renegotiating with the European Regional Development Fund (ERDF) additional flexibility as to the mix of tenants the council were eligible to attract to the site;
 - utilising the remaining capital budget to reconfigure the internal floor area to maximise interest from potential tenants

There remains significant interest in the site with 100% of office space now taken, and the budget forecasts a gradual increase in income, beginning with a break-even position in 2022/23 and then rising to a net income to the council of £150k for 2023/24 onwards.

38. On 23 July 2019 Full Council approved the £33m purchase of the **Logistics House** site in Buckshaw. The council leases the building back to the current tenant via a wholly owned company with an expected net income, after borrowing costs, of £450k rising to £900k towards the end of the lease term. The council set aside the initial £450k of net income in 2020/21 to create an income equalisation reserve that will be used to manage any budget implications of the site becoming vacant. The income equalisation reserve is still available, and the site continues to generate £450k net income to the council.

Investing in Corporate Priorities

39. The council continues to invest in delivering the ambitions set out in its Corporate Strategy and to ensure that the council delivers high quality services to its residents. The key areas of investment are set out on the following pages.

Investing in corporate priorities 2021/22

The council allocates significant revenue investment to deliver corporate strategy priorities through a programme of diverse activities. These activities were designed to progress action to address the economic impact of the pandemic including support for businesses and activity to increase jobs and skills, establishing key assets for the future and to respond to the needs of communities by enhancing essential services and facilities.

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



£1.6m capital budget to continue the improvements to Astley Hall that offers a high quality, sustainable visitor attraction with the site already successfully hosting the Speaker's Conference during 2021.

£400k to fund our large commissions which have delivered crucial third sector support to residents against key priorities during the building back better Covid-19 recovery.

Clean, safe and healthy homes and communities



£100k which has funded crucial works to the council's CCTV operations centre to ensure continued safe neighbourhoods and communities.

£120k to contribute to running of the Youth Zone including outreach work.

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



£85k to continue to sustain key bus routes in the borough to mitigate the impact of county wide cuts, ensuring that residents can access all areas of the borough.

£100k to support planning applications that has enabled the council to defend locally made decisions.

£60k to continue to support vulnerable individuals through funding for the social prescribing team with over £100k of match funding from the NHS.

A strong local economy



£500k to remove the asbestos and demolition of bingo hall to make way for public realm works in the town centre making the town centre an even better place to live and work.

Continued support to local businesses with over £200k set aside to deliver a refreshed package of support and grants that will be created to support local economic recovery

Investment Priorities 2022/23

In 2022/23 the Council will allocate over £1.5m of revenue investment and over £40m in capital investment to drive forward ambitions for economic growth and ensure that Chorley is an even more attractive place to live, work and invest with high quality recreation grounds, health services and business development.

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

The council has invested heavily in recent years to upgrade and improve play areas and open spaces that it owns. Many play areas across the borough are owned by others but need improving. We will **create £200k of grant funding** to make improvements in other areas across the Borough, supporting our young people, health and wellbeing and local areas.

Check Out Chorley helps visitors discover and explore the many things to do in and around the borough, **we will create a £30k fund to refresh Check Out Chorley to ensure visitors continue to see Chorley as a great visitor destination.**

A strong local economy

The council has long-supported local businesses through support, advice and grants. As the economy recovers from the pandemic, we will invest a further £200k in a refreshed and refocussed package of support and grants for businesses.

As the economy and jobs market changes, there are areas across the council where recruitment is difficult. **We will invest £200k to develop our approach to apprenticeships, graduate and training posts in areas of high market demand** – building resilience and improving quality in our service provision and supporting people into high quality employment.

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

The council has already undertaken significant work to address climate change and achieve our commitment of being a carbon neutral council by 2030. £500k was set aside last February and work undertaken to develop a climate change strategy, tree planting and awareness raising. **To maintain this commitment and maintain the climate fund at £500k, a further investment of £240k will be made.**

The council will support communities to celebrate the Queens Jubilee by **creating a £30k events fund**

Clean, safe and healthy homes and communities

The council has will continue to improve local play and community facilities across the borough with an **investment of £2.7m and an additional £74k to deliver improvements at Milestone Meadow.**

Affordable housing remains a key priority for the council and in 22/23 there will be an **investment of £0.878m to support the delivery of affordable housing.**

The council has made significant improvements to our leisure centres over the last year, **in 22/23 we will invest £2m as a continued commitment to improve our leisure centres.**

Key capital investment for improved public services

Tatton Gardens Extra Care Scheme – £15m to deliver another extra care scheme for the borough, a new community centre and GP surgery for the area.

Strawberry Meadows – £9.2m to deliver light industrial units for business use to drive forward local economic growth.

Whittle Health Hub – £4m of investment to develop a new GP surgery which will be modern and high-quality health facility for Whittle-le-Woods.

Council Accommodation improvements – £1.3m to deliver improvements in line with the principles of the workplace strategy and enabling a more modern organisation that can respond to customer expectations.

Medium Term Financial Planning

40. Despite the budget savings identified in this report, as outlined above, there remain large forecast budget deficits of £1.923m in 2023/24 and £2.242m in 2024/25. The council's medium-term plan to reduce the budget deficits is outlined in Table 4 and in the paragraphs below.

Table 4: Medium Term Financial Plan

	2022/23 £m	2023/24 £m	2024/25 £m
NET DEFICIT / (SURPLUS)	281	1,923	2,242
Investment Sites	(134)	(335)	(335)
Council Tax Increase – 1.99% 21/22, 22/23 & 23/24	(147)	(299)	(456)
NET DEFICIT / (SURPLUS)	0	1,289	1,451

Transformation Strategy

41. 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 and income are outlined further below.

Income Generation

Council Tax

42. The Provisional Local Government Finance Settlement outlines the Core Spending Power available to local authorities. This is the level of resources the Government assumes councils will have available and is predicated on all councils across the country increasing council tax up to the referendum limit of 2% (5% for authorities with social care responsibilities) year-on-year. As such, if the council were to freeze council tax it is likely it will need to then bridge a larger gap between the funding allocated to it, via business rates retention and the fair funding review, and the funding required to deliver services in 2022/23 onwards.
43. Through effective management of its budget and investment in income generating projects, Chorley Council has been able to maintain one of the lowest levels of council tax in Lancashire as demonstrated below:

	Band D Equivalent 2021/22 £
Preston	327.13
Burnley	312.28
Rosendale	285.13
Pendle	276.01
Hyndburn	255.53
Lancaster	236.95
South Ribble	223.24
Fylde	214.91
West Lancs.	213.39
Wyre	209.74
Chorley	195.76*
Ribble Valley	155.69

(* - includes Band D equivalent Special Expenses of £20.98)

44. However, continued uncertainty regarding future funding and the need for the council to manage staffing and non-staffing inflationary budget increases, means that this budget proposes to increase Chorley Council's share of council tax by 1.99% in 2022/23. Similar increases have been forecast for 2023/24 and 2024/25, however these will be reviewed annually and will be subject to the outcome of the next finance settlement.
45. The council will remain committed to supporting those who may struggle to pay their council tax because of the challenging circumstances they find themselves in. On that basis, the council will make use of the monies it has available to support council taxpayers.

Investment Sites

46. 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:
 - The Strawberry Meadows industrial site at Alker Lane which is due to open in May 2022
 - The new Whittle GP Surgery which is due to open in February 2022
 - The redevelopment of the site surrounding Tatton Gardens, including an extra care scheme, which is scheduled to open in September 2022.
47. These sites are at different stages of advancement but are forecast to generate additional net income for the council of £134k in 2022/23 and £335k in 2023/24, whilst delivering improvements in local infrastructure for residents and businesses.

Future Savings

48. The council has always been successful in generating efficiency savings and additional income to bridge the budget gap whilst continuing to deliver outstanding services to its residents. Required savings of approximately £1.4m, subject to future Government announcements, are forecast over the period of the MTFS to manage increases in costs as well as potential reductions in future Government funding.
49. A total £1.0m of potential net savings have been developed through work by the senior management team to identify savings and cost pressures across the organisation over the

next 3 years. A prioritisation exercise has taken place to determine the order in which these could be brought forward based on impact on service delivery, impact on delivering priorities and the scale of development time and resource required. Further work is being undertaken on these potential savings in order to present them for consideration as part of the development of the MTFS.

50. In addition to these savings, in order to reduce the impact on staffing and the level of service provided, the council will continue to invest in its services to recognise additional income and efficiencies. Future opportunities include:

- A review of the council's **portfolio of assets** to recognise potential opportunities for sale or redevelopment, whilst improving services. This council will continue to enable residents and businesses to access council services digitally whilst maintaining the necessary face-to-face support. Through the digital investment already made, improvements in council services and expected efficiencies will be realised over the medium-term. As we move towards a post-Covid environment, the council is reviewing the total level of office space required. A consolidation of office space could deliver savings and additional income to the council without compromising on the quality of service to residents;
- The council has been successful in **investing within the borough** to generate jobs, improve health services as well as improving the retail and night-time economy. Whilst delivering this, the council has also generated additional net income that supports other council services. The council will continue this approach, and in the continued redevelopment of the town centre. The MTFS includes a forecast target of £335k net income by 2024/25 from investments made to date, however work progresses to identify further opportunities that are hoped will provide net income over and above this target. The council has successfully brought in additional external funding from various sources to support investment in the borough including Homes England, Lancashire Enterprise Partnership (LEP), Community Infrastructure Levy (CIL) and S106 funding from developers in the borough. The council will build on this success to deliver future investments, this will include future potential investment in sites at Bengal Street and Shady Lane.
- The council is ambitious in its delivery of services and will continue to pursue **alternative models of delivering its services**. The MTFS includes £480k of efficiency savings that have already been secured through the expansion of shared services with South Ribble Council. As Phase 2 of the Shared Services model reaches the final stages of implementation, no additional savings have been identified, however the council will consider further opportunities alongside its wider priorities if improvements and efficiencies can be attained. The council will also seek to reduce the costs of leisure services, now delivered by the council's wholly owned company, Chorley Leisure Ltd, established in August 2021. Over the course of the MTFS we will work with the new company to reduce its net operating costs to move to generating a net benefit to the council.

Reserves

51. Over the past eight years, the council has made ambitious investments to help enable the delivery of a balanced budget. However, the council has also been ensured a prudent and affordable approach to delivering the medium-term financial strategies. The council has set aside and increased the balance of reserves as outlined in Table 5 below. The expected balance of these reserves at the beginning of 2022/23 is given in table 5 below.

Table 5: Forecast Reserve Balances

	2022/23
	£m
General Fund Reserve	4.407
<i>Reserves - Income</i>	
Market Walk Income Equalisation Reserve	0.411
Logistics House Income Equalisation Reserve	0.450
Business Rates Grants	0.194
Business Rates Retention Reserve	1.415
Total Reserves - Income	2.470
<i>Reserves – Asset Maintenance</i>	
Market Walk Asset Maintenance	0.104
General Asset Maintenance	0.277
Total Reserves – Asset Maintenance	0.381
<i>Reserves - Other</i>	
Income Generation Reserve	0.391
Change Management Reserve	0.250
Support to Local Businesses	0.361
Capital Financing	0.609
Planning Reserve	0.091
Brexit	0.035
Elections	0.082
ICT	0.252
Green Agenda	0.500
Covid-19 Reserve	0.901
Support for Apprentices, Graduates, Training Posts	0.200
Investment in Play & Open Space Across the Borough	0.200
Other	0.153
Total Reserves – Other	4.025
TOTAL RESERVES	11.283

52. These reserves are necessary to mitigate the financial impact of the uncertainty that the council faces, such as the reforms to future funding levels and the impact of Covid-19 on its residents and local businesses.

Income Reserves

53. The council has set aside over £400k to manage any one-off reductions in income from Market Walk, it is budgeted to utilise £135k of this reserve in 2022/23. The budget is already set to anticipate a £100k permanent reduction in ongoing income due to reduction in rentals at the existing Market Walk site.
54. The council has set aside £1.4m to manage any one-off reductions in business rates such as unbudgeted changes to valuations or the implementation of future expected Government reforms. This represents 28% of the forecast business rates in 2022/23.

Asset Maintenance Reserves

55. Whilst continuing to deliver a large and ambitious capital programme, which will evolve over the course of the MTFS period as new schemes are presented for consideration, the council sets aside sufficient budget to manage the maintenance of its existing assets; for example additional reserves are set aside to fund unexpected maintenance including a £104k reserve for the Market Walk site.

Other Reserves

56. To implement the transformation of services and generate additional income, the council has set aside £391k of revenue reserves to explore income generating projects as well as £250k reserves to manage any one-off costs of implementing changes to staffing structures.
57. The council continues to support its local businesses with £161k in reserves to attract businesses to the borough, as well as supporting existing businesses in the town centre and other areas of the borough. These grants enable the council to match fund local business investment to expand local businesses and job opportunities. The council will increase this reserve by £200k to further support local businesses with a total fund of £361k.
58. The council will continue to set aside funds to obtain greater influence around planning decisions. The council invests £100k per year to the review the local plan, with reserves set aside to further support the council to defend locally made planning decisions.
59. The council set aside £500k of reserves to implement its Green Agenda with £263k already committed to date. Use of this reserve includes investment in planting trees as well offering free trees to residents. The council will increase this reserve back to £500k to continue its ambition to become carbon neutral by 2030. Reducing the carbon footprint is a national and global issue; we will seek to attract support and funding from our partners, including the Government, to assist us in achieving this priority objective.
60. There is £900k of Covid-19 reserves set aside to fund:
 - £500k commitments related to Covid-19 carried forward from 2020/21 to 2021/22
 - £300k Covid-19 recovery reserves
 - £100k to fund potential additional grants to local businesses

The use of these reserves will be monitored as the Government releases funding to the council. It is likely that some of these reserves will be repurposed to deliver new corporate priorities in 2022/23 onwards including support for apprenticeships and local businesses.

61. Two additional £200k reserves will be created to support both investment in play and open space not owned by the council and to support apprenticeships, graduate positions and other additional training opportunities at the council.

General Reserves

62. The council has currently set aside £4.407m in general funds, which represents approximately 30% of the annual net expenditure budget of the council. This can be used to manage future uncertainty in expenditure and income over the medium-term. The council does not intend, nor has it budgeted, to utilise this reserve to manage budget deficits, however this will be reviewed as part of the council's budget management process.

Capital Programme

63. This report has addressed the revenue budget of the council. Implicit in this however, and the investment programme set out above, are financial implications for the capital programme. The latest three-year Capital Programme can be found in the Quarter 2 Capital Budget Monitoring Report for 2021/22, approved at Executive Cabinet in November 2021. The council has an ambitious capital programme with over £48m budgeted to be invested over the MTFS period.
64. It is proposed to increase the Play and Open Spaces budget by £71k; this represents an increase to deliver improvements at Milestone Meadow, current budget £24k, funded through S106 contributions. Additional equipment would be installed and would increase the size of the play area, and it is envisaged that the new design would include flat seat and toddler swings, large slide multi-unit, a spinner bowl and dynamic equipment for older youths. Goal posts/goal ends could also be installed on the grassed area. Community consultation will be carried out to find out what the users of the site would like to see added to the play area.

Implications of Report

65. Some of figures outlined in the report are estimates and based on assumptions that are likely to change. These include external risks such as changes to Government funding arrangements, changes to interest rates and national and local economic changes. In addition, the council faces internal risks such as void rates in its income generating assets and the risks of delivering transformational change such as the expansion of shared services.
66. The risks are dealt with through managing prudent levels of reserves, continually monitoring government announcements, monitoring current and future economic projections and by making prudent budget assumptions.
67. 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	

Climate change and air quality

68. The budget set aside in this report, as outlined in point 59 above, will continue to support the council's future ambition to become carbon neutral by 2030.

Equality and diversity

69. Consultation will be undertaken regarding this budget with IIAs reported with the full budget report

Risk

70. There are no immediate risks associated with this report however not approving the final budget report in February 2022 risks the council unable to finance its future commitments towards its corporate priorities.

Comments of the Statutory Finance Officer

71. The financial implications of the above report are all contained within the text above but to clarify, all proposals are funded and can be accommodated within the 2022/23 budget. It should be noted that the report does contain several assumptions on some future budget elements and on the final out-turn position for 2021/22. Should any of the assumptions or figures change due to unforeseen circumstances arising before 31st March 2022, the financial position will be reviewed and reported.

Comments of the Monitoring Officer

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

LOUISE MATTINSON
DIRECTOR OF FINANCE (S151 OFFICER)

Report Author	Ext	Date
Louise Mattinson	***	14 January 2022