

CHORLEY COUNCIL MEDIUM TERM FINANCIAL STRATEGY 2023/24 to 2025/26**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 that Chorley 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 2023/24.
 - 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
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. The purpose of the Medium Term Financial Strategy (MTFS) is to set the financial framework for the Council for the medium term to ensure delivery of strategic objectives and major projects. This requires a review and assessment of revenue budgets, the capital programme, levels of reserves and potential future Council Tax levels, based on funding projections and other financial and economic assumptions.
8. The fact that yet again, we have only received a one year settlement has exacerbated the uncertainty and the risk in our medium term financial planning; in the absence of any figures or framework from Government, it has been almost impossible to prepare a credible financial strategy beyond 31 March 2024 with any degree of confidence in the underlying assumptions. Uncertainty prevails in respect of:
- the development and implementation of a new Fair Funding Review;
 - changes to the Business Rates Retention Scheme;
 - the funding changes linked to the government's 'levelling up' agenda and shared prosperity funds;
 - devolution and potential local government reorganisation;
 - the impact of the cost of living crisis driven by rising inflation and interest rates and increases in the cost of utilities driven by the war in Ukraine and;
 - the social, economic and financial impacts as we recover from the Covid-19 pandemic.
9. The Settlement represents a holding position' until the next Parliament, aiming for stability in local government finances over the next two years. The ruling out of a business rates reset or a fair funding review in this period means that the funding distribution will stay fairly stable, however the questions about the future of the funding system remain unaddressed.
10. It is within this financial context that we have developed the MTFS.

ASSUMPTIONS MADE WITHIN THE MTFS

11. In preparing the MTFS, careful consideration has been given to the assumptions on which both income and expenditure budgets have been based, taking a prudent but realistic view and considering these at a detailed level utilising the best information available both internally and externally, and consulting with advisors and leading experts across the areas covered.
12. The key assumptions that underpin the most significant income and expenditure budgets that have been incorporated into the MTFS are detailed below;

GENERAL FUND FORECAST ASSUMPTIONS

The following assumptions have been made as part of reporting a balanced budget in 2023/24, a deficit of £0.537m in 2024/25 and reporting a deficit of £1.484m in 2025/26.

Key Assumption	23/24	24/25	25/26	Comment
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INCOME/FUNDING

Increase in Council Tax	1.99%	2.99%	1.99%	The Local Government Finance Settlement confirmed a council tax increase limit for district councils in 2023/24 of up to 3% or £5 (whichever is the greater) on a Band D equivalent in 2023/24. It also confirmed that the same limits will continue in 2024/25. The MTFS presented to Finance Council in February 2022 assumed an increase of 1.99% in each of these years. It is recommended to limit the increase to Chorley residents to 1.99% in 2023/24 as previously proposed, with an increase of 2.99% in 2024/25 to reflect the new limit. The position will be revisited next year as part of the budget setting process. It is assumed the increase will revert to a limit of 2% in 25/26.
Council Tax Base Increases	0.62%	0.00%	0.00%	The MTFS assumes a level of growth in the council tax base which is a prudent estimate based on housebuilding projections.
Increase in Retained Business Rates through Growth	0%	0%	0%	Given revaluations, appeals and possible changes to the baseline in the future, the Council has assumed no increase in the business rates base through growth. For the reasons highlighted, the council will monitor gross levels of business rates, and collection rates, as well as continuing to focus resources on attracting new and expanding local businesses.
Additional Business Rates - Lancashire Pooling Arrangements	£1.066m	£1.124m	£0.000m	Chorley Council has benefited for several years from membership of the Lancashire Business Rates Pool. The Local Govt Settlement confirmed the pools would continue in 23/24 and into 24/25. 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 for 2023/24 and 2024/25 in line with the

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				<p>government's announcement, but that the Pool will cease in 2025/26.</p> <p>This loss of income beyond 2024/25 presents a significant financial risk to the council over the medium term.</p>
Total Forecast New Homes Bonus	£0.297m	£0.000m	£0.000m	<p>New Homes Bonus was introduced in 2011 as a stimulus for the provision of new homes and is a non-ringfenced grant, distributed between local authorities based upon new growth in housing provision in their area. The length of time that the bonus is paid for, for each new home built, has reduced from 6 years when it was first introduced, down to 5 years with effect from 2017/18, and down to 4 years from 2018/19. It has been limited to a one-off annual payment for new homes built since 2020/21.</p> <p>Whilst it had been announced last year that funding from New Home Bonus (NHB) would discontinue in 2023/24, the settlement announced an allocation of £0.297m for 2023/24 (2022/23 - £886k). The reduction reflects the fact that the allocations no longer include any legacy payments for prior years. Reflecting prior announcements of its withdrawal, no further NHB allocations have been assumed beyond 2023/24 however, it is assumed that the funding will be re-purposed as a grant, or subsumed within another grant; for the purposes of the MTFS we have assumed that for 24/25 and 25/26 the same level of NHB as received in 23/24, is amalgamated into the Services Grant below.</p>
Lower Tier Services Grant	£0.000m	£0.000m	£0.000m	<p>First introduced in 2021/22 as a non-recurring, un-ringfenced grant, it has, together with a proportion of the expired New Homes Bonus legacy payments referred to above, been re-purposed into a new grant called the Minimum Funding Guarantee (see below); in 2022/23 the council received £506k of funding from this grant</p>
Services Grant	£0.114m	£0.416m*	£0.416m*	<p>The level of this grant has been reduced from £0.203m in 22/23 to £0.114m in 23/24, in part due to the cancellation of the previously announced increase in National Insurance Contributions from 1st April 2023, and also to move funding into the Supporting Families Programme. Previously described as a 'one-off' grant in 2022/23 it has been allocated again in 2023/24, although it is unclear what will</p>

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				<p>happen to the grant in 2024/25, for budgeting purposes it has been assumed it will continue in some form for 24/25, along with the remaining balance of New Homes Bonus referred to above.</p> <p>*As such income of £0.416m is assumed in 24/25 and 25/26 as a proxy for this (£0.119m Services Grant plus £0.297m NHB)</p>
Minimum Funding Guarantee	£1.146m	£1.146m	£1.146m	<p>This new grant replaces the Lower Tier Services Grant and a proportion of the previous funding provided by New Homes Bonus legacy payments; it is intended to provide a funding floor for all local authorities so that no authority will see an increase in Core Spending Power of less than 3% (before any assumption on council tax rate increases, but after increases in the council tax base are applied).</p> <p>The council has been allocated £1.146m in the 23/24 Settlement. Given that the grant is based on, and is subsumed within the council's Core Spending Power, and that this figure is reported for all authorities across the country each year, by Government, as a measure of the growth in funding levels, it is unlikely that this will reduce; as such it has been assumed that this grant will continue into 2024/25 and 25/26.</p>
Net Income Market Walk	£0.847m	£0.836m	£0.832m	<p>The net income levels, after accounting for the costs of borrowing/financing these schemes, are in line with the council's investment strategy, and reflect provisions for voids and rent levels on retail property in the prevailing economic environment.</p>
Net Income Strawberry Fields	£0.166m	£0.159m	£0.155m	
Net Income Primrose Gardens	£0.368m	£0.361m	£0.358m	
Net Income Logistics House	£0.455m	£0.455m	£0.455m	
Net Income Strawberry Meadows	£0.327m	£0.327m	£0.327m	
Net Income Whittle Health Hub	£0.034m	£0.034m	£0.034m	

Key Assumption	23/24	24/25	25/26	Comment
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EXPENDITURE

Key Assumption	23/24	24/25	25/26	Comment
Pay Award 22/23	£0.597m cost pressure	£0.597m cost pressure	£0.597m cost pressure	In the Spending Review of October 2021, the Chancellor said that pay awards for public sector workers in 2022/23 would be in line with CPI. At the time the 2022/23 Budget was approved the negotiations for 2021/22 had yet to conclude and no fixed point in time had been announced for the determination of CPI for the 2022/23 pay award. As such a provision of 2% was included in the pay budget for 2022/23, which equated to approximately £200k per year. A pay award was agreed in November 2022 of £1,925 per whole time equivalent, for which no additional funding was provided. The increase in costs over and above the budget provided equated to approximately £0.597m which presents a recurring cost pressure in 2023/24 and beyond.
Pay Award 23/24	5.0%	5.0%	2.0%	Given the increases in inflation over the course of 2022 and the forecasts moving forward, the pay award assumption for 2023/24 has been reviewed and this has been increased from 2% for the year to 5%, increasing costs by a further £465k. The assumption for 2024/25 and 2025/26 have also been adjusted and included in the MTFS at 5% and 2% respectively. The Chancellor announced in his Autumn Statement that the national living wage will rise from £9.50 to £10.42 an hour for workers aged 23 and over from April 2023. This will not affect Chorley Council's pay bands for 2023/24 as the council pays above this level already. No adjustments have been made for any further living wage increases as it is assumed that the council's pay bands will continue to exceed this over the course of the MTFS.
Vacancy Saving	2.5%	2.5%	2.5%	Given the inevitable turnover in staffing, there is more often than not a period of time between an employee leaving and their replacement commencing in post. An assumption has been made that underspends of 2.5% will be generated as a

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				consequence of the timing of recruitment.
<p>Future Service Pension Rate</p> <p>Pension Fund Deficit Recovery</p>	<p>18.3%</p> <p>£0.000m</p>	<p>18.3%</p> <p>£0.000m</p>	<p>18.3%</p> <p>£0.000m</p>	<p>The results of the Lancashire County Pension Fund triennial actuarial valuation of 2022 have now been received. The fund has had a strong performance over the last 3 years through to 31st March 2022, however since 31st March, with the volatility in global financial markets, inflation and interest rates, the position has been more turbulent. Overall, the Chorley Council section of the fund will now see a reduction in the financial contributions required, comprising;</p> <ul style="list-style-type: none"> • an increase in the level of Employer Pension Contribution rates from 16.4% to 18.3% for the next 3 years (i.e. a 1% increase results in approx. £74k of cost – increase of £140k in total) • the annual cost of the repayment of the fund deficit will reduce from £467k per annum to £0. <p>Overall the actuarial valuation has reduced the council's pension costs by approximately £327k.</p>
Inflation and Utilities increases	<p>Inflationary increases have been provided for in accordance with the stipulations of specific contracts e.g. IT, waste.</p> <p>A 100% increase has been assumed in the cost of utilities with an additional 20% applied in 24/25 and a further 20% in 25/26.</p>			<p>CPI rose by 11.1% in the 12 months to October 2022, up from 6.2% in February 2022 when the 2022/23 Budget and MTFS were approved. Following the announcement of the household energy price cap, CPI forecasts have been revised with full year estimates of 7.4% for 2023 and a reduction down to 0.6% in 2024.</p>
Leisure Services – additional expenditure over budget	£0.262m	£0.262m	£0.262m	<p>The council will continue to support its wholly owned leisure services company in response to the escalation in utility costs and the impact of the cost of living crisis on the level of income generated, on the basis that any intervention will be short term and that the cost to the council will cease over the medium-term as the company develops its services to fully cover its own costs</p>

MEETING THE FINANCIAL CHALLENGE – THE TRANSFORMATION STRATEGY

29. The last medium-term financial strategy reported to Full Council in February 2022 set out the council's approach in meeting the financial challenges over the period 2022/23 to 2024/25. The council's Transformation Strategy was put in place to focus on bridging the gap and delivering a balanced budget through:

- Productivity savings including modernisation of services, delivery of the Digital Strategy and continually reviewing its staffing structures to ensure they are efficient and fit-for purpose.
- To deliver change effectively across the organisation, including our assets, our service delivery models, technology and culture to respond to the opportunities and budgetary challenges of the future.
- Where possible, the renegotiation of contracts and investment in income generating schemes.

30. Since February 2022 the council has continued working towards delivering the Transformation Strategy. The strategy seeks to address sustainability, financial uncertainty, public service integration and the provision of efficient services for our residents, whilst delivering cashable savings and supporting the Medium-Term Financial Strategy; this has been a key driver for transformation at Chorley in delivering organisational change.

SENIOR LEADERSHIP TEAM

31. 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

WHAT IS THE BUDGET GAP?

32. The estimated budget gap faced by the council based on the position prior to actions being taken to address this is as follows:

	2023/24 £m	2024/25 £m	2025/26 £m
Council Tax (incl Collection Fund adjustments)	(7.710)	(8.038)	(8.158)
Retained Business Rates (incl Pool)	(6.216)	(6.556)	(6.556)
Services Grant	(0.119)	(0.416)	(0.416)
Minimum Funding Guarantee	(1.146)	(1.146)	(1.146)
New Home Bonus	(0.297)	(0.000)	(0.000)
TOTAL FUNDING	(15.488)	(16.156)	(16.276)
TOTAL EXPENDITURE	15.488	16.693	17.760
BUDGET (SURPLUS)/DEFICIT	-	0.537	1.484

CLOSING THE BUDGET GAP

33. The council's medium term plan to reduce the budget deficit beyond 2023/24 will be refined and developed over the coming months, and will be subject to future government funding announcements, the wider economic environment and other funding assumptions (e.g. future pay wards), which may change over the period.
34. The key challenge to the council is to find and deliver efficiency savings of £0.537m for 2024/25.

To achieve this the council's strategy will be:

- To make the council more financially self-sufficient with specific emphasis on creating investment that provides benefits to residents and businesses whilst also generating income.
- To realise savings through the procurement of its contracts including joint contractual arrangements with South Ribble Council.
- To identify 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

Transformation Strategy

35. The Transformation Strategy covers many aspects of change both within the council and in partnership with other organisations. The strategy will be refreshed in 2023/24, and refined to enable the continual improvement of services and performance whilst ensuring a sustainable financial position. The Transformation Strategy will develop options to achieve savings and efficiencies as well as a programme of organisational change to support our workforce over the period. At this stage, the main strands of the strategy that could generate savings and income are outlined further below.

Income Generation

Council Tax

36. 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 2022/23 £
Preston	333.63
Burnley	318.49
Rosendale	290.80
Pendle	281.50
Hyndburn	260.64
Lancaster	241.95
South Ribble	223.24
Fylde	219.19
West Lancs.	218.39
Wyre	214.74
Chorley	199.66*
Ribble Valley	160.69

(* - includes Band D equivalent Special Expenses of £21.40)

37. Whilst the Local Government Finance Settlement confirmed a council tax increase limit for district councils in 2023/24 of up to 3% or £5 (whichever is the greater) on a Band D equivalent property, the council is mindful of the impact of cost increases on its residents during this cost of living crisis; as such it has to manage this, alongside the continued uncertainty regarding future funding, the continued pressures on council expenditure budgets, including the impact of rising inflation and increasing utility costs, combined with the real terms reduction in Government funding provided to the council since 2010.
38. Whilst the budget for 2023/24 proposes an increase in Chorley Council's share of council tax of 1.99%, increases have been built into the MTFS for 2024/25 in line with the government's announcement that the 3% limit will also remain in place for that year; i.e. an increase has been assumed in 2024/25 of 2.99%. The assumption is that the limit will then reduce back to 2% for 2025/26 and beyond. This will be reviewed annually and will be subject to the outcome of the next finance settlement.
39. 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, and will make use of the monies it has available to support council taxpayers.

Investment Sites

40. The council owns several sites that have been developed to bring forward the expansion of employment, housing and health services within the borough. These include:

- The investment in the **Market Walk Shopping Centre** - the investment generates approximately £847k of net income (after borrowing) each year, as well as notably improving the town centre, providing jobs and delivering on the council's ambition and vision to regenerate the town centre;
- All the 65 apartments at **Primrose Gardens** are occupied, supporting people to live independently whilst receiving the care and support needed to enjoy later life whilst generating a net income of approximately £368k per annum for the council;
- To maximise the £8.5m investment in the **Strawberry Fields Digital Office Park**, the remaining capital budget has been utilised to reconfigure the internal floor area to capitalise on interest from potential tenants and to manage the site as efficiently as possible. The budget reflects a net income to the council (after borrowing) of £166k for 2023/24 onwards;
- The £33m investment in the **Logistics House** site in 2019 currently generates a net income, after borrowing costs, of £455k which is expected to rise to over £1.0m per annum towards the end of the lease term.
- **Strawberry Meadows** – opened in October 2022, providing light industrial units for business use to drive forward local economic growth and generating a net income of £327k per year;
- **Whittle Health Hub** – a new GP surgery which opened in March 2022, providing a new, modern and high-quality health facility for Whittle-le-Woods, and generating £34k per year for the council.

41. With the redevelopment of the site surrounding Tatton Gardens, including an extra care scheme due to generate a return on investment from April 2023 of £47k per year, the council will seek further investments that whilst delivering on the corporate priorities, can assist in closing the budget gap. The council has, and 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.

Future Savings

42. 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 £1.484m, subject to future Government announcements, are forecast over the period of the MTF5 to manage increases in costs as well as potential reductions in future Government funding.

43. Whilst there is continued uncertainty about the potential level of savings required over the medium term, it is prudent to put in place plans to identify and secure the savings that may be required. 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. This will be managed and monitored through the Transformation Strategy and Medium Term Financial Strategy. 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. A review of the total amount of office space required has been undertaken in the new post-Covid environment; a consolidation of office space would 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. Work progresses to identify further opportunities to provide additional net income. 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.
- The council is ambitious in its delivery of services and will continue to pursue **alternative models of delivering its services**. The expansion of shared services with South Ribble Council has continued with Phase 2 of the Shared Services model completed in 2022/23; the two councils have agreed that moving forward they will consider further opportunities alongside their wider priorities if improvements and efficiencies can be attained which would lead to further savings for the council.

CONCLUSION

44. The review of the MTFS has again been undertaken against a background of significant reduction in 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.
45. The MTFS covers three years between 2023/24 and 2025/26 and whilst the budget has been balanced for 2023/24 through a combination of efficiency savings and income generation, budget gaps remain for 2024/25 and 2025/26.
46. The council has a successful record of balancing the budget and has delivered budget efficiency savings alongside additional income for many years now. This has been achieved whilst delivering a large number of Corporate Strategy priorities and an ambitious capital programme.

47. The financial context continues to be increasingly challenging and uncertain. Work will continue over the coming months to develop the strategies outlined in the MTFs as to how the budget gap of £0.537m (2024/25) and £1.484m (2025/26) 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.

48. The council will continue to keep the MTFs under review and refine the assumptions as further information becomes available.