

## **Chorley Council Medium Term Financial Strategy 2024/25 to 2026/27**

### **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 2024/25;
  - 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 regarding the delivery of the council's Corporate Strategy. It means that finances always need 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 2025 with any degree of confidence in the underlying assumptions. Uncertainty prevails in respect of the development and implementation of a new Fair Funding Review and changes to the Business Rates Retention Scheme.
9. The Settlement represents a 'holding position' until the next Parliament, aiming for stability in local government finances over the next financial year. 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 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 2024/25, a deficit of £0.747m in 2025/26 and reporting a deficit of £1.331m in 2026/27.

Key Assumption	24/25	25/26	26/27	Comment
<b><u>Income/Funding</u></b>				
Increase in Council Tax	2.99%	1.99%	1.99%	The Local Government Finance Settlement confirmed a council tax increase limit for district councils in 2024/25 of up to 3% or £5 (whichever is the greater) on a Band D equivalent. This is in line with the assumption made in the MTFS presented to Finance Council in February 2023. Without any further information regarding increases in 2025/26 and beyond, it is assumed that these will reduce to 1.99%, being the limit in place up to and including 2022/23. The position will be revisited next year as part of the budget setting process.
Council Tax Base Increases	0.90%	0.86%	0.84%	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 from increases in growth, the Business Rates Multiplier (determined by government), and related S31 Grants	£1.430m	£0.340	£0.00m	2024/25 has seen significant changes in Business Rates following the 2023 Revaluation and the splitting of the Business Rates Multiplier across 'small' and other businesses. Growth has been included within the budget and 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	£1.200m	£1.200m	£1.200m	Chorley Council has benefited for several years from membership of the Lancashire Business Rates Pool. The Local Govt Settlement confirmed the pools would continue 2024/25. In the absence of any further information, the budget assumes the council will retain funding equivalent to the current level of business rates enjoyed as part of the Lancashire Pool, be that through the continuation of the Pool beyond 2024/25 or through the repurposing of this funding in some other grant income stream. Given the value of this, it presents a significant financial

Key Assumption	24/25	25/26	26/27	Comment
				risk to the council over the medium term as highlighted in the report.
Total Forecast New Homes Bonus	£0.141m	£0.141m	£0.141m	<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, down to 4 years from 2018/19 and then it has been limited to a one-off annual payment for new homes built since 2020/21.</p> <p>Whilst it has been announced for several years that funding from NHB will cease, in the 2024/25 Settlement the council received an allocation of £0.141m for 2024/25 (2023/24 - £297k). Although announcements have been made in the past of its withdrawal, it has been assumed within the MTFS that the funding will continue at its current level of will be re-purposed as a grant, or subsumed within another grant.</p>
Services Grant	£0.019m	£0.019m	£0.019m	<p>The level of this grant has been reduced from £0.203m in 22/23 to £0.019m in 24/25. Previously described as a 'one-off' grant in 2022/23 it has been allocated again in 2024/25, although it is unclear what will happen to the grant in 2025/26. For budgeting purposes it has been assumed it will continue in some form over the remainder of the MTFS.</p>
Minimum Funding Guarantee	£1.624m	£1.650m	£1.650m	<p>This grant 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 4% (before any assumption on council tax rate increases, but after increases in the council tax base are applied). The de minimus limit was 3% in 2023/24.</p> <p>The council has been allocated £1.624m in the 24/25 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 2025/26 and 26/27.</p>

Key Assumption	24/25	25/26	26/27	Comment
Net Income Market Walk	£0.938m	£0.893m	£0.889m	The net income levels, after accounting for the costs of borrowing/financing for 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.
Net Income Strawberry Fields	£0.179m	£0.203m	£0.200m	
Net Income Primrose Gardens	£0.360m	£0.396m	£0.393m	
Net Income Logistics House	£0.583m	£0.715m	£0.715m	
Net Income Strawberry Meadows	£0.310m	£0.310m	£0.310m	
Net Income Tatton Gardens	£0.055m	£0.087m	£0.084m	

### Expenditure

Key Assumption	24/25	25/26	26/27	Comment
Pay Award 24/25	5.0%	2.0%	2.0%	Given the increases in inflation over the course of 2022 and 2023, and the forecasts moving forward, the pay award assumption for 2024/25 has been reviewed and this has been retained at 5% in line with the MTFS approved by Council in February 2023. The assumptions for 2025/26 and 2026/27 have been included in the MTFS at 2% for each year reflecting the forecast reduction in inflation. The National Living Wage will rise from £10.42 for workers aged 23 and over, to £11.44 for workers aged 21 and over from April 2024. This will not affect Chorley Council's pay bands for 2024/25 as the council pays above this level. 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 consequence of the timing of recruitment.

Key Assumption	24/25	25/26	26/27	Comment
<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 last triennial valuation of the Lancashire County Pension Fund was undertaken in 2022 setting the contributions for the 3 years from 2023/24 to 2025/26. The fund had a strong performance over the 3 years through to 31<sup>st</sup> March 2022, although since then, 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 has seen a reduction in the financial contributions required, comprising;</p> <ul style="list-style-type: none"> <li>• an increase in the level of Employer Pension Contribution rates from 16.4% to 18.3% for the 3 years covered (a 1% increase results in approx. £115k of cost therefore this results in an increase of £218k in total) offset by;</li> <li>• A reduction in the annual cost of the repayment of the fund deficit from £467k per annum to £0 in each of the 3 years.</li> </ul> <p>Overall the actuarial valuation has reduced the council's pension costs by approximately £249k compared to the rates paid in 2022/23.</p> <p>The next triennial valuation is due in 2025, which will set the rates for the 3 years from 2026/27. For the purposes of this MTFS, it is assumed that in 2026/27 the rates will remain the same as in 2025/26.</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>CPI rose by 6.7% in the 12 months to September 2023, down from 10.4% in February 2023 when the 2023/24 Budget and MTFS were approved. Headline inflation is now 4% compared with its 2022 peak of more than 11%. The Bank of England forecast is that CPI will fall temporarily to around 2% in mid-2024, before increasing slightly up to 3% over the remainder of the year.</p>
Leisure Services – additional expenditure over budget	£0.768m	£0.768m	£0.768m	<p>The council will continue to support its wholly owned leisure company in response to increases in utility costs and the impact of the cost of living crisis on the level of income generated; this is on the basis that any intervention will reduce over time as the company develops its services to fully cover its own costs</p>

## Meeting the Financial Challenge – The Transformation Strategy

13. The last medium-term financial strategy reported to Full Council in February 2023 set out the council's approach in meeting the financial challenges over the period 2023/24 to 2025/26. 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.
  - delivery of 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.
14. Since February 2023 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

15. 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?

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

	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>
Council Tax (including Collection Fund adjustments)	(8.058)	(8.298)	(8.508)
Retained Business Rates (including the Business Rates Pool)	(6.870)	(7.152)	(7.152)
Services Grant	(0.019)	(0.019)	(0.019)
Revenue Support Grant	(0.127)	(0.127)	(0.127)
Minimum Funding Guarantee	(1.624)	(1.650)	(1.650)
New Home Bonus	(0.141)	(0.141)	(0.141)
<b>Total Funding</b>	<b>(16.839)</b>	<b>(17.387)</b>	<b>(17.597)</b>
<b>Total Expenditure</b>	<b>16.839</b>	<b>18.134</b>	<b>18.928</b>
<b>Budget (Surplus)/Deficit</b>	<b>-</b>	<b>0.747</b>	<b>1.331</b>

### **Closing the Budget Gap**

- The council's medium term plan to reduce the budget deficit beyond 2024/25 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 awards), which may change over the period.
- The key challenge to the council is to find and deliver efficiency savings of £0.747m for 2025/26.

To achieve this the council's strategy will be:

- 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;
- to realise savings through the procurement of its contracts including joint contractual arrangements with South Ribble Council;
- 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.

### **Transformation Strategy**

- The Transformation Strategy covers many aspects of change both within the council and in partnership with other organisations. The strategy will be refreshed in 2024/25 and refined to enable the continual improvement of services and performance whilst ensuring a sustainable financial position. Options to deliver savings and efficiencies to close the budget gap will be further developed and implemented, as well as a programme of organisational change to support our workforce over the period. The main strands of



the strategy that have been identified to generate savings and income are outlined further below.

## Income Generation

### Council Tax

20. 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:

	<b>Band D Equivalent 2023/24 £</b>
Preston	343.60
Burnley	328.01
Rosendale	299.49
Pendle	289.92
Hyndburn	260.64
Lancaster	249.18
West Lancs.	224.92
South Ribble	223.24
Wyre	219.74
Fylde	218.89
<b>Chorley</b>	<b>203.63*</b>
Ribble Valley	165.69

(\* - includes Band D equivalent Special Expenses of £21.82)

21. Whilst the Local Government Finance Settlement confirmed a council tax increase limit for district councils in 2024/25 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 increases in inflation and utility costs, combined with the real terms reduction in Government funding provided to the council since 2010.
22. The budget for 2024/25 proposes an increase in Chorley Council's share of council tax of 2.99%. The Settlement for 2024/25 is silent however on the council tax increase limits for 2025/26, therefore the increase for both 2025/26 and 2026/27 is that it will revert back to it's 2021/22 level of 1.99%. This will be reviewed annually and will be subject to the outcome of the next finance settlement.
23. 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**

24. 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 £938k 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;
  - **The 65 apartments at Primrose Gardens** support people to live independently whilst receiving the care and support needed to enjoy later life, and whilst generating a net income for the council of approximately £360k per annum;
  - Following reconfiguration of the internal floor areas given the level of interest from prospective tenants, and to manage the site as efficiently as possible, the **Strawberry Fields Digital Office Park** has increased its income levels; as such, the budget now reflects a net income to the council (after borrowing) of £179k for 2024/25 onwards;
  - The £33m investment in the **Logistics House** site on Buckshaw currently generates a net income, after borrowing costs, of £583k per annum which is expected to rise to over £1.0m per annum towards the end of the lease term;
  - **Strawberry Meadows** provides light industrial units and assists in driving forward local economic growth, whilst also generating a net income of £310k per year for the council;
  - The extra care facility at **Tatton Gardens** opened in February 2023 and as well as addressing the need for this type of accommodation in the borough, it is expected to generate a net income for the council of £55k in 2024/25, after borrowing
25. The council will seek to invest to deliver on the corporate priorities, whilst working to close 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 deliver savings and increase income, thereby making the council less reliant on the increasingly uncertain funding from Government.

## **Future Savings**

26. 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 £1.331m, 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.
27. 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 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. A review of the total amount of office space required has been undertaken as 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, UK Shared Prosperity Fund (UKSPF), 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 during 2023/24 with arrangements now in place for shared Building Control and for shared management arrangements for Waste and Streetscene services, along with the completion of several joint procurement exercises; 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

28. The review of the MTFs has again been undertaken against a background of a real terms 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.
29. The MTFs covers three years between 2024/25 and 2026/27 and whilst the budget has been balanced for 2024/25 through a combination of efficiency savings and income generation, budget gaps remain for 2025/26 and 2026/27.
30. 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.
31. 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 £0.747m (2025/26) and £1.331m (2026/27) 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.

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