

# DELIVERING OUR PRIORITIES

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Chorley Council  
Medium Term Financial Strategy  
2018/19 to 2020/21

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## FOREWORD



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

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

Through fundamental reviews of services, reducing the costs of contracts and by generating additional income the council has managed to bridge the budget gap year-on-year.

Unfortunately the squeeze on the council's funding will continue and over the coming three years we expect funding to fall by over £3m. By next year our Government grant will completely disappear and after that the Government will be making the council pay them money. As a result of Government policy changes, the grant funding we receive from building new homes will fall by £800k next year, making the total reduction £1.5m in the last two years alone.

In light of this and to continue to deliver our services we are asking for an average band D household to pay an extra ten pence per week in council tax. It is only the second time in nine years that the council has increased council tax and Chorley's rates remain one of the lowest in Lancashire.

Looking further forward, the council has plans in place to meet the financial challenges it faces. The council has always been innovative when delivering its services and that is why we will continue to transform services to deliver efficiencies as well as investing in income generating projects such as the extension to Market Walk or the delivery of rented affordable housing.

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

# CHORLEY COUNCIL MEDIUM TERM FINANCIAL STRATEGY 2018/19 to 2020/21

## INTRODUCTION

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

## FINANCE AND CORPORATE PLANNING

2. Within the framework of legislation and Government controls, local authorities retain responsibility for determining the level of their budgets and how those budgets will be spent, subject to legislation and grant conditions.
3. The purpose of the Council's budget is;
  - To enable the Council to fulfil its statutory duty to set a Council Tax each financial year
  - To ensure that use of the Council's financial resources is planned and that a balanced budget is set in 2018/19.
  - 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's, 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 Borough Council will wish to ensure that its financial resources, subject to all other constraints, are allocated in accordance with Council priorities.
5. In practice there are a number of constraints that might prevent the council from spending purely in accordance with its current priorities, for example:-
  - Government constraints over use of resources
  - Legal requirements to provide certain services
  - Financial and legal commitments, and other agreements, e.g. staff contracts
  - Costs incurred in implementing change

- Limited availability of resources
- Time needed to plan for change
- Pressure to maintain and improve services and not to cut back

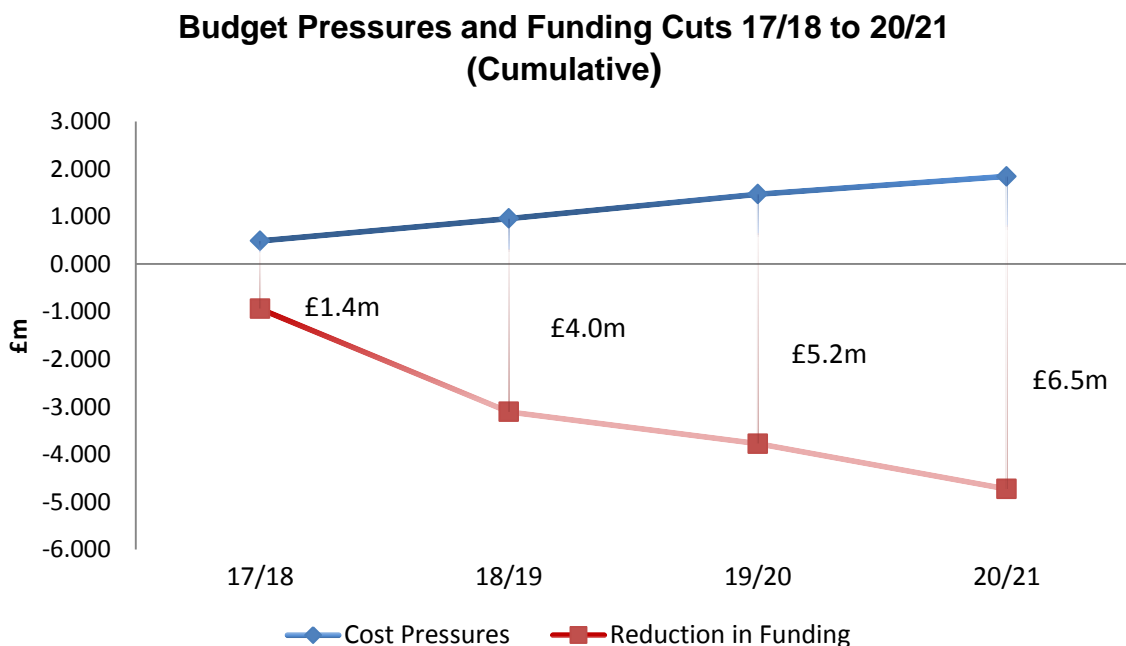
6. It is important for the council to recognise these constraints and to plan the use of resources over the short and medium term.

### THE FINANCIAL CONTEXT

7. Setting the Council’s annual revenue budget has been a challenging process for a number of years. The reductions in Government support as contained in both the 2010 and 2015 Spending Reviews have resulted in an unprecedented level of savings and additional income being required. This, coupled with budget pressures, has meant that savings and additional income of £3.5 million have been delivered since 2014/15.

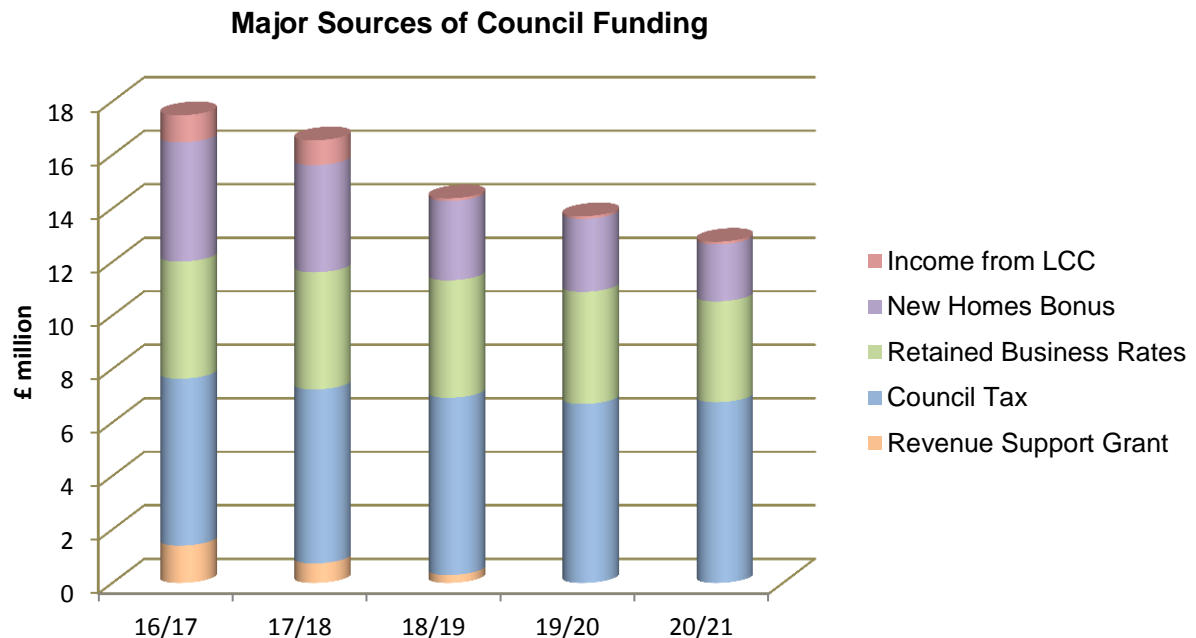
8. The challenge to balance the budget continues over the short term and becomes increasingly difficult in the medium term. On 6 February 2018 the Government published the Final Local Government Finance Settlement of 2018/19. The Government will continue with the removal of the Revenue Support Grant (RSG) and include an additional tariff on business rates (negative RSG) in 2019/20. Allocations of New Homes Bonus will be reduced to 4 years in 2018/19 onwards with a further reduction through the ‘deadweight adjustment’. The greatest uncertainty comes from the expected change to business rates retention in 2020/21 and review of the fair funding formula.

9. The chart below emphasises the scale of the challenge the Council faces in bridging the budget gap over the next 3 years. If the Council took no actions it would face a £6.5m budget deficit in 2020/21.



## Changes in the Level of Funding

10. Chorley Council has experienced, and will continue to experience in the coming 3 years, large reductions in its major funding sources. The reductions in the largest funding sources are outlined in the chart below.



### Revenue Support Grant

11. On 16 November 2016 the Council received confirmation from the Ministry for Housing Communities and Local Government (MHCLG) regarding its four year RSG settlement. 2018/19 will be the final year that the council receives an RSG allocation of £299k after which the council will receive a further reduction of £455k in 2019/20 through a £299k reduction in RSG and an assumed £156k increase in the business rates tariff.

### New Homes Bonus

12. The 2016 consultation regarding New Homes Bonus resulted in allocations falling from six years to four years as well as allocations not been received for the first c150 homes built (the deadweight adjustment). The reductions in new homes bonus will continue due to:
- higher than average annual allocations dropping out of the four year funding cycle, such as the £1m 2016/17 allocation dropping out in 2020/21;
  - an assumed slowing down of housing expansion in the borough in the coming years.

13. The provisional finance settlement announced on 19 December 2017 confirmed that there would be no further changes to the methodology through which new homes bonus is allocated in 2018/19. This provides the council with certainty regarding the 2018/19 allocation however MHCLG retains the flexibility to adjust the allocation methodology from 2019/20 onwards including the possibility for allocations to be reduced for every home built after a planning decision is overturned on appeal.

### Lancashire County Council

14. Income from Lancashire County Council will drop significantly in 2018/19 as the £930k income through the Lancashire Waste Partnerships cost share arrangement comes to an end. The introduction of the subscription based garden waste collection scheme in 2017/18 was put in place to mitigate this reduction in income. The remaining funding from LCC in 2018/19 to 2020/21 will be £96k per annum towards the maintenance of highway green space that is managed within current council resources.

### Council Tax

15. Chorley Borough has experienced a huge expansion in housing over the past few years. The growth in has resulted in an expansion of the council tax base. Growth in the base, excluding increases in the rate of council tax, are summarised below:

	2015/16	2016/17	2017/18	2018/19	2019/20 Forecast
New Band D equivalent dwellings brought in base	1,259	677	751	680	c.560
Growth (year-on-year)	3.8%	2.0%	2.1%	1.89%	1.50%
Additional council tax income to CBC each year	£223k	£120k	£133k	£123k	£99k

16. Chorley Borough has experienced fast expansion of housing over the past few years, over twice as much as Lancashire on average. Although the expansion results in additional income for the council it is clear from the table above that the additional income is insufficient to meet the inflationary pressures and funding reductions experienced by the Council.
17. The Council expects a slowdown in house building over the coming three years as larger housing development sites are already nearing completion and new sites in which to develop housing become increasingly scarce. However it should be noted that between April 2017 and March 2022 there were 2,700 dwellings that have not yet been built (including those under construction) which have planning permission. A prudent 1.5% expansion of the base is forecast in 2019/20 and 2020/21.

18. Government policy has changed in the past couple of years from encouraging councils to freeze council tax to encouraging councils and other preceptors to increase council tax to offset the reductions in funding. As a result of this policy whereby funding is linked to the additional income that can be generated through council tax, the expansion of Chorley Borough Council's council tax base has resulted in a faster reduction in the council's grant funding resulting in 2018/19 being the final year it will receive an RSG allocation.
19. As part of the Provisional Local Government Finance Settlement for 2018/19 the Government announced changes to the Council Tax referendum principles. District councils are now permitted to increase Council Tax by up to 2.99% without triggering the need for a referendum. The Government has deferred the decision to extend the Council Tax referendum principles to Parish Councils for three years.

### Business Rates

20. The level of business rates income retained by the council remains the largest uncertainty in terms of funding levels over the medium term period. Chorley Council is a tariff authority meaning it pays over an amount to central government rather than receiving a top-up payment. Of the £24.8m Non-Domestic Rating income collected in 2017/18, Chorley Council's local share is 40% (£9.9m). However, this is reduced by payment of the £6.2m tariff to central government leaving £3.6m for Chorley Council. Within this income figure is an element of growth of rates income above the **baseline funding level**. For non-pool authorities, a 50% levy of the growth is payable to central government. In 2017/18 the full levy would have reduced this council's retained rates income to £2.9m, being about 11.8% of total NDR Income. Through membership of the Lancashire Business Rates Pool, 90% of the levy is retained by the council, and 10% paid to the pool rather than central government. This increases retained rates income to £3.6m, which is about 14.7% of total NDR Income in 2017/18.
21. In February 2017 the government issued its response to the 100% business rates retention consultation. It was still the intention of government to implement the scheme in 2019/20; however the Local Government Finance Bill has been dropped from the legislative programme, leaving plans for business rates retention in limbo. It is not clear that moving to 100% business rates retention would necessarily benefit a tariff authority in a business rates pool. Though this council retains only £3.6m out of £24.8m under current arrangements, 100% retention would not mean that our retained rates income would increase to £24.8m because a redistribution mechanism to replace the tariff would be required to fund upper tier services. The 100% scheme may result in wider pooling arrangements across a larger geographical area bringing with it more risk to the level of business rates retained by the pool. In addition it could result in a less favourable split between lower and upper tiers meaning more retained business rates income is paid to LCC.



22. Unfortunately there is no further clarity on how the reforms to the business rates regime will affect Chorley Council in 18/19 to 20/21. Announcements that have been made regarding business rates are as follows:
- From April 2018, CPI will be used to uprate the multiplier for business rates, rather than RPI, bringing forward the change already announced from April 2020;
  - The business rates revaluation cycle will switch from five years to three years. This should mean that, following the planned 2022 revaluation, the next revaluation will be in 2025. Although more regular revaluations will provide a more accurate business rates base it could also erode any growth in retained business rates making investing in business rates expansion less appealing;
  - The Secretary of State stated that local business rates retention would move from 50% to 75% in 2020/21. This is understood to mean all authorities would be at 75%, rather than the 75% being an average. However, during this time there will also be a fair funding review that will inform how funds will be redistributed (as they currently are using top-up and tariffs). As such it is not possible at this time to model how the 75% retention will affect Chorley Council.
23. As CPI is lower than RPI the expansion of the business rates base will slow, the government has made a commitment to compensate councils fully for this change in 2018/19 and 2019/20 by paying S31 Grant to replace the income foregone. It is not clear whether this will extend to 2020/21 and therefore whether the level of retained business rates will reduce in 2020/21 onwards.
24. A large risk associated with business rates income relates to two applications for mandatory charitable relief received from Lancashire Teaching Hospitals NHS Foundation Trust. If successful the application would be back dated to 2010 and therefore have a significant impact on the Council's revenue budget. A headline figure is a potential £1.5m impact on the Council's general fund and a further c£200k reduction in ongoing retained business rates. The LGA is representing affected councils nationwide and retain the view that NHS trusts and foundation trusts are not charities and therefore not eligible for mandatory non domestic rate reliefs.
25. For the reasons highlighted above the council will assume no increase in its retained business rates budget. Although the council will continue to focus resources on expanding local businesses, there are still large uncertainties that may erode progress on retained business rates income. Until further information becomes available, the council will continue to assume it is part of

the Lancashire Business Rates Pool in 2019/20 and that it will continue to benefit, albeit by a lesser amount, in 2020/21 from business rates retention.

### **Inflation and Other Cost Pressures**

26. The Council, like its residents, will continue to experience cost pressures in 2018/19 to 2020/21. The estimates for 2018/19 are based upon the most recent announcement of actual pay award, future years are based upon the fact that pay increases are on average estimated to be 2% in 2018/19, 2019/20 and 2020/21. Two of the three local government trade unions will reject the 2% pay offer from employers as it is less than the rate of inflation. A final settlement is not likely to be reached until 2018/19 and so any potential shortfall in the budget will be dealt with through the 2018/19 budget monitoring process.
27. The council is experiencing large inflationary increases in the cost of its major contracts. These contracts, including waste & recycling and leisure management, are increased in line with RPIX that currently stands at approximately 4%.
28. As part of a triennial pension review conducted last year, in order to meet the future costs of the scheme, employer pension contributions increased from 11.1% to 14.4% in 2017/18 and will remain at this level in 2018/19. The council's contribution to the deficit is assumed to be made over 19 years however Chief Finance Officers in Lancashire have written to the Lancashire Pension Fund to consider whether contributions could be made over a longer period as has been experienced in other funds throughout the country. If this is agreed there is the potential for contributions to the pension fund to be lower than currently budgeted in 2020/21.

### **PLANNING AND DELIVERY OF THE COUNCILS CORPORATE STRATEGY**

29. Despite these financial challenges Chorley Council continues to deliver projects that meet the priorities of its residents. These projects are outlined as part of the Council's Corporate Strategy. The Corporate Strategy provides a clear statement of what the Council aims to achieve over the next three years. The strategy sets out not only the Council's vision, priorities, and long term outcomes for the period 2017/18 to 2019/20 but also priority activities to be delivered through the corporate projects and how we intend to measure success over the year ahead. The Corporate Strategy identifies our key priorities as a Council which are: -
  - a. Involving residents in improving their local area and equality of access for all;
  - b. Clean, safe and healthy communities;
  - c. A strong local economy; and

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

### CORPORATE STRATEGY 2017/18 TO 2018/19

30. Chorley Council corporate strategy 2017/18 to 2018/19 was approved by Full Council on 21 November 2017. The focus of the Corporate Strategy to date has been on delivering schemes and initiatives that achieve visible and tangible outcomes against corporate priorities. All long term outcomes will be retained for 2017/18 to reflect a continued commitment to the priorities under which the administration were elected, ensuring the long term impact of strategic activity and investment. Resident feedback continues to positively reinforce activity towards meeting the priorities which remain critical given the current climate of budget reductions.
31. Outlined below is the Council's Corporate Strategy as well as just a few of the key projects that will be delivered over the next 3 years. The Medium Term Financial Strategy delivers a budget that is robust and sustainable and that also delivers both the capital and revenue commitments required to deliver the corporate strategy priorities.
32. Table 1 at the end of this section details the year-on-year revenue investments that the Council continues to deliver despite the financial challenges it faces. These deliver services that matter most to our residents including;
  - Crime reduction and social disorder prevention
  - The Chorley Council events programme
  - Funding of neighbourhood preferred projects selected by residents
  - Encouraging digital inclusion
  - Improving enforcement services
  - Delivering more support to the homeless and those at risk of becoming homeless
  - Protecting services put at risk by cuts to funding and budget pressures at Lancashire County Council

# Corporate Strategy 2017

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

### We will:

- Transform the way the council delivers services
- Deliver a borough wide programme of improvements to street services
- Integrate public services through the Chorley Public Service Reform Partnership



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

### We will:

- Improve the look and feel of local neighbourhoods across the borough
- Develop Astley Hall and park as a visitor destination
- Support people from across the borough to be digitally included

## A strong local economy

### We will:

- Bring forward key sites for development
- Deliver the Market Walk Extension
- Deliver a borough wide programme to help people overcome barriers to employment

## Clean, safe and healthy homes and communities

### We will:

- Deliver the Primrose Gardens retirement village
- Deliver the Youth Zone
- Develop a strategy for housing in Chorley and implement a programme of work

## Our vision:

A proactive community leader, supporting the borough and all its residents to reach their full potential through working in partnership to deliver services that achieve the best outcomes and protect vulnerable people.

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

## Our achievements:

We continue to lead the way in developing effective and sustainable public services that will meet the needs of our residents in years to come. Through the Chorley Public Service Reform Partnership we have invested £100k to develop new, innovative ways of working including establishing an Integrated Community Wellbeing Service in partnership with Lancashire Care Foundation Trust to support residents to stay well and tackle issues the earliest possible stage. We've also undertaken pioneering projects to bring partners together around shared priorities including a multi-agency service hub based at the fire station, supporting over 100 vulnerable individuals and achieving savings to public services of £700,000 over a 6 month period.

Chorley Public Service Reform Programme



## Looking ahead:

We will work even more closely with our partners to make new ways of working part of how we do things every day. As an organisation, we will change the way that we operate to become even more efficient and achieve further savings of £3m in addition to £3m savings since 2016 through a range of measures including modernising our streetscene services and reviewing our major contracts.

We will also continue to commit £115,000 of our base budget to protecting vital services at risk as a result of county wide cuts, including local and rural bus routes. At the same time we will maintain high levels of resident satisfaction with over 84% of residents satisfied with their local area as a place to live.

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

## Our achievements:

In 2017/18 we've invested £40,000 in digital inclusion, supporting residents from across the borough to access services online by delivering digital training sessions at venues across the borough including new hubs located in our community centres. We will continue this investment in 2018/19.

We have delivered a programme of events that has made residents feel proud of the borough and brought hundreds of thousands of pounds into the local economy. We have encouraged more people to get involved in volunteering, which has supported projects such as the Chorley in Bloom group and helped us win national awards for the appearance of our borough.



## Looking ahead:



### Develop Astley Hall and Park as a visitor destination

The Council's ambitious capital programme includes significant investment to deliver an 'Astley 2020' vision, commitments include:

- £40k renovation of Astley Park tennis courts
- £80k investment in expanding and improving the Hallgate car park
- £200k match funding as part of a £1.8m of Heritage Lottery Fund additional services such as
- £140k investment in footpath lighting
- £100k investment in making Astley Park a high quality setting in which to host events

### Improve the look and feel of local neighbourhoods across the borough

The Council invests £50k a year towards delivering neighbourhood priority projects, identified by the community, to improve their local neighbourhood. A programme of 24 projects, have included delivering sessions with Homestart to support residents in Chorley Town West and working with partners to create new footpaths in Western parishes.

## Our achievements:

In 2017/18 we have invested over £1 million in community projects right across the borough from Clayton to Coppull and Croston to Charnock Richard. This includes the improvements we have made to our parks and open spaces with new play equipment, better access and facilities including over £200,000 to improve car parking at Yarrow Valley. We have also delivered a programme of events that has made residents feel proud of the borough and put hundreds of thousands of pounds into the local economy.

The Council continues to invest in supporting residents that require help with their housing including an £850k refurbishment & extension to the sheltered accommodation at Cotswold House completed in 2017/18. The Council will continue to deliver supported services from Cotswold House despite the loss of funding from LCC

## Looking ahead:

Chorley Council is delivering the £10m Primrose Gardens retirement village development in Chorley town centre. This will be a flagship, high quality purpose-built accommodation scheme, with community facilities that will meet the needs of older 55+ Chorley residents seeking independent living. The village will house 65 high quality self-contained rooms as well as a dance studio and café, expected to open in March 2019.

In addition, the council will continue to manage the delivery of over £600,000 of adaptations to the homes of residents with disabilities and has committed an additional £50,000 per year to help residents that are at risk of becoming homeless.



### **The Chorley Youth Zone,**

The centre, named by young people as 'Inspire', will be a purpose-built facility for the borough's young people aged 8 to 19, and up to 25 for those with disabilities.

Chorley Council has invested £1m to this facility in partnership with On Side and LCC. The construction of the Youth Zone is almost complete and is due to open in May 2018. The Council will continue to support the Youth Zone by contributing £100k per annum to meet its running costs.

# A Strong Local Economy

## Our achievements:

Chorley Council is committed to delivering a strong local economy for the borough and better economic prospects for our residents. This year we have supported hundreds of businesses with advice and grants meaning we have been able to keep people in jobs and create new ones. We have also worked intensively with residents to support them back into work with 30 individuals securing paid employment as a result.

## Looking ahead

We have progressed plans to develop employment sites throughout the borough including the acquisition of approximately 30 acres of employment land with £700,000 set aside to develop the masterplans and works to bring these sites into use, unlocking their potential with scope to deliver over 1,000 local jobs and over £1m of business rates to support future income and revenue streams for the council. The Council has also been instrumental in bringing forward the Botany Bay masterplan & subsequent outline planning application that gained approval in July 2017. The plan will develop a mixed site for retail and housing.



The Council’s capital programme includes an ambitious £16m scheme to deliver the extension to Market Walk Shopping Centre and enhance the town centre parking provision. This project builds on the already successful £23m acquisition of the town centre shopping parade that generates approximately £900k net income to the Council.

Once built and fully occupied the extension is estimated to generate an additional £300k net income to the Council. We will continue to work closely with residents and traders to ensure that the development works for everyone.



**Table 1: Recurrent Investments Included in the Base Budget from 2018/19 Onwards**

RECURRENT ITEMS	COMMENT	18/19 Ongoing Budget
Crime Reduction and Social Disorder Prevention Fund	The council will commit £110k per annum towards community safety measures to ensure that we continue to deliver against our corporate priority of clean, safe and healthy communities, in light of reduced government funding for the Police and reported increases in crime.	£110,000
Chorley Council Events Programme	The council's programme of award winning events continues to demonstrate significant benefits for the borough, attracting new visitors and raising the profile of Chorley. The budget will enable the continuation of the programme with a focus on those events that deliver the greatest economic impact.	£125,000
Neighbourhood Preferred Projects	Neighbourhood working reflects the councils' commitment to improving local places and spaces, enabling local people to agree the priorities for their area and deliver projects to make improvements. This budget will continue the delivery of neighbourhood working across the eight neighbourhood areas.	£50,000
Digital Inclusion Officer	This ongoing budget will ensure that all residents are able to access high quality public services and take an active part in their community. This budget will support and enable the delivery of the Council's digital strategy including digital inclusion activity.	£20,000
Chorley Works	Access to high quality employment and education opportunities is a priority for the Council. Chorley Works has been successful in delivering a number of employment-related interventions for local residents and going forward will form part of a wider wellbeing support offer for residents, providing help with skills for work and employment opportunities.	£39,000
Employee Health Scheme	Maintaining positive levels of staff wellbeing is important to ensuring a productive and efficient workforce, therefore this budget will continue the current healthcare cash plan scheme or a further year.	£20,000
Enhanced Enforcement Team	The new enforcement team brings together a range of functions including building control, licensing, empty properties, planning enforcement, four neighbourhood officers and 2.4 FTE customer service advisors. The new team will strengthen and improve the council's enforcement services, refocus the work of four neighbourhood officers and demonstrate the council's commitment to taking a more proactive approach to enforcement.	£44,500
Enhanced Homelessness Service	This budget will support the council's response to the requirements of the new Homelessness Reduction Bill by putting in place the necessary resources to fulfil new obligations for homelessness prevention.	£50,000
Refresh of the Local Plan	The council will be refreshing the local plan over the coming 3 years. This provision is put in place to support the refresh process with the majority of the costs, including staffing, assumed to be shared with South Ribble Borough and Preston City Councils. £100k represents Chorley Council's share of the annual ongoing costs.	£100,000
Ongoing fund to maintain services previously delivered by LCC	Chorley Council will continue its commitment to subsidise the running of key bus routes in the borough to mitigate the impact of county wide cuts and ensure that residents can access to the town centre and rural areas.	£115,000
<b>TOTAL RECURRENT INVESTMENTS</b>		<b>£673,500</b>

## MEETING THE FINANCIAL CHALLENGE – THE TRANSFORMATION STRATEGY

33. The last medium term financial strategy reported to Full Council on 28 February 2017 set out the Council's approach in meeting the financial challenges over the period 2017/18 to 2019/20. The Council's Transformation Strategy was put in place to focus on bridging the gap and delivering a balanced budget through:
- Renegotiation of Contracts
  - Productivity Savings
  - Income Generation
34. Since February 2017 the Council has continued working towards delivering the transformation strategy. A Transformation Board has been set up to oversee this delivery.

### THE TRANSFORMATION BOARD

35. The purpose of the Transformation Board 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
36. There are currently over 16 separate projects that the transformation board monitors and supports in order to deliver the transformation strategy.

### WHAT IS THE BUDGET GAP?

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

**Table 2: Gross Cumulative Budget Deficit**

	2018/19 £m	2019/20 £m	2020/21 £m
<b>Gross Cumulative Budget Deficit</b>	<b>0.870</b>	<b>2.502</b>	<b>3.277</b>

37. All deficits and savings identified in Table 2 and in the remainder of this report are cumulative. For example the deficit of £2.502m in 2019/20 identified above is the result of a £0.870m deficit in 2018/19 and further budget pressures of £1.632m identified for 2019/20.

### **WHAT HAS BEEN ACHIEVED?**

38. The short term focus for the Council is to bridge the budget gap in 2018/19. To eliminate this immediate budget gap the Executive Cabinet has achieved and identified proposals for £0.345m of immediate budget savings in preparation for 2018/19. This is in addition to a total of £3.229m savings already achieved in prior years, summarised below in Table 3.

**Table 3: Savings and Additional Income 2014/15 to 2018/19**

<b>Saving/Increased Income</b>	<b>Achieved 2014/15 £m</b>	<b>Achieved 2015/16 £m</b>	<b>Achieved 2016/17 £m</b>	<b>Achieved 2017/18 £m</b>	<b>2018/19 £m</b>	<b>Total £m</b>
Productivity Savings	0.367	0.017	0.314	0.207	0.220	<b>1.125</b>
Review of Contracts	0.035	0.200		0.059		<b>0.294</b>
Review of Base Budget	0.094	0.045	0.128	0.100	0.075	<b>0.442</b>
Review of Income Streams	0.442	0.446		0.050	0.050	<b>0.998</b>
Lancashire Business Rates Retention Pooling			0.725			<b>0.725</b>
<b>Saving/Increased Income</b>	<b>0.938</b>	<b>0.708</b>	<b>1.167</b>	<b>0.416</b>	<b>0.345</b>	<b>3.574</b>

### **Savings Achieved for 2018/19**

39. Budget efficiency savings and increased income totalling £345k have been identified to help reduce the budget deficit in 2018/19. This is in addition to a review of reserves and financing that has identified one-off reductions in the budget deficit for 2018/19 of £400k and £150k respectively.

- Base Budget Review (£75k) – The management accounts team in conjunction with service managers have identified £75k of budgets that are underutilised or no longer required moving forward. The larger savings come from underutilised IT equipment and software budgets as well additional external funding for the maintenance of play areas.
- Review of Fees and Charges (£50k) – a fees and charges report was approved by Executive Cabinet on 18 January 2018 that recommended increasing some of the Council’s fees and charges to bring them in line with the cost of providing the services. This is forecast to generate an additional £50k income in 2018/19 and therefore reduce the subsidy the council tax payer is making towards these services and instead fund other key services.

- Productivity gains (£220k) – a report to Executive Cabinet on 14 December 2017 outlined the proposed changes to be made to the Business, Development and Growth directorate. The changes will allow the directorate to be resourced to deliver its corporate strategy priorities including the delivery of income generation projects, the success of these projects being essential in balancing the budget in the latter stages of the MTFS. In addition, the new structure will deliver £200k efficiency savings and successfully meet the target set as part of the transformation strategy. Over and above this £200k saving, a review of overtime payments across the council will result in a reduction in overtime budgets of £20k.

#### *Review of Reserves and Other One-Off Savings*

- Review and use of unutilised reserves (£400k) – a review of all reserves was undertaken in 2017/18 in order to free up resources to meet the budget deficit in 2018/19. The review has successfully identified £400k of unutilised reserves. This includes £300k of new homes bonus that was set aside to match fund a European funded employment support project. Unfortunately the European funding was not approved and as a result an alternative employment support service will now be delivered using existing council resources.
- Review of net financing (£150k) – a review of the Council’s capital programme has resulted in identifying a reduced need for borrowing in 2018/19. This is the result of the council’s continued access to low interest rate borrowing and a more detailed understanding of the profiling of capital expenditure in the coming 18 months. It is expected this will save £150k in 2018/19 with further potential one-off savings of £100k in 19/20 and 20/21 however this will be reviewed each year.

#### *Council Tax*

40. The Council is proposing a 2.99% increase in council tax in 2018/19 and 2019/20, and a 2% increase in 2020/21. An increase, together with further savings options, would not only help to address the budget deficit but also be used to invest in projects that support delivery of the Council’s corporate priorities.
41. Government policy has changed in the past couple of years from encouraging councils to freeze council tax to encouraging councils and other preceptors to increase council tax to offset the reductions in funding. As a result of this policy, whereby Government funding is linked to the additional income that can be generated through council tax, the expansion of Chorley Borough Council’s council tax base has resulted in a faster reduction in the council’s grant funding resulting in 2018/19 being the final year it will receive a Revenue Support Grant allocation.

42. The provisional finance settlement 2017 recognised the increasing inflationary budget pressures councils are experiencing and as a result announced an uplift in the cap on council tax increases. This now means district councils can increase council tax by up to 3% in 2018/19 and 2019/20 without triggering a referendum. As outlined in this report, whilst the council continues to deliver efficiency savings, it also continues to experience reductions in funding and inflationary budget pressures. To continue to fund investments that deliver corporate strategy priorities the council is proposing to increase council tax by 2.99% in 2018/19 and to model increases of 2.99% in 2019/20 and 2% in 2020/21.
43. It is important to note that through freezing or reducing council tax in previous years, Chorley Council has one of the lowest precepts (excluding Parish precepts) in Lancashire as per the table below.

<b>District Council</b>	<b>2016/17 £</b>	<b>2017/18 £</b>	<b>Increase 2017/18</b>
Chorley	177.41	180.96	2.00%

Burnley	277.76	283.04	1.90%
Fylde	190.77	195.76	2.62%
Pendle	245.16	250.16	2.04%
Preston	290.73	296.51	1.99%
Ribble Valley	145.69	145.69	0.00%
South Ribble	208.38	208.38	0.00%
West Lancashire	186.76	191.76	2.68%
Wyre	183.31	188.31	2.73%

44. Increases in council tax do have a significant, cumulative and permanent effect on the budget deficit even over a short term period. Cumulative additional income the Council could generate from increases in council tax is shown in Table 4.

## **SUMMARY OF PROPOSALS**

45. Table 4 illustrates that through savings achieved to date, additional income identified, a review of net financing, the use of unutilised reserves and increases in council tax the Council is able to set a balanced budget in 2018/19 with some resources available to invest. The next section of this report describes what additional investments are made possible in 2018/19 as a result of the available resources in 2018/19.

**Table 4: Cumulative Budget Deficit**

	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>
<b>Gross Budget Deficit</b>	<b>0.870</b>	<b>2.502</b>	<b>3.277</b>
Review of Fees and Charges	(0.050)	(0.060)	(0.060)
Base Budget Review	(0.075)	(0.100)	(0.125)
Review and Use of Unutilised Resources	(0.400)	0	0
Review of Net Financing	(0.150)	(0.100)	(0.100)
Productivity Savings Achieved for 2018/19	(0.220)	(0.220)	(0.220)
2.99% Increase Council Tax 2018/19, 2.99% in 2019/20 & 2% in 2020/21	(0.198)	(0.408)	(0.559)
<b>Adjusted Budget Deficit/(Available Resources)</b>	<b>(0.224)</b>	<b>1.614</b>	<b>2.213</b>

## UTILISING RESOURCES AVAILABLE IN 2018/19

46. As well as the £673k of investment funding built into the base budget, the Council has identified one-off provisions to fund projects that will further deliver the Council's corporate strategy priorities in the next financial year. A £224k investment project fund will be created for 2018/19 to meet the funding requirements of projects outlined in table 5.

**Table 5: Additional One -Off Investments from Available Resources in 2018/19**

ONE-OFF INVESTMENTS	COMMENT	18/19 ONLY
Community development and volunteering (SPICE)	This budget will provide a contribution to SPICE for time credits infrastructure which includes access to the national earn and spend programme as well as an IT platform, expertise and evaluation.	£40,000
Support for the third sector	The funding will support the development of the third sector in Chorley to include facilitating communication with the wider network and representing the sector on key groups and bodies.	£15,000
Support to Food Provision Schemes	This budget will provide a contribution to the food bank in Chorley to provide food parcels, nutritious meals and other related assistance to those in most need as part of early intervention.	£15,000
16/17 Young Person's Drop In Centre	The budget will extend the current drop in service for young people at risk of homelessness, providing mediation and support with the aim of keeping young people at home as part of early intervention and prevention.	£15,000
In Bloom	A contribution to the In Bloom initiative to provide enhanced Streetscene provision across Chorley, supporting the work of the Chorley In Bloom group and increasing the attractiveness of the wider borough so that people take pride in their area.	£20,000
Supporting Communities to Access Grant Funding	The budget will pay for access to online grant funding search facilities, Grant Finder and Chorley4Community, to enable local third sector groups and organisations to secure funding as part supporting of a sustainable sector.	£4,500
Disabled and Dementia Online Venue Access Guides	This funding is for online venue access guides currently provided by Disabled Go, supporting and promoting the councils commitment to ensuring accessibility for all residents.	£5,000
Accommodation Finding Service	The accommodation finding service provides additional support for the housing options team in meeting our statutory duties. This budget will extend the current provision for a further year.	£30,000
Mediation Service for Anti-Social Behaviour	The budget will maintain access to third part mediation support for neighbourhood level concerns as part of early intervention and prevention for a further year.	£14,000
Employability Support Programme	Funding for a project to support individuals with multiple barriers to work over and above the current Chorley Works provision, to be delivered through the Early Intervention and Support directorate.	£65,000
<b>TOTAL ONE-OFF EXPENDITURE IN 18/19</b>		<b>£223,500</b>

## MEETING THE MEDIUM TERM FINANCIAL CHALLENGE

Table 6: Revised Medium Term Deficit

	2018/19 £m	2019/20 £m	2020/21 £m
<b>Adjusted Budget Deficit/(Available Resources)</b>	<b>(0.224)</b>	<b>1.614</b>	<b>2.213</b>
One-off 2018/19 Investment	0.224	0.000	0.000
<b>Adjusted Budget Deficit/(Available Resources)</b>	<b>(0.000)</b>	<b>1.614</b>	<b>2.213</b>

47. Despite the budget savings identified in this report, as outlined above in Table 6 there remains forecast budget deficits of £1.614m in 2019/20 and £2.213m in 2020/21. To achieve a sufficient reduction in net expenditure the Council's strategy, to be overseen by the Transformation Board, will be:

- 1. To realise savings through the procurement of its contracts**
- 2. To identify the efficiencies through shared services and alternative delivery models that will enable the Council to balance the budget whilst seeking to minimise the impact on front line service users**
- 3. To make the Council more financially self-sufficient with specific emphasis on creating investment that generates income. This includes the extension to Market Walk and developing council owned affordable housing available to rent.**

## TRANSFORMATION STRATEGY

### Realising Savings through the Procurement of Contracts

48. During the MTFs period the Council will undertake large procurement exercises on its contracts that are coming to the end of the contract agreement periods. The ambition for the Council is that through these procurement exercises it will transform its delivery of key services whilst generating cost savings and continuing to provide excellent service delivery. The Council encourages an innovative approach to service delivery and therefore various options will be considered including the utilisation of existing Council premises and vehicles, expanded shared procurement with other Councils and the consideration of bringing some services in-house. Some initial modelling has already been commissioned and the projected savings from this work is included in Table 7.



## Productivity Savings

49. The transformation strategy covers many aspects of change both within the Council and in partnership with other organisations. At this stage the main strands of the strategy that could generate savings are outlined further below.
50. The Transformation Strategy will facilitate a greater integration of public services. In partnership with Lancashire Care NHS Foundation Trust (LCFT) the Council is implementing an Integrated Community Wellbeing Service. The innovative service aims to integrate functions that promote the wider determinants of health and community resilience. By so doing, it is anticipated it will generate opportunities for savings over the long term. The service launched in April 2017, with over 150 staff based at the Council offices on Union Street. Work will be undertaken in the coming year to further develop the integration, and to realise further productivity savings from within the service.
51. The Digital Strategy was approved by Executive Cabinet in June 2017. The strategy incorporates 32 separate projects that seek to increase digital take up and inclusion, promote smarter working and develop positive work cultures.
  - The Digital Strategy will develop and implement the 'WorkSmart' programme. This will facilitate a shared culture of smarter working, maximising the use of technology and digital information. Cost savings are expected through process/productivity improvements and consolidation of office space.
  - Efficiencies are also expected through the further increase in digital take up of council services, enabling customers to access council services online when and wherever they like, while also reducing the demand on more expensive channels such as face to face and over the phone
52. The Streetscene Modernisation Strategy was approved by Executive Cabinet in January 2017. The Streetscene service aims to introduce a number of change themes designed to challenge current working practices and modernise and introduce improvements to deliver high quality services in a co-ordinated way. A more detailed outline of the major improvements the strategy can deliver will be presented in spring 2018. It is expected this will require investment in new assets that facilitate the delivery of more efficient services.

## *Shared Services*

53. In November 2017 Chorley and South Ribble Councils agreed a joint ambition to develop a close working relationship, with an ultimate aim to develop full shared services serving two independent and sovereign councils. Initial proposals were developed to create the capacity for change with the creation of a series of shared posts in policy, governance and transformations services. Initial proposals are currently being developed further with the ambition that

new structures will be in place by 2019/20. Work will also be undertaken to explore the other service areas that can be delivered efficiently through a shared arrangement with the ambition to reducing the net cost of these services for both councils.

### Income Generation

54. The Council has already been successful in income generation through the purchase of Market Walk shopping centre as well as the expected net income stream from the development of the Digital Office Park. The Council realises that further work must be undertaken to recognise fully the potential revenue streams the Council is able to create.

#### *Market Walk Extension*

55. The income generation targets outlined in table 7 include £150k net income in 19/20 and £300k in 2020/21 for the extension of Market Walk shopping centre. The council has a fully serviced site that, as per the approval of Full Council in January 2018, will be developed into new retail and leisure units. The figures in table 7 assume the site will be developed and the units filled before the opening of the site midway through 2019/20.

#### *Delivering Council Owned Housing*

56. Like many council's throughout the country, Chorley Council is exploring the strategy of delivering and managing its own housing stock with the view to increasing and improving the quality of housing within Chorley Borough whilst generating a sustainable net income stream for the council. Outline proposals have been developed with the three main options being:
- Purchase new build units directly from developers
  - Purchase existing housing stock in the open market
  - Develop houses on our employment sites as an enabler to bringing those sites forward
57. The options are based on the council purchasing or building two bedroom terrace houses as there is strong demand for these houses in the Chorley Borough area. The options the Council can pursue are flexible. Rent levels are modelled as a mix of lower affordable rates, intermediate and higher full market rates. The Council has also modelled the possibility of delivering these homes through a housing company rather than through the council's general fund.
58. Once the business case has been approved, the proposals would require the council to borrow between £7m and £10m to fund the purchase or development of the units or to loan these borrowed funds to a wholly owned housing company. The revenue cost of borrowing these amounts would be wholly repaid through the rental income generated. Furthermore the options appraisal

identifies a potential net income stream to the council of approximately £100k per annum based on the purchase of up to 100 units.

59. These proposals are being developed further with help from external consultants to ensure that the governance, legal and financial implications are fully demonstrated. However the initial options appraisal has identified that there are up to 200 affordable units due to be delivered in many of the borough's planned developments offering the council an opportunity to purchase the units at 40% of the market value. Therefore, there is the potential for the council to quickly acquire 100 units on developed sites ready for the rental market. Given this opportunity it assumed that £100k net income can be achieved by 2019/20 and 2020/21.

#### *Developing Council Owned Employment Land*

60. The agreed acquisition of HCA employment land as part of a £2.9m land swap resulted in Chorley Council acquiring 33.7 acres of land, the majority identified as development for employment purposes. As part of the restructure of the Business, Development and Employment directorate the Council will accelerate the use of this employment land to generate growth in local business as well as a net income to Chorley Council. It assumed that £100k net income can be achieved by 2020/21.

#### *Other Income Generation*

61. The council encourages an innovative approach to service delivery and so it will also explore other methods of generating income. The council is modelling a potential approach to entering the energy industry through setting up an energy supply company and supplying energy to citizens across Lancashire. The proposal requires huge investments with subsequent large rewards and potential large risks. To deliver the energy supply company the council will require a collaborative approach with investments from other councils. Further modelling is being undertaken as to how this collaborative approach would work and what the returns to Chorley Council could potentially be.

**Table 7: Estimated Medium Term Financial Strategy Cumulative Budget Deficit and Cumulative Savings**

	2019/20 £m	2020/21 £m
<b>Forecast Budget Deficit</b>	<b>1.614</b>	<b>2.213</b>
Renegotiate Contracts	(0.574)	(0.673)
Transformation – Productivity Gains including shared services	(0.790)	(1.040)
Income Generation – Delivering Market Walk Extension	(0.150)	(0.300)
Income Generation – Delivering Council Owned Housing Stock	(0.100)	(0.100)
Income Generation – Developing Council Owned Employment Land	-	(0.100)
<b>Forecast Adjusted Medium Term Budget Deficit</b>	<b>(0.000)</b>	<b>(0.000)</b>

## GENERAL BALANCES & EARMARKED RESERVES

### General Fund Balances

62. Through setting this budget and utilising underspends in 2017/18 the Council has achieved, a year earlier than budgeted, its MTFS target of having **£4m set aside in general balances**. The forecast general fund balance at 31<sup>st</sup> March 2018 was reported to Executive Cabinet on 15 February 2018 as follows:

**Table 8: Forecast General Fund Balance 2017/18**

<b>General Balances</b>	<b>£m</b>
Opening Balance 2017/18	3.188
Budgeted contribution to General Balances	0.500
Additional in-year contribution to General Balances	0.259
Forecast revenue budget underspend	0.431
<b>Initial General Fund Closing Balance 2017/18</b>	<b>4.378</b>
<b>Use of in-year underspends:</b>	
Buildings Maintenance Fund	(0.060)
Change Management Reserve	(0.100)
Planning Appeals	(0.040)
Income Generation – Alternative Delivery Models	(0.040)
Delivery of Streetscene Modernisation and ICT Strategy	(0.130)
<b>Forecast General Fund Closing Balance 2017/18</b>	<b>4.008</b>

63. The Council recognises that use of the general reserve may be required during the MTFS period. If, as expected, the new Business Rate Retention scheme is introduced nationally in 2020/21, managing the risks inherent in this volatile funding stream will require a careful stewardship of reserves as a buffer. In addition, the profiling of income generating projects may result in net income not being realised until later in the MTFS period. A part of our budget strategy is to ensure that the council maintains robust reserves to cater for these uncertainties.
64. As outlined in this report there is a £1.5m risk to general balances associated with two applications for mandatory charitable relief received from Lancashire Teaching Hospitals NHS Foundation Trust.

### Earmarked Reserves

65. Other monies are set aside to fund future events or liabilities, these earmarked reserves totalled £7.280m at the start of 2017/18. The amount of earmarked reserves the council holds at the end of one year is difficult to forecast as it is dependent upon the profile of the expenditure it is set aside to fund as well as movements into the reserves throughout the year. With this in mind Table 9 provides the current forecast level of earmarked reserves in 2017/18 and 2018/19.

**Table 9: Forecast Earmarked Reserves Balance 2017/18 to 2018/19**

Type of Earmarked Reserve	Balance	Balance		Balance		Out £'000	(In) £'000	Balance 2019 £'000
	1 <sup>st</sup> Apr 2017 £'000	Out £'000	(In) £'000	31-Mar 2018 £'000	31-Mar 2019 £'000			
Rephasing of planned expenditure	-1,342	1,229	-525	-638	354	0	-285	
Rephasing Investment Projects	-1,464	970	-400	-894	518	0	-376	
Grants reserved for specific expenditure	-144	65	0	-79	25	0	-54	
Financing of capital expenditure	-2,725	852	-39	-1,912	1,668	-39	-282	
Planning purposes including appeals	-104	130	-70	-44	0	0	-44	
Restructuring of services	-53	200	-300	-153	153	0	0	
Retail Investment	-112	111	0	-1	0	0	-1	
Apprenticeships for young people	-64	12	0	-52	26	0	-26	
Resource equalisation	-877	0	-79	-956	371	-50	-635	
Maintenance of Council buildings	-209	296	-260	-173	60	-50	-163	
Maintenance of Grounds	-29	36	-10	-3	0	-10	-13	
Elections	0	0	-90	-90	29	0	-61	
Other	-157	46	-111	-222	177	0	-45	
<b>Total</b>	<b>-7,280</b>	<b>3,948</b>	<b>-1,884</b>	<b>-5,216</b>	<b>3,381</b>	<b>-149</b>	<b>-1,984</b>	

66. Many of these reserves are set aside to ensure the council remains fit for purpose in delivering its Corporate Strategy and day-to-day activities. These include the maintenance and elections reserves as well the reserve to fund the costs of restructuring the council's services.
67. Some of the council's reserves are set aside to ensure that any sudden reductions in resources available to the council can be temporarily met through the use of reserves. These reserves include:
- Market Walk Income Equalisation Reserve – this reserve manages any reductions in income that could be experienced through units becoming void. A contribution of £50k per annum is budgeted each year to this reserve. The ongoing high level of occupancy of the Market Walk Shopping Centre has resulted in increased income to the council, to date it has not been required to utilise this reserve and it is estimated to be £300k by the end of 2017/18.
  - Business Rates Retention – this reserve manages any unbudgeted surpluses or deficits from the council's collection and retention of business rates. The balance of this reserve is forecast to be £656k at the end of 2017/18.
68. Some of the reserves are set aside to fund specific investment projects that benefit the council's residents, these include:
- Rephasing Investment Projects – as the delivery on these schemes will be made over more than one year, these reserves enable unspent balances to be carried forward to future years. They include projects to deliver digital inclusion, public realm works, community action plans, bringing forward employment sites and grants to help local businesses.
  - Financing of capital expenditure – these reserves represent financing of the capital programme from revenue resources. £1.5m relates to reserves set aside to fund the extension of the Market Walk Shopping centre. In addition £160k is carried forward to fund the continued improvements to Astley Hall and the surrounding park and car park. £400k is set aside to fund the modernisation of the council's IT infrastructure.

## CAPITAL PROGRAMME

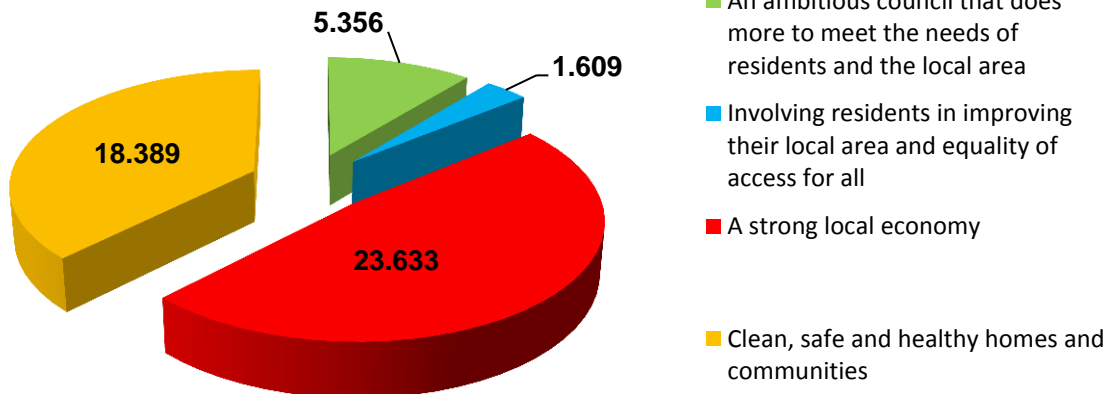
69. The Council's Capital Programme forms part of the Council's overall financial strategy to deliver some of its key objectives contained in the Corporate Strategy. In accordance with CIPFA's Prudential Code the Council's Chief Finance Officer is required to have full regard for affordability, sustainability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

- The resources available will be targeted at areas that deliver corporate priorities.
- Borrowing will be managed to ensure the future impact on revenue is minimised.
- The Council will consider the purchase and/or development of assets to generate a sustainable revenue stream to counteract against the risk of future reductions in grant funding and year to year fluctuations in locally sourced funding and to invest in regeneration of the Borough.
- The Council will consider working with partners to assist them to meet their objectives where there is no impact on Council Tax.
- The Council will continue to identify land to assist in delivering its affordable housing targets.
- The Council will look to maximise opportunities to attract external finance to sustain its programme of work

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

71. Details of the capital programme including new capital investment are outlined in the Appendix G1. The capital programme for 2017/18 to 2020/21 totals £49m and is an indication of how ambitious the Council is in delivering its Corporate Strategy and the priorities within it. A breakdown of the capital programme is detailed below.

### Capital Investment in Chorley Council's Corporate Strategy 2017/18 to 2020/21



## A strong local economy

- The completion of the Market Walk extension project that includes an enhanced town centre parking offer - **£15.3m**
- The completion of the Digital Office Park, a new prestigious development that will provide 5,000 m<sup>2</sup> of Council owned bespoke digital office and start up accommodation - **£8.1m**

## Clean, safe and healthy home and communities

- The completion of Primrose Gardens retirement living, the council's **£10m** extra care facility
- Continued delivery of c. **£600k** per year of home adaptations to enable Chorley residents to continue independent living
- **£2.5m** of investment in the council's play and open spaces including £1m investment in a fully redeveloped Westway Playing Fields scheme.
- The completion of the Chorley Youth Zone offering a purpose-built facility for the borough's young people aged 8 to 19, and up to 25 for those with disabilities.

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

- Chorley Council will invest **£250k** in the continued development of pedestrianised areas in the town centre including the bus and train station subways and Steeley Lane routes
- Chorley Council is facilitating the **£2.2m** Heritage Lottery Fund (HLF) investment in the redevelopment of Bank Hall, Bretherton. The proposals will completely restore the building's external envelope for Chorley residents to enjoy.

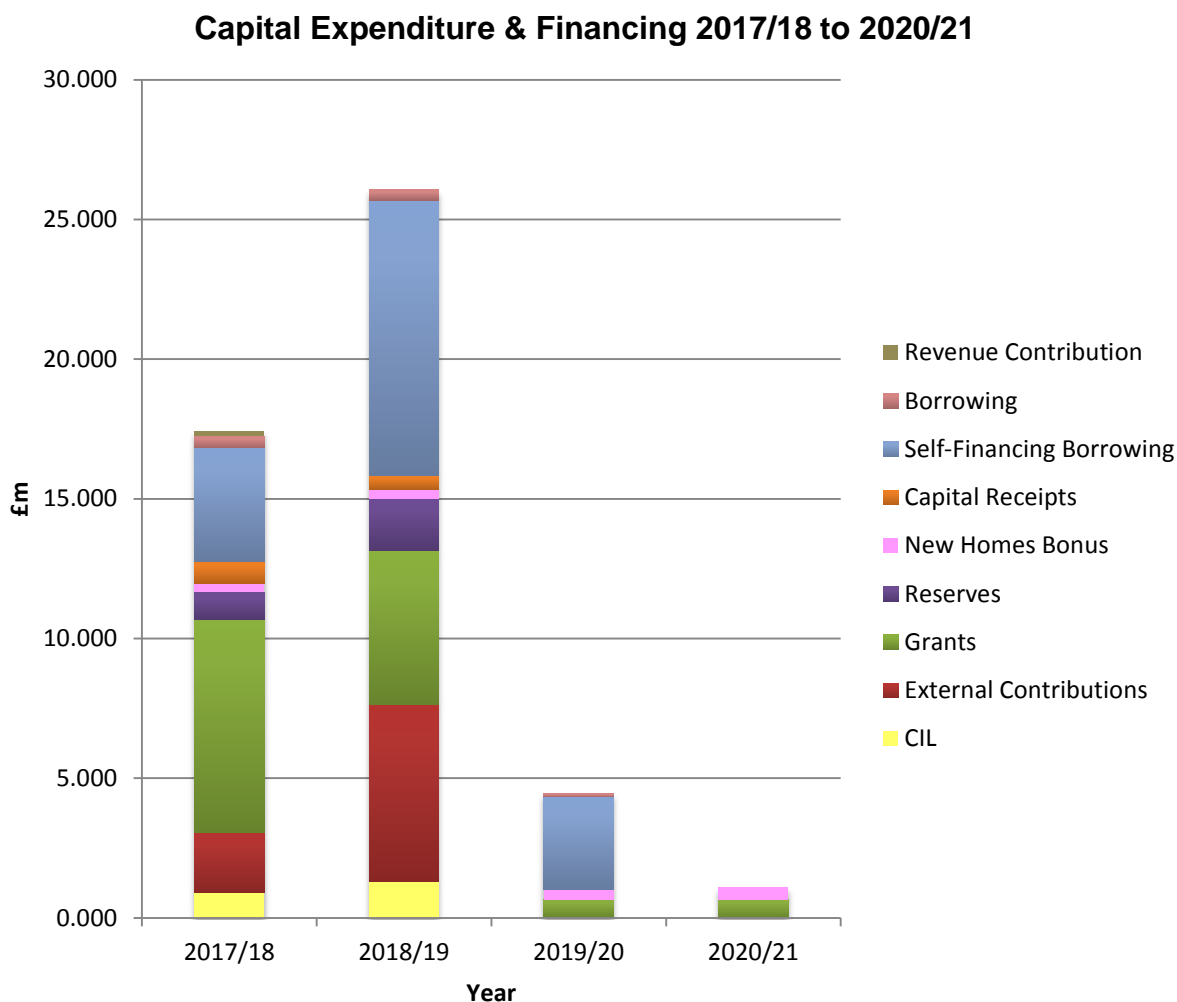
## Involving residents in improving their local area and equality of access for all

- Chorley Council will invest over **£750k** in modernising its ICT infrastructure including improving its web based services for Chorley residents
- The Council will invest **£500k** in Astley Hall and the surrounding park including improvements to Hallgate car park as well as the parks events infrastructure and footpath lighting. The Astley 2020 project will also bid again for £1.8m of HLF funding to completely renovate Astley Hall and the develop the Astley site into a leading tourist attraction.



## **CAPITAL FINANCING**

72. The financing of the capital programme for the period 2017/18 to 2020/21 is set out in appendix G2 and summarised in the proceeding chart.



73. The capital programme includes a number of schemes that will generate revenue that will meet the annual cost of borrowing required to complete the project. These include the three major capital schemes; Market Walk Extension, Digital Office Park and Primrose Retirement Village.

74. The financing chart above demonstrates how successful the council has been in attracting external grant funding to deliver its capital programme. The grants include;

- £3.2m and £0.658m from Homes England towards Primrose Gardens and Cotswold House respectively,
- £2.2m from Heritage Lottery Fund towards the restoration of Bank Hall,
- £4.1m of European funding to deliver the Digital Office Park

75. The council will invest over £6m of contributions from developers to regenerate the town centre as well as the borough's play, open space and recreation grounds. The use of developer contributions are outlined further in appendix G3 to this report agenda.

## TREASURY MANAGEMENT STRATEGY

76. The Chartered Institute of Public Finance and Accounting published Code of Practice for Treasury Management (Local Government Act 2003) requires Councils to have regard to the prudential code. The primary requirements are to:
- Create and maintain a treasury management policy statement which sets out the policies and objectives to the Council's treasury management achievements.
  - Create and maintain treasury management practices which set out the manner in which the Council will seek to achieve its policies and objectives.
  - Provide the Executive with an annual strategy report.
  - Specify to whom the responsibility for implementing and monitoring treasury management activities is delegated.
77. In all respects the Council complies with the above and reviews these requirements in the annual Treasury Strategy and also in the Treasury Mid-Year Review reports. In respect of Council Strategy for Treasury Management the principles will be as follows:-

### The Council will:

- Have regard to the prudential code, and set prudential indicators to ensure the Council's capital investment plans are affordable, prudent, and sustainable.
- Make decisions regarding borrowing and investment based upon the latest information, look to optimise returns on investment, and to minimise borrowing costs.
- Ensure the costs of borrowing are reflected in revenue forecasts.
- Comply with guidance relating to investments, ensuring that capital is kept secure, and liquidity is maintained at an appropriate level.
- Not engage purely in borrowing to invest or lend on to make a return, as this is unlawful.
- Agree a set of investment instruments which the Council can use based upon monitoring risk.

The prudential indicators, targets and measures will be agreed as part of the budget setting process in February 2018, via the production of the annual Treasury Management Strategy

## CONCLUSION

78. The review of the MTFS has again been undertaken against a background of significant reductions funding and increasing costs. These factors present a risk to the Council's sustainable financial position unless budget savings continue to be delivered and additional income opportunities are provided alongside the delivery of the council's Corporate Strategy priorities.
79. The MTFS covers three years between 2018/19 and 2020/21 and the report outlines how the budget has been balanced for 2018/19 through a combination of efficiency savings and review of uncommitted reserves.
80. The Council has a successful record of balancing the budget and has delivered budget efficiency savings alongside additional income of over £3m since 2014/15. This has been achieved whilst delivering a large number of Corporate Strategy priorities and an ambitious capital programme.
81. The financial context continues to be increasingly challenging and uncertain. Strategies are outlined in the MTFS as to how the budget gap of £1.6m (2019/20) and £2.2m (2020/21) 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.
82. The Council will continue to keep the MTFS under review given:
  - the level of efficiency savings and income generation required to balance the budget over the medium term. The timing of the delivery of these targets will need to be closely managed and where necessary reserves utilised to meet temporary delays in transformation strategy net budget reductions.
  - the high degree of uncertainty surrounding the changes to Government policy such as business rates retention and the fair funding review.