

Report of	Meeting	Date
Chief Finance Officer (Introduced by the Executive Member for Resources)	Executive Cabinet	17 January 2019

2019/20 DRAFT BUDGET AND SUMMARY BUDGET POSITION OVER THE MEDIUM TERM

PURPOSE OF REPORT

- To set out the budget position for 2019/20 including the forecast for the following 2 years to 2021/22 and also present the relevant proposals in respect of:
 - The use of forecast resources identified in 2019/20
 - Budget consultation

RECOMMENDATION(S)

- That Members agree the contents of this report in order to start the budget consultation process and note the following proposed budget items, in particular:
 - Council tax to be increased by 2.99% in 2019/20 and that it is forecast to increase by 2.00% in 2020/21 & 2.00% in 2021/22
 - The resourcing of corporate priorities for 2019/20 including additional capital investment
 - The forecast balanced budget for 2019/20
 - The forecast budget position in 2020/21 and 2021/22.
 - Note the consultation regarding the use of £110k budget currently allocated to the provision of PCSOs within the borough.

A detailed breakdown of the 3 year budget is provided in Appendix 1

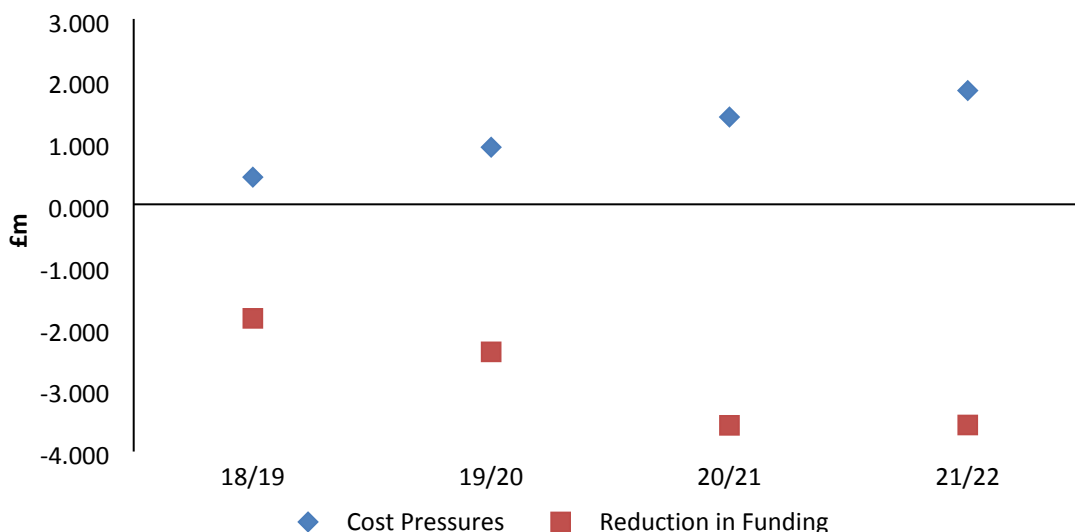
EXECUTIVE SUMMARY OF REPORT

- The budget forecasts over the next 3 years have been updated to take account of the following:
 - Council tax to be increased by 2.99% in 2019/20 and that it is forecast to increase by 2.00% in 2020/21 & 2.00% in 2021/22
 - Continued investment of approximately £1m that will deliver corporate strategy priorities
 - Progress against the current Medium Term Financial Strategy (MTFS) budget efficiency objectives including staffing reviews, contract savings and base budget reviews.
 - Policy decisions taken to reduce the budget deficit and the movement to specific reserves to help the Council manage change and invest in future income generation
 - Strategies to reduce the budget deficit in the medium term
- The Council will continue to experience cost pressures in 2019/20 to 2021/22. These pressures have been inflated for the following reasons:
 - It is expected that a minimum of 2% pay increase will be agreed for 2019/20

and 2020/21. The forecast increase is much higher for staff on lower grades. No announcement has been made by the government regarding the funding of this increase and therefore it is not assumed in this report that additional resources will be provided as part of the final 2019/20 local government finance settlement.

- 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 in October 2018 stood at 3.2%.
5. The provisional Local Government Finance Settlement 2019 continued the four year allocations of New Homes Bonus and did not change the deadweight adjustment meaning the council will continue to not receive the grant relating to the first c150 homes built in each year.
 6. As part of the 2019/20 budget consultation fourteen Lancashire Councils as well as Lancashire Fire & Rescue placed a bid to be included in a 75% business rates pilot. The bid was successful meaning a total gain in business rates of £10m with Chorley Council expected to receive an additional £360k in 2019/20 on top of the additional £700k it receives from being in the Lancashire pool. This is assumed to be a one off gain to the council. Furthermore, it is assumed that the reforms to business rates that are expected in 2020/21 will result in the council experiencing a permanent reduction in income of approx. £700k as retained business rates are redistributed from districts to county councils.
 7. The chart below emphasises the scale of the challenge the Council faces in bridging the budget gap over the next 3 years.

Budget Pressures and Funding Cuts 18/19 to 21/22 (Cumulative)



8. Despite the challenge the budget gap represents, the council will continue to invest in its corporate priorities. The council will continue to build approximately £1m of investments and grant support into the budget from 2019/20.
9. Budget efficiency savings totalling £1.484m have been achieved and identified for 2019/20 including a review of income generation.
10. The current Medium Term Financial Strategy (MTFS) sets out options that aim to effectively address the budget deficit position over the longer term to secure financial resilience and

sustainability. This 3 year timeframe is considered the maximum period whereby reasonable forecasts can be made. Options that will achieve savings through the Council's Transformation Strategy include:

- Reviewing and re-tendering the Council's major contracts
- Achieving savings related to the Council's Transformation Strategy including:
 - Redefining the way services are delivered by working closely with the Council's partners, investing in the council's infrastructure and ICT to improve working cultures and encouraging citizens to utilise online council services
 - Exploiting the Council's access to low interest finance and the greater flexibilities offered by the Localism Act 2011 by investing in income generating projects that also benefit local business and residents.

11. The council will continue to invest in its capital programme with a proposed £5m increase in capital expenditure including investment in Astley Hall and Park and West Way playing fields. This also includes £1.3m further investment in council assets to enhance customer experiences of council services and drive forward efficiency savings.
12. Consultation on the proposed budget for 2019/20 will commence following approval of the proposals by Executive Cabinet. The consultation will focus on obtaining feedback on key proposals within the budget. It will also ask people for their view on the use of current funding for PCSO's and different options for how this could be allocated in future. The consultation will invite responses from residents, partners, parish groups and other stakeholders through a variety of methods including a short survey (available both in hard copy and online). Results will be analysed and published in February for consideration as part of budget finalisation.

Confidential report Please bold as appropriate	Yes	No
Key Decision? Please bold as appropriate	Yes	No
Reason Please bold as appropriate	1, a change in service provision that impacts upon the service revenue budget by £100,000 or more	2, a contract worth £100,000 or more
	3, a new or unprogrammed capital scheme of £100,000 or more	4, Significant impact in environmental, social or physical terms in two or more wards

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

13. To progress the Council's 2019/20 budget setting process to achieve an approved and balanced budget.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

14. None, setting the budget is a statutory responsibility

CORPORATE PRIORITIES

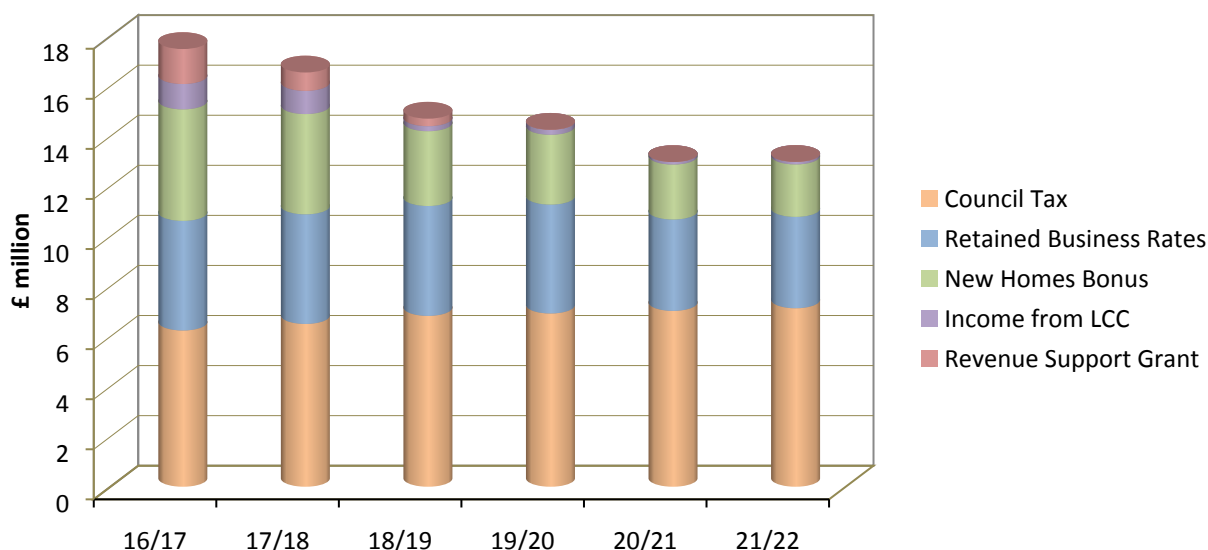
15. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all	✓	A strong local economy	✓
Clean, safe and healthy communities	✓	An ambitious council that does more to meet the needs of residents	✓

THE BUDGET – REDUCTIONS IN FUNDING SOURCES

16. Chorley Council has experienced, and may 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.

Major Sources of Council Funding



Revenue Support Grant

17. On 16 November 2016 the Council received confirmation from DCLG regarding its four year RSG settlement. 2018/19 will be the final year that the council receives a RSG allocation of £299k. The provisional local government finance settlement 2019/20, announced on 13th December 2018, withdrew the proposed 'negative' RSG that would impact on councils across the country. Chorley's original negative allocation was £156k, the reduction in RSG in 2019/20 was therefore £299k.

New Homes Bonus

18. 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.
19. The provisional finance settlement announced on 13 December 2018 announced that no change would be made to the deadweight adjustment of 0.4% of the housing stock base. It is assumed in the budget that no further adjustment to the deadweight is made throughout the medium term, however the government may choose to adjust this in future years. Every 0.1% increase would result in a £60k reduction in new homes bonus allocations year-on-year.

Lancashire County Council

20. The remaining funding from LCC in 2019/20 will be
- £96k per annum relating to the maintenance of highway green space that is managed within current council resources.
 - £140k to support the integrated homes improvement service, it is assumed that as a result of LCC's 2019/20 budget proposals, this support will cease in 2020/21 onwards.

Council Tax

21. Chorley Borough has experienced a huge expansion in housing over the past few years. The growth in housing 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.520
Growth (year-on-year)	3.8%	2.0%	2.1%	1.89%	1.42%
Additional council tax income to CBC each year	£223k	£120k	£133k	£123k	£97k

22. 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 placed on the Councils budget. In addition the expansion of the council tax base has resulted in a faster reduction in the council's grant funding resulting in 2018/19 being the final year it received a RSG allocation.
23. 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 as at 1st April 2018 there were 2,283 dwellings with planning permission that were left to be built. A prudent 1.5% expansion of the base is forecast in 2020/21 and 2021/22.

Business Rates

24. As part of the 2019/20 budget consultation fourteen Lancashire Councils as well as Lancashire Fire & Rescue placed a bid to be included in a 75% business rates retention pilot. It was announced on 13 December 2018 that this bid has been successful. Under the current pooling system the £25m of Non-Domestic Rating (NDR) income raised in Chorley is first split with 50% going to the government and the rest to be shared between Chorley Council, LCC and Lancashire Fire and Rescue. Under the pilot this initial split will change to 25% government and 75% local preceptors. This increases the reward possible from growth of NDR income, but there is also a greater risk of adverse consequences if income declines.
25. This increased split means the members of the pilot are expected to increase the expected share of NDR income growth by a total of £10m. This will be split:
- Districts: 56%
 - County Council: 17.5%
 - Unitaries: 73.5%
 - Fire: 1.5%

26. The growth will first be top sliced as follows:
- The pilot will set aside 5% of growth towards a resilience fund that will mitigate against any losses in business rate income below baseline funding levels
 - A further 25% of the additional growth will be set aside to create a Lancashire-wide fund to be used to target strategic economic growth and to improve financial sustainability. This will be allocated based on decisions of the Lancashire Leaders Business Rates Pilot Group
27. The outcome of all this is that we expect Chorley Council's retained NDR income to increase by £360k. This is deemed a prudent estimate and the final figure could be higher depending on the growth experienced across the pilot area during 2018/19. It is proposed that any additional income above the budgeted level will be set aside to bring forward economic development in the borough. Updated figures will be prepared when the NNDR1 form for 2019/20 is submitted in January 2019. The benefits of pool membership are only for 2019/20 because of national changes to the retention system in the following year.
28. The government continues its ambition to implement a new 75% business rates retention scheme for all local authorities by 2020/21. The current pilot is expected to benefit the council in terms of retaining more NDR income. However the final scheme will differ predominately for two reasons:
- The current pilot uses historic baseline funding levels; however the result of the government's fair funding review will see this baseline adjusted with the potential for Chorley Council to receive less of its retained NDR income.
 - The government may introduce a less favourable split between lower and upper tier authorities (in the current pilot 56%/17.5% lower/upper split) meaning more of Chorley Council's retained business rates income is paid to LCC.

The government is consulting about the reforms due to be implemented in 2020/21, and there is a deadline for responses of 21 February 2019.

29. 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 £1.7m 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.
30. For the reasons highlighted above the Council will assume no inflation in its retained business rates base with the only increase in retained income coming from changes in the allocation from becoming a member of the Lancashire pilot. 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.

Other Budget Assumptions

31. As part of a **triennial pension review** the Lancashire County Pension Fund (LCPF) announced an increase in employer pension contributions for 2017/18 to 2019/20 to meet the future costs of the scheme. The contributions have increased from 11.1% to 14.4% resulting in an increase in the council's contribution of approximately £250k per annum. Early

indications from LCPF are that this contribution rate will increase in 2020/21 onwards and so a rate of 17.1% is assumed in the medium term financial strategy.

32. The LCPF as a whole is currently no longer in deficit and so council's across Lancashire have challenged whether the annual contribution to the prior year deficit should be stopped – in 2019/20 Chorley Council's contribution will be £966k. The pension fund has provided figures that forecast Chorley Council's contribution to the prior year deficit can reduce by up to £400k however this is based on a number of assumptions that may change and could reduce this potential saving.
33. It is possible the saving from reduced pension deficit contributions will outweigh the increase in costs from the uplift in future pension contribution rates. The council will make a prudent assumption regarding its expenditure towards pensions and assume that the impact of both is budget neutral. This will be reviewed for 2020/21 when the next triennial pension review takes place.

Brexit

34. Concerns remain about the impact of the United Kingdom's withdrawal from the European Union (BREXIT) scheduled for 29 March 2019. Much speculation continues around the likely financial effects of this but it is clear that continued uncertainty has presented significant issues across the economy and the stock market. This potential risks to the Council include changes to interest rates and inflation, a slowdown in the local economy affecting rental and property values and income from retained business rates. These risks will be closely monitored and reported throughout the period of the MTFS.

Budget Deficit

35. The Council's gross budget deficit is summarised in table 1 and is based upon the reductions in funding described above and the following key budget assumptions. It should be noted that some of the assumptions are still potentially subject to change that may impact positively or negatively on the budget.
36. It should also be noted that the table presents a continuation budget and does not include any policy changes or interventions.

Table 1: Cumulative Gross Budget Deficit as at January 2019

	2019/20 £m	2020/21 £m	2021/22 £m
Gross Budget Deficit	1.716	3.399	3.855

37. All deficits and savings identified in the table 1 and in the remainder of this report are cumulative. For example the deficit of £3.399m in 2020/21 identified above is the result of a £1.716m deficit in 2019/20 and further budget pressures of £1.683m identified for 2020/21.

Key Assumptions	2019/20	2020/21	2021/22
Growth in Council Tax Base	1.5%	1.5%	1.5%
Growth in Retained Business Rates Base	0%	0%	0%
New Homes Bonus Baseline Adjustment	0.4%	0.4%	0.4%
Total Forecast New Homes Bonus	£2.790m	£2.196m	£2.097m
Future Service Pension Rate	14.4%	17.1%	17.1%
Additional Business Rates - Lancashire Pool	(£0.676m)	£0.000m	£0.000m
Additional Business Rates - Lancashire Pilot	(£0.360m)	£0.000m	£0.000m
Income from LCC	(£0.236m)	(£0.096m)	(£0.096m)
Pension Fund Deficit Recovery	£0.966m	£0.781m	£0.831m
Pay Award	2%	2%	2%

38. A detailed breakdown of the 3 year budget including the gross budget deficit is provided in **Appendix 1**. Included in this appendix are the revenue budget implications regarding the Council's large capital projects, as with other assumptions it should be noted that the profile of expenditure and income is potentially subject to change. Risks surrounding these budget assumptions will be managed through the use of general reserves as outlined at the end of this report.

BRIDGING THE BUDGET GAP

39. A key influencing factor on the forthcoming budget is the effective management of the budget in the preceding financial year. The Council recognised that reductions in funding and ongoing expenditure budget pressures have resulted in a budget gap of £1.716m in 2019/20. To bridge this immediate budget gap the Executive Cabinet has achieved and identified proposals for immediate permanent budget savings of **£1.484m** in preparation for 2019/20. This is in addition to a total of £3.574m savings already achieved in prior years, summarised below.

Table 2: Efficiency Savings and Income Generation 2014/15 to 2019/20

Saving/Increased Income	Achieved 2014/15 £m	Achieved 2015/16 £m	Achieved 2016/17 £m	Achieved 2017/18 £m	Achieved 2018/19 £m	2019/20 £m	Total £m
Efficiency Savings	0.367	0.017	0.314	0.207	0.220	0.115	1.240
Review of Contracts	0.035	0.200		0.059		1.100	1.394
Review of Base Budget	0.094	0.045	0.128	0.100	0.075	0.020	0.462
Review of Income Streams		0.446		0.050	0.050	0.145	0.691
Lancashire Business Rates Retention Pooling			0.725				0.725
Review of Financing	0.442						0.442
Review of Investment Projects						0.104	0.104
Saving/Increased Income	0.938	0.708	1.167	0.416	0.345	1.484	5.058

Savings Achieved and Savings to be Achieved for 2019/20

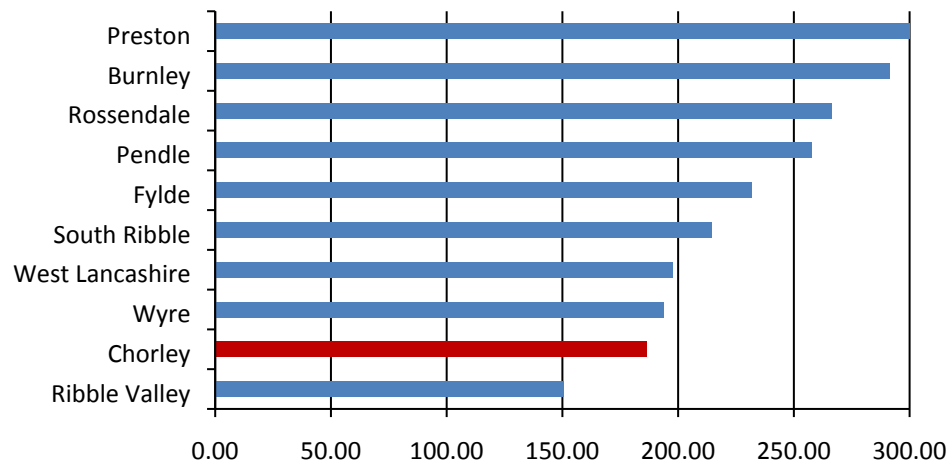
40. Budget efficiency savings and increased income totalling **£1.484m** have been identified to help reduce the budget deficit in 2019/20. This is in addition to a review of financing that has identified one-off reductions in the budget deficit of £300k.
- Productivity Savings (£0.115m) – A total of £110k savings have been identified across a number of services by reviewing budgets and looking at those that are no longer needed and therefore will not impact on service delivery, and also by reviewing how we do things to both improve the service and reduce the cost. Examples include sewer baiting and reducing external postage costs as letters and documents are increasingly sent electronically. Additional savings will also be realised through the review of terms and conditions such as aligning car use mileage rates with HMRC rates.
 - Review of Contracts (£1.100m) – a report to Executive Cabinet on 2 August 2018 approved the award of the new waste contract for 2019/20. An extensive procurement exercise was undertaken by officers to identify the most economically advantageous contractor whilst enhancing the waste collection service provided to residents. The outcome of the contract award was a £1.100m (30%) saving to the council.

- Base Budget Review (£20k) – The management accounts team in conjunction with service managers have identified £20k of budgets that are underutilised or no longer required moving forward. Small savings were identified from a number of low value budgets that have consistently underspent in previous years.
- Review of Fees and Charges (£145k) – a report will be submitted with this Executive Cabinet agenda that recommends 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 £100k income in 2019/20 and therefore reduce the subsidy the council tax payer is making towards these services and instead fund other key services. In addition, increasing the charge of council staff time to DFG and CIL admin has achieved an additional £45k income to the council year-on-year.
- Review of Investment Items (£104k) – the council continually reviews its services including the investment it makes in the corporate strategy priorities. The transformation of council services has meant that many previously stand alone investments are now 'business as usual'. For example the integrated community and health and wellbeing services delivering employability support (previous budget £65k) and the Chorley Youth Zone delivering an arts service (previous budget £10k). Services such as mediation for anti-social behaviour (previous budget £14k) can be met through existing reserves. The total saving from delivering these investments more efficiently through the council's core budget and reserves totals £104k per annum.

INCREASE IN COUNCIL TAX

41. The reductions in Central Government funding announced in the provisional local government finance settlement are made with the assumption that not only would Councils expand the council tax base by building more homes but in addition, Councils would reduce the impact of grant reductions by increasing council tax by at least 2%. The funding mechanisms from central government will effectively penalise councils for freezing council tax.
42. The provisional finance settlement 2018 recognised the increasing inflationary budget pressures councils are experiencing and as a result announced an uplift in the cap on council tax increases. This means district councils can increase council tax by up to 3% in 2019/20 without triggering a referendum.
43. 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 2019/20 and to model increases of 2.00% in 2020/21 and 2.00% in 2021/22.
44. 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 chart below.

Band D Equivalent 2018/19



45. 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 3.

Summary of Proposals

46. Table 3 illustrates that through savings achieved to date, additional income identified, a review of net financing and increases in council tax the Council is able to set a balanced budget in 2019/20 whilst still investing in corporate strategy priorities. The next section of this report describes what investments are included in the figures below.

Table 3: Updated Cumulative Budget Deficit as at January 2019

	2019/20 £m	2020/21 £m	2021/22 £m
Gross Budget Deficit	1.716	3.399	3.855
Review of Fees and Charges	(0.145)	(0.170)	(0.195)
Base Budget Review	(0.020)	(0.020)	(0.020)
Review of Net Financing	(0.300)	(0.300)	(0.100)
Review of Contracts	(1.100)	(1.138)	(1.138)
Productivity Savings Achieved	(0.115)	(0.115)	(0.115)
Review of Investment Projects	(0.104)	(0.104)	(0.104)
2.99% Increase Council Tax 2019/20, 2.00% in 2020/21 & 2.00% in 2021/22	(0.207)	(0.355)	(0.510)
Adjusted Budget Deficit/(Available Resources)	(0.275)	1.196	1.672

SUPPORTING CORPORATE STRATEGY PRIORITIES

47. The budget figures summarised in table 3 includes over **£1m of annual revenue investment** that will deliver the corporate strategy priorities through a programme of activities designed to meet the fundamental needs of local residents, like health housing and jobs, while continuing to get Chorley in the best social and economic position for the future. These projects involve the council giving annual revenue contributions including:
- £125k to deliver the council's ambitious annual events programme
 - £110k to support the provision of PCSOs (please see budget consultation at the end of the report)
 - £100k to support the Chorley Youth Zone
 - £50k grant support to various neighbourhood projects
 - £30k support to community development and volunteering (SPICE)
 - £15k support to Food Provision Schemes
48. Other projects, including those contained within the council's capital programme, are illustrated below.

- £750k towards the modernisation of ICT
- £130k towards the modernisation of Streetscene Services
- £100k to fund an enhanced Enforcement Team and Homelessness Service
- £90k to support the continued provision of local bus routes
- Support to the Chorley Dial-a-ride services

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

A strong local economy

Deliver the Market Walk Extension

- £16.3m capital budget
- 8 units including a cinema
- New decked parking

Deliver the Strawberry Fields Digital Hub

- £8m capital budget
 - £4m ERDF funding
- 50,000 sqft office space

Bring Forward Employment Sites

- 33.7 acres of council owned mixed use land
- £700k income generation reserve set aside for master planning, site investigations and options appraisals

Develop Astley Hall and park as a visitor destination

- £1m to improve the Hall and visitor experience
- £400K adventure golf
- £140k Improvements to pathway lighting
- £135k to improve events infrastructure and parking
- £100k Garden of Remembrance

Support people across the borough to be digitally included

- £60k per year to fund a Digital Inclusion Officer and training sessions across the borough

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

Clean, safe and healthy homes and communities

Deliver improvements to the playing pitches in the borough

- £3m capital budget for play, recreation and open space projects
 - £2.5m external contributions
- Ongoing project delivery support of £90k per year

Deliver Primrose Gardens Residential Village

- £10.5m capital budget
 - £3.2m Homes England funding
 - £1m LCC funding
- 65 affordable units to open in May 2019

Deliver the Housing Company

- £13.8m capital budget
 - 71 Private Rent
 - 50 Affordable Rent
- £100k per year to develop the local plan

ADDITIONAL INVESTMENT IN CORPORATE STRATEGY PRIORITIES

Making Astley Hall, Coach House and Park a top visitor attraction

49. The council received notification in December 2018 that its bid for £2.4m of grant funding from the Heritage Lottery Fund towards an ambitious £2.8m redevelopment of Astley Hall has been unsuccessful. Despite this the council will continue its ambition to transform the visitor experience at Astley Hall and the surrounding park and to continue the conservation of the Astley Hall building and its culturally significant contents.
50. Works to the building will still be required and will be phased over the next 5 years. The cost to install new windows to the front elevations and rectify the disrepair associated with the render is estimated to cost within the region of £700k. There is other conservation work required including repairs to the roof, floors internal plastering and chimneys that will be in the region of £200k.
51. The council proposes to improve the visitor experiences at the hall and the surrounding park and in doing so generate additional income to fund additional and ongoing investment. These investments include:
 - £200k improving the hall's visitor route and creating a new shop, new entrance staircase and enhanced digital interpretations technology
 - £400k to further develop Astley Hall and Park as a key visitor attraction by creating an adventure golf experience in the park. This will attract more visitors, provide a healthy and fun activity which appeals to a wide section of the community, and will create an income stream that will provide resources to protect our parkland and historical asset. Similar schemes in the region have cost approximately £400k to develop and generate up to £100k income per year. The budget and timescales will be further developed and provided in a project business case.
 - £250k to bring Ackhurst Lodge back into use. The lodge has been empty for more than 16 years, but is has potential to be transformed into an office, leisure unit or heritage centre in a beautiful part of the park and adjacent to a new car park.
52. The total cost of this investment is £1.7m with £200k already set aside in the Astley 2020 budget. It is proposed to use £130k from the sale of the council's gold coins in 2017/18 to part fund the works to Ackhurst Lodge. The remaining £1.4m will require additional borrowing with an annual revenue cost of approximately £70k. Introducing an entry fee for Astley Hall is something that the council will consider to help make the site more sustainable and to meet part of this annual cost of borrowing. In addition, the council will also look to review the potential commercial return from the farm house and Ackhurst Lodge.

THE BUDGET – HOW THE FINANCIAL CHALLENGE WILL BE MET

Despite the budget savings identified in this report, as outlined above there remain large forecast budget deficits of £1.196m in 2020/21 and £1.672m in 2021/22. To achieve a sufficient reduction in net expenditure the Council's strategy will be:

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

Table 5 – Chorley Borough Council Transformation Programme

	2019/20 £m	2020/21 £m	2021/22 £m
Adjusted Budget Deficit/(Available Resources)	(0.275)	1.196	1.672

Contract Savings

Leisure Centre Management (expires October 2020)	-	(0.217)	(0.446)
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Income Generation

Market Walk Extension	(0.125)	(0.300)	(0.300)
Strawberry Fields Digital Hub	-	(0.139)	(0.174)
Primrose Gardens Residential Village	-	(0.006)	(0.014)
Parking Income	-	(0.180)	(0.180)
Employment Sites	-	-	(0.200)
Total Income Generation	(0.125)	(0.625)	(0.868)

Efficiency Savings

Efficiency Savings	(0.085)	(0.355)	(0.358)
Adjusted Budget Deficit/(Available Resources)	(0.485)	0.000	0.000
Commercialisation of Council Owned Assets	0.485	-	-
Final Budget Deficit/(Available Resources)	0.000	0.000	0.000

TRANSFORMATION STRATEGY

Realising Savings through the Procurement of Contracts

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

Efficiency Savings

54. 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.
55. The Transformation Strategy has facilitated a greater integration of public services. In partnership with Lancashire Care NHS Foundation Trust (LCFT) the Council has implemented an **Integrated Community Wellbeing Service**. The innovative service integrates functions that promote the wider determinants of health and community resilience. By so doing, it is anticipated it will generate opportunities for savings across public services over the long term.
56. The integrated community wellbeing service has included work arrangements around supporting people into employment. A review of services and interventions available around employability has identified a new pathway across public services to support our residents. This has meant the capacity that would have used the £65k investment previously identified is not needed. Instead, work will draw on services within the council, LCFT and other funded programmes.
57. 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
58. 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.
59. Developing these strategies requires investment by the council in its infrastructure. Through the WorkSmart programme the council's ambition is to consolidate its portfolio of offices to

reduce costs and improve efficiency across its services. To do this the council will set aside £1.3m in the capital programme from 2019/20 onwards to modernise its offices.

60. There are a range of benefits that will be achieved from this work including improving the customer facing areas to improve residents' customer experience when visiting the Union Street offices. This will include and encourage the use of self-service terminals and link to one of the digital strategy projects to refresh the council's website, however it will also continue to include a one stop shop for customers who still want to speak to someone face to face. The changes will lead to a better use of space and therefore create additional capacity in the civic offices to enable all office based staff at Bengal Street to move to the Union St building, which will lead to operational savings from rationalising office based staff from across three to two buildings.

Income Generation

61. 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 Strawberry Fields Digital Hub. 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

62. The income generation targets outlined in table 5 include £125k net income in 19/20 and £300k in 2020/21 for the extension of Market Walk shopping centre. Building work to the new shopping centre will continue in 2019/20 with expected completion in November 2019. Two tenancies are complete with another having signed heads of terms. Extensive work will be undertaken in the coming year to ensure the units are filled with the ideal mix of retail and leisure offers,

Primrose Gardens Residential Village

63. The £10m project is due to complete in March 2018 with the first of the 65 rooms to become occupied at the start of 2019/20. Primrose Gardens will provide a unique, modern space for residents so that they can live independently, integrate with the local community and gain access to support and care when needed. It is expected that in the medium to long term, as occupancy increases, Primrose Gardens will generate a net income to the council.

Strawberry Fields Digital Hub

64. Chorley Council won over £4.1m funding from the European Regional Development Fund (ERDF) towards creating the new £8.4m advanced Digital Office Park. The 54,000sq ft state-of-the-art office space will provide high value jobs for hundreds of people and will put Chorley on the map as the centre of the rapidly growing digital sector in Lancashire. The Strawberry Fields Digital Hub is due to open in May 2019 and should begin to generate a net income to the council in 2020/21.

Developing Council Owned Employment Land

65. 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. A key priority within the Economic Development Strategy is to promote and increase inward investment in Chorley through maximising best use of available employment land and buildings in the borough in order to support economic growth and provide a mix of well paid, high and low skilled jobs.
66. The council currently has three sites that have been identified as a priority to bring forward for employment, Land East of Wigan Road, Alker Lane and Cowling Farm site. Site

investigations and assessments are being undertaken and option appraisals are being developed to model how the sites can be developed. It is envisaged that the sites will generate capital receipts as well as ongoing net income for the council. The development of the master plans and delivery models and receiving planning approval will take time and so it is assumed that the sites will generate £200k income to the council in 2021/22.

Commercialisation of Council Owned Assets

67. Over recent years the Council has been proactive in supporting and enabling businesses into the town centre. Recently working with Lancashire Teaching Hospitals to support them in locating office based staff into the former tax office, our integrated wellbeing service with Lancashire Care Foundation Trust has brought in another 120 staff who co-locate with us at our Union Street Offices and the Market Walk, Youth Zone and Primrose Garden developments are also key to improving the resilience of the town centre. Additional people working in the town centre during the day, all help to support the local economy.
68. To continue to both support new and small businesses and the town centre the council proposes to utilise the £485k resources available in 2019/20 to convert the vacant unit above the Iceland store in Market Walk into town centre office space. It will provide flexible office space for small businesses and start-ups, in an ideal location near car parking, rail and bus transport. This investment will progress the council's ambition to grow the town centre economy and generate an ongoing revenue income stream for the council.
69. Improvements in the facilities at the town hall will enhance the commercial offer of the Lancastrian providing additional space for performances and conferences that are not currently deliverable at the Lancastrian. In addition, it will provide extra facilities such as meeting rooms and break out areas that will be used both internally by external organisations therefore enhancing the income the Lancastrian generates.

GENERAL BALANCES

70. The Council achieved, a year earlier than budgeted, its MTFS target of having £4m set aside in general balances. These balances are required to manage risks to the council's budget over the medium term. Two such risks are outlined below.
71. The Council recognises that use of the general reserve may be required during the MTFS period. If, as expected, the 75% Business Rate Retention scheme is introduced nationally, 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.
72. As outlined in this report there is a £1.7m risk to general balances associated with two applications for mandatory charitable relief received from Lancashire Teaching Hospitals NHS Foundation Trust.

CAPITAL PROGRAMME 2019/20 to 2021/22

73. The latest three year Capital Programme can be found in the Revenue and Capital Budget Monitoring Report 2018/19 Report 2 approved at November Executive Cabinet 2018. Further changes to the capital programme have been outlined in this report and are summarised below.

Table 6: Changes to the Capital Programme

Project	Additional Budget £m	FUNDING			
		Borrowing	S106 & CIL	Grant Funding	Revenue
Union Street Offices	1.000	1.000			
Town Hall	0.300	0.300			
Market Walk Office	0.485				0.485
Astley	1.500	1.370			0.130
West Way Playing Fields	1.750		1.050	0.700	
TOTAL	5.035	2.670	1.050	0.700	0.615

74. £1.3m for investment in council offices including:
- £1m to vastly enhance the customer experience at Union Street by creating a centralised customer service point and creating a self-service area. It will also create more meeting space and increase office space by up to 40%.
 - £300k to create a mezzanine overlooking the Lancastrian to provide modern break out space to enhance the functionality of the Lancastrian and its commercial appeal.
75. £485k investment to convert the council owned unit above the Iceland store in Market Walk into a lettable office space.
76. £1.750m investment in Astley Hall and Park including:
- £700k investment to Astley Hall infrastructure through rectifying the disrepair to the outer rendering and installation of new windows as well as £200k additional conservation work
 - £200k to improve the customer experience through changing the visitor route and creating a gift shop.
 - £400k to create an adventure golf experience in the park
 - £250k to bring Ackhurst Lodge back into use for heritage or commercial purposed
77. The council's current capital programme includes £950k to fund a new sports facility at West Way playing fields. The ambition of the project has now been extended and the council will increase the capital budget to £2.7m that will create:
- Changing facilities which meet the Football Association and Sport England Standards with an enhanced entrance off West Way and associated car parking;
 - A fenced Artificial Grass Pitch (AGP) which meets Football Association standards;
 - Pitch drainage improvements
 - Enhanced events car parking to support large events in Astley Park.
 - Works to pathways that will provide a link between Astley Park and the new playing fields

Funding for this project will increase to meet the new budget and will consist of a £700k bid to the Football Foundation as well as additional S106, CIL and overage contributions.

78. Table 6 outlines an increase in the capital programme of £5.035m of which £2.670m is currently forecast to be funded through additional borrowing. The revenue budget has been increased to take account of this borrowing. Alternative sources of financing will be considered as and when capital expenditure is incurred to limit the impact on revenue budgets, these include the use of revenue reserves, capital receipts and external contributions such as s106, CIL and overage.

BUDGET CONSULTATION

79. Consultation on the proposed budget for 2019/20 will commence following approval of the proposals by Executive Cabinet. The consultation will focus on obtaining feedback on key proposals within the budget.
80. The consultation will invite responses from residents, partners, parish groups and other stakeholders through a variety of methods including a short survey (available both in hard copy and online). Results will be analysed and published in February for consideration as part of approval of the final budget.
81. As part of the budget consultation, we will be asking for people's views on the Council's continued contribution to Lancashire Constabulary for Police Community Support Officers (PSCO's). PSCO's play a role in preventing crime, gathering intelligence and reassuring the public.
82. The Council had been contributing towards PCSO's in the borough since 2007/08. Originally this part funded 10 PCSO's but over the last year this has reduced to fully funding 3.5. Chorley Council now remain one of a small handful of councils across the county who are continuing to contribute towards the cost.
83. The Council's consultation will seek people's views on whether we should continue to fund PSCO's or if the budget should be allocated to something else such as supporting individuals with complex needs by working with partners to provide help sooner or alternatively investing further in our streetscene service to improve street cleansing.
84. It should be noted that the Lancashire Police and Crime Commissioner is currently consulting on increasing their element of Council Tax to pay for additional uniformed officers in local areas, meaning that if approved the police would be increasing their own funding into local policing. In addition the option to support people with complex needs is partly in response to the Lancashire County Council's budget cuts which will see the closure of the Lancashire Wellbeing service who currently offer support to adults who are struggling to cope for a range of different reasons.

IMPLICATIONS OF REPORT

85. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal	✓	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	✓

COMMENTS OF THE STATUTORY FINANCE OFFICER

86. The financial implications of the above report are all contained in the text above but to clarify all proposals are funded and can be accommodated within the 2019/20 budget. It should be noted that the report does contain a number of assumptions on some future budget elements and also what the final out-turn position will be for 2018/19. Should any of these change due to unforeseen circumstances arising before 31st March 2019, this will be reviewed and reported.

COMMENTS OF THE MONITORING OFFICER

87. There are no legal implications in adopting the budget proposals for consultation.

GARY HALL
CHIEF FINANCE OFFICER

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
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