

Report of	Meeting	Date
Chief Finance Officer (Introduced by the Executive Member for Resources)	Full Council	26 February 2019

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

PURPOSE OF REPORT

1. To seek approval of the Executive's budget proposal

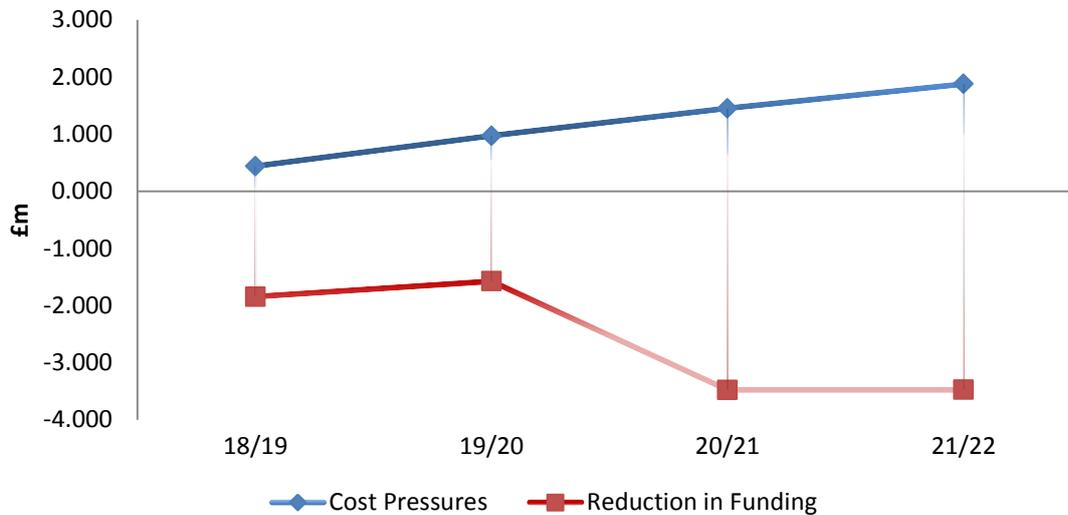
RECOMMENDATION(S)

2. The Executive recommends that Council:
 - a) Approve the budget and proposals set out in this report including:
 - Council Tax set out in the resolutions (at Appendix A)
 - b) Note Special Expenses and Parish Precepts (at Appendix B)
 - c) Approve the Council's Medium Term Financial Strategy (MTFS) (Appendix C)
 - d) Note the Council's cumulative budget deficit & budget strategy 2019-20 to 2021-22 (Appendix D)
 - e) Note significant budget movements from the 2018/19 Budget (at Appendix E)
 - f) Note the general fund forecast assumptions (at Appendix F)
 - g) Approve the capital programme for 2019/20 and note the indicative programme to 2021/22 (Appendices G1, G2 & G3)
 - h) Approve the Capital Strategy (Appendix H)
 - i) Approve the Treasury Management Strategy (Appendix I) and note the advice of the treasury management consultants (Appendix I1)
 - j) Approve the Council's Pay Policy (at Appendix J) and publication on the Council's website from April 2019
 - k) Note the advice of the Statutory Finance Officer in relation to the robustness of the budget and the risks contained within it as set out in the Statutory Report (Appendix K).
 - l) Note the Budget Consultation 2019/20 Report (at Appendix L)
 - m) Note the Assessing the Impact of Budget Proposals 2018/19 Report (at Appendix M)

EXECUTIVE SUMMARY OF REPORT

3. There have been some positive developments in 2019/20 regarding the council's funding levels. The bid to become part of a Lancashire Business Rates Pilot was successful and the estimated benefit of this, as well as additional government funding for small business rate support, have resulted in Chorley Council's retained business rates income increasing by £600k for 2019/20. It is assumed that this additional funding is a one-off for 2019/20 only. In addition to this the government did not adjust the allocation methodology for New Homes Bonus funding for 2019/20 which could have resulted in significant reductions in council funding. Finally, the Government did not implement the negative RSG allocation that would have reduced funding to the council by £156k
4. Despite the announcement from the Government that austerity has ended, it is expected the council could experience significant reductions in funding over the next three years as well as managing inflationary budget pressures. The previous spending review allocated funds on the assumption that councils would increase council tax close to the referendum limit and, due to the large uncertainty regarding Government reforms for 2020/21, there is a risk the Government will continue to take this approach. The Government has indicated that the future needs assessment formula will include a 'resource equalisation' component. This is a reduction in funding to reflect each authority's assumed ability to fund services using locally-generated income, mostly council tax. As a result of this, Chorley Council will look to increase Council Tax by 2.99% in 2019/20 to position itself to manage the risk of a possible future reduction in Government support from 2020/21 onwards.
5. There is great uncertainty in funding levels in 2020/21 onwards due to the expected implementation of the 75% business rates retention system and fair funding review. There is a great amount of risk to council funding levels and it is assumed that over the medium term the council could experience a reduction in funding of over £1.3m. This may be a reduction in retained business rates, if more income is allocated to upper tier authorities, or it could be the potential elimination of New Homes Bonus if it is brought into the calculation of council's baseline funding level. At this point in time it is not possible to forecast exactly how the reforms will impact the council.
6. The council has maintained effective budgetary planning and has delivered efficiency savings of £1.484m for 2019/20. This figure also includes additional income the council has raised through sources other than council tax. The council will continue to deliver efficiency savings through transforming the way it delivers services and through the procurement of contracts. Efficiency savings however will not be enough for the council to meet its budget gap in the future. The council must strive to become more self-sufficient. The focus of the medium term financial strategy will therefore be to use capital investment to generate income from council owned land and buildings. The council has a good track record of delivering returns on these investments and it will continue to identify other future opportunities within the borough.
7. The budget is set to ensure the objectives of the council's Corporate Strategy priorities are met. The strategy is focussed on the delivery of large scale capital projects as well as alternative models of service delivery. By making policy decisions early on the council is resourced to deliver the Corporate Strategy priorities and commit to recurrent investments such as investing in neighbourhood projects, preventing the cancellation of bus routes in the borough and continuing to provide anti-social behaviour services. The budget provides additional resources of £60k to support additional early intervention services and £50k to deliver more street cleansing services.
8. The chart below emphasises the scale of the challenge the council faces in bridging the budget gap over the next 3 years. The chart illustrates the budget gap the council could face if it did not generate efficiencies and income and if it did not increase council tax. The increase in funding in 2019/20 is the result of the council's membership of the Lancashire Business Rates Pilot. This is forecast to be a temporary benefit prior to the new funding regime being introduced in 2020/21.

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



9. The Executive presents a budget that:-

Mitigates the expected future reduction in Central Government funding by increasing council tax by 2.99% in 2019/20 and including a forecast 2.00% increase in 2020/21 and a forecast 2% increase in 2021/22 as part of the medium term budget strategy.

Delivers budget efficiency savings and increased income of £1.484m in 2019/20 onwards

Continues to deliver ongoing investment in strategic priorities of approximately £1m

Seeks to bridge the forecasted budget gap, in particular through investing in projects that generate net income streams as well as the procurement of its contracts and through investment in its services, assets and staff enabling the council to deliver services more efficiently.

Sets aside £300k to mitigate the impact that the UK leaving the EU could have on local businesses and Corporate Priorities.

Is consistent with the council's Corporate Strategy and Medium Term Financial Strategy.

Minimises the revenue impact of the council's borrowing commitment to fund the capital programme.

Confidential report Please bold as appropriate	Yes	No
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Key Decision? Please bold as appropriate	Yes	No
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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)

10. To ensure the Council complies with the requirement to set a balanced budget for 2019/20

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

11. None, setting the budget is a statutory responsibility

CORPORATE PRIORITIES

12. 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 and the local area	✓

BACKGROUND

13. The Executive published the 2019/20 Draft Budget and Summary Budget Position over the Medium Term at Executive Cabinet on 17 January 2019. The report set out the Executive's intention for spending and investment in the borough for the forthcoming financial year 2019/20. These papers expand upon that report and set out in more detail for Council the Executive's budget proposals in 2019/20.

BUDGET CONSULTATION RESULTS

14. Consultation ran from the 21st January to the 10th of February 2019. The consultation was publicised through a structured digital campaign including 26,029 emails delivered to residents signed up to receive communications via the My Account feature on the council website. The emails received 8,680 unique views (33.34%) and 2,413 link clicks (8.31%). Awareness was also raised through traditional media outlets and local networks.
15. The formal consultation received 476 qualitative responses through an open-ended question format using two questions, via an online survey which provided detailed feedback. This is a lower level of feedback compared to last year's survey where 780 individuals responded to the online survey which only included one open question. This decline could be due to a number of factors such as the effect of GDPR. From two posts and an advert on Facebook, we received a total of 27,019 post views and 203 comments reaching a wide representation of the population. The feedback and summary analysis of the consultation is shown at Appendix L.
16. The responses have been collated and analysed to identify the main key words or phrases and then grouped together based on whether they indicated a positive or negative response to the proposals. A proportion of the comments offered suggestions for improvement or highlighted concerns, rather than a definable positive or negative view point and these have been grouped together as 'neutral'. It should be noted that responses often included more than one comment or suggestion, covering more than one area. Where this occurred, the main area of comment was selected.
17. The following table shows the distribution of positive, negative and neutral viewpoints. It should be noted that 6% of responses could not be categorised.

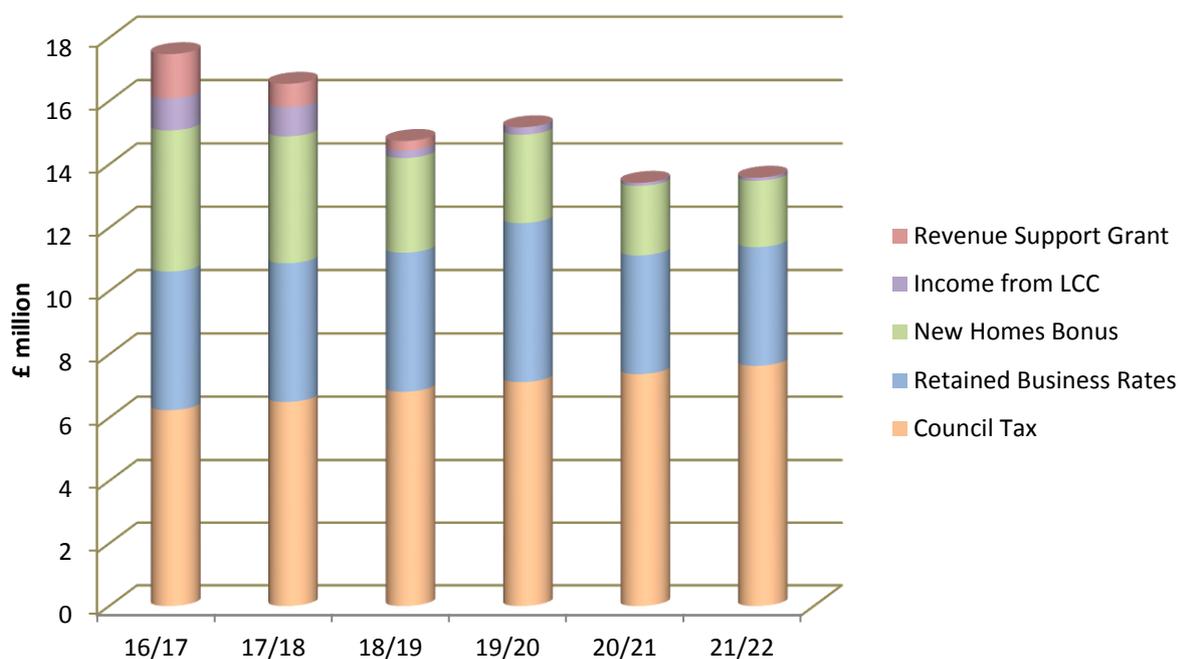
Positive view of the proposals	43.70%
Neutral point of view	11.97%
Negative view of the proposals	39.71%
Non-applicable comments	4.62%

18. The majority of positive comments (63%) indicated general acceptance of the proposals, with many stating that they were 'reasonable' and 'fair'. Comments also referenced a positive view of new and current developments with 10% of residents feeling positive towards the new developments within the borough. In addition to this, around 24% accept the rise in council tax if it meant the proposals are met and services are maintained.
19. The majority of negative comments (28%) relate to the increase in council tax. A large number of respondents (23%) have concerns regarding the overall budget investment items and 13% indicated that they would prefer investment in large developments to be directed towards other priorities. In addition to this, concerns were highlighted regarding partner delivered services such as highways (8%) with respondents urging the council to lobby these partner services to operate more efficiently.
20. The consultation report at Appendix L sets out the planned council activity in response to feedback; this includes the increase to council tax, concerns around future developments, investment in the wider borough and concerns around partner delivered services.

THE BUDGET – REDUCTIONS IN FUNDING SOURCES

21. 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. The benefit from being a member of the Lancashire Business Rates Pilot is assumed to be temporary in 2019/20 until the new business rate regime is introduced in 2020/21.

Major Sources of Council Funding



Revenue Support Grant

22. 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 an RSG allocation of £299k. The provisional local government finance settlement 2019/20, announced on 13 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

23. 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.
24. The final local government finance settlement announced that no adjustment 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 2020/21 onwards. Every 0.1% increase would result in a £60k reduction in new homes bonus allocations year-on-year.

25. The future of New Homes Bonus is uncertain, the 2019/20 finance settlement did not adjust the system of allocation, however the funding may be brought into the business rates retention system in 2020/21. There is close to £1bn of New Homes Bonus funding allocated across the country and so it is envisaged that, if the funding were brought into the business rates retention calculation, a transitional funding system would be introduced for council's that experience large reductions in funding levels.

Lancashire County Council

26. 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

27. 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

28. 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 an RSG allocation.
29. 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

30. 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.
31. 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%
32. 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
33. The outcome of all this is that Chorley Council's retained NDR increased by approximately £360k. In addition, the Government announced further support to small businesses through the business rates relief system. The Government compensates the council for the impact of such policies and this has resulted in an additional £250k for the council in 2019/20. The benefit of these gains is budgeted for as only temporary for 2019/20 due to the new funding regime being introduced the following year.
34. 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. This includes the possibility of the review bringing New Homes Bonus into the baseline calculation and removing the grant.
 - 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.

35. 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 £2.4m impact on the Council's general fund and a further c£280k 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.
36. A final consideration to the council's retained business rates income is the potential for there to be a national economic slow-down. A more detailed analysis of this is given in Appendix F – General Fund Forecast Assumptions. In brief this may result in an increase in the number of appeals against rateable values as well as reducing local economic activity and therefore reducing retained business rates. The council has increased the appeals provision by £1.2m to £2.9m, in addition, the council will set aside £1.4m by 2021/22 to fund large one-off falls in retained business rates income.
37. For the reasons highlighted above the Council will also assume no inflation 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.

Other Budget Assumptions

38. 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.
39. 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.
40. 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.
41. The estimates for 2019/20 are based upon the approved **pay award**, future years are based upon the fact that pay increases are on average estimated to be 2% in 2020/21 and 2021/22. The budgeted increase is much higher for those on lower grades.

Brexit

42. 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. The 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 and planning fees. These risks will be closely monitored and reported throughout the period of the MTFS. Further analysis is given in Appendix F of this report.

Budget Deficit

43. 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.
44. 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	1.416	3.399	3.855

45. All deficits and savings identified in the table 2 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 £1.416m deficit in 2019/20 and further budget pressures and reduced funding of £1.983m identified for 2020/21.

Table 2: Key Budget Assumptions

Key Assumptions	2019/20	2020/21	2021/22
Growth in Council Tax Base	1.42%	1.50%	1.50%
Growth in Retained Business Rates	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%

46. The cumulative budget deficits are based upon the reductions in funding described previously in the report and the key budget assumptions outlined in table 2. It should be noted that some of the assumptions are still potentially subject to change that may impact positively or negatively on the budget.
47. A detailed breakdown of the 3 year budget including the gross budget deficit is provided in Appendix D of this agenda. Included in this appendix are the revenue budget implications regarding the Council's 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. A full description of budget assumptions and risks are provided in Appendix F and in Appendix K of this agenda.

BRIDGING THE BUDGET GAP

48. 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 £1.416m 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 3: 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

49. 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 reductions in net financing 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.
- 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.

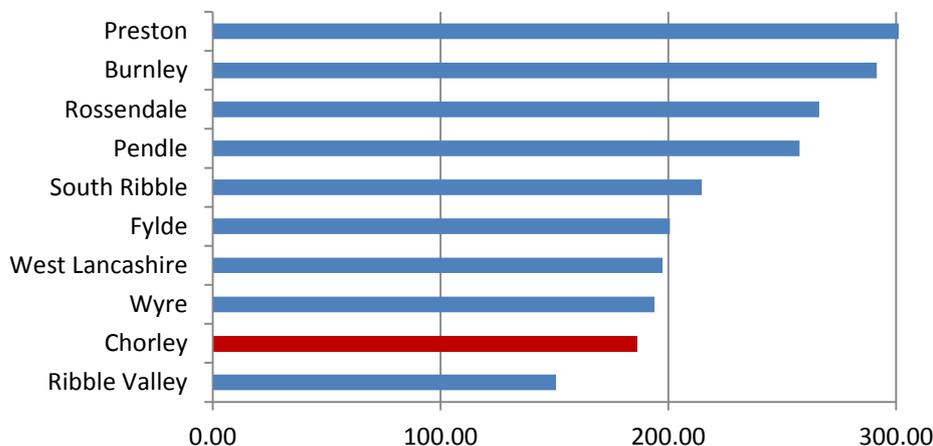
- Base Budget Review (£20k) – The management accounts team in conjunction with service managers have identified £20k of budgets that are underutilised or no longer required moving forward. Small savings were identified from a number of low value budgets that have consistently underspent in previous years.
- Review of Fees and Charges (£145k) – a report to Executive Cabinet on 17 January 2019 approved the recommendation to Council to increase 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, saving £65k and the Chorley Youth Zone delivering an arts service, saving £10k. There is also a £10k reduction in the contribution to the time credits programme as this is now well established and more self-sufficient. The total saving from delivering these investments more efficiently through the council's core budget totals £104k per annum.

INCREASE IN COUNCIL TAX

50. 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.
51. Despite the announcement from the Government that austerity has ended, it is expected the council could experience significant reductions in funding over the next three years as well as managing inflationary budget pressures. The previous spending review allocated funds on the assumption that councils would increase council tax to the referendum limit to compensate for the reduction in Government support. There is a risk that the new spending review and reforms of business rates in 2019 will also adopt this approach. As a result of this uncertainty from Government reforms, Chorley Council will look to increase Council Tax by 2.99% in 2019/20 to position itself for the expected reduction in Government support from 2020/21 onwards. This is necessary to continue to fund investments that deliver corporate strategy priorities the council is proposing.

52. Through freezing or reducing council tax in previous years, Chorley Council has one of the lowest district council precepts (excluding Parish precepts) in Lancashire as per the chart below.

Band D Equivalent 2018/19



53. 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

54. Table 4 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 with some available resources for re-investment in 2019/20. These figures include approximately £1m investment in corporate strategy priorities.

Table 4: Cumulative Budget Deficit

	2019/20 £m	2020/21 £m	2021/22 £m
Gross Budget Deficit	1.416	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)	(0.575)	1.196	1.672

MEETING THE MEDIUM TERM FINANCIAL CHALLENGE

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 make the Council more financially self-sufficient with specific emphasis on creating investment that generates income. This includes identifying future uncommitted resources to support income generating schemes.
2. To realise savings through the procurement of its contracts
3. 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

55. Further details of these strategies are given in the MTF5 which can be found at Appendix C to the agenda of this report. The summary of the savings is given below in Table 5.

Table 5 – Chorley Borough Council Transformation Programme

	2019/20 £m	2020/21 £m	2021/22 £m
Adjusted Budget Deficit/(Available Resources)	(0.575)	1.196	1.672
Contract Savings			
Leisure Centre Management (expires October 2020)	-	(0.217)	(0.446)
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)	(0.785)	0.000	0.000
Commercialisation of Council Owned Assets	0.485	-	-
Support for Local Businesses & Corporate Priorities	0.300	-	-
Final Budget Deficit/(Available Resources)	0.000	0.000	0.000

SUPPORTING CORPORATE STRATEGY PRIORITIES

56. The budget figures summarised in tables 4 and 5 include approximately £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 are summarised in Table 6.

Table 6: Investment Items Included in the Ongoing Revenue Budget

INVESTMENT ITEM	DESCRIPTION	BUDGET
Chorley Youth Zone	The council will commit £100k to support the ongoing work of the Youth Zone to continue delivering high quality, diversionary and wellbeing activities for young people in Chorley.	£100,000
Prevention and Early intervention	The council will commit £60k per year towards providing support to its multi-agency approach to supporting vulnerable people and improving health and wellbeing. This will ensure we deliver against our corporate priority of clean, safe and healthy communities.	£60,000
Additional Street Cleansing	The council will commit an additional £50k per year towards enhancing its street cleansing services to continue to deliver against our corporate priority of clean, safe and healthy communities	£50,000
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	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 and is well used by employees, therefore this budget will continue the current healthcare cash plan scheme for a further year.	£20,000
Enhanced Enforcement Team	To strengthen and improve the council's enforcement services, refocus the work of the neighbourhood officers and demonstrate the council's commitment to taking a more proactive approach to enforcement.	£44,500

INVESTMENT ITEM	DESCRIPTION	BUDGET
Enhanced Homelessness Service	This service supports the council's response to the requirements of the new Homelessness Reduction Act 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
Community development and volunteering (SPICE)	Contribution to SPICE for time credits infrastructure including access to national earn and spend programme as well as IT platform, expertise and evaluation. This provides residents with support to volunteer within the community.	£30,000
Partnership Connectivity	This investment will fund solutions to address gaps in provision and improve connectivity between partner services as a result of wider budget cuts. This may include developing new networks, supporting existing services or identifying alternative provision.	£15,000
Support to Food Provision Schemes	Contribution to operation of the Living Waters Food Bank. Demand is currently increasing with no other provision locally to support vulnerable individuals.	£15,000
16/17 Young Person's Drop In Centre	Well utilised service supporting vulnerable young people as part of early intervention and prevention. Provision of drop-in support for young people who are at risk of being homeless, or considering leaving home without financial support. Includes the provision of advice and support.	£15,000
In Bloom	Contribution to the In Bloom competition which has provided enhanced Streetscene provision. Opportunity to align priorities with neighbourhood working and work more closely with In Bloom group to develop longer term sustainability.	£20,000
Supporting Communities to Access Grant Funding	Annual contract provided by IDOX. In previous years included Grantfinder and Open4Community resources, reduced to Open4Community only in 2018, following evaluation of usage. Approximately 5,910 visits to the site from Chorley each year, resulting in 365 searches for funding.	£4,500
Accommodation Finding Service	Budget supports the accommodation finding service which provides additional support for the housing options team in meeting our statutory duties.	£30,000
Core Funding Grants	These core funding grants provide support for organisations which support; older people, family support service, vulnerable adults in particular women and homelessness, community safety support and small community funding grants to aid community organisations.	£66,500
TOTAL		£969,500

57. Some of these 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

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
- £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 Housing Units

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

ADDITIONAL INVESTMENT IN CORPORATE STRATEGY PRIORITIES

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

58. 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.
59. 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.
60. 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 create an adventure golf experience in the park
 - £250k to bring Ackhurst Lodge back into use. The lodge has been empty for more than 16 years, but it 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.
61. 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.

Support for Local Businesses and Corporate Priorities

62. The continued uncertainty surrounding the way in which the UK will withdraw from the EU has impacted on the national economy with recent ONS data reporting slower growth in the UK economy at the end of 2018. The impact the exit will have on businesses in Chorley is uncertain however it may affect the labour market, construction industry as well as national retailers. A contraction in the economy may place additional pressures on the council's services including employment and housing support as well as council tax and benefits advice.
63. As a result of this uncertainty the council will set aside £300k from the resources available in 2019/20 to provide additional support to local businesses and residents through the delivery of the council's Corporate Priorities.

GENERAL FUND BALANCES

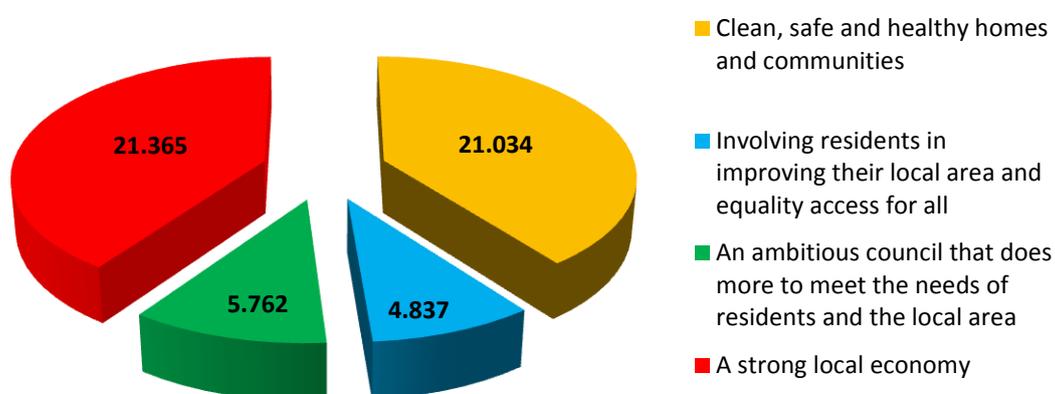
64. The council faces a number of risks over the medium term that may impact on revenue budgets. A number of these are managed through specific reserves including:
- Market Walk Income Equalisation reserve – this managed short term reductions in income from unbudgeted voids
 - Business Rates Income Equalisation reserve – this manages any short term reductions in retained business rates
 - Business rates appeals provision – this provision manages any reductions in income, including backdated reductions, that may be incurred through businesses appealing against rateable values.
65. The council holds a £4m general fund to manage budget risks not covered by earmarked reserves or provisions. This will manage, for example, the risks associated with its major capital investments and the effects this may have on revenue budgets. This includes re-profiling of occupancy rates or managing the risk to revenue budgets of providing capital incentives to the future occupants of extension to Market Walk.
66. Finally, 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 £2.4m impact on the Council's general fund and a further c£280k 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. This risk will be managed through the general fund.

CAPITAL PROGRAMME 2019/20 to 2021/22

67. Details of the capital programme including new capital investment are outlined in the Appendix G1. The capital programme for 2018/19 to 2021/22 totals £53m and is an indication of how ambitious the council is in delivering its Corporate Strategy and the priorities within it. An overview of the capital programme is detailed below.

Capital Investment in Chorley Council's Corporate Strategy 2018/19 to 2021/22

£m



68. Within the capital programme are the proposed changes made in the draft budget as described below in Table 7

Table 7: 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

69. £1.3m for investment in customer service centres and the Lancastrian 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.

- This investment will allow the council to rationalise its offices to improve efficiency and generate savings

70. 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 office space for one or more small businesses, in an ideal location near car parking, rail and bus transport. This scheme will also generate a small an ongoing revenue income stream for the Council. 485k investment to convert the council owned unit above the Iceland store in Market Walk into a lettable office space.

71. £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 purposes

72. 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

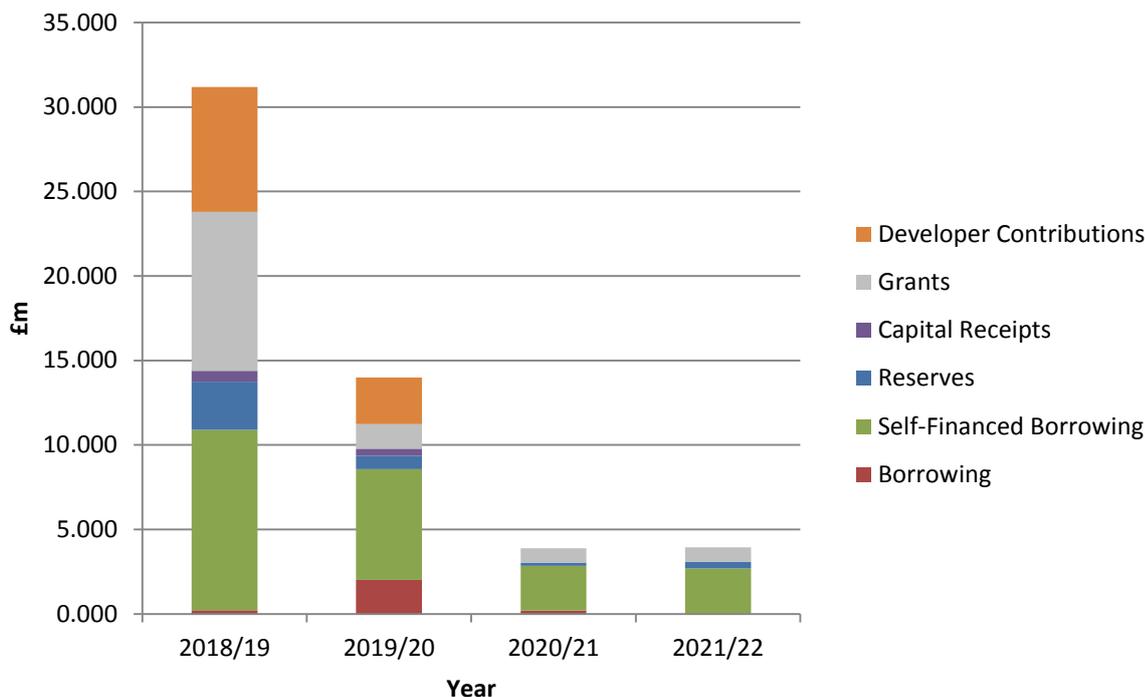
Funding for this project will increase to meet the new budget and will consist of a £700k bid to the Football Foundation as well as additional S106, CIL and overage contributions.

73. Table 7 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.

CAPITAL FINANCING

74. The financing of the capital programme for the period 2018/19 to 2021/22 is set out in Appendix G2 and summarised in the proceeding chart.

Capital Expenditure & Financing 2018/19 to 2021/22



75. 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 four major capital schemes; Market Walk Extension, Digital Office Park, Primrose Retirement Village and Deliver Housing Units. In addition, it is assumed that some of additional investment in Astley Hall and Park and town hall will also generate revenue for the council.

76. 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 from Homes England and £1m from LCC towards Primrose Gardens Retirement Village
- £2.2m from Heritage Lottery Fund towards the restoration of Bank Hall,
- £4.1m of European funding to deliver the Digital Office Park

77. The council will invest over £10m of contributions from developers to regenerate the town centre as well as the borough's play, open space and recreation grounds. A summary of s106 funding received and allocated is attached in appendix G3

CAPITAL STRATEGY

78. Appendix H to this report outlines the council's capital strategy including specific risks within the programme, performance indicators and the council's capital ambition beyond the three year budget cycle.

CONCLUSIONS

79. This paper outlines for the Council the Executive's budget proposals for 2019/20 which are:

- **A budget that mitigates against the risk to council funding that has been created by the uncertainty surrounding Government reforms expected in 2020/21, by increasing Council Tax by 2.99% in 2019/20 and including a forecast increase of 2% in 2020/21 and a forecast increase of 2% in 2021/22 as part of the medium term budget strategy.**
- **A budget that delivers budget efficiency savings and increased income of £1.484m in 2019/20 onwards**
- **The successful implementation of the MTFs has allowed the Council to include in the budget approximately £1m of revenue investment packages in 2019/20 budget.**
- **The successful implementation of the MTFs has allowed the Council to create resources to create an earmarked reserve of £300k to support local businesses and Corporate Priorities during the uncertainty of the UK's withdrawal from the EU.**
- **Investments will be made in key areas to support the new Corporate Strategy:**
 - 1. INVOLVE RESIDENTS IN IMPROVING THEIR LOCAL AREA AND EQUALITY OF ACCESS FOR ALL.**
 - 2. CLEAN, SAFE AND HEALTHY COMMUNITIES.**
 - 3. AN AMBITIOUS COUNCIL THAT DOES MORE TO MEET THE NEEDS OF RESIDENTS AND THE LOCAL AREA.**
 - 4. A STRONG LOCAL ECONOMY.**
- **The assumptions included in the budget have been assessed in the light of the latest information available at this time. They are also compatible with:**
 - 1. the proposed Pay Policy as set out in Appendix J.**
 - 2. the proposed Treasury Management Strategy as set out in Appendix I**

80. The MTFs contains the updated budget forecasts to 2021/22 which identifies that further budget savings will be required to bridge the funding gap in future years. The forecasted budget deficit in 2021/22 is estimated to be 1.672m and the MTFs sets out options that can be considered to bridge this gap. Therefore the MTFs provides a plan to deliver a balanced budget over the longer term in Appendix C.

81. The council will need to continue working extremely hard, be innovative and creative to continue to make efficiencies and at the same time minimise the impact on services. There are still factors that may affect the current forecast financial position namely the scheduled reform in business rates retention. The focus of the council's approach will be to identify and deliver income generating projects as well as generate further efficiencies. This set out in the Medium Term Financial Strategy which is appended to this report.

82. The contents of this report are supplemented with additional reports, policies and statements to provide further details as referenced below:

Appendix A	Formal Council Tax Resolution 2019/20
Appendix B	Special Expenses & Parish Precepts 2019/20
Appendix C	Delivering Our Priorities - Chorley Council Medium Term Financial Strategy 2019/20 to 2021/22
Appendix D	Cumulative Budget Deficit & Budget Strategy 2018-19 to 2020-21
Appendix E	Variance Analysis – Movements from 2018/19 Original Estimates
Appendix F	General Fund Forecast Assumptions
Appendix G1	Capital Programme 2018/19 to 2021/22
Appendix G2	Capital Programme Financing 2018/19 to 2021/22
Appendix G3	Developer's Contributions 2017/18 to 2020/21
Appendix H	Capital Strategy
Appendix I	Treasury Management Strategy 2019/20 to 2021/22
Appendix I1	Advice of Treasury Management Consultants
Appendix J	Pay Policy 2019/20
Appendix K	Report of the Chief Finance Officer
Appendix L	Budget Consultation 2019/20
Appendix M	Assessing the Impact of 2019/20 Budget Proposals

IMPLICATIONS OF REPORT

83. 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

84. The financial implications of the above report are detailed in the report and furthermore in the MTFs 2019/20 to 2021/22 (Appendix C) and the Chief Finance Officer's Report (Appendix K).

COMMENTS OF THE MONITORING OFFICER

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

COMMENTS OF THE HEAD OF HR AND OD

86. HR will support the implementation of the budget proposals in relation to any changes to staffing resources in line with corporate policy and legislation.

COMMENTS OF DIRECTOR OF POLICY & GOVERNANCE

87. The potential equality implications of the proposal contained within this report are set out in Appendix M, and should be considered as part of the decision making process.

GARY HALL
CHIEF FINANCE OFFICER

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
James Thomson	5025	18/02/19	