Striking the Balance

Medium Term Financial Strategy

22/23 | 23/24 | 24/25

Statement

by the Head of Finance, Procurement and Commercial Property in his capacity as the s151 Officer of the Council.

In accordance with s25 of the Local Government Act 2003, I would make the following comments in regard of the robustness of the Estimates and the adequacy of the Reserves contained within this Medium Term Financial Strategy (MTFS) - 3years ending 31 March 2025 and Budget Estimates 2022/23

I am able to advise the Council that the planned level of usable Reserves is adequate. This assurance has been based on the robustness of estimate information and a consideration of the risks and challenges facing the Council.

However, assurances regarding the robustness of estimates cannot give a 100% guarantee about the budget.

Rather this statement provides a reasonable assurance to the Council that the budget has been based on the best available information and assumptions available at the time.

It is emphasised that MTFS & budget estimates are exactly that - estimates of the financial environment, spending and income made at a point in time, which will change as circumstances change.

The MTFS & budget proposals are nevertheless achievable given the political and management will to implement them, good management, and the sound monitoring of performance and budgets which exists.

In conclusion I am satisfied that sufficient management processes are present within the Council to deliver this budget and to identify and deal with issues which may arise unexpectedly during the year.

James Pierce
S151 Officer
Head of Finance ,Procurement
& Commercial Property

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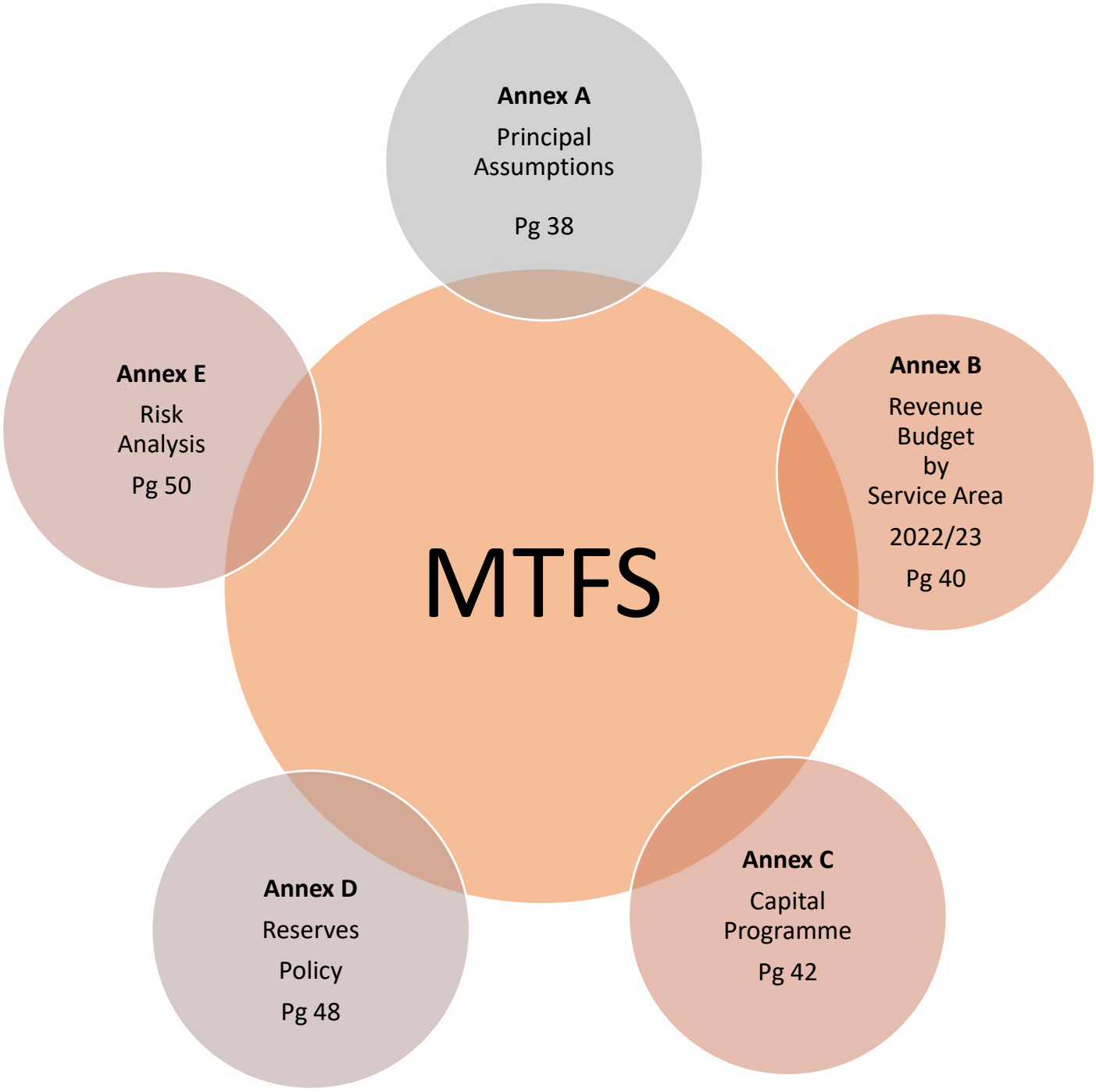
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MTFS

A Executive Summary

1. This report presents the Medium Term Financial Strategy (MTFS) for the 3 years ending 31st March 2025, the existing Capital Programme to 31st March 2023 and the Revenue Budget for the financial year 2022/23.
2. Assumptions have been formulated regarding the starting financial position for these forecasts depending upon the estimated outturn for the current financial year 2021/22 and these are available at section C.
3. Overlaid upon this starting position are the financial impacts of:-
   - Departmental Growth bids
   - Cost Pressures
   - Anticipated Favourable events
   - Variation in detailed Service Level Annual Revenue Budget

   These impacts are shown in Table 1 opposite.
4. The closing revenue financial position for 2022/23 demonstrated in Table1 opposite is that the Council is predicted to have no budget gap, rather the prediction is for budget headroom of £89k.
5. Given the economic scarring caused by both the Pandemic and Brexit and the continued problems that are predicted to continue throughout the medium term by the office of Budget Responsibility's latest economic forecast no increase for sales, fees and charges has been assumed in either the Budget calculations for 2022/23 or the MTFS for the 3 years ending 31st March 2025.
6. Four policies have been revised in this report which directly bear down on the financial environment: -

• Reserves policy	Annex D
• Minimum Revenue Provision (MRP) policy	Section I
• Financial Control policy	Section J
• Sales, Fees & Charges	Section K

7. The policies relating to Reserves, Sales, Fees & Charges and MRP are required to be reviewed annually and the Financial Control policy is considered an advisable addition given the financial challenges ahead.

Table 1 - Summary of financial impacts on starting point of 1st April 2022

SUMMARY of MTFS financial impacts					
3 years ending 31st March 2025				All figures in £k	
		Yr1	Yr2	Yr3	
Ref	Financial Aspect	2022/23	2023/24	2024/25	
		ement from starting point of 1st April			
1	Budget GAP/(HEADROOM) - Starting point as at 1st April 2022	-60	-60	-60	section D
2	Growth Bids	984	617	557	section E
3	Cost Pressures	3,785	1,910	2,575	section F
4	Favourable Events	-5,143	-2,652	-3,171	section G
5	Variation in detailed Service Level Annual Revenue Budget	170	170	170	annex B
6	Centrally held contingency for Energy Costs at 25% of Budgeted 22/23 cost	175	175	175	
	UNKNOWNS				
	COVID Funding levels				
	The impact of Brexit				
7	Budget GAP/(HEADROOM) - Year End position as at 31st March	-89	160	246	
	Reconciliation to previous draft				
	Previously reported Gap/(Headroom)	-1,555			
	Increase in Growth Bids : £761k to £984k	223			
	Increase in Cost Pressures : £1,171k to £3,785k	2,614	Additional year required of Leisure Contract		
	Increase in Favourable Events : £3,427k to £5,143k	-1,716	TVDL - Reduced dividend forecast (from £250k)		
	Centrally held contingency for Energy Costs at 25% of cost	175			
	Variation in detailed Service Level Annual Revenue Budget	170	Consequential growth, Incremental drift,		
	over & above anticipated Cost Pressures		Employers superanuation		
	Revised Gap/(Headroom)	-89			

A Executive Summary

1. Capital growth bids are summarised opposite and will be integrated in the current Capital Programme to the extent that they are approved.
2. The current Capital Programme is included in this report at Annex C (page 40).
3. If all Capital growth bids are approved then it is calculated that all of the £1.1m spend over the next 3 years can be financed from capital receipts, assuming a 20% over programming is utilised.
4. This 20% is in line with past experience as detailed in the table below, however there is a small amount of £185k capital funding still available from the estimated capital receipts assuming a 20% over programming.
5. It should be noted that the average rates of slippage in past capital programmes of 20% are after rescheduling of spend by bringing schemes forward from future years at mid year due to much more drastic slippage of 70% - 80% at that time. This indicates that the scope for absorbing spend from future ears is likely to exceed the 20% over programming indicated.
6. Nevertheless a 20% over programming figure has been assumed in predicting financing requirements for capital, in order to be prudent.

MID Year figures

Year	Expenditure £m	Budget £m	% spend against Budget
2021/2022	0.630	3.665	17%
2020/2021	2.085	7.087	29%
2019/2020	0.998	5.175	19%
2018/2019	1.908	7.128	27%
2017/2018	0.455	2.634	17%

END Year figures

Financial Year	Underspend	% slipped
2020/21	2.6m	24%
2019/20	0.8m	16%
2018/19	1.4m	20%

Growth Bids - CAPITAL

All figures in £k

Ref	Growth Bid	Yr1 2022/23	Yr2 2023/24	Yr3 2024/25
	Invest to Save			
C12	Civica - upgrade of processing facilities - Phases 1-4 inclusive	140	0	0
	Environment			
C7	Purchase Glutton Urban Vacuum Cleaner	20	0	0
C8	Becconsall Closed Church Yard	30	0	0
C9	Litter Bin Policy	68	55	30
C51	Tree Management	50	50	0
C52	Culvert Management	50	50	0
NEW	Fund to replace faulty domestic bins damaged during bin emptying FOC	10	10	10
NEW	5 additional mobile CCTV bundles to address flytipping	6	0	0
	Other			
C21	Hybrid, Remote and Streaming Council Meetings	92	0	0
C5	Changing Places Facility	60	0	0
C6	Mastercard Gateway Upgrade	40	0	0
C1	Microsoft M365 Phase 3 - platform to deliver transformation initiatives	150	100	0
C3	Digital innovation and the continued development of ServiceNow	80	0	0
Total		**796**	**265**	**40**

Growth Bids - CAPITAL

All figures in £k

Ref		Yr1 2020/21	Yr2 2021/22	Yr3 2022/23	Yr4 2023/24	Total
	Approved 3yr Capital Programme	3,130	1,566	803		5,499
	Available Capital Financing - Yrs 1-3					6,141
	Provisional Capital Financing Yr4				424	424
	Residual Capital Financing after financing Cap Prog					1,066
	Capital Bids		796	265	40	1,101
	Shortfall in Capital Financing (26%)					35
	Average historic annual slippage post reprofiling					20%
	Estimated Financing available from slippage					220
	Estimated over/(under) reliance on borrowing or revenue contributions					-185
	if all Capital Growth is approved					
	Recommended overprogramming before borrowing is 20%					

B Economic Outlook

1. The information in this section is drawn mainly from the "Economic and fiscal outlook" published in October 2021 by the Office for Budget Responsibility (OBR) and presented to Parliament by the Exchequer Secretary to the Treasury by Command of Her Majesty.

2. This publication is an extensive work (251 pages) setting out a forecast to 2026-27 and is the underpinning work which supports the Budget and Spending Review work undergone by Treasury.

3. The economy is now expected to grow by 6.5 per cent in 2021 (2.4 percentage points faster than OBR predicted in March).

   However the strength of the rebound in demand in the UK and internationally has led it to bump up against supply constraints in several markets.

   In the UK, these supply bottlenecks have been exacerbated by changes in the migration and trading regimes following Brexit. Energy prices have soared, labour shortages have emerged in some occupations, and there have been blockages in some supply chains.

   These can be expected to hold back output growth in the coming quarters, while raising prices and putting pressure on wages.

4. OBR expect the Consumer Price Index (CPI) this being the usual preferred measure of inflation to reach 4.4 per cent in 2022, with the risks around that tilted to the upside. News since OBR closed their forecast would be consistent with inflation peaking at close to 5 per cent next year - OBR believe it could hit the highest rate seen in the UK for three decades.

   Fig 1 opposite shows forecast trends in CPI inflation to 2026-27.

5. A valuable insight into the OBR's perceptions of how the UK Economy will fare over the forecast period to 2026/27 is provided in Fig 2 opposite which summarises a number of metrics for the 7 years from 2020 over various subsets of forecast economic activity.

   The predicted movements in inflation relating to CPI of:-

   - 4.0% - 2022/23
   - 2.6% - 2023/24
   - 2.1% - 2024/25

   have been used as principal assumptions in calculating the MTFS & Budget Estimates for 2022/23 presented in this report.

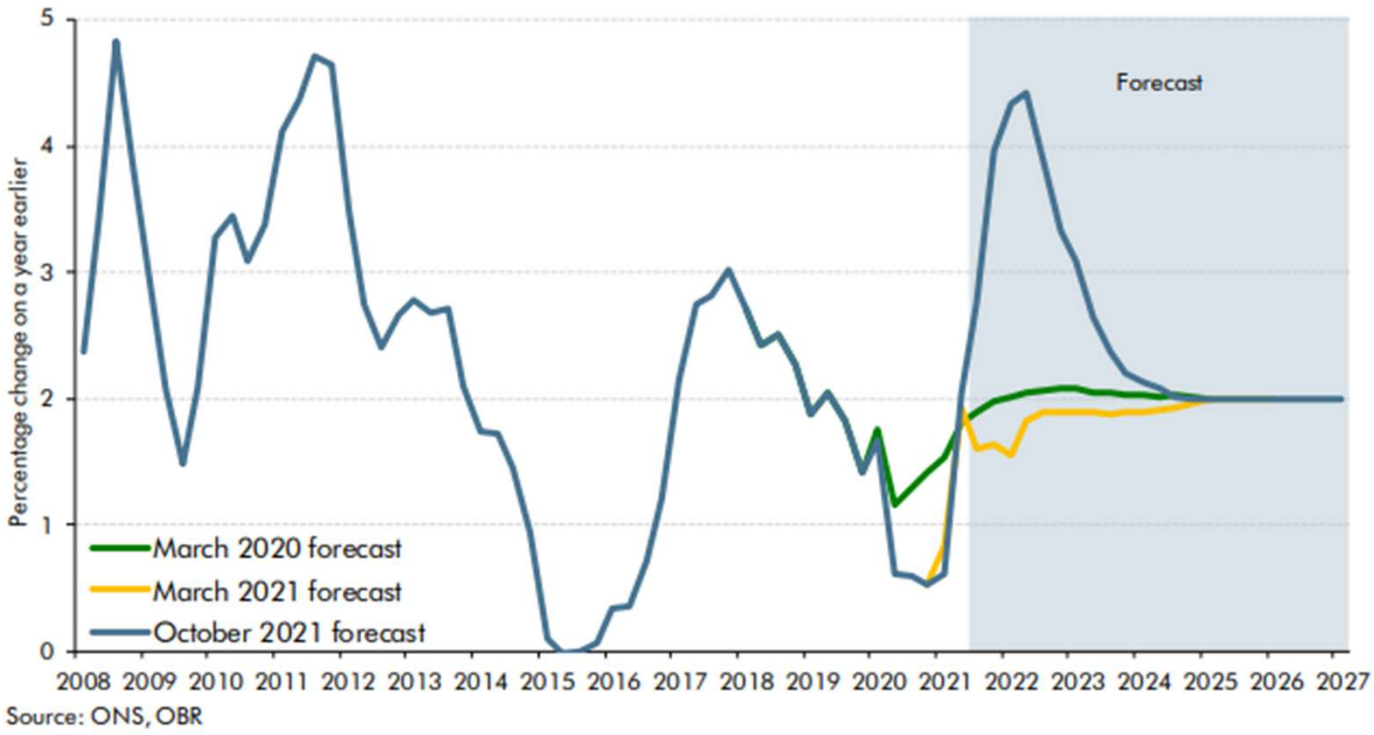


Fig 1:- Forecast Trends in CPI Inflation to 2026/27 (OBR - Oct 2021)

	Percentage change on a year earlier, unless otherwise stated						
	Outturn	Forecast					
	2020	2021	2022	2023	2024	2025	2026
Output at constant market prices							
Gross domestic product (GDP)	-9.8	6.5	6.0	2.1	1.3	1.6	1.7
GDP per capita	-10.2	6.3	5.6	1.7	1.0	1.3	1.4
GDP levels (2020=100)	100.0	106.5	112.8	115.2	116.7	118.6	120.6
Output gap	-0.4	0.9	0.6	0.5	0.1	0.0	0.0
Expenditure components of real GDP							
Household consumption	-10.9	4.7	9.8	1.3	1.7	1.3	1.0
General government consumption	-6.5	14.7	2.0	1.5	1.2	1.7	2.1
Business investment	-10.2	-2.4	15.7	4.7	-0.8	4.8	5.8
General government investment	3.5	14.7	-2.1	6.5	-1.0	1.1	1.8
Net trade[1]	0.8	-0.8	-2.5	0.3	0.1	-0.1	-0.2
Inflation							
CPI	0.9	2.3	4.0	2.6	2.1	2.0	2.0
Labour market							
Employment (million)	32.5	32.2	32.6	33.0	33.2	33.3	33.4
Average earnings	1.2	5.0	3.9	3.0	2.2	2.9	3.5
LFS unemployment (rate, per cent)	4.6	4.9	4.8	4.3	4.2	4.2	4.2

[1] Contribution to GDP growth.

Fig 2:- Overview of the economy forecast (OBR - Oct 2021)

B Economic Outlook

6. Since the OBR first post-EU referendum forecasts in November 2016, the forecasts have assumed that total UK imports and exports will eventually both be 15 per cent lower than had we stayed in the EU.

   This reduction in trade intensity drives the 4 per cent long term reduction in GDP that the OBR assume will eventually result from UK's departure from the EU. - Fig 3 opposite refers.

7. This assumption, consistently adopted by the OBR since 2016 speaks to the longevity of the economic scarring caused by Brexit to the UK economy. This in turn informs the assumptions that have been made in the MTFS & Budget Estimates for 2022/23 presented in this report.

   Since Brexit scarring is expected to persist throughout the 3 Yr MTFS period ending 31st March 2025 and with it the commensurate reduction in trade and GDP then this report contains challenging assumptions regarding effects on our national and local economies, manifested by levels of interest rates and CPI inflation, unprecedented in recent times.

8. On top of the OBR prediction of a 4% reduction in GDP in respect of Brexit scarring of the economy , the OBR predict a further reduction of 2% in GDP due to the economic scarring caused by the pandemic.

   Fig 4 presents a breakdown of the OBR's pandemic scarring forecasts over time and also shows a comparison of GDP scarring forecasts from a variety of forecasters.

   The further forecast of a 2% reduction in GDP reinforces the challenging nature of the assumptions that are felt necessary in formulating the MTFS & Budget Estimates for 2022/23 presented in this report.

9. Fig 5 opposite shows the evolution in the OBR forecast over time since 2020 in respect of economic scarring due to the pandemic which materialises as GDP forecast reductions.

   As can be seen readily, the economic scarring falls rapidly from around 10% in 2020 to 2% in 2022 and then stabilises at this level.

9. A major reason for the rapid reduction in scarring is that Labour hours have subsequently recovered faster than expected in the OBR March 2021 forecast, leaving them only 2.7 per cent below pre-pandemic levels in the second quarter of 2021, compared to the 5.7 per cent assumption in the March 2021 forecast.

   This was largely the result of both activity and output recovering faster than expected, which contributed to there being approximately 1.2 million fewer people remaining on the job retention scheme in August than assumed in March.

10. The illustrations opposite present a challenging picture regarding the economic outlook within which the Council will have to operate over the MTFS period.

    OBR forecasts indicate an expectation that economic scarring due to Brexit (4%) and the Pandemic (2%) will be felt throughout the MTFS period in terms of reduced GDP.

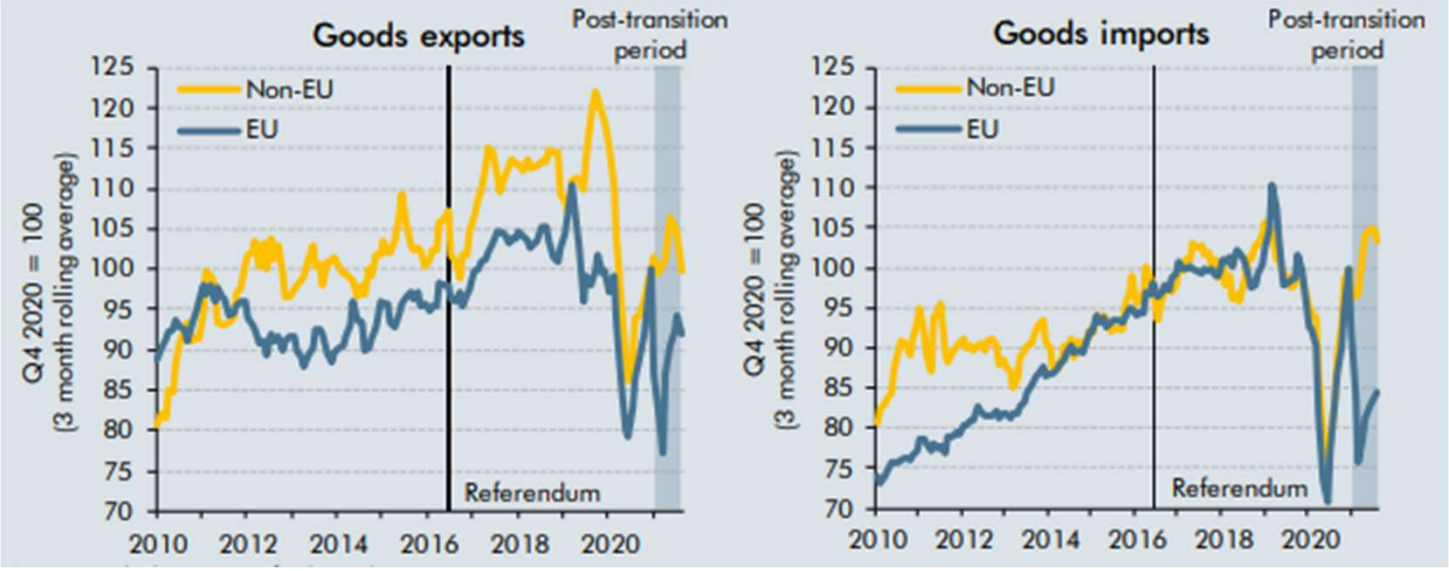
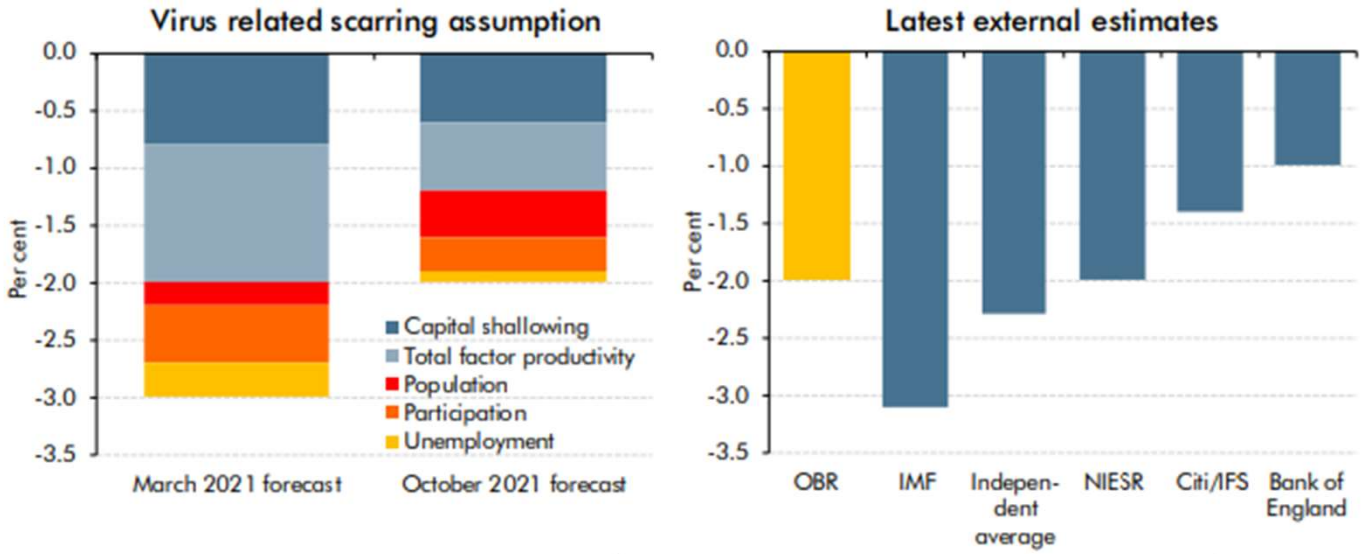
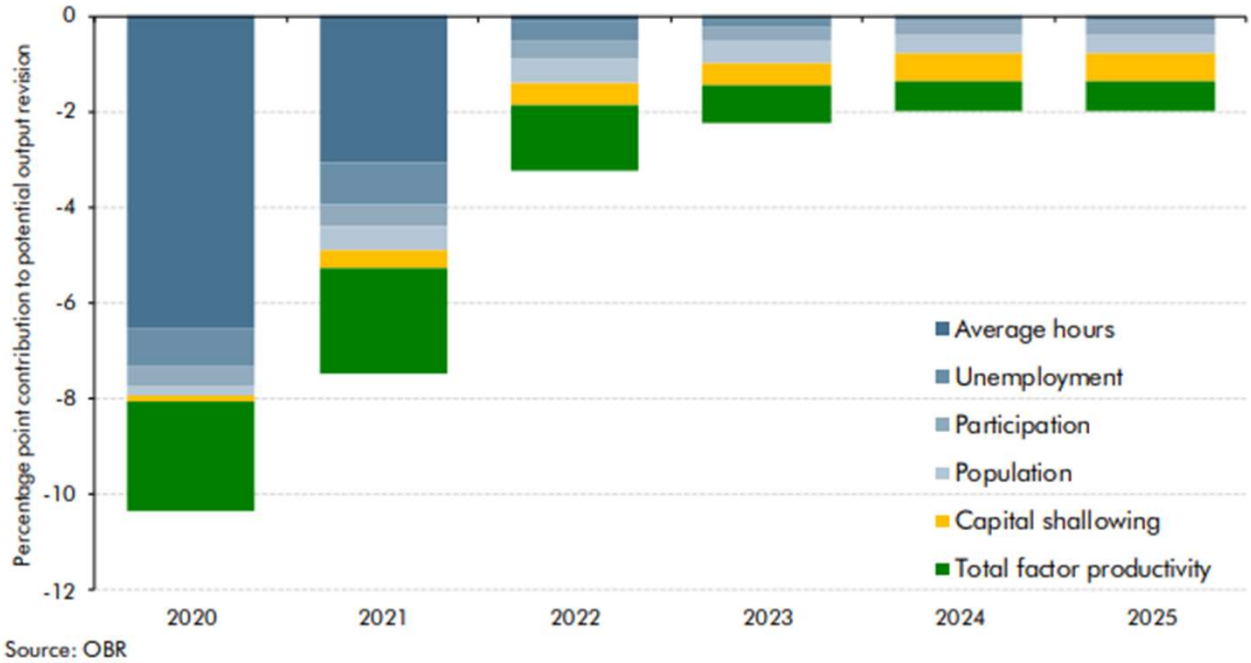


Fig 3:- Economic scarring of trade due to Brexit



Note: IMF and Independent average are calculated as the differences between the pre-pandemic and latest projections of GDP up to 2024 in the *IMF's World Economic Outlooks* and the averages in the HM Treasury's *Forecasts for the UK economy* publications.
Source: Bank of England, HM Treasury, IFS, IMF, OBR

Fig 4:- Economic scarring of GDP due to the Pandemic



Source: OBR

Fig 5:- Economic scarring due to the Pandemic over time

C Forecast Starting Position as at 31st March 2022

1. The budget report presented to Council on 24th February 2021 set out the Council's budget requirement for the 21/22 financial year and provided details on the Council's reserves position.

2. This process is in accordance with statutory requirements and proper accounting practices.

3. The GRA Budget Update report to December 2020 Council included a projected outturn position of a £0.563m overspend, however, the final out-turn position has now been confirmed to be an underspend of £270k on the General Fund representing 2% of the net budget of £13,430,140.

4. The key reasons for this positive £833k movement in the revenue position are: -

    - In the Autumn of 2020, and as a measure towards closing the budget gap, the corporate management team agreed to implement additional budgetary control measures across non-essential areas of spending in all service areas.

    - The retrospective application of, and maximisation of the use of available COMF Funding to eligible areas of spend, approximately £0.7m of £1.4m received was applied in 20/21, with the remaining £0.7m available in 21/22 to address Covid related pressures.

    - The successful application and receipt of funding for loss of Sales, Fees and Charges income of £900k and the timing of this.

5. The report to Council in February 2021 identified a budget gap of £1.2m. A key element of this pressure was the projected £586k overspend, in the event an underspend of £270k was achieved in 2020/21, thus reducing the budget gap by £833k from £1.2m to £367k by 31st March 2021.

6. Finally the report on GRA Mid Year Outturn Forecast 2021/22 due to be considered at Council on Dec 15th 2021 presents a 2021/22 forecast outturn for GRA of a £427k underspend, thus reducing the budget gap further to a negative gap of £60k.

7. An analysis of this forecast underspend of £427k is available opposite at fig 6.

8. A graphical illustration of the evolution of the budget gap since Feb 2021 to the forecast outturn position as at 31st March 2022 is available at fig 7.

It is important to note that this forecast closing position, as at 31st March 2022, is the starting position for both the MTFS for the 3 years ending 31st March 2025 and the Revenue Estimates for 2022/23.

Clearly this budget gap position will change as the non-recurring cost pressures and savings are identified in this starting position, during assembly of this MTFS.

Area	Revised Budget 2020/21	Under spend 2020/21	Comments
Wellbeing & Leisure	£3,170k	£385k	Leisure contract and repairs.
Housing & Regulatory	£1,897k	£100k	Disabled Facilities Grant fees, plus some minor staff cost savings.
Environmental Services	£7,237k	£50k	Fleet repair costs.
Miscellaneous	(£1,886k)	(£108k)	Under achievement of investment income.
Total Underspend		**£427k**	

Fig 6:- Major variances which make up the forecast Revenue outturn underspend for 2021/22

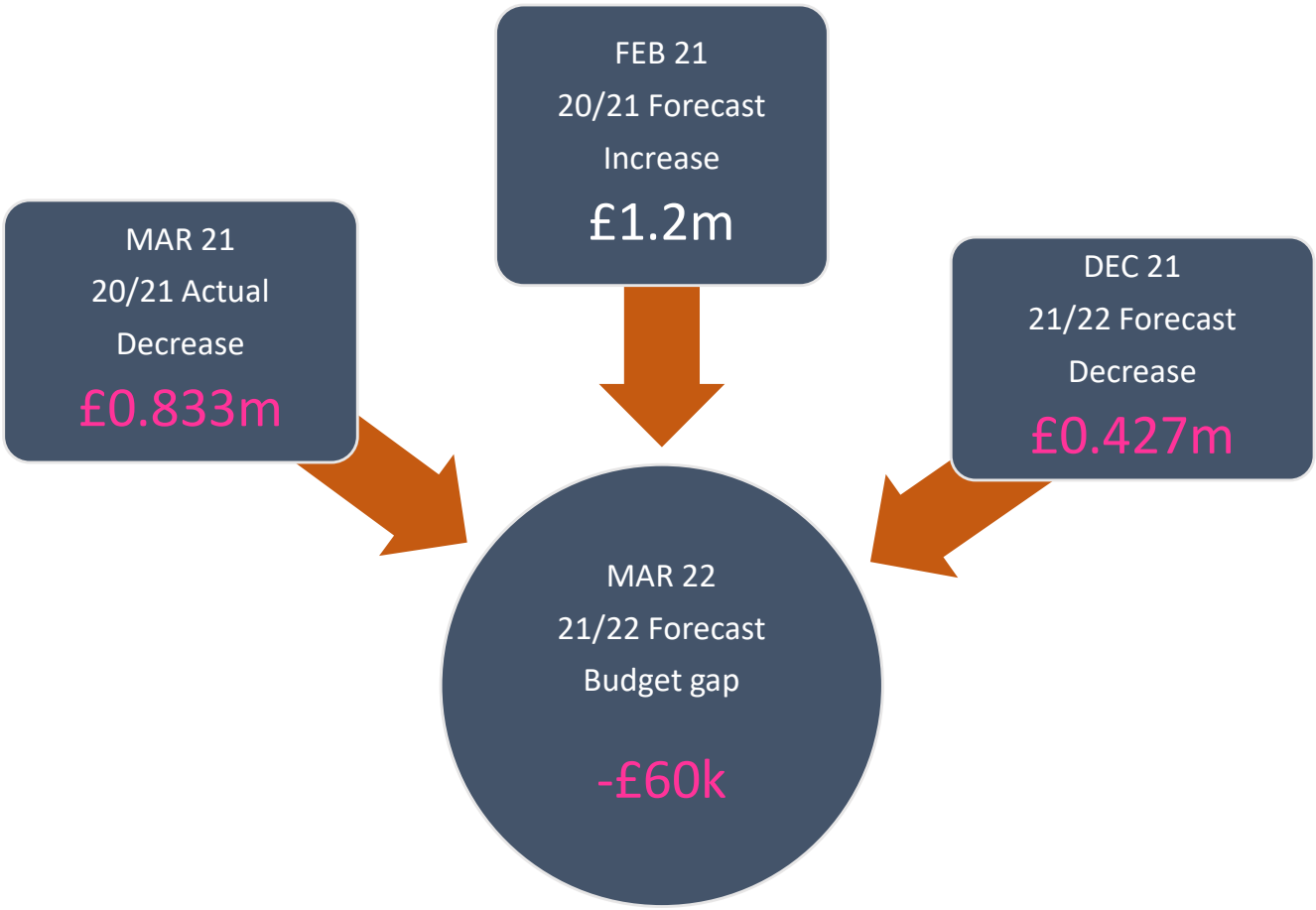


Fig 7:- Evolution of the GRA Forecast Budget Gap - Feb 21 to Mar 22

D Cost of the Current Level of Service (CCLS)

1. It has been established [at section C previously] that the forecast closing position, as at 31st March 2022 is a negative budget gap of -£60k

2. This is important since it represents the starting position for both the MTFS for the 3 years ending 31st March 2025 and the Revenue Estimates for 2022/23.

3. This section now moves on to look at the composition and materiality of the current net revenue spend to further inform the compilation of the MTFS and Revenue Estimates for 2022/23.

4. Fig 8 shows the objective split of net expenditure around the service areas of the Council which is typified by:-

    - representing an almost irreducible minimum cost of providing current services in 2021/22.

    - a cost base lacking the critical mass to springboard step change afforded to larger County or Unitary Councils

    - relying upon income generating, project based endeavours to provide the fuel for growth necessary to meet the challenges ahead.

5. Fig 9 shows the subjective split of financing available to the Council in 2021/22 and this is typified by:-

    - An almost complete reliance (82%) on raising taxation which the Council has little or no control over given heavy Central Government intervention on rates levied and taxation scope.

    - Financing which is subject to change on an annual basis, again by Central Government, which often causes material surges in available finance - witness recent changes in New House Bonus Grant (NHBG).

6. These features of the Council's core costs of their Current Level of Service make strategic management of its finances very challenging given the largely irreducible nature of the core costs, lack of critical mass and the uncertainty of financing by Central Government.

7. This MTFS deals with these features by crafting a financial strategy which provides a nurturing environment for income generating initiatives and not relying solely on cost cutting of a CCLS with limited potential for material gains.

8. A major target of the MTFS is to grow recurring non-taxation income over the 3yrs to 2025 and this is considered a key performance indicator (KPI) for this strategy.

Fig 8:- CCLS - Budget - Net Expenditure 21/22 - £16m

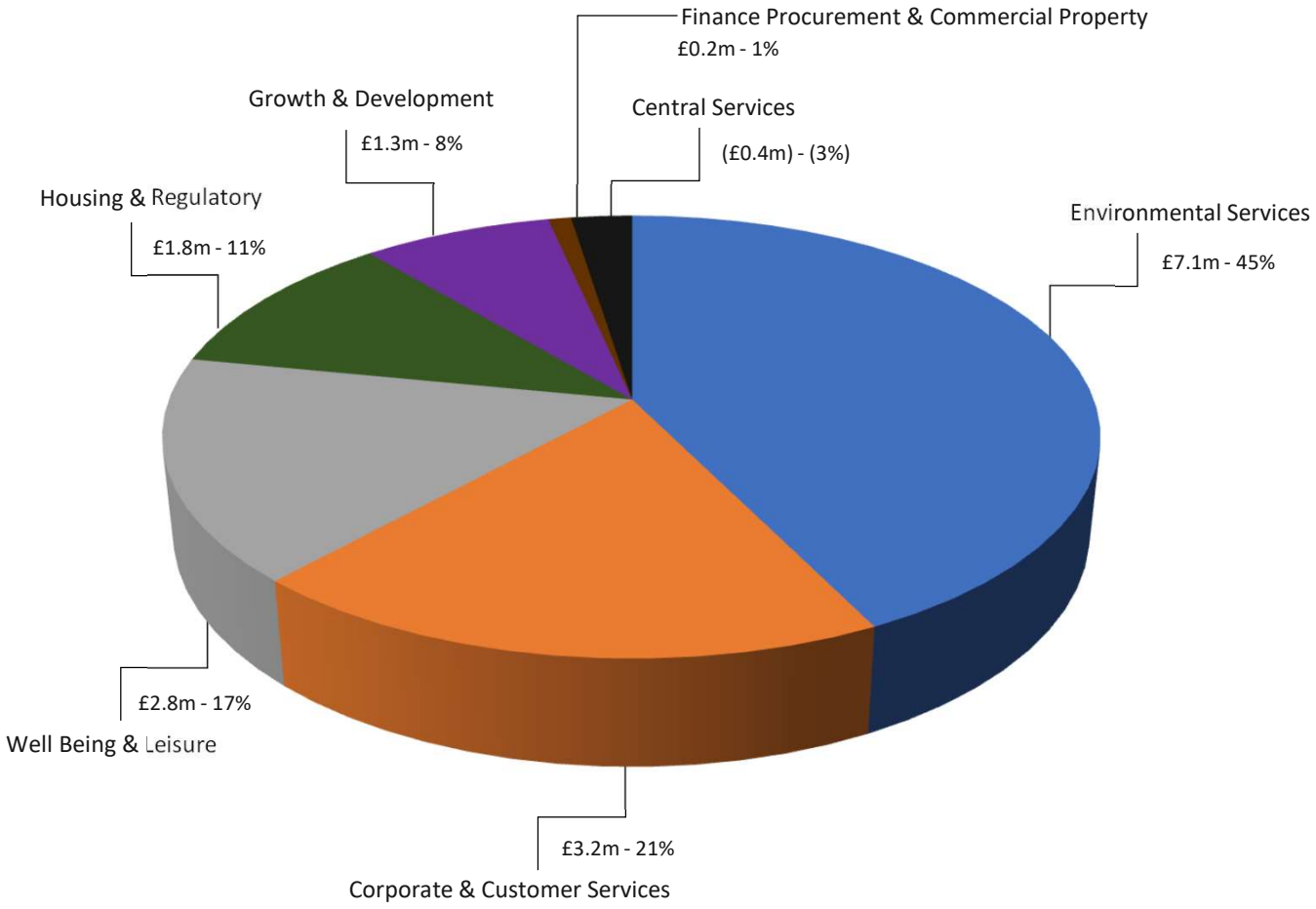
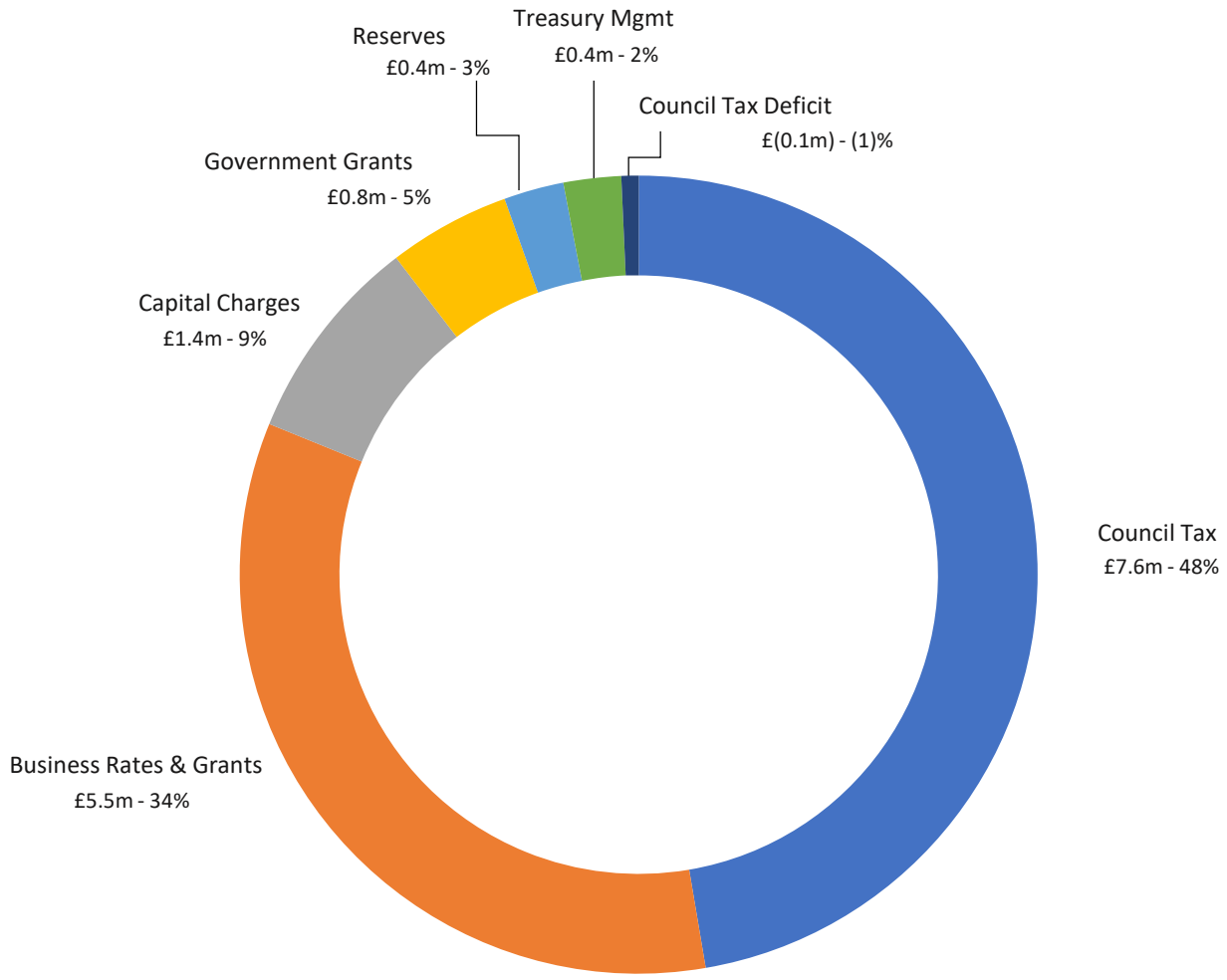


Fig 9:- CCLS - Budget - Financing 21/22 - £16m



E Growth Bids

1. Over and above the Cost of the Current Level of Service The council faces new and unavoidable budget increases, each year.

   These increases have been limited to cover essential and legislative pressures only.

2. The table opposite schedules the increases identified during the assembly of the MTFS and the revenue and capital budgets included in this report.

REVENUE Growth Bids

3. The largest category of growth bids of £260k (26% of total bids), following members desire to introduce a discretionary Council Tax discount/relief scheme, officers propose setting aside £260k to establish a scheme for members to approve at a future Full Council meeting.
4. The next largest category of growth bids of £254k (26% of total bids) relates to the recently conducted Planning Review.
5. After this significant invest to save growth bids have been made amounting to £160k (16% of total bids).
6. The remaining bids opposite, with a financial impact in 22/23, amounting to £314k comprise 7 growth bids which range individually from £15k to £80k
7. Fig 10 below shows the effect of the Growth Bids on the cumulative Budget Gap/Headroom that is a defining feature of the Council's finances.

Fig 10:- Budget Gap after Growth Bids 2022/23

2022/23 START	2022/23 GROWTH	2022/23 Revised TOTAL
HEADROOM £60K	GAP £984K	GAP £924K

CAPITAL Growth Bids

8. ICT infrastructure, software licenses and digital innovation, essential to the continued operation of the Council, account for £270k (34% of total bids)
9. Growth Bids relating to the Environment account for £234k (29% of total bids) and relate to 6 bids.
10. An Invest to Save capital growth bid is included at a cost of £140k (18% of total bids.
11. The remaining £152k (19% of total bids) relates to two bids - Hybrid, Remote & Streaming of Council Meetings (£92k) and Changing Places Facilities (£60k).

Growth Bids - REVENUE

All figures in £k

Ref	Growth Bid	Yr1 2022/23	Yr2 2023/24	Yr3 2024/25
	Covid Recovery			
R5	Additional EHO post - Environmental Protection (22/23 funded from Covid)	0	44	44
R23	Community Connector (22/23 funded from Covid)	0	33	33
R24	Community Connector Manager (22/23 funded from Covid)	0	42	42
	Invest to Save			
R4	Additional post of Inward Investment Officer	43	0	0
R6	Additional post of Corporate Finance & Projects Business Partner	44	-16	-26
R10	Supporting the business & Visitor economy & attracting inward investment	45	42	0
R35	Employment Debt recovery task force for 3 months	24	-15	-15
	Planning Review			
R33	Additional Planning Posts Fundamental to implementation of Planning Review	134	134	134
R19	Upgrade of IT equipment for Planning Services following Planning Service Review	12	0	0
R37	Regeneration Project Development Manager plus extention of existing post to I	108	48	48
	Other			
R30	Revenue consequences of Capital bid - C7 - Purchase Glutton Urban Vacuum	0	2	2
R31	Revenue consequences of Capital bid - C8 - Becconsall Closed Church Yard	0	7	9
R34	Legal Resource - Creation of two permanent posts for: Planning Assistant Solic	80	80	80
R3	Temporary post of Development Planning Surveyor for 12 months	53	0	0
R13	Continued Membership of Growth Lancashire (2 years)	15	15	0
R39	Replace WebaspX system	80	0	0
C4	Microsoft Site Licences	0	140	145
NEW	Street Scene Environmental Improvements - roundabouts	22	22	22
NEW	Additional Environmental Enforcement/Education Officer	39	39	39
NEW	New Council Tax Discretionary Relief Scheme - cost of living crisis	260	0	0
NEW	Dial-a-Ride	25	0	0
Total		984	617	557

Growth Bids - CAPITAL

All figures in £k

Ref	Growth Bid	Yr1 2022/23	Yr2 2023/24	Yr3 2024/25
	Invest to Save			
C12	Civica - upgrade of processing facilities - Phases 1-4 inclusive	140	0	0
	Environment			
C7	Purchase Glutton Urban Vacuum Cleaner	20	0	0
C8	Becconsall Closed Church Yard	30	0	0
C9	Litter Bin Policy	68	55	30
C51	Tree Management	50	50	0
C52	Culvert Management	50	50	0
NEW	Fund to replace faulty domestic bins damaged during bin emptying FOC	10	10	10
NEW	5 additional mobile CCTV bundles to address flytipping	6	0	0
	Other			
C21	Hybrid, Remote and Streaming Council Meetings	92	0	0
C5	Changing Places Facility	60	0	0
C6	Mastercard Gateway Upgrade	40	0	0
C1	Microsoft M365 Phase 3 - platform to deliver transformation initiatives	150	100	0
C3	Digital innovation and the continued development of ServiceNow	80	0	0
Total		**796**	**265**	**40**

F Cost Pressures

1. These items relate to major adverse issues not included in the cost of Current Level of Service (CCLS).
2. One of the most at risk areas of current funding relates to the New Homes Bonus Grant. (Reduction of £100k 2022/23)

   This is a performance reward grant that provides an incentive to stimulate new house building, bring empty homes back into use, and to increase the number of affordable homes.

   The grant has been reduced significantly in recent years by Government however it has been reduced by a smaller figure than expected in the provisional Local Government Financial Settlement for 2022/23 which has now been published.
3. Some SORP savings achieved in 2021/22 were one off (£275k) and not applicable to future years, this therefore creates a cost pressure in 2022/23 onwards equivalent to the value of the one off savings achieved in 2021/22 but foregone thereafter.
4. Loss of COVID funding (£599k) which was used to fund existing staffing costs in 2022/23 also creates a cost pressure from 2022/23 onwards.
5. Two material cost pressures traditionally exist which relate to inflation in 2022/23 and are estimated at £485k in total.
   - Salaries pay award estimated at 2% for 2022/23
   - Non Salaries contract inflation estimated at 4% for 2022/23
7. Also transferring assets representing solar panels installed on housing stock to HRA from GRF involves a transfer of £70k of net income from GRA, there are however compensating advantages to GRA in terms of reductions in Minimum Revenue Provision (MRP) exposure.
8. A cost pressure of £231k represents a one year extension of the Leisure Contract with Serco. As in previous years the contract will operate on an open book "No Net Loss, No Net Gain (NNLNNG) arrangement and the financial projections for the year indicate a shortfall on current budgets.
9. A reduction in Retained Business Rates due to the introduction of the Retail Discount 22/23 scheme and reduction in S31 Business Rates Compensation grant

Fig 11:- Budget Gap after Growth Bids & Cost Pressures 2022/23

2022/23 START+GROWTH	2022/23 COST PRESSURES	2022/23 Revised TOTAL
GAP £924k	GAP £3,785k	GAP £4,709k

All figures in £k				
		Yr1	Yr2	Yr3
Ref	Cost Pressure	2022/23	2023/24	2024/25
1	New Homes Bonus Grant	100	395	395
2	non recurring SORP savings achieved in 2021/22	275	275	275
3	Employee Pay awards - 2% p.a.	335	670	1,005
4	Loss of Covid 19 Grant funding	599	200	200
5	Contract Inflation	150	300	450
6	Transfer of Solar Panels on roofs of housing stock to HRA	70	70	70
7	Service Demand - Environmental Services	0	0	180
8	Leisure Contract - 1 yr Contract Extension	231	0	0
9	Retained Business Rates	966	0	0
10	S31 Business Rates Compensation Grant	1,059	0	0
	UNKNOWNS			
	COVID Funding levels			
	The impact of Brexit			
		3,785	1,910	2,575

Summary of financial impacts of Cost Pressures on starting point of 1st April 2022

G Favourable Anticipated Events

1. A one year Holiday from making revenue contributions to non ring fenced reserves will save £300k in 2022/23.
2. A review of the last 5 years of revenue expenditure reveal that Salary budgets of £16.9m have been consistently underspent by between 5% & 8%.

   This is largely due to vacant posts & posts being filled after employees have left. Furthermore reverse incremental drift whereby employees who leave at the top of a salary scale are replaced by new employees at the bottom or lower down the scale contributes to this underspend.

   Currently in 2021/22 a vacancy factor of 2.5% (£445k) has been used, in the light of the above research this factor has been lifted to 6%, yielding a further saving of £569k.
3. Council Tax income increases due to repeating the current increased rate of £5 per band D in 2022/23 plus an estimated increase in the Council Tax base of 1.6% generate £340k.
4. Returns from investments in Skelmersdale Town Centre redevelopment and TVD are estimated at £340k in total in 2022/23.
5. The Business Rates multiplier usually increases each year in line with the September RPI (6% this year) and this is expected to yield £341k in 2022/23, in line with the provisional Local Government Settlement.
6. Due to the latest interest rates forecast provided by LINK, a further £100k of interest receivable income is forecast in 2022/23.
7. The Government require that a Minimum Revenue Provision (MRP) must be made in lieu of charging depreciation in GRA revenue accounts.

   This is based on an assessment of the Capital Financing Requirement (CFR) of the Council at the start of the accounting year.

   A review of the Council's capital activity since 2011/12 has established that the Council has a negative CFR of £1,459k and an over provision of MRP of £524k

   Therefore this forecast has assumed a nil level of MRP for the next 3 years (saving £216k pa - excluding any MRP chargeable to projects which will have the charge calculated in project costings
8. Collection Fund surplus / deficit and the use of the s31 Grant - Retail Hospitality & Leisure Payment Holiday 20-21 reserve, total £2,696k due to the statutory 3-year spreading introduced from 2020/21 for Covid related losses.
9. Annex J contains a revised MRP Policy for further information.

Fig 12:- Budget Headroom after Growth Bids , Cost Pressures & Favourable Events 2022/23

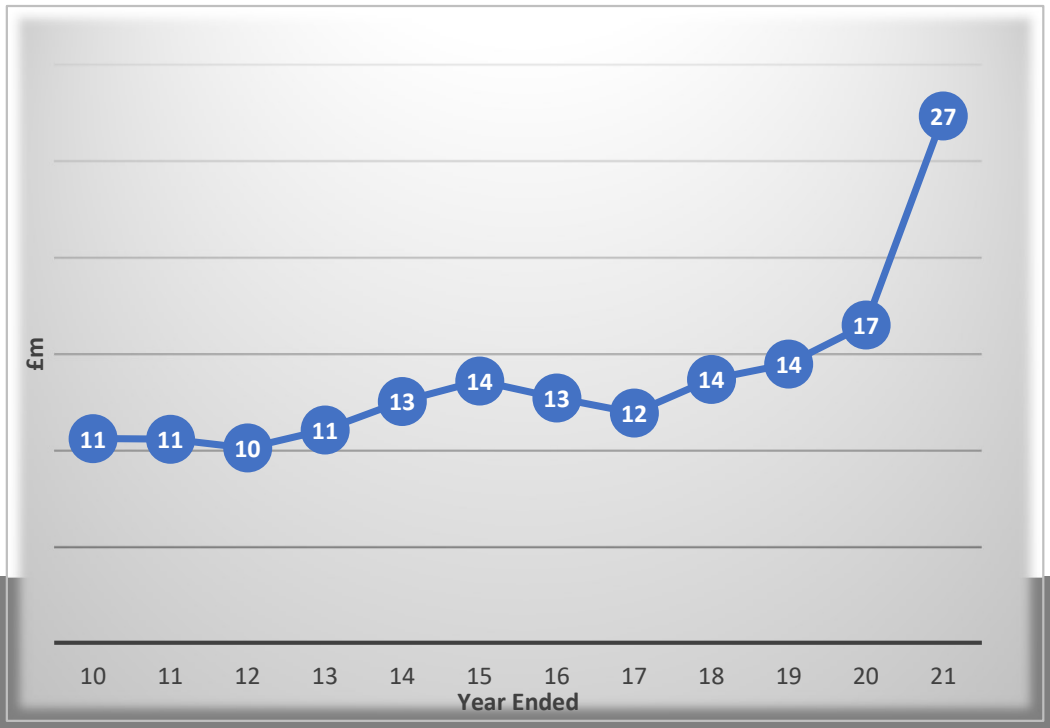
2022/23 START+GROWTH	2022/23 COST PRESSURES	2022/23 FAVOURABLE EVENTS	2022/23 Revised TOTAL
GAP £924k	GAP £3,785k	HEADROOM £5,143k	HEADROOM £434k

Summary of financial impacts of Favourable Anticipated Events on starting point of 1st April 2022

All figures in £k

Ref	Favourable Anticipated Events	Yr1 2022/23	Yr2 2023/24	Yr3 2024/25
1	Initial 1Yr Holiday re Reserves Contributions	300	0	0
2	Employee Costs Vacancy factor increase to 6% from 2.5%	569	569	569
3	Business Rates Multiplier increase RPI - 6% - 4.9% - 4%	341	586	786
4	Return from re-development of Skelmersdale Town Centre	290	272	272
5	Returns from TVDC	50	250	250
6	Minimum Revenue Provision reduction	216	216	216
7	Additional income from increased interest rates	100	100	100
8	Council Tax Increase - 2% without local referendum	189	378	567
9	Changes in the Council Tax Base (growth by 1.6% p.a.)	151	281	411
10	Lower Tier Support Grant	11	0	0
11	New Service Grant (Gov stated this is a one off grant)	230	0	0
12	Collection Fund Surplus/Deficit & Use of s31 Grant - Retail Hospitality & Leisure Payment Holiday 20-21 Reserve	2696	0	0
	UNKNOWNS			
	COVID Funding levels			
	The impact of Brexit			
		5,143	2,652	3,171

Fig 13:- Level of Reserves 2010 to 2021



H Reserves rationalisation

1. Fig 13 opposite shows the trend in reserves balances since 2010, this demonstrates steady growth in reserves over the period to end 2020 and reflects careful husbandry of Council reserves which places the Council in a strong and resilient financial position.
2. Current reserves, as at 31 March 2021, comprise 23 individual reserve "pots" with balances ranging from £3k to £9,308k.
3. Using such a high number of reserve "pots" runs several risks: -
    - The more "pots" there are the greater the administration required to manage contributions, drawings and financial reporting.
    - Precious resource can become "locked up" in the miscellany of "pots" depriving others of much needed financial resources.
    - Placing monies in a large number of reserves effectively freezes the Council priorities of the day, leaving these monies for long periods untapped effectively petrifies the said Council priorities.
    - Maintaining an infrastructure of reserve "pots" with monies protected from general use or re-evaluation establishes an underground revenue budget which, given the scale of £23.7m of total reserves, is 1.4 times the formal net revenue budget which the Council approves each year.
4. The table opposite shows a rationalisation of these 23 individual reserve "pots" into just 6 reserves, with 4 of these being necessary because of the advisable and/or statutory need to ring fence the "pots" contained.

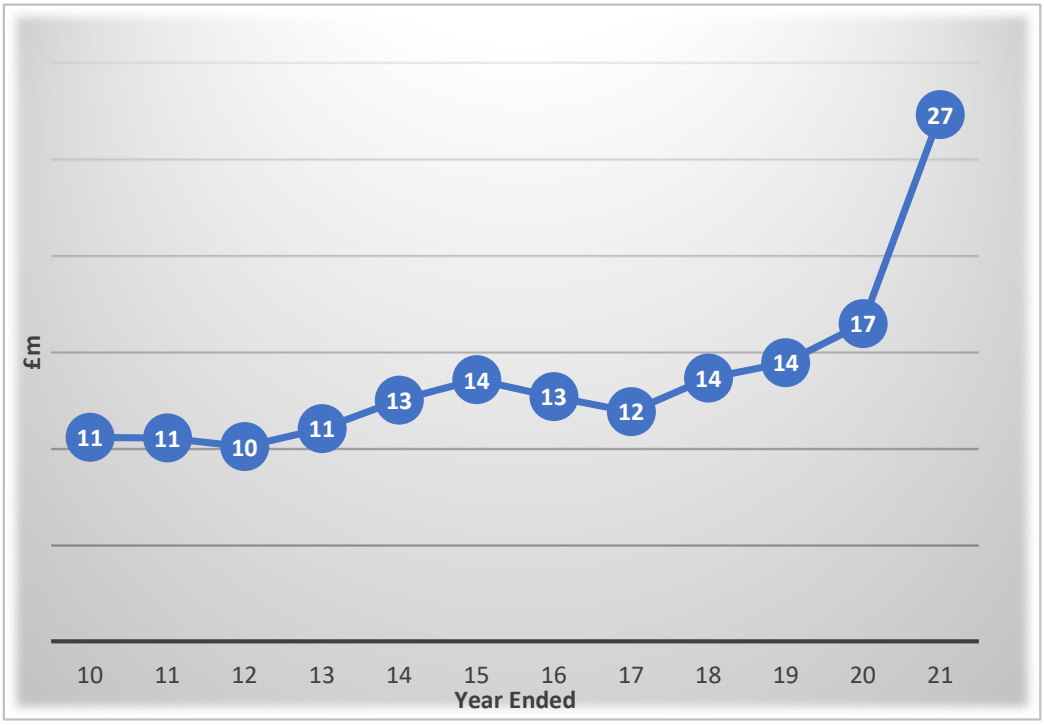
    The two remaining reserves relate to: -

    - **Core & Contingency Fund - £3m**
      These are balances held to cushion the impact of unexpected events or emergencies.

      Given the uncertain macroeconomic outlook these reserves are required to be increased from the existing balance of £1,236k.
    - **General Fund - £5.3m**
      Non ringfenced fund available to support initiatives from across the Council.
5. The four ring fenced reserves amount to £15.4m with the lion's share of £9.3m residing in the Community Infrastructure Levy (CIL). The CIL is a charge which is levied by the Council on new development in the Council area and can only be used for infrastructure works (inc Leisure Centres).
6. The Insurance claim reserve has been reduced to £1m, taking account of the level of recent actuarial valuations with a small contingency added.
7. The Industrial Portfolio Fund - Langtree Estate sits at £792k and is ringfenced for regeneration purposes.
8. Finally the s31 Grant - Retail Hospitality & Leisure Payment Holiday 20-21 standing at £4.3m will be utilised to compensate for the holiday from business rates awarded to this sector by Government.

All figures in £k		
RESERVES Balances - post RATIONALISATION		
		31st Mar 2021
Ref	**Reserve**	**2020/21**
4B911	Core & Contingency Balances	£3,000
New	General Fund	£5,301
9644	Community Infastructure Levy (CIL)	£9,308
9429	Provision for Insurance Claims	£1,000
9697	Industrial Portfolio Fund - Langtree Estate	£792
9417	s31 Grant - Retail Hospitality & Leisure Payment Holiday 20-21	£4,332
		£23,733
	Technical Reserves made at Year end (eg certain grants)	£3,603
	Total Reserves as per 2020/21 Statement of Accounts	**£27,336**

Fig 13:- Level of Reserves 2010 to 2021



I Minimum Revenue Provision (MRP) Policy Statement re Financial Year 2022/23

1. Statutory Guidance on MRP was issued by the Secretary of State, in 2018, under section 21(1A) of the local Government Act 2003 (LGA 2003) - this statement conforms to that guidance.

   Unless otherwise mentioned references in brackets refer to sections in this Guidance.

2. An underpinning principle of the local authority financial system is that all capital expenditure has to be financed either from capital receipts, capital grants (or other contributions) or eventually from revenue income.

   The broad aim of making a prudent MRP is to require local authorities to put aside revenue, over time, to cover their capital financing requirement (CFR) (s21)

3. The Guidance is fully applicable to accounting periods 2019/20 and afterwards and supersedes all previous Guidance. (s15)

4. This statement regarding MRP policy is required to be made annually by the Council, in respect of the following financial year - in this case 2022/23. (s18)

5. Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended - Local Authorities are required to charge MRP in their revenue account each financial year.

   Previous to this, Guidance prescribed formulaic methods which were in force for calculating MRP. However Guidance now stresses that Regulation 28 of the aforementioned Regulations replaces this prescribed approach and grants local authorities "flexibility in how they calculate MRP, providing the calculation is prudent" (s17)

6. The flexibity to calculate a prudent rather than a formulaic MRP charge, liberates the Council to craft an approach to its MRP which best suits its local circumstances and the nature of its own CFR.

7. As the financial analysis opposite of the Council's CFR history since 2016 and the financing of the CFR (including MRP) demonstrate, the Council's CFR is dominated by the enforced borrowing which was occasioned in 2012 to finance the end of HRA subsidy arrangements with Government.

8. This Council has pursued an almost debt free approach to financing CFR (otherwise than in 2012) and CFR levels in GRA have been minimal in comparison to the funding utilsed from capital receipts, grants and revenue contributions.

9. In fact the closing GRA CFR for 2020/21 is £1,459k negative and since no MRP is required to be charged for HRA CFR (s44) then the Council is not required to make any charge for 2021/22.

10. Furthermore since current MRP is overpaid by £524k (see graphic opposite) no MRP is likely to be provided in the medium term. (s26)

CAPITAL FINANCE REQUIREMENT - all figure in £k	2016/17			2017/18			2018/19		
	GRA	HRA	Total	GRA	HRA	Total	GRA	HRA	Total
Opening balance	**-10**	**99,079**	**99,069**	**2,380**	**99,373**	**101,753**	**2,035**	**99,551**	**101,586**
Property, Plant & Equipment	753	11,047	11,800	774	6,912	7,686	4,397	13,538	17,935
Investment Properties	3,852	0	3,852	0	0	0	0	0	0
Intangible Assets	410	0	410	226	0	226	317	0	317
HRA Self Financing Payment	0	0	0	0	0	0	0	0	0
Loans	0	0	0	0	0	0	0	0	0
Revenue Expenditure funded from Capital under Statute	829	0	829	1,042	0	1,042	1,074	0	1,074
Assets held for Sale	0	0	0	0	0	0	0	0	0
Heritage Assets	0	0	0	0	0	0	9	0	9
Capital Receipts	-1,053	-314	-1,367	-1,021	-234	-1,255	-1,585	-182	-1,767
Grants	-1,035	-34	-1,069	-880	0	-880	-1,301	0	-1,301
Direct Revenue Contributions	-1,042	-10,405	-11,447	-231	-6,500	-6,731	-793	-11,903	-12,696
Internal Borrowing	0	0	0	0	0	0			0
Minimum Revenue Provision (MRP)	-324	0	-324	-255	0	-255	-263	0	-263
Closing balance	**2,380**	**99,373**	**101,753**	**2,035**	**99,551**	**101,586**	**3,890**	**101,004**	**104,894**

CAPITAL FINANCE REQUIREMENT - all figure in £k	2019/20			2020/21		
	GRA	HRA	Total	GRA	HRA	Total
Opening balance	**3,890**	**101,004**	**104,894**	**1,506**	**101,156**	**102,662**
Property, Plant & Equipment	2,001	10,637	12,638	5,679	8,835	14,514
Investment Properties	26	0	26	10	0	10
Intangible Assets	252	0	252	208	0	208
HRA Self Financing Payment	0	0	0	0	0	0
Loans	0	0	0	0	0	0
Revenue Expenditure funded from Capital under Statute	4,052	0	4,052	2,535	0	2,535
Assets held for Sale	0	0	0	5	0	5
Heritage Assets	0	0	0	0	0	0
Capital Receipts	-6,515	-1,058	-7,573	-2,276	-422	-2,698
Grants	-1,735	0	-1,735	-4,205	0	-4,205
Direct Revenue Contributions	-199	-9,427	-9,626	-350	-8,413	-8,763
Internal Borrowing			0			0
Minimum Revenue Provision (MRP)	-266	0	-266	-273	0	-273
Closing balance	**1,506**	**101,156**	**102,662**	**2,839**	**101,156**	**103,995**

Summarised MRP for GRA		£k
CFR opening position 2021/22		**2,839**
Less: - Capital receipts reserve	-	2,370
Transfer of Solar panels on HRA stock to HRA	-	1,928
CFR revised position 2021/22	**-**	**1,459**

MRP Overpayment	£k
after Solar panel transfer	386
re Voluntary set aside (Wheatsheaf)	138
Total overpayment to date	**524**

I Minimum Revenue Provision (MRP) Policy Statement re Financial Year 2022/23

11. Once the GRA CFR returns to a positive figure at the start of a financial year and any overpaid MRP has been absorbed, then MRP charges will resume in that financial year - effectively this will mean that any new capital expenditure in the previous year will add to the CFR position but capital expended in the current year will not add to the CFR until the following year.. (s40)

12. MRP will only be provided on projects once the scheme has been completed and commissioned i.e. not during the construction phase. (41)

13. The MRP on existing and new Commercial Property Investments will be determined following consideration of scheme specific factors and agreed via Council approval and through the annual MRP policy.

14. Where considered applicable, project costings will include any requirement to charge MRP.

15. In regard to general capital expenditure which adds to the CFR, any MRP which requires to be charged will be calculated on the overall CFR balance at the start of the financial year.

    This pooled approach is considered the only practical and prudent one, since the CFR at any point in time is an add mix of a miscellany of capital schemes which have historically been completed at least since 2010 in the analysis of CFR carried out opposite and probably for decades before in some instances.

    Furthermore any attempts to associate block financing approaches relating to this expenditure with particular, individual schemes is at best arbitrary and capable of distorting the calculated MRP charge.

16. Therefore future MRP charges will be calculated: -

    16.1 In the first instance and in relation to projects where the scheme has been completed and commissioned and MRP charges costed into the project costings, MRP will be charged in line with the asset life method whereby MRP charged in a year equals the CFR less any MRP charged to date, divided by the remaining useful life of the project. (s35a)

    16.2 In respect of the remaining general capital expenditure the CFR balance at the start of the year (excluding any CFR relating to 16.1) will attract a charge of 2% of the CFR balance in the year of account. (s42)

    For the avoidance of doubt charges under 16.2 will only be made in a particular year whereby either the CFR (excluding new projects) is positive and when insufficient overpaid MRP is available to negate the charge due.

CAPITAL FINANCE REQUIREMENT - all figure in £k	2013/14			2014/15			2015/16		
	GRA	HRA	Total	GRA	HRA	Total	GRA	HRA	Total
Opening balance	**1,198**	**92,609**	**93,807**	**-1,721**	**94,998**	**93,277**	**-1,612**	**95,893**	**94,281**
Property, Plant & Equipment	1,533	12,102	13,635	883	10,315	11,198	3,694	12,317	16,011
Investment Properties	0	0	0	10		10	0	0	0
Intangible Assets	120	0	120	102		102	216	0	216
HRA Self Financing Payment	0	0	0			0	0	0	0
Loans	0	0	0			0	0	0	0
Revenue Expenditure funded from Capital under Statute	1,068	0	1,068	1,560		1,560	1,297	0	1,297
Assets held for Sale	30	0	30	0		0	0	0	0
Heritage Assets	48	0	48	2		2	1	0	1
Capital Receipts	-1,117	-43	-1,160	-1,299	-281	-1,580	-1,127	-98	-1,225
Grants	-988	0	-988	-714	-376	-1,090	-902	-260	-1,162
Direct Revenue Contributions	-3,311	-9,670	-12,981	-143	-8,763	-8,906	-1,241	-8,773	-10,014
Internal Borrowing	0	0	0			0	0	0	0
Minimum Revenue Provision (MRP)	-302	0	-302	-292	0	-292	-336		-336
Closing balance	**-1,721**	**94,998**	**93,277**	**-1,612**	**95,893**	**94,281**	**-10**	**99,079**	**99,069**

CAPITAL FINANCE REQUIREMENT - all figure in £k	2010/11			2011/12			2012/13		
	GRA	HRA	Total	GRA	HRA	Total	GRA	HRA	Total
Opening balance	**530**	**4,770**	**5,300**	**1,011**	**4,589**	**5,600**	**1,892**	**92,623**	**94,515**
Property, Plant & Equipment	1,084	6,264	7,348	2,044	5,259	7,303	1,133	6,760	7,893
Investment Properties	0	0	0	0	0	0	0	0	0
Intangible Assets	82	29	111	87	0	87	18	0	18
HRA Self Financing Payment	0	0	0	0	88,212	88,212	0	0	0
Loans	0	0	0	0	0	0	0	0	0
Revenue Expenditure funded from Capital under Statute	1,033	0	1,033	1,588	0	1,588	2,102	0	2,102
Assets held for Sale									
Heritage Assets									
Capital Receipts	-800	-551	-1,351	-1,299	-547	-1,846	-1,280	-5	-1,285
Grants	-300	-1,660	-1,960	-1,135	-958	-2,093	-2,073	-139	-2,212
Direct Revenue Contributions	-592	-4,150	-4,742	-249	-3,932	-4,181	-114	-6,630	-6,744
Internal Borrowing	0	0	0	0	0	0	0	0	0
Minimum Revenue Provision (MRP)	-26	-113	-139	-155	0	-155	-480	0	-480
Closing balance	**1,011**	**4,589**	**5,600**	**1,892**	**92,623**	**94,515**	**1,198**	**92,609**	**93,807**

Annex J Financial Control Policy

1. Given the challenging financial outlook facing the Council over the short and medium term this report needs to put in place robust arrangements to assure financial control is exerted.

2. The principal mechanism for securing authority to incur Revenue and Capital finance, be it income or expenditure, must continue to be securing the approval of elected members via the presentation, annually, of a Revenue Budget for the upcoming financial year of account.

   In a similar manner the principal mechanism for securing approval for capital should be by the annual presentation of a 3-year capital programme for approval

   These annual submissions are expected to form the major bids for resources presented for elected member approval and will be prepared by the s151 Officer of the Council.

3. There will also be occasions, throughout the financial year, when significant, project based proposals with material financial consequences require approval.

   These project based proposals should be fully costed and approved by the s151 Officer of the Council in terms of their financial implications.

   A feature of such proposals may well be that they span several years, involve substantial financial commitments and involve both capital and revenue financial implications.

4. The practice of submitting reports to elected members to gain approval to address ad-hoc budget pressures in year should be resisted if at all possible since drip feeding budget approval in this manner undermines the Annual Revenue/Capital approval mechanisms. A good alternative is to consider exercising virement to fund ad hoc pressures - whatever the chosen route any bid for resource will require the approval of the Council's s151 Officer.

5. The beauty of the major annual approval mechanisms is that they enable a strategic consideration of budget priorities as well as the quantum for which approval is sought, not a one-off parochial consideration.

6. The financial control environment applicable to Reserves is available at Annex D.

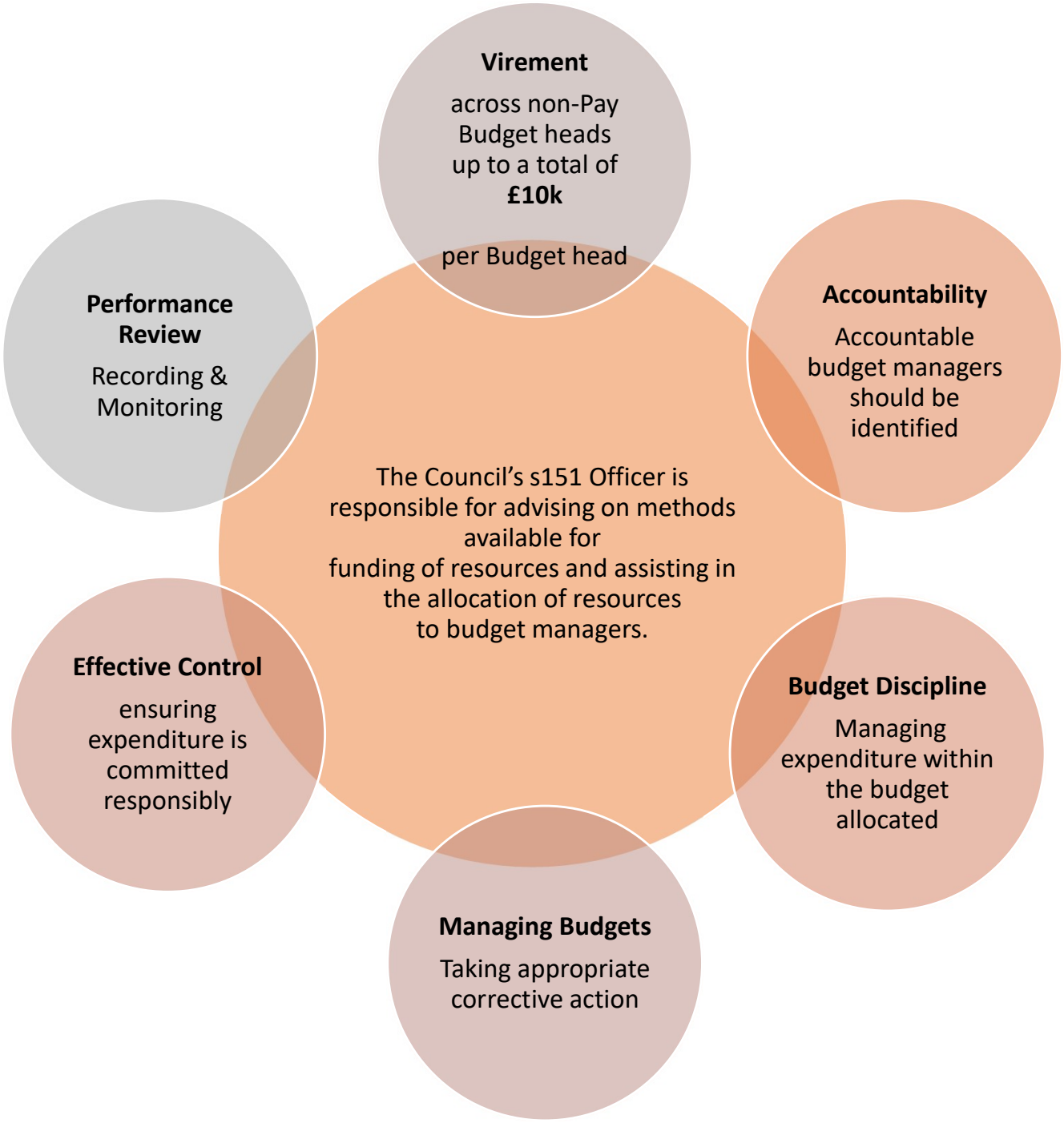
7. Financial resources are also secured on an ad-hoc basis throughout the financial year without seeking explicit approval from elected member via an officer only process of issuing a signed Record of Decision (ROD). This procedure requires the signature of the Council's s151 officer.

   In order to assist transparency and financial control these ROD's should be reported to each cycle of the Audit & Governance Committee throughout the year.

8. s4.17 of the Council's constitution provides for charges to be remitted or debts to be written off (up to £5k per item) in consultation with the Council's s151 officer.

   These items should also be reported to each cycle of the Audit & Governance Committee.

Budgeting Control Environment



Annex K Sales, Fees & Charges Policy

1. The existing Policy was devised in 2012 and is now updated by this revised Policy.
2. Fees and charges represent an important source of income for the Council and their sound management is a fundamental aspect of good financial performance and a key contribution to the achievement of corporate priorities.
3. This policy document sets out a corporate framework within which fees and charges for Council services are to be established and reviewed so that there is a properly considered, consistent and informed approach across all areas that secures the delivery of value for money services and minimises the net cost of services.
4. The development and maintenance of a fees and charges policy will deliver a number of benefits including:
    - Providing a better understanding for Members and the public on the charging policies adopted by the Council
    - Aiding the budget setting process each year
    - Ensuring a consistent, structured and fair approach is adopted across the Council in the setting of fees and charges
    - Ensuring compliance with any statutory guidance and legislation in relation to the setting of fees and charges
    - Ensuring that the purpose, demand and value of services provided are regularly reviewed
    - Ensuring charges levied support the Council's corporate priorities, contribute to service improvement and minimise the net cost of services where possible.
5. This Policy sets out a principle that basic universal services should be provided free at the point of use with appropriate charges for additional services in order to maintain their sustainability into the longer term.
6. Local authorities are able to charge as they choose for certain discretionary services provided they are not prohibited by specific legislation and they do not make a profit. The intention of these general charging powers is to encourage authorities to offer those sorts of services they would otherwise decide not to provide because they cannot afford to supply them.
7. The Council's approach and policy on charging should be clearly communicated to the public along with why it is appropriate to maintain, introduce or increase charges. The views of service users should also be considered in setting fees and charges.
8. Reasonable notice should be given to service users before any new charge is implemented and all charges should be transparent. Where possible, large fluctuations in charges should be avoided.

9. Fee setting should have due regard to current VAT regulations. As a general principle, fees and charges should be updated to take account of any changes in VAT rates unless it is not practicable and feasible to do so.
10. When setting fees and charges, consideration must be given to the cost of collecting and enforcing debt with advance payment or direct debit being the Council's preferred method of collection. Charges should be collected in a simple and cost effective manner. Where charges are to be collected after service delivery has commenced, invoices should be issued promptly and where necessary appropriate recovery procedures followed.
11. Income derived from charging will be used to offset the costs of providing the service being charged for, including support service costs. Where a surplus over budget is generated from charges that are not specifically ring fenced for that activity, then this will be considered as a corporate resource to be used in accordance with the Council's overall priorities.
12. All charges within the Council's control must be reviewed at least annually to fit in with the annual budgeting process and should be increased in line with the Consumer Price Index (CPI). Housing rents and charges will be given separate consideration through the HRA Business Planning process. These reviews should be co-ordinated and monitored by the s151 Officer of the Council but are the responsibility of the appropriate Service Manager to conduct.
13. These general principles are to be applied having regard to the other elements of the Policy.
14. When setting charges the Council must have regard to:
    - regulatory and statutory requirements and any relevant Council strategies or policies (e.g. Equal Opportunities
    - market conditions and prices charged by competitors and/or other local authorities
    - the need to avoid any potential distortion of the market which might otherwise occur from pricing services below the levels charged by private sector concerns for similar services
    - the need for all charges imposed by the Council to be reasonable and to avoid the exploitation of customers who have no option but to use the Council's services
    - the need to increase Council income
    - Who benefits from the service – individuals or the community?
    - Should this service be subsidised and / or what is the subsidy achieving?
    - How much do residents, communities and businesses value the service?
    - How willing and able are residents and businesses to pay for the service?
    - What effect does charging have on the supply and demand for a service?
    - How can the level of charges affect behaviour and assist service objectives?
15. In establishing and reviewing charging rates and levels, each fee or charge should be identified to one of the categories in the table opposite and the appropriate charging policy adopted.

15. However, it is recognised that for certain activities there are important exceptions that may make charging inappropriate. These include the following circumstances: -

    - Where the administrative costs associated with making a charge would outweigh any potential income
    - Where making a charge would be contrary to achieving one of the Council's priorities
    - Where charging would be counterproductive i.e. a substantial reduction in the use of a service
    - Where the service in question is delivered to all residents or householders equally and which could, therefore, be considered to be funded from Council tax

17. In some circumstances it may be appropriate to consider offering discounts or concessions in relation to particular activities or customer groups on a basis which is consistent with achieving the Council's overall objectives.

18. Each decision to subsidise certain services should be based on fair, transparent and objective criteria and examined on its merits. Concessions are likely to be more appropriate where Services are attempting to improve well-being, facilitate equal access to services or encourage changes in behaviour.

19. Specific points to consider when establishing or reviewing the level of any discount or concession offered for a particular service include: -

    - Are we benefiting local residents?
    - Can a discount policy contribute to wider policy objectives aimed at maximising access to services from among disadvantaged groups?
    - Is the policy to target specific groups with discounts still valid?
    - To what extent is there evidence that the discount policy is successful in benefiting the target groups?
    - Can the cost of the subsidy be estimated and accommodated within the Council's budget?
    - Are there other groups that should be considered for discounts

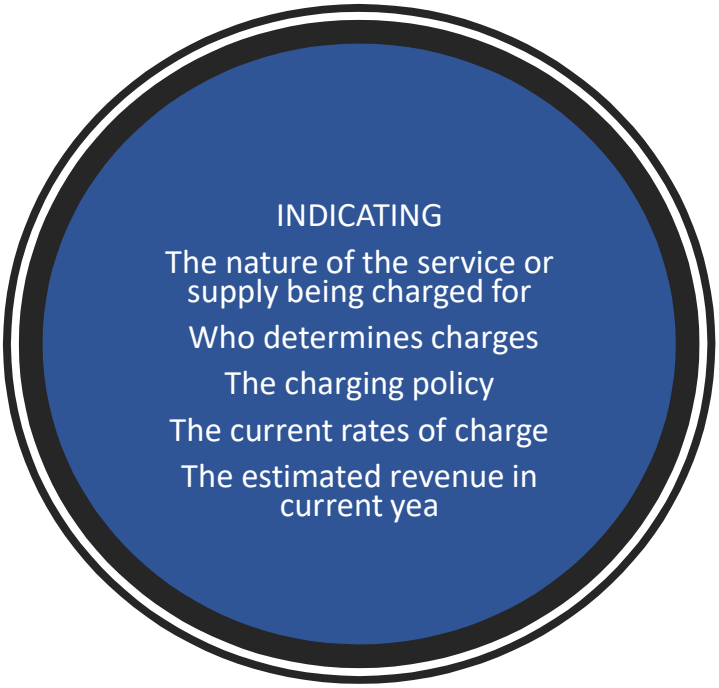
20. The Fees and Charges Policy will be reviewed on a regular basis or when required by best practice or legislative change. The policy will be publicly available on the Council's website and hard copies will also be available on request.

21. If there are any significant changes in the course of a year, such as in costs, market forces, unpredicted external factors or service levels, which materially affect current charges and revenues, then that charge should be reviewed.

22. The effects any new charge has on service usage and income must also be closely monitored over the first twelve months by the relevant Manager.

Charging Policy	Policy Objective
Full Commercial	The Council seeks to maximise revenue within an overall objective of generating as large a surplus (or a minimum loss) from this service
Full Commercial with discounts	As above, but with discounted concessions being given to enable disadvantaged groups to access the service
Fair Charging	The Council seeks to maximise income but subject to a defined policy constraint. This could include a commitment made to potential customers on an appropriate fee structure. Alternatively, a full commercial rate may not be determinable or the Council may be a monopoly supplier of services
Cost Recovery	Recovering the costs of providing the service from those who use – "the user pays"
Cost Recovery with discounts	As above but the Council is prepared to subsidise the service to ensure disadvantaged groups have access to the service
Subsidised	Council policy is to make the service widely accessible but believe users of the service should make some contribution from their own resources. Could also be due to the adverse impact a cost recovery or commercial charging policy would have on other Council services.
Nominal	The Council wishes the service to be fully available but sets a charge to discourage frivolous usage.
Statutory	Charges are set in line with legal obligations
Free	Council policy is to make the service fully available

Each Service should maintain a schedule of fees and charges levied.



Annex K Sales, Fees & Charges

1. The table opposite displays the budget for 2019/20, this being the last year on record which was not materially distorted by the National Pandemic.
2. There are two groups of planning fees - Statutory fees are set nationally & Pre-application fees are discretionary fees & set locally.

   Overall, these contribute £811k, which is equivalent to 20% of overall fees and charges.

   However there is little scope to change these fees since the majority are subject to being set nationally.

There are a number of different areas of licensing fees and charges. They are set out in the table below.

Fee area	Basis for fee setting	2019/20 income
Taxi licensing	Locally set based on a cost recovery model	£108,048.00
Street trading	Locally set based on a cost recovery model	£5,732.00
Animal welfare	Locally set based on a cost recovery model	£16,578.00
Sex establishments	Locally set based on a cost recovery model	£0.00
Scrap metal	Locally set based on a cost recovery model	£1,176.00
Other areas	Locally set based on a cost recovery model	£13,295.00
Gambling	National rates	£10,020.00
Premises	National rates	£67,293.00
Total		**£222,142.00**

3. Given the economic scarring caused by both the Pandemic and Brexit and the continued problems that are predicted to continue throughout the medium term by the office of Budget Responsibility's latest forecast <u>no increase for sales, fees and charges has been assumed</u> in either the Budget calculations for 2022/23 or the MTFS for the 3 years ending 31st March 2025.

4. NOTE: Whilst no increase has been assumed in the budget & MTFS figures, the outcome from a Planning Service Review of fees and charges proposing a c.£24k increase, is now available for consideration by members to include in the budget setting & MTFS process.

Figure 1: Income from fees and charges 2019/20.

Fee/charge	2019/2020 income
Planning and Planning (pre-application)	£810,914.51
Building Control	£139,122.08
Waste	
• Garden waste	£659,165.46
• Trade Waste	£378,186.67
• Bulky Waste	£81,288.57
• Replacement Bins	£71,000
• Medical Waste	£39,000
• Other sales	£41,000
Licensing	£222,142.00
Pest Control	£36,389.00
Car parking	£676,234.06
Markets	£225,145.92
Land charges	£61,744.00
Homecare Link (not including equipment recharge to Knowsley of £361,292)	£505,073.00
Sports fields, allotments and parks	£38,305.21
Total	**£3,984,710**

Annex A Principal Assumptions

1. **Robustness**
   The s151 officer of the Council advises the Council, in his statement prefacing this report, that the planned level of usable Reserves is adequate.

   This assurance has been based on the robustness of estimate information and a consideration of the risks and challenges facing the Council.

   However, assurances regarding the robustness of estimates cannot give a 100% guarantee about the budget

   Rather this statement provides a reasonable assurance to the Council that the budget has been based on the best available information and assumptions available at the time.

2. **Starting Point 1st April 2022**
   This point representing £60k of financial headroom is based on the assumption that the current financial year outturn will return a £427k underspend based on the latest financial prognosis.

3. **Sales, Fees & Charges**
   No increase has been assumed for this income in these forecasts.

4. **Energy Costs**
   A contingency of 25% on current budget levels in 2021/22 has been provided given the febrile nature of the energy market.

5. **Growth Bids**
   This report contains both revenue and capital growth bids and the calculations of Budget Gap/(Headroom) made throughout the report assume that all growth bids will be approved.

   To the extent that growth bids are not approved then calculated Budget Gap will be reduced / calculated Headroom will be increased.

6. **Over programming of Capital**
   In order to optimise scarce capital receipt financing it is recommended that Capital Programme can be over programmed by a maximum of 20%.

7. **Inflation**
   CPI has been assumed to move in line with the Office of Budget Responsibility's (OBR) October 2021 forecast of an average of 4% for 2022/23 with a reduction to 2.6% in 2023/24 and 2.1% in 2024/25.

   As regards budget formulation in 2022/23, 4% has been provided on contract non salary costs and 2% on salary costs themselves with a contingency of 25% on energy costs.

8. **Economic Scarring**
   With OBR forecasting 2% of GDP scarring due to the pandemic and 4% due to Brexit it is expected that genera economic conditions will not improve over the 3year MTFS period.

Annex A Principal Assumptions

9. **Assumed major target of MTFS**
   A major target of the MTFS is to grow recurring non-taxation income over the 3yrs to 2025 and this is considered a key performance indicator (KPI) for this strategy.

10. **Reserves**
    The existing 21 reserves totalling £23.7m as at 31st March 2021 have been assume to be rationalised into 6 reserves with the effect from 1st April 2022.

11. **Moratorium on Reserves**
    The practice of making contributions to reserves has been suspended for the financial year 2022/23.

12. **Risks associated with multiple reserve "pots"**
    It is assumed that the following risks exist when utilising numerous reserve "pots:-

    The more "pots" there are the greater the administration required to manage contributions, drawings and financial reporting.

    - Precious resource can become "locked up" in the miscellany of "pots" depriving others of much needed financial resources.
    - Placing monies in a large number of reserves effectively freezes the Council priorities of the day, leaving these monies for long periods untapped effectively petrifies the said Council priorities.
    - Maintaining an infrastructure of reserve "pots" with monies protected from general use or re-evaluation establishes an underground revenue budget which, given the scale of £23.7m of total reserves, is 1.4 times the formal net revenue budget which the Council approves each year.

13. **Flexibility in calculating Minimum Revenue Provision (MRP)**
    Previously MRP calculation was formulaic however Guidance (2018) stresses that Regulation 28 of the Local Authorities (Capital Finance & Accounting) (England) Regulations 2003 as amended replaces this prescribed approach and grants local authorities "flexibility in how they calculate MRP, providing the calculation is prudent".

    The treatment of MRP in this report follows this guidance.

Annex B Revenue budget 2022/23 by Service Area

1. The Cost of the Current Level of Service (CCLS) has reduced in the Budget for 22/23 from the previous year.

   This is largely due to implementation of a one year moratorium on making contributions to reserves and the introduction of a 6% vacancy factor (from the current level of 2.5%) which together have more than compensated for anticipated inflationary pressures in 2022/23.

2. The 22/23 Budget will be increased in line with any approved Growth and this section has assumed all Growth will be accepted, this minimises the calculated Headroom left for utilisation.

   It should be noted that Headroom will be increased to the extent that Growth items are not approved.

3. Given the major increases in power charges inflation a separate contingency has been taken out which provides for a 25% increase in prices over the Budget year 22/23, based on 21/22 Budget levels.

4. Therefore summing CCLS, Growth Bids and the Power prices Contingency, Net expenditure for the Budget year 2022/23 has increased by 3.82% from the previous year, 2021/22.

5. This reflects tight control of the budget process to ensure all growth is alienated from the CCLS and to achieve consistent increases across the Authority for both Salary inflation (2%) and Non Salary inflation where contracts so provide (4%).

	Budget Comparison 3 Yrs ending 31st March 2023	£k 2020-21	£k 2021-22	£k 2022-23
1	**Net Expenditure**			
2	Cost of Current Level of Service	16,505	16,004	17,080
3	Growth			945
4	Contingency for Power Costs (25% of 2021/22 Budget)			175
5	**TOTAL Net Expenditure**	16,505	16,004	18,200
	Net Financing			
6	Council Tax Requirement	7,498	7,678	8,227
7	Business Rates Income & Grants	4,920	5,495	5,643
8	Capital Charges	1,369	1,369	1,590
9	Government Grants	886	802	1,084
10	Reserves	1,330	394	1,266
11	Treasury Management	379	379	479
12	Council Tax Surplus	123	- 113	-
13	**TOTAL Net Financing**	16,505	16,004	18,289
14	**Budget Gap/(Headroom)**	-	-	- 89

Annex C Capital Programme

1. This section sets out details of the proposed GRA medium term capital programme position for the next 3 years.
2. The Council has a medium-term rolling capital programme, which is reviewed and updated on a regular basis. As part of the budget setting process, a programme covering the next three years will need to be agreed by Council at its meeting on 23rd February 2022.
3. The main source of Council funding available to support the general capital programme are receipts from the sale of assets, and at the start of this financial year there were £1.081m of receipts being held for this purpose.

   The number and value of assets sold each year can vary significantly depending on a range of factors. In particular Council House sales under Right to Buy (RTB) legislation can be volatile depending on the state of the economy and changes in government rules.
4. Table 1 opposite shows details of sales by number and value in recent years. Part of the proceeds from the sale of Council Houses must be repaid to the Government, and the usable sale proceeds shown below reflect the amount available for new capital spending after taking these payments into account.
5. In addition to the funding shown opposite the Council is also able to retain a further share of the proceeds from RTB sales under government regulations in relation to an "Allowable Debt" factor. It is estimated that this should enable new spending of £2.8m over the next 4 years in addition to the figures shown above.
6. Taking all of these factors into account, it is anticipated that there will be capital receipts of £5.06m generated over the 4 year period 2021-2022 to 2024-25 that will be available to fund new capital expenditure.
7. These projections are potentially subject to significant variation as, for example, a single large asset sale could produce a large receipt and the level of future house sales is difficult to predict.
8. However, in looking at medium term financial plans it is best practice to use a prudent approach when estimating future available resources. The assumptions underlying these projections will be reviewed on a regular basis to ensure they take account of new developments.

Table 1 – Asset Sale Proceeds				
	Number of Sales		Usable Sale proceeds £k	
Year	Council Houses	Other Assets	Council Houses	Other Assets
2010/11	18	2	226	97
2011/12	10	0	123	0
2012/13	25	3	240	102
2013/14	48	4	307	29
2014/15	35	4	300	273
2015/16	57	5	338	142
2016/17	81	6	329	174
2017/18	73	1	332	9
2018/19	57	3	339	103
2019/20	56	2	339	8
2020/21	28	2	395	274

Based on recent trends and projecting forward on a prudent basis it is anticipated that there will be receipts of £0.96m generated from an estimated 200 RTB Council House sales over the next 4 years, as well as approximately £1.3m of receipts from land sales.

Annex C Capital Programme

9. The Council's current 3 year programme covers the period 2021/2022 to 2023/2024. Consequently, in addition to current year budgets there are also indicative spending approvals in place for the following two years.

10. It should be recognised, however, that as we operate a medium term capital programme, approvals that have been given for future years are indicative allocations only that are potentially subject to change.

11. The current value of spending approvals to be funded from capital receipts is £5.305m, which is analysed in Table 2 opposite. In addition to the existing scheme approvals it is our normal practice in developing the rolling medium term programme to include provisional allocations for the next year of the programme (in this case 2023/2024).

12. Consequently, Table 2 also contains provisional allocations of £424k for ongoing capital schemes which typically receive funding each year.

13. Table 3 below summarises the current position in terms of estimated capital receipt funding and spending requirements. The bottom line position is that there is £642k available over the programme period. This funding position is before any consideration is given to potential new capital schemes that may be identified by Heads of Service, or which may be put forward by Members.

Table 3 - General Capital Receipts Funding Available	£000
Usable capital receipts held in April 2021	1,081
Estimate of receipts that will be generated between April 2020 and the end of the 2023/2024 financial year	5,060
Existing spending approvals covering period 2021/2022 – 2023/2024	-5,499
Total Funding Available for new schemes	642
Provisional spending approvals for 2023/2024	424

There are a number of options that can be considered to realign and update the programme. Members will need to carefully consider what proposals to include in the final budget to meet corporate and service objectives but also to ensure a balanced overall financial position.

Table 2 - CAPITAL EXPENDITURE PROGRAMME APPROVALS

All figures in £k

SERVICE AND SCHEME	2020/21	2021/22	2022/23	Total	Provisional 2023/24
Finance Procurement & Commercial Services					
Parish Capital Schemes	45	30	30	**105**	30
Civica Financials - Making Tax Digital	26	0	0	**26**	0
Culvert Debris Screens	2	0	0	**2**	0
Economic Regeneration Programme	5	0	0	**5**	0
Wellbeing & Leisure	0	0	0	**0**	0
Leisure Essential Works	44	0	0	**44**	0
Burscough Sports Centre	321	0	0	**321**	0
Green Lane Rugby Car Park	21	0	0	**21**	0
Chapel Gallery Phase 3	10	0	0	**10**	0
WL Play Strategy Improvements	260	99	78	**437**	30
Nye Bevan Pool Building Works	9	0	0	**9**	0
Park Pool Building Works	13	0	0	**13**	0
Allotment Improvements	6	0	0	**6**	0
Whittle Drive Playing Fields	37	0	0	**37**	0
Environmental Services	0	0	0	**0**	0
Purchase of Vehicles	6	40	0	**46**	0
HAZ bid for OrmskirkTown Centre	0	0	145	**145**	0
Purchase of Wheelie Bins	2	55	0	**57**	0
Expand In Cab System	0	4	0	**4**	0
Waste Collection Projects	0	1	0	**1**	0
Litter Bin Policy Review (Cabinet November 2019)	10	5	5	**20**	0
Replacement Vehicle Wash	21	0	0	**21**	0
Street Cleansing Tools	0	10	0	**10**	0
Updated Weighbridge Software	5	0	0	**5**	0
Growth and Development	0	0	0	**0**	0
Moor Street Phase 2	3	174	0	**177**	0
Alder Lane/Bramble Way Landfill, Site upgrade and replace	75	0	0	**75**	0
Free Trees	0	14	6	**20**	0
Conservation Area Enhancement	0	15	0	**15**	0
Preservation of Buildings at Risk	2	0	0	**2**	0
Skelmersdale Vision	0	11	0	**11**	0
Mill Dam Lane	3	0	0	**3**	0
Abbey Lake Quarry	20	0	0	**20**	0
Skelmersdale Gateway Improvements	50	0	0	**50**	0
Wheatsheaf Walks	0	29	0	**29**	0
Affordable housing	0	247	0	**247**	0
Housing and Regulatory Services	0	0	0	**0**	0
Corporate Property Investment Programme	164	164	164	**492**	164
Derby Street works to allow staff relocation following SORP	55	0	0	**55**	0
Building Compliance on Commercial Property	20	20	20	**60**	0
Project Management Leisure Buildings	61	0	0	**61**	0
Stanley Depot	39	0	0	**39**	0
Public Buildings Regulations & Upgrades	251	0	0	**251**	0
Project Management Public Buildings	20	0	0	**20**	0
Derby Street	343	0	0	**343**	0
M3PP System Replacement	0	40	0	**40**	0
Housing Renewal Grants	100	50	50	**200**	50
Disabled Facilities Grants	100	0	0	**100**	0
CCTV	134	120	0	**254**	0
Electric Vehicle Charge Point Network Extension	20	0	0	**20**	0
Corporate and Customer Services	0	0	0	**0**	0
I C T Infrastructure	50	50	50	**150**	50
ICT Development Programme	110	100	100	**310**	100
Increase in ICT Development Budget from 100k to 200k pa	200	100	100	**400**	0
Website	0	20	0	**20**	0
Egress Secure Email & File Transfer	11	0	0	**11**	0
CRM System	1	71	0	**72**	0
Invest to Save Digital Services	59	0	0	**59**	0
Etarmis System	0	17	0	**17**	0
Right Kit Right Role Right Refresh - support agile working	129	25	0	**154**	0
Digital Transformation - Implementation of IT Strategy	400	0	0	**400**	0
Less HRA funding for Strategy	-200	0	0	**-200**	0
Microsoft Enterprise Site Licence	35	35	35	**105**	0
ICT Upgrades	20	20	20	**60**	0
IDOX ERDM System	12	0	0	**12**	0
Total Programme	**3,130**	**1,566**	**803**	**5,499**	**424**

Annex C Capital Programme

14. There are a number of factors that can be considered through this process including: -

    The Council has been very successful in attracting external capital investment over many years, and further opportunities should be considered

    - The priority that is attached to the potential new capital schemes that may be identified through the budget process
    - The need for investment in IT to provide more effective and efficient services.
    - Reviewing existing spending approvals to assess whether they are still relevant and appropriate
    - Prudential borrowing could be assessed as a mean of providing additional capital resources.
    - The scope to develop new capital schemes funded through Section 106 Agreements or Community Infrastructure Levies which are subject to separate Processes.
    - The potential financing requirements of the new Development Company and the Skelmersdale Town Centre Redevelopment, which have been the subject of separate Committee reports.
    - The capital investment that will need to be made to ensure the successful implementation of the Sustainable Organisation Review.

15. Officers will work with each Political Group during the budget process to review the available options. The Council meeting on 23rd February will then provide an opportunity for each Political Group to put forward proposals to produce a balanced capital programme.

16. The proper management of the Council's asset base enhances service delivery. Assets consume a high level of resources both in terms of capital investment and revenue maintenance and having a proper strategy in this area ensures that the capital base can shape the future direction of the Council.

17. The level of capital receipts generated by asset sales is a significant risk to the future development of the programme. If receipts exceed the projections contained in this report, it would enable additional schemes to be developed. However, if receipts are below the projections, it may require reductions to be made.

18. Some of the Capital Schemes will enhance the Health and Wellbeing of residents with the management of the delivery being assured via the reporting mechanism.

Growth Bids - CAPITAL

All figures in £k

Ref	Growth Bid	Yr1 2022/23	Yr2 2023/24	Yr3 2024/25
	Invest to Save			
C12	Civica - upgrade of processing facilities - Phases 1-4 inclusive	140	0	0
	Environment			
C7	Purchase Glutton Urban Vacuum Cleaner	20	0	0
C8	Becconsall Closed Church Yard	30	0	0
C9	Litter Bin Policy	68	55	30
C51	Tree Management	50	50	0
C52	Culvert Management	50	50	0
NEW	Fund to replace faulty domestic bins damaged during bin emptying FOC	10	10	10
NEW	5 additional mobile CCTV bundles to address flytipping	6	0	0
	Other			
C21	Hybrid, Remote and Streaming Council Meetings	92	0	0
C5	Changing Places Facility	60	0	0
C6	Mastercard Gateway Upgrade	40	0	0
C1	Microsoft M365 Phase 3 - platform to deliver transformation initiatives	150	100	0
C3	Digital innovation and the continued development of ServiceNow	80	0	0
Total		**796**	**265**	**40**

The above 13 growth bids for capital will add to the 3-year capital programme if approved.

Annex D Reserves - Existing Position

The Table opposite lists the existing 21 reserves totalling £23.7m as at 31st March 2021. These reserves have been rationalised into 6 reserves which are discussed at section H of this report.

REVISED Reserves Protocol

1. Details for each GRA reserve held by the Council are set out at section H and replicated below.
2. Each reserve is managed and controlled by the s151 Officer of the Council who will act as the responsible officer for the reserve.
3. The responsible officer can authorise amounts, commensurate with the current limit for RoD actions, to be taken from a reserve provided that its use is in line with the stated purpose of the reserve.
4. Reserves are reviewed and updated as part of the annual budget preparation and as part of the closure of accounts process to ensure that they continue to be required and are adequate in size.
5. Earmarked reserves represent money that has been set aside for a clearly defined purpose, and which is available to meet future expenditure in that area.
6. Balances represent unallocated funds which have not been earmarked and consequently are available to support any service area..
7. The values shown at section H for each reserve reflect their current position as at 31st March 2021.
8. The process for closing down the accounts at the year end will allow for any outstanding in year commitments and contributions to be taken into account.

All figures in £k		
RESERVES Balances - post RATIONALISATION		
		31st Mar 2021
Ref	**Reserve**	**2020/21**
4B911	Core & Contingency Balances	£3,000
New	General Fund	£5,301
9644	Community Infastructure Levy (CIL)	£9,308
9429	Provision for Insurance Claims	£1,000
9697	Industrial Portfolio Fund - Langtree Estate	£792
9417	s31 Grant - Retail Hospitality & Leisure Payment Holiday 20-21	£4,332
		£23,733
	Technical Reserves made at Year end (eg certain grants)	£3,603
	Total Reserves as per 2020/21 Statement of Accounts	**£27,336**

	Reserve	Actual 2020/21
1	4B911: GENERAL FUND BALANCE (CC:- 9200 GRF Balance)	960,242
2	9186: SORP / POLICY OPTIONS RESERVE	172,092
3	9189: MAJOR PROJECTS RESERVE	406,377
4	9196: BUDGET AND EFFICIENCY SAVINGS RESERVE	836,496
5	9415: BENEFITS EQUALISATION RESERVE	847,070
6	9416: STRATEGIC INVESTMENT RESERVE	612,875
7	9417: BUSINESS RATES EQUALISATION RESERVE	6,357,848
8	9633: PLANNING INCOME EQUALISATION RESERVE	314,150
9	INSURANCE FUND	2,090,168
10	9694: CRA -R & R FUND	221,545
11	9687: SOLAR PV INCOME RESERVE	221,404
12	9637: P&D MACHINE REPLACEMENT FUND	24,047
14	9697: IND.PORTFOLIO - FUND	792,269
15	9699: INVESTMENT CENTRE RESERVE	298,020
16	9690: INVESTMENT CENTRE UTILITY RESERVE	30,000
17	9644: COMMUNITY INFRASTRUCTURE LEVY	9,308,291
	-	
18	9355: INTERNAL PROVISIONS	19,500
19	9630: PLANNING POLICY & ENGINEERS	175,676
20	9465: HSG GRA - GENERAL RESERVE	3,000
21	9696: R & P RESERVE	41,738
	Total GRA balances and reserves	23,732,808

Annex E Risk Analysis

1. The diagram opposite presents the risk map of this budget for 2022/23.
2. The continued reliance the Council has (and is expected to have for some time) to centrally managed taxation as its prime source of taxation forms the greatest risk which the Council has to face in the medium term.
3. Clearly the chosen coping mechanism of seeking to increase other income is a potent mechanism only if material amounts of income are attracted in the forecast period.
4. Unfortunately the difficulty in generating such income depends heavily on the financial capability of the Council to generate a financial environment which is conducive to generating income - and this is limited given the dependence on centrally controlled taxation.
5. Thus generating income itself is considered a high risk aspect of this budget.
6. Energy costs are febrile and it is very difficult to estimate just how much they can be anticipated to increase in 2022/23, however a 25% contingency on 2021/22 costs has been created in the Budget and this should provide a degree of management of the risk.
7. General inflation also, but to a lesser extent than Energy costs, is rising steeply and this could well create a significant threat to the budgeted position.
8. Economic scarring is estimated at 6% of GDP however the economy is now under threat from inflation and potentially increasing interest rates therefore the assumption that the economy may continue to struggle as a result of the pandemic and Brexit is an assumption that is more likely to darken than lighten over the forecast period.
9. Loss of Financial Control is an ever present threat to complex financial environments and vigilance is of great importance during the financial year ahead if the budget is to be controlled as cost pressures emerge.
10. Given the inadequate level of capital receipts anticipated during the forecast period there is a possibility that any over programming exercised with the capital programme may result in subsequent borrowing to make up any financing shortfall. This will need to be monitored carefully throughout the like of the capital programme.

2022/23 - Budget Risk Map

Severity	Rare	Unlikely	Possible	Likely	Almost Certain
Catastrophic			Loss of Financial Control		Reliance on Taxation
Major	Deterioration of Reserve levels	Not Robust	Not growing Income	General Inflation	Energy Costs
Moderate		Starting Point	Capital Over Programming	Economic Scarring	
Minor		Poor Tax Collection	MRP Costs Escalation		
Insignificant				Falling Demand re charged for services	

Probability

LOW

MODERATE

HIGH

EXTREME

WEST LANCASHIRE BOROUGH COUNCIL

VISION

West Lancashire together; the place of choice to live, work, visit and invest

OUR PRIORITIES

- CREATE EMPOWERED, ENGAGED AND INCLUSIVE COMMUNITIES
- SUPPORT BUSINESSES TO ADAPT AND PROSPER
- BECOME A GREENER WEST LANCASHIRE
- BE A FINANCIALLY SUSTAINABLE COUNCIL BY 2023
- A CLEAN, SAFE ENVIRONMENT WITH AFFORDABLE HOMES TO BUY OR RENT FOR EVERYONE IN WEST LANCASHIRE
- EVERYONE TO BE HEALTHY, HAPPY, SAFE AND RESILIENT

EVERYONE TO BE PROUD OF THEIR COUNCIL