

DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
MANAGEMENT TEAM	FINANCE AND DEMOCRACY COMMITTEE	25 JANUARY 2016	6

FINANCIAL FORECAST UPDATE (POSITION AS AT JANUARY 2016)

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

This report provides Members with an update of the financial forecast for the five years 2015/16 to 2019/20. It now includes the impact of the Local Government Finance Settlement, details of which were announced on 17th December 2015. For Fylde Council, along with most other district councils, the key factor in the settlement is the proposal of an optional four-year settlement, accompanied by a significant reduction in the estimated level of central government funding for future years. Although a certain degree of reduced future funding had been anticipated, and had already been reflected in the latest Financial Forecast Update that was presented to Council in December 2015, the scale and the rate of the funding reduction is greater than was expected and represents a significant challenge to Fylde Borough Council in the coming years.

The assumptions set out in this forecast are the latest best estimates and will be updated as and when further information is made available.

RECOMMENDATION

The Committee are recommended :

1. To note the implications of this updated financial forecast, and to also note that this update report will be presented to the Council meeting on 8th February 2016.

CORPORATE PRIORITIES

To Promote the Enhancement of The Natural & Built Environment (Place)	√	To Encourage Cohesive Communities (People)	√
To Promote a Thriving Economy (Prosperity)	√	To Meet Expectations of our Customers (Performance)	√

SUMMARY OF PREVIOUS DECISIONS

The Council set its budget for 2015/16 at the meeting of 3rd March 2015. This report provides Members with a further update to the financial forecast following the position that was considered by this Committee in November 2015 & Council in December 2015. This update includes the impact of any changes experienced since that date, including the Local Government Finance Settlement that was announced in late December 2015.

REPORT

1. PURPOSE OF THE FINANCIAL FORECAST UPDATE

- 1.1 This report updates the financial forecast which was considered by this Committee in November 2015 & by Council in December 2015. Attached at Appendix A is the financial forecast position reported to Members at that time. Appendix B shows the general assumptions underpinning the base forecast, whilst Appendix C sets out the latest changes and Appendix D sets out the supporting narrative to the latest changes. **Appendix E details the latest updated forecast position.**
- 1.2 The forecast has been updated to reflect the impact of the Local Government Finance Settlement, details of which were announced on 17th December 2015.
- 1.3 This latest financial forecast update is designed to:
 - Present an updated five-year financial forecast for revenue and capital spending following the announcement of the Local Government Finance Settlement in December 2015;
 - Review and update the currently identified risks and opportunities;
 - Alert Members to any new specific risks and opportunities;
 - Inform Members of any changes required to budgets due to external factors outside the Council's control; and,
 - Provide a basis on which Members can begin to make future spending decisions.

2. THE CAPITAL PROGRAMME

- 2.1 The latest in-year position on the Capital Programme, along with the associated financial risks, is contained within a separate report for consideration at this meeting and has also been reported to each of the Programme Committees as part of the January cycle of meetings.
- 2.2 Any future capital financing issues facing the Council will be addressed as part of the Council's Budget proposals which will be published in mid-February 2016.

3. KEY CHANGES TO THE GENERAL FUND REVENUE BUDGET FORECAST

- 3.1 All financial risks as set out in the Financial Forecast update considered by this Committee in November 2015 & Council in December 2015 still remain. The key changes to the General Fund Revenue Forecast are those arising from the Local Government Finance Settlement, together with some further in-year revenue budget changes. These are detailed below:

i) Local Government Finance Settlement

a) Background

In July 2015 the Government published the document '**A country that lives within its means - Spending Review 2015**'. The main focus of the document was to set out the government's intention of identifying the further savings in government expenditure that are necessary to achieve the stated objective of eliminating the national budget deficit by the end of the current parliament i.e. by 2019/20. To achieve this goal the government will be required to reduce annual public spending by around £37bn. Within the document is included the following intention: **'As part of the Spending Review, the government will look at transforming the approach to local government financing...'**

In a major announcement made to the Conservative Party Conference in October 2015, the Chancellor of the Exchequer, George Osborne, set out plans for local government to retain 100% of business rates revenues by 2020. Entitled 'devolution revolution' the stated aim of this reform is to ensure all income from local taxes goes on funding local services, so helping fix the current 'broken' system of financing local government. As a further incentive, local areas would be allowed to keep the full benefit from growing their business rates yield as a reward for promoting growth. The announcement is, therefore, effectively about 100% retention of growth in business rates by local authorities. The clear intention behind this policy is to incentivise local councils to attract, retain and support the growth of businesses in order to deliver economic growth.

However, in return for full business rates retention it was announced that 'Core Grant' would be phased out and local government will also be asked to take on new, as yet unnamed responsibilities, but which are thought to be centred on economic growth, to ensure the reforms are fiscally neutral.

b) Key Features of the December 2015 Settlement

The main document detailing the Local Government Finance Settlement is entitled "Provisional local government finance settlement 2016 to 2017 and an offer to councils for future years". Full details of the settlement can be found at the following link:

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2016-to-2017>

The proposal is a four-year settlement. Giving councils the option of longer-term funding settlements is a significant development compared to previous one and two year allocations. However the figures for 2017/18 and beyond are part of an offer to any council that wishes to take it up. This will be conditional on councils publishing an efficiency plan. It is unclear what the efficiency plan needs to contain and it is unclear what the alternative is for any council which does not take up the offer.

No information is provided regarding what the alternative levels of central government funding might be if councils do not accept the four-year proposal, although it is unlikely that funding on a year-by-year basis would be at higher levels than those contained within the four-year proposal.

Therefore for the purposes of this Financial Forecast Update it is assumed that central government funding will be in line with that shown in the four-year funding proposal.

There is a general principle being applied through the Funding Settlement that the demand and cost pressures on particular services, specifically adult social care, are being addressed by the allocation of significant additional funding to authorities which provide those services (i.e. Upper-tier and Unitary Councils) accompanied by a corresponding reduction in funding for those authorities (including Fylde Council) which do not.

Taking into account the full range of ways in which councils can raise money, the 2015 Spending Review announced a 'flat cash' settlement for councils **IN TOTAL** over the next four years. This calculation however assumes increases in Council Tax at an average of 1.75% per annum and includes additional funding from existing allocations directed towards supporting pressures on social care budgets, including reductions in New Homes Bonus allocations. There are therefore winners and losers, with Fylde Council appearing to be firmly in the latter category.

The Settlement proposes distributional changes, including an equal percentage reduction in settlement core funding for different authorities of the same type. Different councils will have different views about this depending upon whether they are winners or losers. The change in Core Spending Power levels across all local authorities over the next four year period range from **reductions** of up to 17.1% and **increases** of up to 9.8% with Fylde being towards the 'wrong' end of the range with a reduction of 14.1%.

In summary the settlement provides a significantly reduced forecast spending power figure for Fylde of £8.7m in 2019/20, compared to spending power in 2015/16 of £10.2m.

Challenges ahead include those arising from general inflation, increases in demand for everyday services as the population grows and increases in core costs such as national insurance, the Living Wage and pension contributions, together with the impact of the Lancashire Waste cost-sharing funding reduction.

The headline figures announced of a flat-cash settlement could be viewed as distorting the true grant allocation figures, as for the first time the settlement calculations includes assumed council tax increases for future years.

Table 1 below shows an analysis of the estimated central government funding allocations for Fylde Borough Council between 2015/16 and 2019/20 as detailed in the settlement:

Table 1: Estimated central government funding allocations for Fylde as set out in the settlement

Adjusted Settlement Funding Assessment (RSG and NNDR)	New Homes Bonus	Total	Adjusted Settlement Funding Assessment (RSG and NNDR)	New Homes Bonus	Total	Change between 2015-16 and 2019-20 in central government funding	% change
2015-16	2015-16	2015-16	2019-20	2019-20	2019-20		
£3.258m	£1.660m	£4.918m	£1.623m	£1.129m	£2.753m	-£2.615m	-44%

The table shows a reduction in central government funding allocation of £2.615m or 44% over the period which will present a significant challenge to Fylde Borough Council. An element of these reductions for Fylde had already been anticipated in the Council's latest financial forecast, but not to this level.

c) Revenue Support Grant

The consequence of the announcement that 'core funding' would be phased-out by 2019/20 produces a profile of forecast Revenue Support Grant that is far steeper in terms of the level of future reductions in grant than was previously predicted, that being at a level of reduction at 28% per annum to reflect the scale of reductions in previous years. This is illustrated in Table 2 below.

Table 2: Forecast Revenue Support Grant - Funding Settlement Impact

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
December Financial Forecast Update – Estimated Grant Amount (Reduction at historic level of 28% per annum)	1,443	1,039	748	538	388
Estimated Grant Amount per Funding Settlement December 2015	1,443	861	354	47	-

d) New Homes Bonus

The government is consulting on significant changes to the New Homes Bonus Scheme, with a preferred option to achieve savings of £800m by 2020 which will affect the funding receivable by councils through the scheme.

Key issues within the consultation include:

- Reducing overall costs by moving from 6 years of payments to 4 years of payments;
- No changes proposed for 2016/17
- Proposal from 2017/18 to reduce payments from 6 to 4 years, or to go further and reduce payments to 3 or 2 years
- Possible transition period to pay 5 years in 2017/18 then 4 years from 2018/19

To reform the scheme in order to better reflect authority's performance on housing growth, options being considered include:

- Withholding the bonus in areas where no local plan has been produced;
- Reducing payments for homes built on appeal; and
- Only making payments for delivery above a baseline representing deadweight.

The impact of these proposed changes to the scheme result in a much-reduced income projection for Fylde Council, as contained within the draft funding offer for future years as shown in Table 3 below. Actual grant amounts are subject to change arising from a range of influences, including the outcome of the consultation process (and which if any of the proposals are adopted) and the actual rate of housing growth within the borough.

Table 3: Forecast New Homes Bonus - Funding Settlement impact

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
December Financial Forecast Update – Estimated Amount	1,660	1,856	1,877	1,871	1,863
Estimated Grant level per Funding Settlement December 2015	1,660	1,863	1,873	1,177	1,129

e) Council Tax

The referendum principle for 2016/17 is proposed to be 2 per cent, with the exception of Police and Crime commissioners and shire district authorities which are in the lowest quartile by council tax level, for which a higher limit of either 2 per cent or £5 (on a Band D bill) applies – this does not include Fylde. The settlement is silent on Council Tax Freeze Grant going forward, the assumption being that this will no longer be offered to Councils who freeze, with assumed increases of an average 1.75% per annum already built into the government's forecasts of local authority spending power.

In addition, social care authorities will be able to increase their council tax by 2 per cent over the existing referendum threshold, with the proviso that the additional 2 per cent 'social care precept' is spent on adult social care services. This will have to be separately itemised on council tax bills. Fylde Council is not affected by this element of the settlement in terms of its own precept, although residents may be liable for the additional charge should Lancashire County Council decide to levy this additional element of Council Tax.

f) Retained Business Rates

There are no changes to the current business rates retention scheme for 2016/2017. The Government will consult "in summer 2016" on the introduction of 100 per cent business rates retention, including what it describes as the right model of devolution and level of flexibility. The scheme will allow for retention of business rates by local government at the macro level, not for individual authorities to retain all of their own rates collected locally. The settlement states that: "By the end of the Parliament local government will retain 100% of business rate revenues to fund local services, giving them control of £13 billion of additional local tax revenues, and £26 billion in total business rate revenues". The DCLG have confirmed that these arrangements will come into place from 2020/21 **together with as yet unspecified "additional responsibilities devolved to local authorities"**.

The 4-year settlement figures provided by the DCLG include updated indicative business rate retention figures at the baseline level throughout the four year settlement period. For Fylde Council these are shown in Table 4 below.

Table 4: Forecast Business Rate Funding - Funding Settlement impact

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
December Financial Forecast Update – Estimated Amount (Set at 'Safety Net' level)	1,625	1,657	1,690	1,724	1,759
Estimated Grant level per Funding Settlement December 2015 (At baseline from 2016/17 onwards)	1,625	1,771	1,806	1,859	1,623

NB: All the figures quoted in the settlement and contained within this report from 2016/17 onwards include business rates (or NNDR) at the **BASELINE** level. There is the possibility therefore of the Council's financial position being improved as a result of additional business rates above the baseline level being generated in the borough, or via additional new home bonus generated from extra new homes beyond the level assumed in the settlement.

g) The Better Care Fund

The Settlement confirms the continuation of the Better Care Fund (BCF) and additional funding for adult social care through the BCF worth £1.5 billion by 2019/2020. In the interim years, the additional funding through the BCF will be worth £105 million in 2017/2018 and

£825 million in 2018/2019. This funding will be allocated as a specific grant. The allocations of Disabled Facilities Grant that Fylde Council receive are funded from the BCF.

h) A more flexible use of capital receipts

The settlement proposes that between April 2016 and March 2019 councils will be able to use new capital receipts to pay for the revenue set-up costs of projects that are designed to make revenue savings in the future. It will be for individual local authorities to decide if a project qualifies. In order to qualify, councils will be required to prepare an annual efficiency strategy listing all qualifying projects and this strategy, and any variations to it, will need to be approved by full council.

The guidance includes examples of eligible projects to transform service delivery or deliver efficiency savings, including:

- integrated services across different functions
- shared services across different authorities
- new ways of working such as digital service delivery
- joint working such as joint procurement or selling services to other authorities.

The guidance gives few examples of the type of revenue costs that might be incurred on these projects, but these might include feasibility studies, pilot schemes, consultancy fees, redundancy payments, lease buyouts, equipment disposal, staff training or website development. The guidance is clear that only initial set-up costs may be capitalised, not on-going running costs.

i) Rural Services Funding

Government funding through the Rural Services Delivery Grant will continue. The Government will top slice £20 million from Revenue Support Grant in 2016/2017 to pay as a non-ringfenced Section 31 grant to the upper quartile of authorities based on the super-sparsity indicator. This funding will increase to £65 million over the four year period of the Settlement. Fylde Council does not qualify for this grant.

3.2 Other Revenue Budget Adjustments

Alongside the adjustments to the financial forecast that have been made as a consequence of the Financial Settlement a further review of budgets and actual income and expenditure levels has been carried out. A number of budget adjustments for both the current and for future years have resulted from this analysis. Explanations of the most significant adjustments are provided at Appendix D to this report.

3.3 Other Continuing Financial Risks

In addition to the strain that is placed upon the Councils financial position in the latter years of the forecast as a consequence of the Spending Review announcements, all of the other

financial risks that were detailed within the previous Financial Forecast Update that was presented to the Council in December 2015 still remain. These are:

- **Waste Recycling Cost Sharing Arrangements (Lancashire County Council)**
- **Planning Appeal and Judicial Review Costs**
- **Reduction in Housing Benefit Administration Grant**
- **Universal Credit**
- **Grounds Maintenance (External Contracts)**
- **Changes in Council Tax, and Capping Regulations**
- **The Living Wage**
- **Community Infrastructure Levy (CIL)**
- **Lowther Gardens Trust**

Full details of each of these can be found within the December 2015 Financial Forecast report via the following link:

www.fylde.gov.uk/December2015FinancialForecast/

4. CONCLUSIONS

- 4.1 As has been detailed within previous updates to the Financial Forecast, the Council was already facing a number of uncertainties in the future in respect of its finances and was already anticipating reductions in central government funding for future years. The much greater funding reductions that were announced as part of the December 2015 Local Government Finance Settlement have increased the risk to the Councils financial stability.
- 4.2. Of particular note amongst those risks that were already known is the ending of the income that the Council currently receives under the Waste Recycling Cost Sharing Arrangements with Lancashire County Council from 2018/19.
- 4.3 One of the major new risks to the Councils financial position that the Spending Review has brought is the risk to the receipt of New Homes Bonus over and above the reduced grant estimates as shown in Table 3 of this report. There are a number of options that the Government will consider following a consultation process. These are specifically:
- The withholding of New Homes Bonus in areas where no local plan has been produced;
 - Reduced levels of New Homes Bonus for homes that are built following an appeal; and
 - Only making payments for the delivery of new homes above a baseline representing 'deadweight' i.e. an expected annual level of 'natural' growth.
- 4.4 In light of the additional challenges that are presented by the recent Finance Settlement and as detailed within this report, the Council needs to continue with the approach to delivering savings and efficiencies which have helped deliver balanced budgets and contribute to reserves over recent years. Through continued focus on the importance of financial stability

the Council has delivered a significant savings programme since 2007 and has continued to significantly reduce senior management costs and other overheads. Ongoing modernisation work and business improvement will continue to make Council services more efficient, save money and maintain frontline services to customers. This work has yielded ongoing savings to help improve the Council's overall financial position over that period. For Fylde Council to continue to successfully meet the new challenges that it faces it is vital that this approach is re-doubled and that all reasonable opportunities for further cost-reduction measures and for the generation of additional income are seriously considered. Prudent financial management in previous years has provided a level of reserves which allows the necessary time to determine how this council can best respond to the increased challenges.

- 4.5 This work has already commenced. Since the announcement of the Financial Settlement in December a series of meetings with the Council's Management Team and budget-holders during early 2016 have produced some significant re-assessments of future year budget requirements and some more challenging income expectations. This has had the effect of going some way towards reducing the funding gap, particularly in the final years of the forecast, from that which the Finance Settlement initially created. The effect of these changes is detailed in Appendices C and D to this report. Additional actions will be necessary to further address the remainder of the funding gap over the course of the coming years.
- 4.6 As part of that continued approach the Council's priorities for improvement remain and the Council needs to continue with the overall strategy making any changes it feels are relevant whilst recognising the future uncertainties that exist.
- 4.7 The assumptions that are contained within the Forecast Update are the latest best estimates and will be updated as and when further information is available. External pressures outside the Council's control are being experienced by many local authorities, and instructions remain in place that budget-holders should remain prudent and not commit to any unnecessary expenditure. This approach saves money and may result in an under-spend this year.
- 4.8 Further revisions to the figures and assumptions in this update will be necessary over the coming months and updates to the forecast will be prepared on a regular basis.
- 4.9 **At this point the finances of the Council remain robust - at least for a number of years. Members must, however, remain cognisant of the risks that are detailed within this report and note that action will be necessary to find means of further reducing the gap between in-year income and expenditure in later years of the forecast as shown in Appendix E of this report. The level of reserves that has been generated in recent years provide an important 'window of opportunity' during which the Council can consider how it can best address the budgeted gap from 2018/19 onwards in a controlled and measured way.**

IMPLICATIONS	
Finance	The financial implications are set out in the body of the report.
Legal	None arising directly from the report.
Community Safety	None arising directly from the report.
Human Rights and Equalities	None arising directly from the report.
Sustainability and Environmental Impact	None arising directly from the report.
Health & Safety and Risk Management	None arising directly from the report.

REPORT AUTHOR	TEL	DATE	DOC ID
Paul O'Donoghue Chief Financial Officer	(01253) 658566	January 2016	
LIST OF BACKGROUND PAPERS			
Name of document	Date	Where available for inspection	
Medium Term Financial Strategy (MTFS) Update, Including General Fund, Capital Programme and Treasury Management for 2014/15 – 2018/19	Budget Council meeting 3 rd March 2015	www.fylde.gov.uk	
MTFS – Outturn Position For 2014/15 (Including General Fund, Capital Programme & Treasury Management)	Cabinet meeting 22 nd June 2015	www.fylde.gov.uk	
Revenue Budget Monitoring Report 2015/16 – to 31 st July 2015	Finance and Democracy Committee meeting 28 th September 2015	www.fylde.gov.uk	
Capital Programme Monitoring Report 2015/16 – to 31 st July 2015	Finance and Democracy Committee meeting 28 th September 2015	www.fylde.gov.uk	
Medium Term Financial Strategy (MTFS) Update, Including General Fund, Capital Programme and Treasury Management for 2015/16 – 2019/20	Council meeting 14 th December 2015	www.fylde.gov.uk	

Attached documents

1. Appendix A – Forecast approved at Council on 3rd March 2015
2. Appendix B – Schedule of general assumptions underpinning the forecast
3. Appendix C – Schedule of unavoidable changes to the forecast
4. Appendix D – Narrative on unavoidable changes to the forecast and specific assumptions to support Appendix C
5. Appendix E – Updated latest forecast position

Appendix A

General Fund Budget Forecast 2015/16 to 2019/20 as at December 2015

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Adverse / Favourable
Forecast approved at Budget Council on 3rd March 2015	9,991	9,979	10,007	11,029	11,029	Favourable
Forecast changes - per Appendix C of December 2015 MTFS	- 802	- 226	- 188	- 243	285	
Forecast Budget Requirement	9,189	9,753	9,819	10,786	11,314	Favourable
Financed by:						
Revenue Support Grant	1,443	1,039	748	538	388	
Business Rates Funding - Safety Net Level	1,625	1,657	1,690	1,724	1,759	
Council Tax Freeze Grant relating to 2015/16 freeze	59					
Estimated Council Tax Freeze Grants						
Less - Parish Element of Council Tax Support Funding	- 69	- 69	- 69	- 69	- 69	
Sub Total	3,058	2,627	2,369	2,193	2,078	
Council Tax (including Collection Fund Surplus/Deficit)	5,248	5,396	5,543	5,693	5,847	
Other grants						
New Homes Bonus	1,660	1,854	1,875	1,869	1,861	
Forecast Financing	9,966	9,877	9,787	9,755	9,786	
Forecast surplus(-)/deficit for year	- 777	- 124	32	1,031	1,528	
Reserves						
Forecast surplus/deficit(-) for year from above:	777	124	- 32	- 1,031	- 1,528	
Less: Contribution to Accommodation Project Reserve	- 504					
Balance of surplus/deficit(-) remaining:	273	124	- 32	- 1,031	- 1,528	
Balance of General Fund Reserves b/f	5,443	5,716	5,840	5,808	4,777	
Less transfer to/from(-) General Fund Reserves in year	273	124	- 32	- 1,031	- 1,528	
Forecast Reserves at Year End	5,716	5,840	5,808	4,777	3,249	
Band D Council Tax (Excl Parish Precepts)	£185.79	£189.51	£193.30	£197.17	£201.11	
Council Tax Increase	0.0%	2.0%	2.0%	2.0%	2.0%	

General Assumptions

The forecast has been prepared on the basis of the following assumptions:

- General Prices Inflation – a freeze or cash-limiting of all general revenue expenditure budgets with the exception of pay, fuel & utility budgets;
- Slippage - underspend items from 2014/15 agreed by Cabinet in June 2015 have been slipped into 2015/16;
- Pay award - assumed to be 1% per annum from 2016/17 onwards throughout the forecast;
- Employers Pension Contributions – the Council's contribution to the Lancashire pension fund scheme is set in accordance with the outcome of the most recent Triennial Pension Review at 12.5% plus 9% deficit recovery lump sum payment for the period to 2016/17; any amendments resulting from the next review will be reflected in later updates to the Financial Forecast;
- Employer's National Insurance contributions – the forecast reflects the statutory contribution rates currently in place, including a reduced contribution rate as a result of the Council being part of the pension scheme. This reduced rate will increase due to the introduction of a Single Tier Flat Rate State Pension from April 2016, and the impact of this has been reflected in the forecast;
- Council tax increases – 1.99% increase per annum is assumed within the forecast from 2016/17 onwards in line with latest government announcement on the 2% increase threshold for Council Tax increases without the prior need for a referendum;
- Revenue Support Grant - from 2016/17 onwards the forecast reflects levels of grant as shown within the December 2015 four-year Finance Settlement offer;
- New Homes Bonus - from 2016/17 onwards the forecast reflects levels of grant as shown within the December 2015 four-year Finance Settlement offer;
- Retained Business Rates - from 2016/17 onwards the forecast reflects levels of grant as shown within the December 2015 four-year Finance Settlement offer;
- Fees and Charges – income is shown at the fee levels in operation during 2015/16 for all services other than the Crematorium for which a degree of future price increases is built into the income budgets. For all other services fees and charges for future years will be determined at the Budget Council meeting in March 2016 and any changes to future income budgets will be made at that point;
- Vacancy Savings – the forecast assumes £200k per annum savings target from 2016/17 onwards;
- Localisation of Council Tax Benefit Scheme – the forecast assumes a fully funded scheme with no cost to the Council from 2016/17 onwards in line with the decision on the 2016/17 scheme as agreed at the Council meeting in December 2015.

Appendix C

Forecast changes since Council December 2015:

	15/16 £000	16/17 £000	17/18 £000	18/19 £000	19/20 £000	ADVERSE / FAVOURABLE / NEUTRAL
1 CHANGES AS A RESULT OF MEMBER APPROVALS:						
Kirkham Public Offices Building/Extension to Service Level Agreement With Citizens Advice Bureau	-12	-8	-8	-8	-8	FAVOURABLE
2 BUDGET RIGHTSIZING EXERCISE:						
Revenue impact of budget right-sizing exercise across all budget areas of the Council	-12	-5	-5	-5	-5	FAVOURABLE
3 UPDATED ESTIMATES OF INCOME BUDGETS:						
Increase in Crematorium Income forecasts		-56	-81	-106	-131	FAVOURABLE
Increase in income from CAMEO scheme	-16					FAVOURABLE
Increase in Planning Application Fee Income forecasts	-153	-50	-50	-50	-50	FAVOURABLE
Reduction in Planning Appeals budget provision			-25	-25	-25	FAVOURABLE
Increase in car parking income forecasts	-67	-50	-50	-50	-50	FAVOURABLE
Increase in sandwinning income forecasts	-15		-50	-25	-25	FAVOURABLE
4 STAFFING COSTS:						
Updated estimate for employee/agency labour costs - increases to the Living Wage hourly rates		26	64	58	77	ADVERSE
Additional in-year vacancy savings target	-84	-100	-100	-100	-100	FAVOURABLE
5 OTHER FORECAST CHANGES						
Land Charges - New Burdens Grant (Received Nov 2015)	-74					FAVOURABLE
Bank Charges - increase in card processing charges for customers paying by Debit Card	5	5	5	5	5	ADVERSE
Savings on fuel costs	-41	-20	-20	-20	-20	FAVOURABLE
Net savings from revised borrowing assumptions and interest rate forecasts	-10	-181	-120	-100	-184	FAVOURABLE
TOTAL	-479	-439	-440	-426	-516	FAVOURABLE

Appendix D

The following notes relate to specific adjustments made to the Forecast set out in Appendix C

(1) Changes as a Result of Member Approvals

The forecast that was approved by Budget Council in March 2015 has been updated to reflect the financial impact of Member decisions made since then.

(2) Recurring savings from right-sizing exercise across all budget areas of the Council

Officers gave a commitment to Members following the 2011/12 outturn position to review underspends across the Council. This exercise was first carried out in autumn 2012 and is now well-embedded within the working practices of the Council, resulting in significant levels of favourable adjustments, the latest of which have been reflected in this revised forecast.

(3) Increased Crematorium Income forecasts

Income from cremations in recent years has been significantly higher than the budgeted level. Consequently the forecast income expectations for future has been reviewed and a more challenging income budget has been established.

(4) Crematorium - CAMEO Scheme Income

The forecast has been updated to reflect the impact of the introduction of the 'Cameo' scheme in respect of the government directive on emission reductions. The replacement of cremators in recent years at Lytham Park Crematorium (which meet the new environmental emissions standards) results in the receipt of income to Fylde Council through the CAMEO scheme, this being funded by payments into the scheme by authorities who do not operate cremators that comply with the revised emissions regulations.

(5) Increase in estimated Planning Application Fee Income

Planning application fee income is dependent on the number and nature of applications received. A number of significant applications have been received towards the end of the last financial year and during the early part of this year. The income estimate has been reviewed and increased budgets have been established for both the current year and for future years of the forecast.

(6) Reduction of Forecast Planning Appeal Costs

The reduction in the cost to the Council of planning appeals in recent years has benefitted the Council. Future year's budgets have been reviewed, resulting in a saving which is reflected in this financial forecast update.

(7) Increase in estimated Car Park income

Income from Car Parks is difficult to predict and is, to a significant extent, dependent upon weather conditions during the key holiday periods. However income has exceeded the estimates for a number of years and a further review of the income budgets has resulted in increases in the levels of income expectations for future years which has a positive effect on this financial forecast update.

(8) Increase in Sand-winning Income forecasts

Income from the sale of sand in the year to date has been higher than the forecast amount and consequently this income budget for the current year and for future years has been reviewed resulting in increases to the income budgets. The increase in income may be a consequence of greater levels of activity in the construction industry, and the consequential demand for sand as a building material, possibly reflecting an upturn in the house-building market.

(9) Staffing Costs

The forecast assumes an estimated 1% pay award per annum from 2016/17. Salary estimates are based upon a revised assessment of the base level of salary costs to reflect any staffing changes that have occurred since the last point of calculation.

The adoption of the Living Wage Foundation hourly rate and the announcement of a National Living Wage from April 2016 will have implications for some grades of Council employees and for agency labour costs in future years. The forecast has been updated to reflect those estimated additional costs.

The forecast that was approved by Council in March 2015 had an assumed level of 'turnover savings' (delays in the recruitment to vacant posts) of £75,000 per annum from 2015/16 onwards. This was increased to a future year's savings target of £100,000 per annum as part of the December 2015 Financial Forecast update. For the current year actual savings to date are already in excess of this target. Accordingly, the turnover savings targets for the current year and for the remainder of the forecast period have been updated. The savings target for 2016/17 onwards is now set at £200,000 per annum to reflect a revised estimate of the level of future savings.

(10) Land Charges New Burdens Grant

In November 2015 the Council was advised that it was to receive an additional central government grant to compensate for refunds of Land Charges fees that were made following a legal challenge to the sale of unrefined data under the Environmental Information Regulations 2004. This grant has been reflected in the updated Financial Forecast.

(11) Bank Charges – Card Processing Costs

Unlike many organisations the Council does not levy a fee for the use of credit cards for making payments to the Council which results in a charge to the Council. In the current year those charges have increased, the impact of which has been reflected in the updated Financial Forecast. This issue is to be reviewed with the option of levying a charge for such payment methods in the future.

(12) Reductions in Fuel Costs

There has been an underspend on fleet fuel costs largely as a result of lower wholesale diesel prices since July 2015 and improved driver awareness of economical driving techniques. The impact of this underspend has been reflected in the updated Financial Forecast for 2015/16 and, to a lesser degree, for future years. Fuel budgets will be kept under review in the light of wholesale fuel costs which are subject to a high degree of volatility. Further savings may be achievable in later years if the fuel price remains at this comparatively low level.

(13) Net savings from revised borrowing assumptions and interest rate forecasts

The forecast has been updated to reflect both:

- the latest estimated cost of borrowing required in order to fund expenditure approved within the capital programme and revised assumptions regarding the likelihood of further external borrowing in future years; and
- the latest estimate of investment interest estimated to be received on cash balances and reserves which the Council invests as part of daily treasury management activities.

Appendix E

Latest General Fund Budget Forecast 2015/16 to 2019/20

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Adverse / Favourable
Forecast approved at Council on 14th December 2015	9,189	9,753	9,819	10,786	11,314	Favourable
Forecast changes - per Appendix C	- 479	- 439	- 440	- 426	- 516	
Forecast Budget Requirement	8,710	9,314	9,379	10,360	10,798	
Financed by:						
Revenue Support Grant	1,443	861	354	47		
Business Rates Funding - BASELINE	1,625	1,771	1,806	1,859	1,623	
Council Tax Freeze Grant relating to 2015/16 freeze	59					
Less - Parish Element of Council Tax Support Funding	- 69	- 66	- 66	- 66	- 66	
Sub Total	3,058	2,566	2,094	1,840	1,557	
Council Tax (including Collection Fund Surplus/Deficit)	5,248	5,447	5,594	5,745	5,900	
Other grants						Favourable
New Homes Bonus	1,660	1,863	1,873	1,177	1,129	
Forecast Financing	9,966	9,876	9,561	8,762	8,586	
Forecast surplus(-)/deficit for year	- 1,256	- 562	- 182	1,598	2,212	
Reserves						
Forecast surplus/deficit(-) for year from above:	1,256	562	182	- 1,598	- 2,212	
Less: Contribution to Accommodation Project Reserve	- 504					
Balance of surplus/deficit(-) remaining:	752	562	182	- 1,598	- 2,212	
Balance of General Fund Reserves b/f	5,443	6,195	6,757	6,939	5,341	
Less transfer to/from(-) General Fund Reserves in year	752	562	182	- 1,598	- 2,212	
Forecast Reserves at Year End	6,195	6,757	6,939	5,341	3,129	
Band D Council Tax (Excl Parish Precepts)	£185.79	£189.49	£193.26	£197.11	£201.03	
Council Tax Increase	0.00%	1.99%	1.99%	1.99%	1.99%	