DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
MANAGEMENT TEAM	FINANCE AND DEMOCRACY COMMITTEE	8 FEBRUARY 2022	4

MEDIUM TERM FINANCIAL STRATEGY UPDATE, INCLUDING GENERAL FUND, CAPITAL PROGRAMME AND TREASURY MANAGEMENT FOR 2021/22 TO 2025/26

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

SUMMARY

1.1 Attached is the Council's Medium Term Financial Strategy (MTFS) for the five years 2021/22 to 2025/26. The MTFS is designed to provide a strategic link between available financial resources and the Council's corporate policy priorities, and to ensure that the Council sets a budget which is robust and sustainable in order that it can deliver its strategic objectives.

1.2 The report details the estimated financial resources available to the Council and identifies how they will be utilised to support the achievement of the Council's priorities. The report also identifies the key financial risks facing the Council over the life of the forecast. The Council's Revenue Budget, Expenditure Forecast, Capital Programme, Treasury Management Strategy and Useable Reserves and Balances Policy are also set out in the report.

1.3 The forecast includes the impact of the 2022/23 Local Government Finance Settlement, provisional details of which were announced on 16th December 2021.

1.4 The government has yet to announce updated plans for the implementation of the delayed Fair Funding Review from the revised scheduled implementation date of April 2021. Similarly, the planned reform of the Business Rates system from April 2021 has again been delayed. Consequently, the finance settlement for 2022/23 is a single-year only settlement.

1.5 As a result of the delayed Fair Funding Review, estimations of central government funding beyond 2022/23 are extremely difficult to make until the outcome of the funding reviews are known. The Financial Forecast will be updated for 2023/24 onwards as and when there is greater clarity regarding the central government funding regime.

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

1.7 A first draft of the detailed 2022/23 revenue budget allocations has been presented to each of the programme committees for information and comment during the January cycle of meetings, as have the proposed fees and charges schedule shown at Appendix J to this report.

1.8 The MTFS may be updated as a result of the decision made by this Committee and will be considered at the Budget Council meeting of 3rd March 2022.

1.9 Feedback from the Budget Consultation process will also be considered as part of the budget setting meeting.

RECOMMENDATIONS

The Committee is recommended to:

1. Request Council to approve and adopt:

    a. The revised estimates for 2021/22 and the revenue budget for 2022/23 as set out in Appendix E, which includes recommended transfers tot eh Capital Investment Reserve in 2021/22 and 2022/23 equivalent to the balance of the revenue surplus for those years, currently estimated at £1.46m in 2021/22 and £0.380m in 2022/23;

    b. The budget proposals and changes to Reserves and Balances are set out in Appendices F & H, to include approval that the Council will act as the accountable body for any of the new capital schemes (as indicated) in Appendix F;

    c. The Capital Strategy 2022-26, including Prudential Indicators and Limits, set out in Appendix G; which incorporates the Treasury Management Policy, the Capital Programme, the Treasury Management Strategy, the Investment Strategy and the Minimum Revenue Provision Statement;

    d. The updated Useable Reserves & Balances Policy as detail in Appendix H;

    e. An average Band D Council Tax of £219.19 for 2022/23 (excluding Town and Parish precepts), which is a 1.99% increase from the 2021/22 average Band D charge;

    f. The Special Expenses policy as set out in Appendix I; which includes that:

        - For the purposes of charging special expenses, both the special expense costs and the tax bases relating to the areas of Lytham and St Annes will each be aggregated and the Council Tax charge per property at each band level will be the same across the whole area; and
        - The annual special expense charge per property will be set for 2022/23 at the 2021/22 level plus 2.154%, that being £80.92 per band D property; and
        - The annual borough wide charge per property will be set for 2022/23 at the 2021/22 level plus 2.154%, that being £172.47 per band D property; and
        - The budget resource be allocated to delivering concurrent services and chargeables as the special expenses for 2022/23 will be set at a sum equivalent to the annual special expense charge per property (band D equivalent) multiplied by the tax base for the special expense area; and

    g. The schedule of fees and charges for 2022/23 as detailed in Appendix J.

SUMMARY OF PREVIOUS DECISIONS

This report forms part of the Budget and Council Tax setting process considered annually by Members.

CORPORATE PRIORITIES	
Economy – To create a vibrant and healthy economy	√
Environment – To deliver services customers expect	√
Efficiency – By spending money in the most efficient way	√
Tourism – To create a great place to live and visit	√

REPORT

1. In March 2021, the Council agreed a five-year financial strategy from 2021/21 to 2024/25. Since then, the local, national and international landscape has continued to be dominated by the impacts of the ongoing Covid-19 pandemic which has had a profound effect on the world. Whilst the short- and medium-term impacts are beginning to be understood, the longer term financial, social, economic and health effects will only become apparent in the fullness of time. The Council's robust financial position has left it well placed to contribute to the recovery process for the local economy. To this end, a Covid Recovery Plan has been developed which details the actions to be taken to assist the local economy through the recovery phase of the pandemic and to regain the former strength and resilience that may have been weakened over the course of the pandemic.

2. The attached Medium Term Financial Strategy (MTFS) identifies the key financial risks for the Council moving forward. These are detailed in Section 10 (Revenue) and Section 13 (Capital) of the report. The Council acknowledges the need to continuously reduce costs and to seek efficiencies in order to meet the challenge of reduced public sector funding, whilst providing high quality service to residents and delivering the ambitions set out in the Corporate Plan. The Council has delivered a balanced budget in 2021/22 and is forecast to do so again in 2022/23 and has delivered significant savings from its budget rightsizing programme across all years of the forecast. This leaves the Council well placed to address further pressures on funding and income.

3. On 16th December 2021, the Government published the single-year Provisional Local Government Finance Settlement for 2022/23. Full details are contained within the attached MTFS.

4. The Council's MTFS and a summary of the budget proposals therein will be made available for consultation via the Council's website and will be provided directly to a range of stakeholders during February 2022.

5. Feedback from this consultation process will be considered as part of the budget setting meeting, as will any views that are expressed by the Finance and Democracy Committee.

IMPLICATIONS	
Finance	Detailed financial implications are contained in the body of the attached Medium Term Financial Strategy. Specific advice from the Council's Chief Financial Officer is contained within the overall conclusions to the report in Section 19.
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.

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul O'Donoghue Chief Financial Officer	paul.odonoghue@fylde.gov.uk	January 2022

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 2020/21 - 2024/25	Budget Council meeting - 4th March 2021	www.fylde.gov.uk

MTFS - Outturn Position for 2020/21 (including General Fund, Capital Programme & Treasury Management)	Finance and Democracy Committee meeting - 29th July 2021	www.fylde.gov.uk
Revenue Budget Monitoring Report & Capital Programme Monitoring Report 2021/22 - to 30th September 2021	Finance and Democracy Committee meeting - 22nd November 2021	www.fylde.gov.uk
Financial Forecast Update (including Revenue, Capital & Treasury Management) 2021/22 to 2025/26	Finance and Democracy Committee meeting - 22nd November 2021 and Council meeting - 6th December 2021	www.fylde.gov.uk
Financial Forecast Update 2021/22 to 2025/26 (Position as at January 2022)	Finance and Democracy Committee meeting - 24th January 2022 and Council meeting - 7th February 2022	www.fylde.gov.uk

Attached documents
Medium Term Financial Strategy 2021/22 to 2025/26

MEDIUM TERM FINANCIAL STRATEGY:
2021/22 – 2025/26

Fylde Council

Section 1: FOREWORD

1.1 A significant amount of work has been carried out in recent years to ensure that the Council's finances, as detailed in the Medium Term Financial Strategy (MTFS), remain robust. This current version of the MTFS shows a projected surplus for 2021/22 and 2022/23 followed by a period of uncertainty as the national framework for the financing of local government will be subject to review.

1.2 The financial year 2021/22 to date has been dominated by the impacts of the ongoing Covid-19 pandemic. In response the Council has played a significant role in delivering a range of support to the community during the year including the provision of a substantial package of grants to businesses, support for clinically extremely vulnerable residents, support for Council Tax-payers (including the processing of payments to those required to self-isolate), the inspection of premises to ensure compliance with covid restriction measure, support to the Community Hub (including the provision and delivery of food parcels to residents forced to self-isolate or 'shield'), supporting the programme of track and trace and latterly support in the delivery of the vaccination programme. The majority of this work has been delivered by existing Council employees who have necessarily been diverted from the "day job" to prioritise the response to the pandemic, and as a result there has been consequential impacts on some of the planned work which would otherwise have been carried out.

1.3 This MTFS includes the impact of the 2022/23 Local Government Finance Settlement, details of which were announced on 16th December 2021. No papers were published relating to the Fair Funding Review or the Business Rates Reset. It would appear the government intend to make further announcements in 2022, before then consulting on any potential changes. Consequently, the finance settlement for 2022/23 is a single-year only settlement.

1.4 The continuation of a Lancashire-wide Business Rates Pool was confirmed for 2022/23. The latest in-year monitoring and future modelling indicates that continued participation in a Lancashire Business Rate Pool for 2022/23 will be of financial benefit to Fylde Council.

1.5 The provisional settlement confirms that a review of the New Homes Bonus scheme is ongoing and that the 2022/23 grant allocation is for one year only (as it was for 2020/21 and 2021/22) and not a multi-year allocation as was the case for earlier years of the scheme. Given that New homes Bonus is a major source of funding for the Council this represents a significant risk to the overall level of future central government funding.

1.6 In order to maintain the current financial position, the Council needs to continue with the approach to delivering savings and efficiencies and maximising income 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 savings programme in recent years and has continued to 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.

1.7 Although it is clear that further uncertainty and challenges lie ahead in the later years of the financial forecast**, the finances of the Council remain robust and the reserves and balances are at healthy levels as compared to earlier periods.** Furthermore, Fylde Council has a past record of taking actions in order to meet and overcome financial challenges as they arise. The Council will continue to seek opportunities to maintain a robust financial position in the face of a changing financial environment. This approach will ensure that the Council continues to achieve and sustain a balanced budget position on an ongoing basis and is able to deliver the priorities set out in the Corporate Plan. External pressures outside the Council's control are being experienced by many local authorities and the full impact of the pandemic is still being understood and assessed. 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 again for this financial year.

1.8 The assumptions that are contained within this MTFS are the latest best estimates and will be updated as and when further information becomes available.

Section 2: CONTENTS

Section 3: THE PURPOSE OF THE MEDIUM TERM FINANCIAL STRATEGY

3.1 The purpose of the Medium Term Financial Strategy (MTFS) is to:

(i) Provide the framework for the development of a budget which is robust and sustainable;
(ii) Assist the Council in the delivery of the aspirations within its strategic plans, and to align resources accordingly;
(iii) Ensure the Council delivers essential services by the efficient and effective use of its financial resources; and,
(iv) Demonstrate commitment to transparency in its financial affairs by setting out what the Council is trying to achieve in an understandable format.

3.2 The MTFS is one of the Council's key enabling strategies. It sets out how the Council intends to manage its finances to help achieve the agreed objectives and priorities. The MTFS looks at the current year and ahead over the next four years to identify the resources likely to be required by the Council to finance service priorities and to meet spending pressures. It aims to:

- Ensure the sustainability of the Council's budget;
- Facilitate pro-active strategic management of the budget to ensure service investments and dis-investments flow from the Council's corporate and service planning frameworks;
- Be responsive to a changing and uncertain financial climate in which existing funding streams cease and new opportunities arise; and,
- Demonstrate clearly to stakeholders, both internal and external, what the Council's plans are for the use of its resources.

The need for a longer term view of the Council's financial position has always been important but as central government funding continues to be the subject of significant uncertainty in the coming years this is increasingly so.

3.3 The Council has adopted a pro-active approach to financial management and a commitment to sound corporate governance, safeguarding public monies and ensuring accountability. Over recent years the Council has been recognised by its external auditors as making good progress with ongoing achievements and successes in priority service areas. It is recognised that whilst there continue to be challenges ahead, arrangements have been put in place to ensure that the priorities as set out in the Council's Corporate Plan are supported by a robust financial framework. In 2020 the Council's external auditors Deloitte LLP audited the Council and again gave an "unqualified opinion", which demonstrates satisfaction with the Council's financial and governance arrangements.

3.4 In formulating this strategy the Council has ensured that, within the resources available, it has taken account of:

- National priorities for public service investment and delivery;
- Government efficiency targets and the priority given to the reduction of the national deficit;
- Corporate priorities that reflect local circumstances and are in tune with the priorities of partner organisations, including Health, Police, local businesses, voluntary and community organisations; and,
- Feedback from all public consultation that has taken place.

Section 4: VISION FOR THE BOROUGH

4.1 The Council produces a Corporate Plan which outlines the key priorities, targets and outcomes for the Authority and the wider community. The Corporate Plan is developed through consultation and feedback with stakeholders based on the key strategic responsibilities of the Council.

4.2 The Corporate Plan takes into consideration emerging legislation, policy and changes in resources and responsibilities informed by the Local Government Association, the Department for Levelling Up Communities and Housing, the Department for Work and Pensions and the various professional associations which provide support on policy, finance, governance, waste, planning, parks, public health and environmental health. The intention is to forecast the resources required to address the strategic issues the Council will need to deliver against over the next four years.

4.3 The current Corporate Plan covering the period 2020 to 2024 has been developed and has been presented to each of the programme committees of the Council. A review of the 2016/20 Corporate Plan during 2019/20 considered each action within the plan and any that were deemed to not have been completed were incorporated into the new 2020/24 Corporate Plan.

There are 4 key themes set out in the new Corporate Plan, these being:

- Economy;
- Environment;
- Efficiency; and
- Tourism

4.4 The 2020/24 Corporate Plan was approved at the October 2020 meeting of the Council, along with a review and closure of the 2016/20 plan.

The current Corporate Plan is accessible on the Council website at: Corporate Plan 2020-24.

Section 5: STRATEGIC PLANNING

5.1 The Council has in place a corporate planning and performance management framework that includes an annual review of the Corporate Plan. The plan is reviewed in consultation with staff and councillors, partners in other public services, the community and voluntary sector, the local business community and local residents.

5.2 The Council regularly reviews progress against longer term plans and Members receive regular updates of the financial forecast. It is recognised that despite robust action during recent financial years to produce a stable and sustainable financial position, the continuing uncertainties surrounding the future resources available to the public sector means that the Council needs to strive to continue to achieve a sustainable and robust budget.

Links to other Enabling Strategies

5.3 The Medium Term Financial Strategy is one of the enabling strategies of the Council, aimed at improving transparency and accountability in the way that services and functions are delivered. Each enabling strategy is reviewed annually as part of the planning cycle and taken together, drive innovation and efficiency to achieve continuous improvement. The other enabling strategies are:

- Procurement Strategy;
- Communication Strategy;
- Commercial Strategy;
- Asset Management Plan & Capital Strategy, and
- Transformation Strategy

5.4 The MTFS takes account of the resources the Council requires to deliver the strategies. Where resources are limited the overall objectives of the Council will be the same, but the pace of achievement may require adjustment.

External funding

5.5 The borough has been successful in the past in attracting funding from a number of investment streams from external funds including Heritage Lottery Fund Grants, The Local Strategic Partnership (LSP), the Environment Agency, section 106 planning monies, the Future High Street Fund and the North West Development Agency. The Council will continue to explore external funding opportunities wherever possible to support Council investment to deliver further improvements in the borough.

Section 6: DEVELOPING THE MEDIUM TERM FINANCIAL STRATEGY

6.1 The MTFS sets out the Council's revenue budget allocations, the programme for capital investment, efficiency targets and forecasts for the period covered by the strategy. The key influences on this strategy include:

- The impacts of the ongoing Covid-19 pandemic;
- The continuing uncertainty surrounding future central government funding for local government;
- The consequent spending constraints resulting from reduced resources in the medium term;
- Ensuring a robust and sustainable budget through the prudent use of reserves and balances and ensuring externally funded projects are facilitated;
- Developing new ways of delivering services using modernisation techniques to achieve higher levels of customer satisfaction, efficiency, value for money, strategic partnerships, service commissioning, and enterprise; and
- The need to continuously review and maintain existing assets to a quality standard.

6.2 The MTFS looks at the current year and ahead over the next four years to identify the resources likely to be required by the Council to meet service priorities and to address spending pressures. It aims to:

- Ensure the sustainability of the Council's budget;
- Facilitate pro-active strategic management of the budget to ensure service investments and dis-investments flow from the Council's corporate and service planning frameworks;
- Be responsive to a changing and uncertain financial climate in which existing funding streams cease and new opportunities arise; and,
- Demonstrate clearly to stakeholders, both internal and external, what the Council's plans are for the use of its resources.

6.3 The MTFS and financial forecast are supported by the following monitoring procedures:

- General Fund Revenue Budget Monitoring;
- Capital Programme Monitoring;
- Treasury Management Monitoring and Mid-Year Strategy Review, together with specialist external advice; and,
- Annual Outturn reports on the Capital Programme, the General Fund and Treasury Management.

6.4 Any additional future spending reductions will require a further review of priorities and service delivery arrangements. Members will be engaged in this process as part of the service planning framework and through the Council's programme committees.

6.5 Central to the budget setting process is the work of the Budget Working Group. The purpose of the group is:

> ***'To co-ordinate and oversee the budget setting process and to provide a strategic steer to programme committees on key elements of the budget setting process such as the level of growth or savings required in light of the overall financial position of the Council, capital bid expectations, fees and charges levels etc.'***

In addition, all budget growth proposals, draft revenue budgets and all proposed fees and charges for 2022/23 have been considered by each of the Council's programme committees with respect to those services that fall within the remit of each committee and the programme committees have provided comments and recommendations as appropriate. The Budget Working Group has met a number of times during the year to fulfil its role in the budget-setting process for 2022/23 and has carefully considered all budget proposals and the comments that each of the programme committees has made during their consideration of these matters in respect of services within their remit. The final decision with regard to the 2022/23 budget will be taken at the Budget Council meeting of 3rd March 2022.

6.6 In December 2021 the Council received details of the provisional 2022/23 Local Government Financial Settlement along with details of the New Homes Bonus allocation for 2022/23. Further details of the impact of the financial settlement are provided within section 8 of this strategy document. It was previously anticipated that initially 2020/21, and then 2021/22, would be the first year of a further multi-year indicative financial settlement for local government. However, the government has confirmed that it is to delay the implementation of the Fair Funding Review from the revised scheduled implementation date of April 2021. Similarly, the planned reform of the Business Rates system from April 2021 will also now be delayed.

6.7 The impact of the Covid-19 restriction measures on the financial position of the Council for 2021/22, and possibly beyond, were detailed within the Financial Forecast Update presented to this committee in November and to the Council in December 2021. The government have provided additional funding to councils to dampen the financial impact, more details of which are included in section 8 of this report. These impacts, together with the potential for future reductions in central government funding and uncertainties around the level of retained business rates from 2022/23 onwards, require that in order to maintain the current financial position the Council needs to continue with the approach to delivering savings and efficiencies and maximising income which have delivered balanced budgets and contributed to reserves over recent years.

6.8 The pandemic has led to significant volatility in both income and expenditure levels across a range of service areas, and a number of budget variations resulting from the impact of the covid restriction measures are included within this report. It is anticipated that as a consequence of this volatility, along with the reduced amount of budget-monitoring work that has been possible during 2021/22 due to the prioritisation of covid support work, that there may be additional year end outturn variances against revised budgets for 2021/22 than is usually the case.

6.9 Given the uncertainty regarding future levels of central government funding and the impact of the covid restriction measures during the year it is vital that the financial resources of the Council are managed carefully. Consequently, the Budget Working Group are proposing only a limited number of revenue growth proposals to ensure that the Council continues to achieve a robust budget over the life of the forecast. A number of additional Capital Schemes are proposed for 2022/23. The Council's element of the funding for each scheme will be met from the Capital Investment Reserve, thus avoiding the requirement for any external borrowing in respect of these new schemes. In formulating the budget proposals, Members have been cognisant of the national economic context and the financial risks and uncertainties facing the Council. The budget proposals for 2022/23 are detailed in Appendix F of this report.

6.10 The Council's service planning and performance management framework is designed to ensure the continuous drive for improvement and ensure that Value for Money continues to be achieved.

Balancing the MTFS

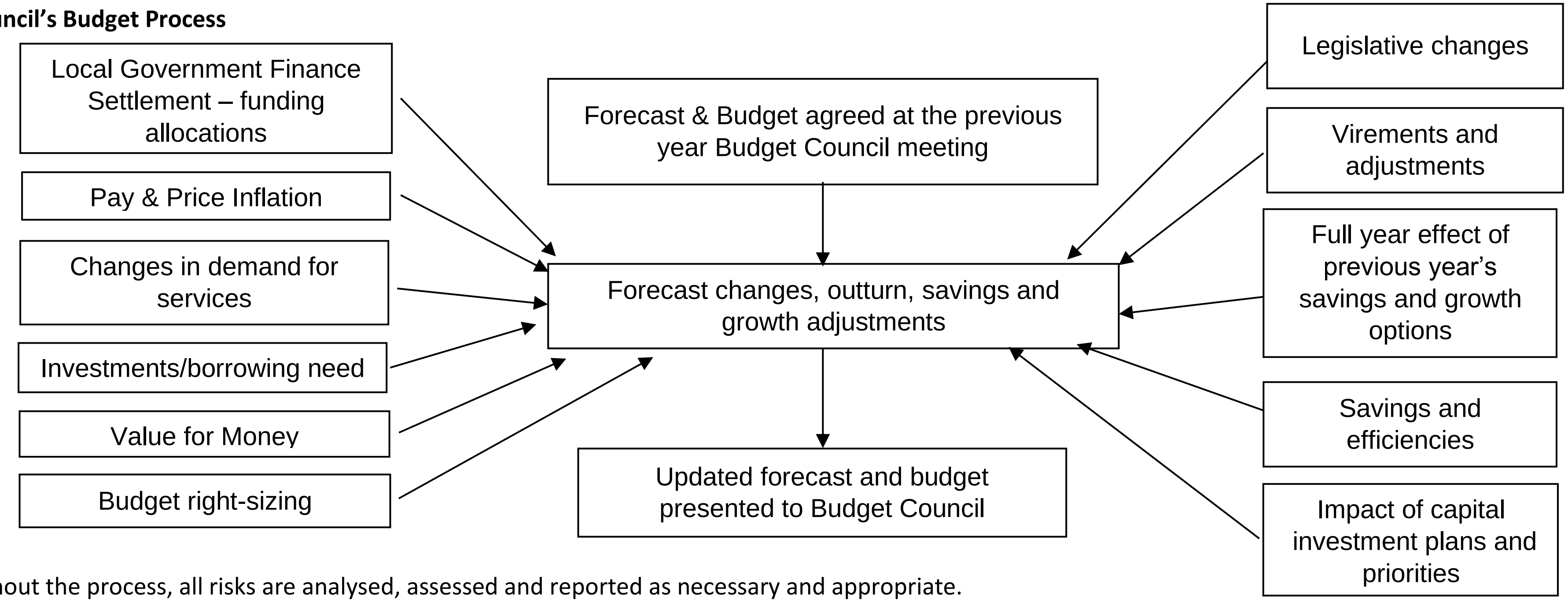
6.11 The Council is primarily a service provider and employee costs are one of its largest areas of expenditure. The Financial Forecast includes provision for a pay award for 2021/22 of 2.75% (although the national pay award is yet to be agreed for this year) and a forecast of future annual pay awards of 2.75% per annum.

6.12 Each year officers review the financial outturn position for the previous year, with particular reference to budget underspend across services, to identify areas where budget adjustments might be appropriate. This exercise has also been carried out several times during 2021/22 following in-year budget monitoring reviews, resulting in a series of mostly favourable budget adjustments, the latest of which have been reflected in this revised forecast.

Developing the Budget Forecast

6.13 Fylde Council has a structured approach to financial management and corporate governance, safeguarding public monies and ensuring accountability. The starting point for developing the forecast for the forthcoming year is the forecast agreed by Full Council at the last Budget setting meeting. The forecast is reviewed in the light of the previous year's outturn information. Changes and risks based on the latest available information such as the statutory annual Council Tax Base calculations and the most recent Local Government Finance Settlement are incorporated. Original assumptions are reviewed; new spending pressures are assessed and evaluated with any in-year budget decisions being taken into account. The need for spending and savings is assessed in the light of available resources. The process is summarised in the following diagram:

The Council's Budget Process



Throughout the process, all risks are analysed, assessed and reported as necessary and appropriate.

Section 7: BACKGROUND TO THE FORECAST

7.1 In order to 'scene set', the current financial position of the Council is summarised for Members as follows:

(i) Original Budget 2021/22

At the Council meeting on the 4th March 2021 the budget for 2021/22 and the medium term financial forecast were agreed. The resolution included a 1.99% increase in the average Council Tax amounts and a total net budget requirement of £10.934m for 2021/22. The General Fund balance at that time was forecast at the end of 2024/25 to be £2.123m. In agreeing the Original Budget for 2021/22 a number of key high level financial risks and assumptions were highlighted.

(ii) General Fund Revenue Outturn Position 2020/21

The revenue outturn position for 2020/21 was reported to Members in July 2021. The impact of the outturn position, including slippage items in the total sum of £0.299m, has been reflected in this updated forecast.

The favourable outturn position for revenue allowed for a contribution to be made into the Funding Volatility Reserve for that year in the sum of £1.148m after a budgeted transfer into the Capital Investment Reserve of £1.813m and a required transfer of £5.577m into the Collection Fund Deficit Reserve. Appendix E includes the latest estimate in this regard.

(iii) Covid-19 Impact

In the weeks following the setting of the budget for 2020/21 the impact of the Covid-19 outbreak became increasingly apparent and resulted in a series of both national and local lockdowns which were unprecedented and had a substantial impact on both the national and the local economy. Consequently, the last two years have been dominated by the impacts of the ongoing pandemic. In response the Council continues to play a significant role in delivering a range of support measures to the community which since the start of the pandemic have included: the provision of a substantial package of support grants to businesses; support for clinically extremely vulnerable residents; support for Council Tax-payers (including the processing of payments to those required to self-isolate); the inspection of premises to ensure compliance with covid restriction measure; support to the Community Hub (including the provision and delivery of food parcels to residents forced to self-isolate or 'shield'); supporting the programme of track and trace; and support in the delivery of the vaccination programme. The majority of this work has been delivered by existing Council employees who have necessarily been diverted from the "day job" to prioritise the response to the pandemic, and as a result there has been consequential impacts on some of the planned work which would otherwise have been carried out.

In acknowledgement of the significant impacts the pandemic has had on the local government sector, central government introduced a range of national funding measures that assist in off-setting some of those negative financial effects to support councils in continuing to deliver services and support the national response. Fylde Council was allocated general covid support grant funding for 2020/21 totalling £1.151m and £0.392m for 2021/22, and a range of further grant allocations for specific purposes. In addition, a scheme to compensate councils for reduced sales, fees and charges income was introduced for the whole of 2020/21 and was subsequently extended to the first quarter of 2021/22.

The financial impact of the pandemic, in terms of reduced levels of income and the cost of providing services, together with the financial support provided by the government continues to be carefully monitored and is reflected in the updated financial forecast included within Appendix E of this report.

(iv) Budget Right-sizing Exercise

Throughout each year officers undertake a series of budget right-sizing exercises to identify any in-year budget variances and any future budget adjustments that might be appropriate. The exercise includes an analysis of underspends which have occurred over the last 3 financial years in order to identify structural variances and trends in income and expenditure levels. This has become part of the annual budget process. As a result, a number of budget adjustments are included within Appendix C of this report under the heading 'Budget Rightsizing'. The efficiencies and savings captured by the right-sizing exercise are a combination of one-year-only and recurring savings. It is anticipated that in future years the level of efficiencies and savings that are achievable through the right-sizing exercise will be more limited.

(v) Capital Outturn Position 2020/21

The latest approved expenditure budget in the capital programme for 2020/21 was £6.505m. After adjusting for slippage of £1.546m, the overall outturn position for 2020/21 was an in-year favourable variance of £0.066m against the latest updated estimate. The capital programme has been updated to reflect scheme re-phasing approved as part of the outturn report.

(vi) General Fund Revenue Budget Monitoring 2021/22

Revenue budget monitoring reports for the period to 30th November 2021 have been presented to each of the Programme Committees during the January 2022 cycle of meetings. These reports identified a number of budget areas for further consideration. As a result, a number of changes have already been included in this latest forecast update report. These include revised fee income estimates and the latest estimate of employee costs.

Section 8: THE GENERAL FUND REVENUE FORECAST & NEW FORECAST CHANGES, INCLUDING THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2022/23

8.1 Appendix A sets out the original base budget that was agreed at Budget Council in March 2021. In rolling forward the forecast the general assumptions that are included in the base budget are set out in Appendix B, with details of the changes since the last approved budget was set being detailed in Appendix C. Explanations in support of these budget changes are set out in Appendix D. A summary of the impact of these changes, including the proposals of the Budget Working Group, and the updated summary forecast position for the Council, is set out in Appendix E.

In preparing the updated forecast summarised in Appendix E of this report, the following has been taken into account:

8.2 **The 2022/23 Local Government Finance Settlement**

On 16 December 2021, the Secretary of State for the Department for Levelling Up, Housing and Communities, Rt. Hon. Michael Gove MP, released a written statement to Parliament on the provisional local government finance settlement 2022/23. The papers can be viewed by clicking here.

The 2022/23 local government finance settlement is again for a single year only and is based on the Spending Review 2021 funding levels.

The key points arising from the Finance Settlement for Fylde Council are:

a) Delays to the Fair Funding Review and the Reform of the Business Rates System

No papers were published relating to the Fair Funding Review or the Business Rates Reset. It would appear the government intend to make further announcements in 2022, before then consulting on any potential changes. More details are provided in the financial risks section of this report in paragraph 10.2.

b) Confirmation of acceptance of the bid by Lancashire authorities to continue to operate a Business Rate Pooling arrangement for 2022/23

The continuation of a Lancashire-wide Business Rates Pool was confirmed for 2022/23, subject to no single member of the pool exercising their right to withdraw from the pool within 28 days of the Finance Settlement announcement (as per the terms of the pooling arrangement) which would cause the pool to end. It is not expected that any member of the Lancashire Business Rates pool will exercise this option for 2022/23. The latest in-year monitoring and future modelling suggest that continued participation in a Lancashire Business Rate Pool for 2022/23 will be of financial benefit to Fylde Council, as it has been since participation in the pool commenced.

c) Confirmation of a single year New Homes Bonus allocation in 2022/23 and an ongoing review of the scheme

The provisional settlement confirms that a review of the New Homes Bonus scheme is ongoing and that the 2022/23 grant allocation is for one year only (as it was for 2020/21 and 2021/22) and not an annual allocation for a four year period as was the case for earlier years. More details are provided in the financial risks section of this report in paragraph 10.2.

d) Confirmation of further Government Grants for 2022/23

Additional grants were also announced in respect of 2022/23 as part of the provisional settlement which for Fylde Council were as follows:

- Lower Tier Services Grant – an allocation of un-ringfenced grant of £88,813; and
- 2022/23 Services Grant - an allocation of a new "one-off" un-ringfenced grant of £133,416

Both of these additional grant allocations have been reflected in the summary at Appendix E to this report.

It is understood that these grants are allocated in order to ensure there is no reduction in an authority's 'Core Spending Power' which is the measure used by the government of the total financial resources available to local authorities to fund service delivery. The purpose of these grant allocations is to ensure that a local authority does not suffer a reduction in resources for 2022/23, as compared to 2021/22, on the assumption that Council Tax is increased to the maximum level for 2022/23 without the requirement for a local referendum, details of which are set out in the following paragraph.

e) Confirmation of the 2022/23 General Council Tax Referendum Principles

As part of the 2022/23 provisional settlement the government announced the general council tax referendum principles (the upper limit on the year-on-year increase that can be applied without the requirement for prior approval through a local referendum) as the higher of a 1.99% increase or an increase of £5.00 (as was the case for 2021/22).

(An increase of £5.00 for a Band D property in Fylde for 2022/23 would equate to a percentage increase of around 2.3%).

Referendum principles will not be extended to town and parish councils for 2022/23 but could be applied to these councils in future years.

8.3 Other Forecast Changes

Alongside the updated estimates to the financial forecast that have been made as a result of the financial settlement there are a number of other changes which are briefly described below.

a) The impact of the covid restriction measures

The financial impact of the covid restriction measures on a number of service areas, and consequently on the Council's financial position for both 2020/21 and the current year, has been significant, although a range of national funding measures have also been introduced that assist in off-setting some of those negative financial effects. Fylde Council was allocated general covid support grant funding for 2020/21 totalling £1.151m and £0.932m for 2021/22 which was followed by a range of further grant allocations for specific purposes, including a number of 'new burdens' grants in respect of the administration of the numerous grant support for businesses payment schemes. These grants and the main financial losses that they will help to offset are reflected within Appendix E.

b) New Homes Bonus - distribution to Town and Parish Councils

Following the confirmation of the amount of New Homes Bonus grant to be received for 2022/23, allocations of a proportion of this grant to town and parish councils have been calculated in the total sum of £61,807 in accordance with the decision of the Finance and Democracy Committee on this matter at the meeting of 22nd November 2021. The financial consequence of this decision is contained within the summary Financial Forecast at Appendix E.

c) Employee Costs

Pay award: The employee pay award for the current year is yet to be agreed, with recent negotiations leading to both sides reaffirming their respective positions: the employer's offer is full and final; the unions are conducting ballots for strike action. Budget provision for 2.75% pay award is included each year throughout the forecast based upon last year's agreed pay award.

Health and Social Care NI contribution: Following the government's announcement in September 2021 regarding an additional health and social care NI contributions of 1.25% from April 2022, the estimated cost of this increase has now been built into this forecast update.

e) Other budget adjustments

A further review of budgets and actual income and expenditure levels has been carried out based upon in-year budget monitoring and a number of other budget adjustments for both the current and for future years have resulted from this analysis.

Section 9: SAVINGS & GROWTH PROPOSALS

9.1 In order to prepare for the funding uncertainties of future years only a limited number of growth proposals have been identified and the Council continues to look for further efficiencies. In identifying the growth items now proposed (detailed in Appendix F) and exploring opportunities for future savings, the following criteria has been considered:

- The impact on the Council's corporate priorities;
- The impact on front line service provision to residents:
- The sustainability of proposed savings;
- Value for Money and efficiency implications; and,
- The potential for further cost reductions both in back-office and service delivery costs, in particular, to be achieved via a mix of more shared services and partnering arrangements.

9.2 Although there are no proposed budget reductions as part of this MTFS, the impact of any such future proposed budget reductions would be assessed by way of an equality impact assessment. Any reduction in Council expenditure that leads to a reduction in services will inevitably have an impact on the wider community served. However, in carrying out a high level equality impact assessment on savings options it is necessary to look at two specific issues:

- The effect on persons who share a protected characteristic in relation to the wider community; and,
- If and how one group is disproportionately disadvantaged by the cuts in relation to other groups.

9.3 The Council is consulting with a wide range of stakeholders, including the general public, local business groups, Town and Parish Councils, business rate payers, partners, and other local authorities on the proposed budget for 2022/23.

9.4 In putting together the budget proposals due consideration is given to the consultation and feedback which is collated on an ongoing basis through the various service providers as well as bespoke research aimed at specific initiatives. This includes customer satisfaction surveys, suggested service delivery improvements obtained through feedback and an analysis of the complaint and service failure data collated by the Council each month.

Section 10: KEY AREAS OF FINANCIAL RISK (REVENUE)

10.1 In considering this forecast Members should note that there are a number of significant risks. In the context of the Council's financial forecast a risk can be defined as a change with an unknown or uncertain impact on the financial position of the Council that can be favourable or adverse. In assessing each risk the following has been taken into account:

<u>High Level Financial Impact Risk</u>

- Potentially a significant sum, with the potential for impact over a number of years
- Relatively little mitigation available to spread or defer the impact
- The possibility of a significant financial impact on the Council if the risk materialises
- Probable need for change to the forecast if it materialises

<u>Medium Level Financial Impact Risk</u>

- Potentially a large sum, with the potential for impact over a number of years
- Some mitigation may be possible to spread or defer the impact
- The possibility of a sizeable financial impact on the Council if the risk materialises
- Possible need for change to the forecast if it materialises

<u>Low Level Financial Impact Risk</u>

- Potentially a less significant sum
- Some mitigation may be possible to spread or defer the impact
- Impact should be capable of being absorbed without major forecast changes

10.2 **High Level Financial Impact Risks**

(i) <u>Future Central Government Funding</u>

The central government funding figures currently shown within the General Fund Forecast at Appendix E comprise the funding allocations as contained within the Local Government Financial Settlement for 2022/23. No papers were published relating to the Fair Funding Review or the Business Rates Reset. It would appear the government intend to make further announcements in 2022, before then consulting on any potential changes. Any future scheme may differ markedly from the existing arrangements in two key areas:

- The current arrangements use historic baseline funding levels as a starting point for calculating the level of business rates to be retained locally. As part of some future funding review as previously envisaged this baseline may be adjusted via a scheme "reset" with the potential for Fylde Council to receive less of its retained business rate income, and

- The government may introduce a less favourable split for district councils between lower and upper tier authorities than is currently the case in the current arrangements in order to provide additional resources to authorities with responsibility for social care services, which it is generally acknowledged places a significant burden on upper-tier and unitary councils.

During the early stages of the pandemic in Spring 2020, the Chancellor announced a series of extended business rate reliefs including to the retail, hospitality and leisure sectors and to small businesses. These reliefs meant that in many cases businesses paid no business rates at all during 2020/21 and reduced amounts during 2021/22 to help support them through the pandemic. As a result, the business rate collection fund (administered by Fylde to collect business rates and then allocate the monies to central government and the major preceptors) is forecast to make a significant deficit during the current year when compared against the level of income expected before the year began. To compensate for this shortfall, the government have paid all relevant councils, including Fylde, grant funding during both 2020/21 and 2021/22. Because of timing differences between the flow of funds into and out of the collection fund it will be necessary to transfer this grant into the Collection Fund Deficit Reserve because this set aside will be required in 2022/23 for release to offset the collection fund deficit.

Estimates of business rate income continue to be difficult to predict and are subject to increased volatility as a result of the pandemic and associated knock on effects on timings of funds flowing to and from the collection fund. Estimations of central government funding beyond 2022/23 are also extremely difficult to make until the outcome of the funding reviews are known. There is a clear risk that the actual levels of central government funding beyond the current year may differ from the amounts for those years that are reflected within this update.

The Financial Forecast will be updated for future years as and when there is greater clarity regarding the central government funding regime. Until there is more certainty over future funding arrangements for local government, this will remain high level financial risk to the council’s financial position.

(iii) New Homes Bonus

The provisional settlement confirms that a review of the New Homes Bonus scheme is ongoing and that the 2022/23 grant allocation is for one year only (as it was for 2020/21 and 2021/22) and not an annual allocation for a four year period as was the case for earlier years.

The forecast of New Homes Bonus income for 2022/23 has been updated in line with the provisional allocation announced in the settlement. In respect of all other years, due to the uncertainty surrounding future funding levels, the estimated amounts for 2023/24 onwards are in line with the forecast as approved by Council in March 2021. However, it should be noted that at present the only confirmed future allocations of New Homes Bonus Grant that the Council is due to receive is £1.236m in 2022/23.

Given that New Homes Bonus is a major source of funding for the Council this represents a significant risk to the overall level of future central government funding.

10.3 **Medium Level Financial Impact Risks**

i) Price Inflation

Levels of inflation have been increasing during the year with the UK Consumer Price Index (CPI) for December registered 5.4% year on year, up from 5.1% in the previous month. Inflation is now forecast by the Monetary Policy Committee to peak at 6% in April 2022. Provision made within the budget is limited to areas where the council has no choice but to pay increased prices, e.g. due to contractual terms. Price increases represent a significant cost pressure to the council and increase the risk that existing budget provision is insufficient to cover the cost of service delivery. This is particularly pertinent with respect to the financial risks associated with the delivery of the capital programme with building costs and materials continuing to rise.

ii) Covid – Potential Future Additional Costs and Reduced Income

The financial impact of the covid restriction measures on a number of service areas, and consequently on the Council's financial position for 2021/22, has been significant, although a range of national funding measures have also been introduced that assist in off-setting some of those negative financial effects.

It is possible that there will be further financial implications for the Council in 2021/22, notwithstanding any additional grant allocations that the government may determine for the year. These may include such key areas as reduced business rate and council tax receipts, loss of amenity income from such service areas as games sites, further rent reductions for council tenants and concession holders and the requirement for additional support to partner organisations. The position will be kept under close review but given the scale of the financial impact on the council over the last two financial years and the ongoing uncertainty around the pandemic this must be considered an ongoing financial risk.

iii) Retained Business Rates – Pooling and Appeals

One of the impacts of the continued membership of a Business Rate pool as detailed in Section 8.2 of this report is the loss of the protection of a 'Safety Net' payment in the event of a significant reduction in Business Rate income below the government's defined "baseline" level. Such reductions can occur when a business rate payer successfully appeals against the Valuation Office assessment of the rateable value of their business premises. Appeal settlements can currently be back dated as far as April 2017 and can result in potentially significant refunds of business rates previously paid. As part of the decision to join a Business Rate pool it was determined that this risk would be mitigated by the setting-aside (within the Funding Volatility Reserve) of the initial gains from membership of the pool in terms of business rate income retained over and above the baseline level. This has effectively created a 'local safety net' to provide replacement funding in the event that actual income received fails to meet the baseline or budgeted level. In addition the council sets aside a provision for losses as a result of appeals which provides an element of further protection.

Due to the importance of retained Business Rates income to Fylde Council and the uncertainty surrounding future pooling arrangements, combined with the unpredictable nature of business rate appeals which can have a significant adverse financial impact, this remains a financial risk.

iv) Borrowing Cost Assumptions

In light of the current relatively healthy level of reserves and balances held by the Council, the forecast currently assumes that external borrowing will not be required during the life of the Financial Forecast, that the Council remains debt free, and that internal cash balances will be utilised to fund any capital expenditure which is not directly funded from earmarked reserves or specific grants. This means that the base forecast contains no provision for any external borrowing costs.

There is a risk therefore that if circumstances change over the forecast period and it is necessary to take out external borrowing to fund capital resources, there is no budget cover for the borrowing costs. Whilst it is not currently envisaged that such circumstances will occur during the life of the forecast, the position will be monitored carefully on an ongoing basis.

(v) Employee Costs - Pay Award

Whilst the updated forecast estimates staff pay awards of 2.75% per annum for 2021/22 and each year thereafter, it is possible that pay awards may be agreed in excess of 2.75%, which will incur additional costs beyond those currently budgeted for. Each additional 1% increase in pay equates to an estimated £100k additional cost on the pay bill of the council per annum. As detailed in section 8 above, the pay award for the current year is yet to be agreed.

(vi) Reduction in Housing Benefit Administration Grant

The Council receives an annual grant to support the cost of the administration of Housing Benefit and Council Tax. The grant that the Council receives for these purposes has reduced in recent years, particularly in respect of the Housing Benefit element, as the government moves away from a system of Housing Benefit payments and towards a national Universal Credit Scheme. This financial forecast reflects the latest estimates of grant levels for 2022/23 and for subsequent years. As updated grant notifications are received in respect of future years it may be necessary to update the forecast accordingly.

(vii) Universal Credit

The Government has commenced the consolidation of a number of welfare benefit allowances into a revised Universal Credit Scheme. One of these is Housing Benefit which is currently administered by the Council through the shared service with Blackpool Council. The intention is that the new Universal Credit Scheme will be provided on-line and will be administered by Department of Work and Pensions. The roll-out of the new arrangements are gradual and began in Fylde in respect of a small number of the less-complex cases in November 2014. The timing and financial implications of future developments of the scheme remain uncertain and will continue to be monitored.

(viii) Grounds Maintenance – External Contracts

Throughout the future life of the forecast a number of grounds maintenance contracts with external parties will come to an end or will be due for renewal/re-tender. At the same time other opportunities will arise for additional contract work and these will be actively pursued as appropriate. Income from contracts supports the work of the Parks and Leisure Service teams by way of a contribution to management costs and corporate overheads. Officers will endeavour to seek extensions to contracts as they become due for renewal/expiry and will continue to seek suitable alternative new work. Should this not be possible there may be an adverse impact on the forecast.

10.4 **Low Level Financial Impact Risks**

i) <u>The Living Wage</u>

In March 2015 the Council agreed a policy to adopt the Living Wage Foundation pay rates for all employees, excluding apprentices, with effect from 2015/16, such that the Council became a 'Living Wage Employer' from that point forward. Additionally, in the autumn of 2015, the government announced the introduction of a statutory National Living Wage to apply from April 2016 for all employees over the age of 25.

The revenue estimates include annual amounts for the estimated impact of the annual increases in the hourly rates for the Foundation Living Wage and the National Living Wage. In the event that actual future year increases are higher than the estimated levels such that the increases cannot be contained within the approved budgets future adjustments to the Financial Forecast may be necessary.

ii) <u>Community Infrastructure Levy (CIL)</u>

The Community Infrastructure Levy (CIL), which came into operation nationally in April 2011, was intended to assume the role of the traditional Section 106 Agreement. A review of the operation of the CIL Regulations considered that the CIL process was too complex and uncertain and was acting as a barrier to the delivery of housing. Accordingly, on 1 September 2019, the Regulations that govern the introduction of CIL and its operation alongside Section 106 agreements were revised. Under the new arrangements, Section 106 Agreements will continue to have a role to play in securing essential infrastructure.

Fylde Council commenced work on the introduction of a CIL but as CIL needs to have regard to the economic viability of an up to date local plan, this was placed on hold pending the adoption of the local plan, the publication of the updated CIL Regulations and ultimately the adoption of the Partial Review of the Fylde Local Plan to 2032.

As it has been some time since the Council resolved to introduce CIL, it is proposed to present a further report to the Planning Committee to allow further consideration of the merits of introducing CIL having regard to the changes in legislation and policy that have occurred since that decision. This will follow on from the adoption of the Partial Review of the Fylde Local Plan.

Section 11: CAPITAL STRATEGY AND ASSET MANAGEMENT PLAN

11.1 The Council owns a number of operational properties and assets and has developed a Capital Strategy and an Asset Management Plan to formalise the management process in respect of physical assets. Operational properties include office accommodation, depots, yards and venues such as the Town Hall and other offices, the crematorium, open space facilities, and various car parks. The Council has a five-year rolling programme of maintenance for its assets which is factored into the Medium Term Financial Strategy.

11.2 A small investment property portfolio is managed to generate income to support the revenue budget and maximise any opportunities for regeneration. This position is reviewed regularly in order that income can be maximised and timely decisions made on the disposal of under-performing or surplus assets.

11.3 The Asset Management Plan includes a stock condition survey to establish the rolling programme of repair and maintenance, which takes account of the need for efficiency and environmental impact.

11.4 Asset holdings are reviewed as part of the annual planning cycle. This could lead to the disposal of some assets to maintain the remaining estate to the desired standard.

11.5 A review and revaluation of all heritage assets including furniture and art-work was carried out during 2017. The next review and revaluation will take place in 2022, as required by the Council’s adopted accounting policy, in order to ensure that valuations remain current.

Section 12: THE CAPITAL PROGRAMME

12.1 Capital Expenditure is defined as expenditure on the acquisition of a fixed asset and/or expenditure which adds value to (not merely maintains) the value of an existing fixed asset. Examples of fixed assets are; land, building, plant and vehicles. Capital expenditure also includes the making of an advance, grant or other financial assistance towards expenditure which would, if incurred by the Council, be classed as capital expenditure.

12.2 The Capital Programme is updated continually for agreed changes and reported in periodic monitoring reports to each Programme Committee.

12.3 With effect from the financial year 2019/20 the revised CIPFA Prudential Code 2017 required the Council to produce a Capital Strategy. This new reporting format brings together capital, treasury and investment strategies within a single framework. The latest updated Capital Programme is therefore contained within the Capital Strategy shown at Appendix G which has been updated to reflect the latest position. A prudent approach is taken in preparing the programme to ensure that financing resources are only recognised when there is relative certainty that they will be received. Cost efficiencies achieved in respect of vehicle fleet modernisation, waste collection service development and lease rationalisation have been incorporated.

12.4 Capital schemes are directly linked with the Council's priorities and delivered through a series of key programmes through detailed Service Delivery Plans. Major items of enhancement or renewal are identified through the Council's Asset Management Plan.

12.5 **Financing the Capital Programme**

The Council finances the Capital Programme from a variety of sources. These include:

(i) Specific Capital Grant Allocations;
(ii) Disabled Facilities Grant / Better Care Fund (from central government);
(iii) Capital Receipts;
(iv) External Funding (such as Future High Street / Heritage Lottery / Environment Agency Funding);
(v) Prudential Borrowing / Leasing;
(vi) Revenue Funding; and
(vii) Earmarked reserves such as the Capital Investment Reserve and Funding Volatility Reserve.

12.6 In updating the Capital Programme a number of schemes have been re-phased into later years to reflect delays to the scheme delivery timescales arising from the impact of the ongoing Covid-19 pandemic.

12.7 Given the significant financial resources directed towards delivery of the Capital Programme, and the consequential revenue implications of some of the financing options, it is necessary for the Council to carefully consider the most appropriate mechanism for ensuring that the programme is delivered in the most cost effective manner. The below table shows the summarised Capital Programme by Committee over the forecast period showing a balanced position. The detailed schemes are shown in Appendix G within the Capital Strategy.

SUMMARY CAPITAL PROGRAMME

	Estimate 2021/22 £000	Estimate 2022/23 £000	Estimate 2023/24 £000	Estimate 2024/25 £000	Estimate 2025/26 £000
Committee:					
Finance & Democracy Committee	6	0	0	0	0
Tourism & Leisure Committee	2,264	989	40	40	40
Operational Management Committee	2,086	2,603	8,508	2,691	1,281
Environment, Health & Housing Committee	1,728	1,209	1,130	1,130	1,130
Planning Committee	5,646	6,195	1,305	0	0
Total Capital Payments	**11,730**	**10,996**	**10,983**	**3,861**	**2,451**
Financing:					
Availability of Resources	**11,730**	**10,996**	**10,983**	**3,861**	**2,451**
Total surplus (-) / shortfall in year	0	0	0	0	0
Cumulative surplus (-) / shortfall	0	0	0	0	0

Section 13: KEY AREAS OF FINANCIAL RISK (CAPITAL)

13.1 Members should be aware that the following financial risk areas remain relevant on the Capital Programme:

13.2 **High Level Financial Impact Risks**

i) <u>Town Centre Regeneration Kirkham</u>

Following the Government's Future High Street funding initiative (FHSF), the Planning Committee resolved, in the autumn of 2019, to select Kirkham Town Centre as its choice to pursue any bids for funding under the scheme. The first opportunity, being part of the broader FHSF, named the High Street Heritage Action Zone initiative (HS HAZ) was launched. This was a competitive process and seeks to enhance the historic environment of high streets that have conservation area status. Following the expansion of the funding for the scheme, due to unprecedented bids from a national perspective, the Kirkham bid proved to be successful, following a recommendation to Government from Historic England (HE). HE is the body responsible for administering the scheme. The grant award is £1.8m and will be match funded from a number of sources including Fylde Council, Kirkham Town Council and Section 106 payments for public realm improvements attributed to residential planning permissions. The scheme will run over 4 years, commencing in April 2020, and includes a wide range of projects.

In line with many other authorities, due to COVID 19, the implementation of the scheme has been delayed and a revised project plan, which sets out the projects to be delivered and the associated funding, has been agreed with Historic England.

A further bid for £9.1m was also submitted under the main body of the Future High Street Fund during 2020 and proposed to deliver a number of schemes across the whole of the town centre including the re-purposing of buildings, traffic management measures, building reuse and enhancement and public realm projects. This was once again a competitive process. The bid was well founded, and the economic case was very strong. In April 2021 an award of £6.29m for the Kirkham scheme was announced from the Ministry of Housing, Communities and Local Government (MHCLG) which was approved at Council on the 5th July 2021. A report was presented to the council in December 2021 approving various property acquisition, and a further report will be presented to members in 2022 regarding a remaining property which is part of the project.

In addition to the above funding, at its meeting on 20 January 2022, Lancashire County Council's Cabinet resolved that:

i. The Executive Director of Growth, Environment, Transport and Community Services, Director of Finance and Director of Corporate Services, in consultation with the Leader of the County Council and the Cabinet Member for Economic Development and Growth, be authorised to receive and approve, where appropriate, the funding business case and approve the grant funding agreement;

ii. Approval be given in-principle, to investment of up to £3.2m capital to support the Kirkham Future High Streets Fund capital shortfall, subject to receipt of an appropriate funding business case and agreement of Fylde Borough Council to enter into a funding agreement;

iii. It be noted that any county council grant funding will be subject to extensive due diligence, and which will be supported by a grant funding agreement prepared by legal, finance and economic development officers; and

iv. It be noted that regular updates will be provided as required to the Cabinet Member for Economic Development and Growth.

The Kirkham Futures Regeneration Programme, which encompasses the funding streams identified above is a complex multi-stranded programme with strict delivery timeframes. In addition, the refurbishment of the various property acquisitions pushes the possibility for potential increased costs higher due to ongoing upward pressure on prices within the construction sector, with the greatest increases in respect of steel and timber. As such the Programme has been added to the Council's Strategic Risk Register in order that the identified risks can be managed.

Due to the complexities of the scheme, its high value, the strict delivery timescales, and the potential for additional costs beyond those in the approved budget the scheme is classified as a high level risk.

ii) St Annes Sea Wall

St Annes Seawall is 660m long and was constructed in 1935. It reduces the risk of coastal erosion and flooding to over 400 properties. The seawall surrounds The Island, which is one of three strategic headlands which are critical to maintaining healthy beaches, dunes and reducing the risk of coastal erosion along Fylde Council's frontage. St Annes Seawall is at the end of its design life and is in poor condition; it is cracking and crumbling and is subject to ongoing repairs and maintenance. Voids have previously been identified resulting in settlement of the promenade. The crest level is low and overtopping during storms results in damage to the promenade and flooding of the car park, swimming pool and fitness centre plant room, and flooding up to the thresholds of the cinema, casino, amusement, and restaurant complex.

In 2020 the council were awarded £300k Pipeline acceleration funding to develop the St Annes Seawall Outline Business Case. Following this a bid has now been submitted to the Environment Agency (EA) formally for their appraisal and consideration and if EA funding is approved the planning phase will commence consisting of technical surveys including topographical, geotechnical, detailed design, ecological and bird surveys and an environmental impact assessment. It will include securing all the necessary licenses, consents and approvals including: Marine License, Planning Permission and Environment Agency Flood Risk Activity Permit (FRAP) licence. Initial estimates were that the scheme would be in the sum of £11.8m funded by Environment Agency grant of £9.5m and the council's contribution of £2.3m towards the total project cost which was approved at Council on the 5th July 2021. The EA have subsequently approved the scheme and the final award is a total scheme cost of £12.1m funded by EA Grant of £9.7m and the council's contribution of £2.4m. These updated costs have now been reflected within the updated capital programme. Following the planning phase it is proposed to start the construction phase during Autumn of 2023.

Due to the complexities of the scheme with multiple businesses and other stakeholders affected in the locality during delivery, and its high value, the scheme is classified as a high level risk.

13.3 Medium Level Financial Impact Risks – Capital Programme

i) Price Inflation

There is significant upward cost pressure within the economy which is in particular affecting the construction sector as the price of materials increases. Levels of inflation have been rising during the year with the UK Consumer Price Index (CPI) for December registered 5.4% year on year, up from 5.1% in the previous month. Inflation is now forecast by the Monetary Policy Committee to peak at 6% in April 2022. Provision made within the budget is limited to areas where the council has no choice but to pay increased prices, e.g. due to contractual terms. Price increases represent a significant cost pressure to the council and increase the risk that existing budget provision is insufficient to cover the cost of scheme delivery.

ii) Fairhaven Lake and Gardens Heritage Lottery Scheme

In December 2018, the council was notified that it had been successful in securing the second round capital grant from the Heritage Lottery Fund in the sum of £1.4m for the restoration of Fairhaven Lake & Gardens, with further match funding provided by Fylde Council and other external financial contributions. Works have progressed throughout 2020/21 albeit at a reduced pace as a result of the pandemic and the Adventure Golf is now complete and open to the public and the restoration works are due to be completed during 2022. Fairhaven Café re-opened in October 2021.

Until the scheme is fully delivered there remains the possibility of additional contract costs beyond those in the approved budget this scheme is considered a medium level risk.

iii) Vehicle Replacement Programme

The estimated vehicle replacement profile, to replace existing fleet at the end of its useful economic life from 2021/22 to 2025/26 within the Capital Programme totals £3.8m.

It is important to note that purchase prices will fluctuate with new models and technological/legislative changes and it is therefore necessary to reality check the costs associated with new vehicles on an annual basis and make any necessary adjustments to the capital programme to ensure that ongoing fleet replacement is accurately budgeted for in future years.

Due to the significant value of the vehicle replacement programme and the potential for changes in vehicle specifications and emissions regulations this scheme has been highlighted as a potential future risk.

13.4 Low Level Financial Impact Risks

i) St Annes Regeneration Schemes

The Regeneration of St Annes Town Centre has been identified as a corporate priority. Over recent years individual projects have been carried out as part of a larger programme of works as funding has become available. Consultants have now been commissioned to prepare a masterplan that will consider how best to invest in the future of the town centre (along with The Island) and so it is now proposed to pursue schemes such as the 'Pier Link' as part of a wider programme of works in the town centre following the preparation of the master planning work. Work is progressing and expected to be completed by May 2022.

ii) Lytham Regeneration Schemes

In respect of the large capital scheme for Lytham town centre, a number of suggestions have been made by the Lytham Business Group and other parties, some of which require careful consideration along with agencies such as Lancashire County Council. Options are being considered involving local members (through the Town Centres Working Group) and a draft plan is being drawn together. This will have a phased programme of works to be considered in due course by the Planning Committee. Due to issues with the supply of materials, the first phase of work, the improvements to lighting on East, Central and West Beaches will now be completed during May/June 2022 in line with the scheme agreed by Planning Committee in March 2021. The proposed improvements to Clifton Street are now timetabled for Q2 2022/23 in line with the Corporate Plan. Plans have been prepared and have been presented to the Town Centre Working Group to agree the broad principles. These will now be worked into a more detailed plan for further consultation with the local community.

iii) Project Slippage

It is important that the Council monitors capital scheme slippage to ensure that no loss of external grant is imposed due to conditions associated within specified timescales.

iv) Other Capital Receipts

The approved programme for 2022/23 onwards assumes "Right to Buy" receipts of £25k per annum and "General Asset Sales" of £45k per annum. Future receipts are dependent on prevailing market conditions and values cannot be predicted with certainty. This will be monitored and reviewed during the year and adjusted accordingly in future quarterly monitoring reports, along with the impact this may have on the financing of the programme.

v) Better Care Fund (Formerly Disabled Facilities Grants)

As the local housing authority, the Council has a statutory duty to provide disabled adaptations within the Borough. In order to fund these works the Council receives grant support which previously was provided by the Department for Communities and Local Government (DCLG). From 2015/16 the Government established the 'Better Care Fund', and under these new arrangements the funding for Disabled Facilities Grants transferred to the Department of Health, with funding being distributed to all Councils via the upper-tier authority for that area. As such, in Lancashire the fund is administered by Lancashire County Council. Each upper-tier authority then allocates the funding to their respective housing authorities (i.e. district councils within their area) to enable them to continue to meet this statutory responsibility. The level of government funding has increased significantly under the 'Better Care Fund' arrangements and the budget for 2021/22 of £1.236m provides for the delivery of disabled adaptations to similar levels as 2020/21. It is anticipated that for 2022/23 all identified need for disabled adaptations can be met from the existing resource.

Section 14: RESERVES AND BALANCES PROVISION

14.1 The Council carries a number of reserves, balances and other provisions which are held for three main purposes:

- To maintain a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing. This forms part of what is commonly referred to as ‘general fund balances’;
- A contingency to cushion the impact of unexpected events or emergencies; and
- A means of building up funds to meet known or predicted liabilities or costs - commonly referred to as ‘earmarked reserves’.

14.2 The Council’s General Fund Reserve balance as at 31st March 2021 was £4.571m.

14.3 Within the existing statutory and regulatory framework, it is the responsibility of the Chief Financial Officer to advise local authorities about the level of reserves that they should hold and to ensure clear protocols for their establishment and use. Accordingly, an updated Useable Reserves and Balances Policy is appended at Appendix H and approval of this updated policy is sought as part of this report. In line with the policy the current level of useable reserves and balances has been reviewed.

14.4 The Financial Forecast summary at Appendix E includes the proposed transfers to the Capital Investment Reserve in 2021/22 and 2022/23 equivalent to the amount of the revenue surplus for those years (after allowing for all approved transfers to other reserves). The latest estimated surpluses are £1.486m in 2021/22 and £0.380m in 2022/23.

14.5 To maintain a future stable financial environment for the Council and in light of the current economic climate and risks, a minimum level of General Fund reserves of £0.750m remains the recommendation of the Chief Financial Officer.

Section 15: THE COLLECTION FUND

15.1 As a Council Tax and Non-Domestic Rates (NDR) Billing Authority, Fylde Council is required by legislation to collect council tax and business rates within the borough on behalf of central government, Town and Parish Councils and major preceptors (being Lancashire County Council, and the Fire and Police Authorities), and to account for that income through a 'Collection Fund'. Under the Collection Fund accounting arrangements any surplus or deficit on the fund each year, which occur as a result of actual income being higher or lower than that budgeted for, is split between the Government and the other precepting bodies in proportion to their shares.

15.2 In respect of **Council Tax**, there was a deficit on the fund as at 31st March 2021 of £119k. This will be shared between Fylde Council, the County Council, the Police Authority and the Fire & Rescue Authority in 2021/22 to 2023/24. Fylde Council's share of the deficit is £15k, the impact of which has been reflected in the Council Tax income forecast within Appendix E.

15.3 In respect of **Non-Domestic Rates**, there was a deficit on the fund as at 31st March 2021 of £11.156m. A large proportion of this arises from the decision from Government due to the impact of Covid-19 to increase business rate reliefs (including to the retail, hospitality and leisure sectors and to small businesses) during 2020/21 to support businesses during the pandemic which as a consequence means a reduction in the amount of NNDR collectable by the council. The deficit will be shared between Central Government, Fylde Council, the County Council, and the Fire & Rescue Authority in 2021/22 to 2023/24. Fylde Council's share of the deficit is £3.907m, the negative impact of which will be funded in 2021/22 from the specific government grant allocated for this purpose and set aside into the Collection Fund Deficit Reserve during 2020/21. The remaining balance on the Collection Fund Deficit Reserve will be required to offset similar collection fund deficits in 2021/22 and later years as business rate reliefs have been extended and compensatory government grants awarded during the current year. Because of timing differences between the flow of funds into and out of the collection fund it will again be necessary to set aside this specific grant during 2021/22 in order to offset the Fylde Council share of the deficit, which will impact the Council in 2022/23 and future years. The net impact of these movements is reflected within the business rate income forecasts within Appendix E.

Section 16: TREASURY MANAGEMENT AND THE CAPITAL STRATEGY

16.1 Treasury Management is defined as the management of cash flow, banking monies, money market and capital market transactions and the control of the risks associated with these activities. Prudential Indicators provide the framework within which these transactions should be monitored.

16.2 From 2019/20 there was a significant change to the format and content of the reporting of treasury management and capital investment activities. The revised CIPFA Prudential Code 2018 required the Council to produce a 'Capital Strategy' in place of the former Treasury Management Strategy. The format of the Capital Strategy incorporates the current Capital Programme (along with any the new proposed capital expenditure for the period 2021/22 to 2025/26).

These elements are now brought together thus linking investment decisions in terms of financial assets (e.g. loans and deposits) together with those relating to physical assets (e.g. land and buildings purchased to achieve an investment yield), with a particular emphasis on how all capital and investments are financed. Furthermore, the Capital Strategy sets out how the investment of capital resources contributes to the delivery of the Council's key objectives and priorities and describes the long-term context in which capital expenditure and investment decisions are made. The new reporting format aims to ensure that due consideration is given to both the risk and reward of all investment decisions and the impact of such decisions on the delivery of the Corporate Plan.

16.3 The objective of the Prudential Code for Capital Finance in Local Authorities (the Code) is to provide a framework to ensure that the Council's Capital and Revenue Budget Plans are affordable, prudent and sustainable.

16.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management requires the Council to review and approve a Treasury Management Strategy. The Strategy covers the operation of the treasury function, its expected activities for the forthcoming year and also includes a number of mandatory Prudential Indicators covering the forthcoming three years. This is contained within the Capital Strategy at Appendix G.

16.5 There are a number of potential areas of significant risk associated with Treasury Management activities.

The main risks to the Medium Term Financial Strategy as a result of Treasury Management activity are:

(i) Unexpected movement in cash flow;
(ii) Difference between actual interest rates and rates used in the forecast; and
(iii) The security of monies invested with counterparties.

These are referenced in more detail within the Capital Strategy at Appendix G.

Section 17: SUMMARY AND CONCLUSIONS

The General Fund Revenue Forecast

17.1 The 2022/23 Local Government Financial Settlement has not fundamentally changed the general financial standing of Fylde Council. The additional grants detailed in section 8 of this report are to be welcomed as they improve the financial position of the Council and its ability to deal with the impacts of the pandemic. There remains (as reported in the Financial Forecast update reported to the Finance and Democracy Committee in January 2022 and to Council in February 2022) a projected surplus for 2021/22 and 2022/23 followed by a period of uncertainty as the national framework for the financing of local government will be subject to review.

17.2 The confirmation of the continuation of a Business Rates Pool amongst Lancashire authorities is welcomed. Developments with regard to future proposals (the implementation of a 'Fair Funding Review' encompassing a possible re-assessment of relative need within local government generally) will be followed closely and any implications reported within future Financial Forecast updates when known.

17.3 The impact of the various Covid-19 lockdowns and tiering arrangements on the financial position of the Council for 2021/22 and possibly beyond were detailed within the Financial Forecast Update presented to the Council in December 2021. These impacts, together with the potential for future reductions in central government funding and uncertainties around the level of retained business rates from 2022/23 onwards, require that in order to maintain the current financial position and be able to deliver on the Corporate Plan priorities the Council needs to continue with the approach to delivering savings and efficiencies and maximising income which have helped deliver balanced budgets over recent years. 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.

17.4 Although it is clear that further uncertainty lies ahead, the finances of the Council remain robust and the reserves and balances are at healthy levels as compared to earlier periods. Furthermore, Fylde Council has a past record of taking actions in order to meet and overcome financial challenges as they arise. The Council will continue to seek opportunities to maintain a robust financial position in the face of a changing financial environment. This approach will ensure that the Council continues to achieve and sustain a balanced budget position on an ongoing basis and is able to deliver the priorities set out in the Corporate Plan.

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

The Capital Programme

17.6 The current Capital Programme as updated is showing a balanced position.

17.7 There are a number of priority areas beginning to emerge across the Council's property asset portfolio that may require further investment in the medium term.

17.8 Any additional expenditure which is not fully-funded by either external finance, revenue contributions, or from existing earmarked reserves would require the generation of capital receipts or external borrowing. The latter would place additional pressure on the Revenue Budget from the consequent financing costs.

17.9 Due to the ongoing risks faced by the Council, the Capital Programme will continue to be closely monitored and reviewed on a regular basis throughout each year.

Overall Conclusions

17.10 2020/21 and 2021/22 have been extraordinary years, dominated by the Covid-19 pandemic. In response the Council has played a significant role in delivering a range of support to the community during the year including the provision of a substantial package of grants to businesses, support for clinically extremely vulnerable residents, support for council tax-payers (including the processing of payments to those required to self-isolate), the inspection of premises to ensure compliance with covid restriction measure, support to the Community Hub (including the provision and delivery of food parcels to residents forced to self-isolate or 'shield'), supporting the programme of track and trace and support in the delivery of the vaccination programme. The majority of this work has been delivered by existing Council employees who have necessarily been diverted from the "day job" to prioritise the response to the pandemic, and as a result there has been consequential impacts on some of the planned work which would otherwise have been carried out.

17.11 **The forecast financial position of the Council has improved since the budget was set in March 2021, and the finances of the Council remain robust.** Whilst challenges remain as detailed in this report, and will no doubt continue to be present given the uncertainty over central government funding for future years, prudent financial management has provided a relatively stable financial environment which allows the necessary time to determine how this Council can best respond to the challenges it faces and deliver its strategic priorities.

17.12 The Council has set out its response to the financial challenges within its Efficiency Plan, published in 2016. The actions that are contained within the Efficiency Plan will remain at the forefront of future service planning. The key elements of the Efficiency Plan are:

1. To redouble the challenges to existing expenditure budgets through the regular budget right-sizing exercises which have produced significant levels of savings in recent years in order to seek to further reduce total expenditure;

2. To seek to maximise existing income streams and explore new sources of income generation and to review existing services for opportunities to generate new forms of income or increased levels of income;

3. To ensure that the Councils staffing structure is appropriate to the needs of the services that are delivered and to take advantage of opportunities to review establishment structures; and

4. To transfer a significant sum from General Fund balances to the Funding Volatility Reserve to set-aside resources that can be used to support the revenue budget in future years, as and when that becomes necessary.

17.13 At a strategic level, activity and resources are focussed on the delivery of the key objectives of the Council as set out within the Councils approved Corporate Plan. Given the level of reserves that has been generated in recent years the budget deficits in the final years of the forecast appear to be at manageable levels. However, in an uncertain financial environment the position can change in unexpected ways. It is important that the Council continues to operate in a sound and prudent manner in order to maintain a stable financial position and to explore further means by which the financial position can be further strengthened, whilst continuing to provide high quality services to residents and to deliver the priorities set out in the Corporate Plan. The medium term focus will include supporting the local area in recovery from the impacts of the pandemic, and a Recovery Plan has been developed alongside ongoing work to review progress against Corporate Plan priorities.

17.14 Under section 151 of the Local Government Act 2003, the Council's Chief Financial Officer is required to comment on the robustness of the Council's financial position.

Having considered the major items of expenditure and income and their sensitivity to change, together with the savings and growth proposals and their impact on the Council's future forecasts and level of reserves, it is the Chief Financial Officer's opinion:

- **that the estimates have been prepared and reviewed utilising the most up to date and accurate information available;**

- **that the recommendations contained in this report provide the Council with a robust financial position at least for a number of years on the basis of the assumptions set out in this report, and is of the view that:**

  - **the Council has the processes and procedures in place to continue to develop further savings and income generation proposals as necessary to ensure that the minimum revenue balances are maintained over the medium term in light of the financial uncertainty regarding the future impact of the reforms to Local Government Finance in future years; and,**

  - **the Council has the processes and procedures in place to monitor the strategy and its risks in order to take effective remedial action should the need arise.**

In forming this view on the Council's financial position, the Chief Financial Officer would remind Members of the risks outlined in sections 10 and 13 of the report and, in particular, the current uncertainties surrounding the assumptions upon which the forecast is based. These will be closely monitored, and advice provided to Members accordingly over the coming months by way of updates to the MTFS.

Appendix A

General Fund Budget Forecast 2020/21 to 2024/25 - Approved at Budget Council March 2021

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Adverse / Favourable
Forecast approved at Council on 4th March 2020	10,450	10,652	10,869	11,394	11,394	
Forecast Changes - as itemised in March 21 MTFS report - General	186	554	226	374	513	**Adverse**
Forecast Changes - as itemised in March 21 MTFS report - Covid Related	63	- 31	2	2	2	**Adverse**
Revenue Budget Growth Items - as itemised in March 21 MTFS report		42				**Adverse**
Use of Reserves - Funding Volatility Reserve - as itemised in March 21 MTFS report	- 250	- 283	- 97	- 73		**Favourable**
Forecast Budget Requirement	**10,449**	**10,934**	**11,000**	**11,697**	**11,909**	
Financed by:						
Council Tax Funding:						
Council Tax - Precept	6,456	6,657	6,866	7,081	7,302	
Council Tax - Share of Previous Years Surplus/(Deficit)	109					
Sub Total - Council Tax Income	*6,565*	*6,657*	*6,866*	*7,081*	*7,302*	
Business Rates Funding:						
Retained Rates (including pooling benefit & pilot impact 2019/20)	3,951	4,501	2,600	2,600	2,600	
Sub Total - Business Rates Income	*3,951*	*4,501*	*2,600*	*2,600*	*2,600*	
Other Funding:						
Lower Tier Services Grant		379				
New Homes Bonus (NHB)	1,822	1,161	1,136	1,136	1,136	
Less - NHB distribution to Town & Parish Councils	- 76	- 58				
	1,746	1,482	1,136	1,136	1,136	
Forecast Financing	**12,262**	**12,640**	**10,602**	**10,817**	**11,038**	
Forecast surplus(-)/deficit for year	**- 1,813**	**- 1,706**	**398**	**880**	**871**	
<u>Reserves</u>						
Forecast surplus/deficit (-) for year from above:	1,813	1,706	- 398	- 880	- 871	
Less: Proposed Transfer to Capital Investment Reserve	- 1,813	- 1,706				
Balance of surplus/deficit(-) remaining:			- 398	- 880	- 871	
Balance of General Fund Reserves b/f	4,272	4,272	4,272	3,874	2,994	
Less transfer to/from (-) General Fund Reserves in year			- 398	- 880	- 871	
Forecast Reserves at Year End	**4,272**	**4,272**	**3,874**	**2,994**	**2,123**	
Band D Council Tax (Excl Parish Precepts)	**£210.71**	**£214.91**	**£219.19**	**£223.56**	**£228.01**	
Band D Average Council Tax Increase	**£4.11**	**£4.20**	**£4.28**	**£4.37**	**£4.45**	
Band D Average Council Tax Increase	**1.99%**	**1.99%**	**1.99%**	**1.99%**	**1.99%**	

Appendix B

General Base Budget 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 payroll budgets and where contractual commitments require increases;
- Slippage – approved underspend items from 2020/21 agreed by the Finance and Democracy Committee in July 2021 have been slipped into 2021/22;
- Pay award - assumed to be 2.75% per annum for 2021/22 and each year thereafter;
- Employers Pension Contributions – the Council's contribution to the Lancashire pension fund scheme is set in accordance with the outcome of the 2019 Triennial Pension Review at 17.9% plus deficit recovery lump sum payment for the period to 2022/23; with future years estimates provided on a continuation basis;
- Employer's National Insurance contributions – the forecast reflects the statutory contribution rates currently in place;
- Council tax increases – assumed at 1.99% increase per annum from 2022/23 onwards;
- New Homes Bonus Grant – the forecast for 2023/24 onwards assumes a reduced level of New Homes Bonus based broadly upon the current year's allocation. No allocation of New Homes Bonus grant to town and parish councils has been assumed beyond next year at this point pending the outcome of the recent consultation exercise;
- Fees and Charges – The forecast takes account of the revised fee levels as approved by Budget Council in March 2021 and any changes approved since then. For future years budget-holders have reviewed fee levels as appropriate and any proposed changes to fees & charges will be considered at the Budget Council in March 2022 following consideration by the appropriate programme committee;
- Vacancy Savings – the forecast assumes vacancy savings of £300k per annum from 2021/22 onwards; and
- Localisation of Council Tax Benefit Scheme – the forecast assumes a fully funded scheme with no additional cost to the Council from 2021/22 onwards.

Appendix C

General forecast changes since Budget Council March 2021

	2021/22	2022/23	2023/24	2024/25	2025/26	
	£000	£000	£000	£000	£000	ADVERSE / FAVOURABLE / NEUTRAL
1 CHANGES AS A RESULT OF MEMBER APPROVALS:						
F&D Committee - 29/03/21 - Public Offices Site - Revenue (Exempt Item)	0	0	-30	-30	-30	FAVOURABLE
F&D Committee - 29/07/21 - Slippage from 2020/21 as part of Financial Outturn Report	299	0	0	0	0	ADVERSE
O.M. Committee 16/06/21 - Changes to Overnight Motorhome Parking	17	15	15	15	15	ADVERSE
F&D Committee - 28/06/21 - Fee for the Fit and Proper Person Test Application	-4	-4	-4	-4	-4	FAVOURABLE
Council - 05/07/21 - Deputy Mayors Allowance	1	1	1	1	1	ADVERSE
Council - 05/07/21 - Unfunded Revenue Budget Increase - Economic Development Team Resourcing	16	32	33	34	34	ADVERSE
Council - 18/10/21 - Unfunded Revenue Budget Increase - Communication Resources	33	69	69	69	69	ADVERSE
Council - 06/12/21 - Unfunded Revenue Budget Increase - Bulky Waste Collection Service	0	27	27	27	27	ADVERSE
2 BUDGET RIGHTSIZING EXERCISE:						
Revenue impact of budget right-sizing across all budget areas of the Council	-56	-8	-10	-8	-11	FAVOURABLE
3 STAFFING COSTS:						
Estimated 2.75% pay award for 2025/26	0	0	0	0	275	ADVERSE
Estimated additional N.I costs - 1.25% Increase 2022/23 onwards	0	64	66	68	71	ADVERSE
4 UPDATED ESTIMATES OF INCOME BUDGETS:						
Green waste subscription service - updated income estimates from additional subscriptions	-47	-50	-50	-50	-50	FAVOURABLE
Council Tax Court Costs Recovered - loss of income due to court closure	50	0	0	0	0	ADVERSE
Government Compensatory Grant for Sales, Fees and Charges Income - Council Tax Court Costs Recoverec	-36	0	0	0	0	FAVOURABLE
Lytham Festival Income - loss of income due to cancellation of event	64	0	0	0	0	ADVERSE
Kite Festival - loss of net income due to scaled down event	4	0	0	0	0	ADVERSE
Cemetery & Crematorium - updated income estimates based upon most recent income levels	67	70	70	70	70	ADVERSE
Updated estimates of investment interest receipts	22	18	18	18	18	ADVERSE
Pre-Planning Application advice fee income	-15	-15	-15	-15	-15	FAVOURABLE
Land Charges - additional fee income	-10	0	0	0	0	FAVOURABLE
Building Control - additional fee income	-19	0	0	0	0	FAVOURABLE
Planning Applications - additional fee income	-25	0	0	0	0	FAVOURABLE
Cemetery & Crematorium - reduction in fee income (interment & cremations)	100	0	0	0	0	ADVERSE
Car Parking - additional fee income	-79	0	0	0	0	FAVOURABLE
Public Conveniences - additional fee income	-20	0	0	0	0	FAVOURABLE
Property Management - ad hoc fees generated through management of asset portfolio	-9	0	0	0	0	FAVOURABLE
Temporary Pavement Licensing New Burden Grant	-13	0	0	0	0	FAVOURABLE
5 OTHER FORECAST CHANGES						
1940`s Lytham Wartime Festival - Reduced Net Expenditure due to cancellation of event	-17	0	0	0	0	FAVOURABLE
Publishing of press notices in the local paper required by statute	5	5	5	5	5	ADVERSE
Ashton Gardens Café - Floor Replacement	14	0	0	0	0	ADVERSE
Increase in car parking cash collection and enforcement costs from LCC	15	15	15	15	15	ADVERSE
Housing benefits - updated estimate of cost net of housing benefit subsidy	10	34	58	58	58	ADVERSE
Contribution from Coast Protection Revenue Budget to St Annes Sea Wall capital scheme	0	-50	-50	-20	0	FAVOURABLE
Direct Revenue Financing - St Annes Sea Wall	120	0	0	0	0	ADVERSE
Mayoralty - reduced expenditure due to cancellation of events	-7	0	0	0	0	FAVOURABLE
Elections - Neighbourhood Plan Referenda	-26	0	0	0	0	FAVOURABLE
Members Training Expenses - Seminars	-4	0	0	0	0	FAVOURABLE
Fleet Savings - Materials - £30k / Fuel - £70k	-100	0	0	0	0	FAVOURABLE
Festival Support/Club Days - Reduced expenditure due to cancellation of events re-phased to help support Jul	-6	6	0	0	0	NEUTRAL
Re-phasing of St Annes Square Maintenance - 2021/22 expenditure funded from Welcome Back Fund	-25	25	0	0	0	NEUTRAL
Re-phasing of I.T. expenditure budgets from 2021/22 into 2022/23	-100	100	0	0	0	NEUTRAL
TOTAL	**219**	**354**	**218**	**253**	**548**	

Appendix D

Explanations of Forecast Changes set out in Appendix C

The following notes relate to specific adjustments made to the Forecast since Budget Council in March 2021 as set out in Appendix C:

(1) Changes as a Result of Member Approvals

The forecast that was approved at the Council meeting in March 2021 has been updated to reflect the financial impact of Member decisions made since then.

(2) Impact of budget right-sizing exercise across all budget areas of the Council

Each year officers carry out a budget right-sizing exercise focussing on a review of underspends across all budget areas. This exercise has yielded a significant level of favourable adjustments which have been reflected in the revised forecast.

(3) Staffing Costs

The agreed 2.75% per annum pay award for 2021/22 has been assumed in each future year of the forecast and the additional 1.25% for National Insurance from 2022/23 onwards.

(4) Updated Estimates of Income Budgets have been reflected in the forecast, including:

- Land Charges fee income;
- Building Control fee income;
- Planning Application fee income;
- Cemetery & Crematorium fee income;
- Car Parking fee income;
- Green Waste Subscription Service;
- Revised Estimate of investment and interest receipts;
- Public Conveniences fee income.

(5) Other Forecast Changes:

A number of other changes have been made to the forecast as itemised in appendix C, including the re-phasing of revenue expenditure and in year savings from fleet.

Appendix E

Latest General Fund Budget Forecast 2021/22 to 2025/26 - as at January 2022

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Adverse / Favourable
Forecast approved at Council on 4th March 2021	10,934	11,000	11,697	11,909	11,909	
Forecast Changes - Appendix C	219	354	218	253	548	Adverse
Revenue Budget Growth Items - Appendix F		121	82	85	88	
Forecast Budget Requirement: TOTAL	**11,153**	**11,475**	**11,997**	**12,247**	**12,545**	
Financed by:						
Council Tax Funding:						
Council Tax - Precept	6,656	6,881	7,096	7,317	7,544	
Sub Total - Council Tax Income	*6,656*	*6,881*	*7,096*	*7,317*	*7,544*	
Business Rates Funding:						
Retained Business Rates	4,501	3,580	2,800	2,800	2,800	
Sub Total - Business Rates Income	*4,501*	*3,580*	*2,800*	*2,800*	*2,800*	
Other Funding:						
Lower Tier Services Grant	379	87				
2022/23 Services Grant		133				
New Homes Bonus (NHB)	1,161	1,236	1,136	1,136	1,136	
Less - NHB distribution to Town & Parish Councils	- 58	- 62				
Sub Total - Other Income	*1,482*	*1,394*	*1,136*	*1,136*	*1,136*	
Forecast Financing: TOTAL	**12,639**	**11,855**	**11,032**	**11,253**	**11,480**	
Forecast surplus (-) / deficit for year	**- 1,486**	**- 380**	**965**	**994**	**1,065**	
Reserves						
Forecast surplus/deficit (-) for year from above:	1,486	380	- 965	- 994	- 1,065	
Less: Proposed Transfer to Capital Investment Reserve	- 1,486	- 380				
Balance of surplus/deficit(-) remaining:			- 965	- 994	- 1,065	
Balance of General Fund Reserves b/f	4,571	4,571	4,571	3,606	2,612	
Less estimated transfer to/from(-) General Fund Reserves in year			- 965	- 994	- 1,065	
Forecast Reserves at Year End	**4,571**	**4,571**	**3,606**	**2,612**	**1,547**	
Band D Council Tax (Excl Parish Precepts)	**£214.91**	**£219.19**	**£223.56**	**£228.01**	**£232.55**	
Band D Average Council Tax Increase	**£4.20**	**£4.28**	**£4.37**	**£4.45**	**£4.54**	
Band D Average Council Tax Increase	**1.99%**	**1.99%**	**1.99%**	**1.99%**	**1.99%**	

Appendix F

BUDGET PROPOSALS - REVENUE ITEMS

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Description
Drainage / flooding resource - following recommendations of the Flooding and Drainage Working Group	0	79	82	85	88	The Environment, Health and Housing Committee meeting on 4th January 2022 agreed support for a revenue bid increasing staffing resources following the recommendation of the flood risk and surface water management working group.
Enforcement Team resources	0	42	0	0	0	The Operational Management Committee meeting on 11th January 2022 agreed support for a revenue bid for the extension of staffing resource for environmental enforcement for a further 12 month period.
TOTAL OF REVENUE GROWTH PROPOSALS	**0**	**121**	**82**	**85**	**88**	

BUDGET PROPOSALS - CAPITAL ITEMS **(It is recommended that each of the schemes detailed below is funded from the Capital Investment Reserve)**

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Description
Replacement of Town Centre CCTV Systems	0	79	0	0	0	The Environment, Health and Housing Committee meeting on 4th January 2022 agreed support for a capital bid for 'Replacement of Town Centre CCTV Systems' in the sum of £79k in 2022/23 for replacement of town centre CCTV systems.
North Beach Car Park Public Conveniences	0	150	0	0	0	The Operational Management Committee meeting on 11th January 2022 agreed support for a capital bid for 'North Beach Car Park Public Conveniences' in the sum of £150k in 2022/23. The Committee ranked this bid as priority 1 on the list of bids submitted for consideration.
Stanner Bank Public Conveniences Refurbishment	0	58	0	0	0	The Operational Management Committee meeting on 11th January 2022 agreed support for a capital bid for 'Stanner Bank Public Conveniences Refurbishment' in the sum of £58k in 2022/23. The Committee ranked this bid as priority 2 on the list of bids submitted for consideration.
Cleaning Mechanical Sweeper Vehicle	0	60	0	0	0	The Operational Management Committee meeting on 11th January 2022 agreed support for a capital bid for 'Cleaning Mechanical Sweeper Vehicle' in the sum of £60k in 2022/23. The Committee ranked this bid as priority 3 on the list of bids submitted for consideration.
Carbon Neutral Vehicles	0	34	27	0	0	The Operational Management Committee meeting on 11th January 2022 agreed support for a capital bid for 'Carbon Neutral Vehicles' in the sum of £34k in 2022/23 and £27k in 2023/24. The Committee ranked this bid as priority 4 on the list of bids submitted for consideration.

BUDGET PROPOSALS - CAPITAL ITEMS - Cont'd

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Description
Play Area - Blackpool Road North Playing Field	0	125	0	0	0	The Tourism and Leisure Committee meeting of 6th January 2022 agreed to support a capital bid for 'Play Area - Blackpool Road North Playing Field' in the sum of £125k in 2022/23. The Committee ranked this bid as priority 1 on the list of bids submitted for consideration. It should be noted that the committee requested that external funding would also be sought to support this project.
Improvements to Children's Play Areas	0	100	0	0	0	The Tourism and Leisure Committee meeting of 6th January 2022 agreed to support a capital bid for 'Improvements to Children's Play Areas' in the sum of £100k in 2022/23. The Committee ranked this bid as priority 2 on the list of bids submitted for consideration.
Petanque Court	0	13	0	0	0	The Tourism and Leisure Committee meeting of 6th January 2022 agreed to support a capital bid for 'Petanque Court' in the sum of £13k in 2022/23. The Committee ranked this bid as priority 3 on the list of bids submitted for consideration.
TOTAL OF CAPITAL SCHEME PROPOSALS	**0**	**619**	**27**	**0**	**0**	

Appendix G

Capital Strategy 2022/23 to 2025/26

1. Background

1.1 The Local Government Act 2003 requires the Council to have regard to the CIPFA Treasury Management Code of Practice, and specifically the Prudential Code, when determining how much it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital expenditure plans of local authorities are affordable, prudent and sustainable. The Prudential Indicators required by the Prudential Code are designed to support and record local decision making in a manner that is publicly accountable.

1.2 The revised CIPFA Prudential Code 2017 requires the Council to produce a Capital Strategy. The format of the Capital Strategy incorporates the current Capital Programme (along with any new proposed capital expenditure for the period 2022/23 to 2025/26), and what was previously termed the Annual Treasury Management Strategy Report. These elements are now brought together thus linking investment decisions in terms of financial assets (e.g. loans and deposits) together with those relating to physical assets (e.g. land and buildings purchased to achieve an investment yield), with a particular emphasis on how all capital and investments are financed. Furthermore, the Capital Strategy sets out how the investment of capital resources contributes to the delivery of the Council's key objectives and priorities and describes the long-term context in which capital expenditure and investment decisions are made. The new reporting format aims to ensure that due consideration is given to both the risk and reward of all investment decisions and the impact of such decisions on the delivery of the Corporate Plan.

2. Format of the Revised Reporting Requirements

The revised reporting arrangements under the CIPFA Prudential Code 2017 requires the Council to prepare and present for approval a number of documents relating to treasury management and capital expenditure. These are:

The Treasury Management Policy

This statement sets out the overarching principles to which the Council will adhere in its Treasury Management activities and details those policies and practices which will remain in place as cornerstones for effective treasury management. The statement also details responsibility for functions and approved delegations to Council bodies and officers relating to treasury management activities

The Capital Strategy

The Capital Strategy is intended to provide a short overview of the authority's approach to, and activities relating to, treasury management and capital expenditure. There is a particular emphasis on the method of financing of capital expenditure along with a number of prudential indicators to measure how the concepts of prudence, affordability and sustainability have been considered as part of the development of the Capital Programme. The report is comprised of a number of component parts addressing particular aspects of the overall Capital Strategy. These are:

Part A. The Capital Programme
This section details the key aspects of the Council's Capital Programme including any proposed additional Capital Expenditure during the life of the Strategy.

Part B. The Treasury Management Strategy

This section details the Council's approach to borrowing and investment in financial assets, focussing primarily on the risk management aspect of investment decisions. It incorporates an Investment Strategy, a Borrowing Strategy, the key Treasury Management Indicators and an Interest Rate Forecast.

Part C. The Investment Strategy

This section details the Council's approach to borrowing and investment in physical assets (primarily focussing on commercial/investment property transactions) and considers the key aspect of proportionality in terms of the scale of investment activity relative to the profile of the particular authority. It addresses key concepts such as the security and liquidity of investments, as well as considering the capacity and skills of investment decision-makers.

Part D. The Minimum Revenue Provision Statement

The Council must put aside resources where the Council finances capital expenditure by debt (internal or external borrowing), to repay that debt in later years. This cost is charged to the revenue account annually, and forms part of the Council Tax cost to taxpayers and is known as Minimum Revenue Provision (MRP). The annual MRP statement for 2022/23 is included in this part of the report. The statement aims to show how the Council is behaving in a prudent manner with regard to capital expenditure.

Treasury Management Policy

Fylde Borough Council defines its treasury management activities as:

1. The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3. The Council acknowledges that effective treasury management will provide support towards the achievement of its corporate and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Policy on Borrowing
The Council currently holds no external debt. The last Public Works Loans Board (PWLB) loan of £1m, relating to historic borrowing to finance an element of previous years' capital expenditure, was repaid during 2019/20. It is not anticipated that any new borrowing will be necessary during 2022/23, nor is any planned further into the future. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources to fund capital expenditure ('internal borrowing'), or to borrow on a short-term basis instead.

If circumstances change, the Council may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing as defined within the Capital Strategy.

Policy on Investments
The Council holds significant invested funds, representing income received in advance of expenditure, monies held on behalf of the Collection Fund (Lancashire County Council, the Police and Crime Commissioner for Lancashire and Lancashire Combined Fire Authority) plus balances and reserves held for its own purposes. The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

The Council's Investment Strategy forms part of the Capital Strategy and includes further information on investment activities and the controls and limits that have been set in place to manage the associated risks.

The Council will create and maintain, as the cornerstones for effective treasury management:

• A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;

• Suitable treasury management practices, setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

Council Members will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after the close of the financial year.

The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices and the execution and administration of treasury management decisions to the Chief Financial Officer (who is also the Section 151 Officer), who will act in accordance with the Council's policy statement and treasury management practices and CIPFA's Standard of Professional Practice on Treasury Management.

The Council has nominated the Audit and Standards Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

The Capital Strategy

This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

Decisions made this year on capital and treasury management may have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, as summarised within this report.

1. Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

In 2022/23, the Council is planning capital expenditure of £10.996m. A summary of planned capital expenditure for the period 2021/22 to 2024/25 is shown in table 1 below.

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Total Capital Expenditure	11.730	10.996	10.983	3.861

Governance: New capital projects arise from a variety of sources and in a number of ways, including the changing needs for effective service delivery and the identification of projects to improve and enhance the borough.

The Council has a duty to manage its assets and capital resources in order to best deliver its objectives as set out in the Corporate Plan, which is accessible at the link below.

Corporate Plan 2020-24

The prioritisation of capital investment according to a well-defined and rational approach is especially important in helping to prioritise resources when the demand for such resources exceeds the total of the resources available.

A key element of the prioritisation process is the consideration of capital bids by the Council's Programme Committees. Bids are prepared by Directors and their teams and include ongoing financial implications where relevant including any financing costs (which can be nil if the project is fully financed). The Budget Working Group review initial bids before they are presented to the relevant programme committee. Once capital bids have been prioritised by each programme committee, the Budget Working Group will review the outcome of the deliberations and will make recommendations to the Finance and Democracy Committee via an updated

Medium Term Financial Strategy (MTFS) report on a proposed budget package which will include capital budget proposals. Full details of the Council's capital programme for 2021/22 to 2025/26 are shown within Part A of this Capital Strategy document.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing or leasing). The planned financing of the programmed expenditure for the period 2021/22 to 2024/25 is shown in table 2 below.

Table 2: Capital financing

	2021/22 Estimate £m	**2022/23 Estimate £m**	**2023/24 Estimate £m**	**2024/25 Estimate £m**
External sources	9.594	6.455	7.615	3.000
Own resources	1.935	4.120	2.397	0.070
Borrowing (see note below)	0.201	0.421	0.971	0.791
TOTAL	**11.730**	**10.996**	**10.983**	**3.861**

In the above table, borrowing refers to that element of the capital financing which is not currently planned to be met by external grants, capital receipts, the council's own reserves, other external finance or direct revenue financing. The Council currently meets all its prudential borrowing needs through Internal Borrowing which is when the Authority uses its own cash resources to finance capital expenditure rather than new external borrowing. This is a prudent approach when investment returns are low.

The Authority is required to provide for an element of the accumulated capital expenditure each year through a charge to revenue known as the Minimum Revenue Provision (MRP). Planned MRP repayments are shown in table 3 below.

Table 3: Minimum Revenue Provision

	2021/22 Estimate £m	**2022/23 Estimate £m**	**2023/24 Estimate £m**	**2024/25 Estimate £m**
Minimum Revenue Provision	0.777	0.783	0.750	0.747

The Council's Minimum Revenue Provision statement is shown at Part D of this strategy document.

The Council's underlying need to borrow is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts. The CFR is expected to decrease by £0.356m by the end of 2022/23. Based on the above figures for expenditure and financing, the Council's estimated CFR is shown in table 4 below.

Table 4: Prudential Indicator Estimates of Capital Financing Requirement

	31.3.2022 Estimate £m	31.3.2023 Estimate £m	31.3.2024 Estimate £m	31.3.2025 Estimate £m
Total Estimated CFR	4.472	4.116	4.340	4.363

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council expects to receive a total of £0.395m of capital receipts in the financial years 2021/22 to 2024/25 as shown in table 5 below.

Table 5: Capital Receipts

	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Estimated Capital Receipts	0.185	0.070	0.070	0.070

2. Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required to avoid excessive credit balances on the bank account and to generate investment income. A temporary shortage of cash could be met by short-term borrowing if necessary, to avoid overdraft charges on the bank account. The Authority is typically cash-rich in the short-term as revenue income is often received before it is required to meet commitments. The revenue cash surpluses are also used to finance capital expenditure to reduce the need for external borrowing.

Borrowing strategy: The Council's main objective when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. The Council repaid its final £1.0m of borrowing in December 2019 and has since been debt free.

Projected levels of the Council's total outstanding debt are shown in table 6 below, compared with the capital financing requirement.

Table 6: Prudential Indicator Gross Debt and the Capital Financing Requirement

	31.3.2022 Estimate £m	31.3.2023 Estimate £m	31.3.2024 Estimate £m	31.3.2025 Estimate £m
Estimated Long Term Borrowing	0	0	0	0
Capital Financing Requirement	4.5	4.1	4.3	4.4

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

Affordable borrowing limit: The Council is legally obliged to set an affordable borrowing limit (also termed the 'Authorised Limit' for external debt) each year. In line with statutory guidance, a lower 'Operational Boundary' is also required to be set as a warning level should debt approach the limit. This is detailed in table 7 below.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt

	2021/22 limit £m	**2022/23 limit £m**	**2023/24 limit £m**	**2024/25 limit £m**
Authorised limit – total external debt	6.0	8.0	8.0	8.0
Operational boundary – total external debt	0	2.0	2.0	2.0

Further details on borrowing are in the Treasury Management Strategy at Part B of this Capital Strategy document.

Treasury investment strategy: Treasury investments arise from the investment of surplus funds including the use of the Council's reserves and balances and from positive cash flows. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is, to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss.

It is the Council's policy to limit investments to those of up to one year in order to maintain liquidity, reduce counterparty risk and to enable the Council to take advantage of any opportunities for increases in yield.

Further details on treasury investments are included within the Treasury Management Strategy at Part B of this Capital Strategy document.

Risk management: The effective management and control of risk are prime objectives of the Authority's treasury management activities. The Treasury Management Strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Chief Financial Officer, who must act in line with the Treasury Management Strategy approved by Council. Reports on treasury management activity are presented to Council and to The Audit and Standards Committee which is responsible for scrutinising treasury management activities.

3. Commercial Activities

With central government financial support for local public services reducing in recent years, the Council has developed a Commercial Strategy as a framework to explore ways in which the authority can become more financially self-reliant by adopting a more entrepreneurial outlook. Among the areas covered by the Commercial Strategy is the potential investment in property assets as a means to generate additional revenue income. The strategy was adopted in late 2018 (Finance and Democracy Committee 24th September 2018) and is accessible at the link below:

Fylde Council Commercial Strategy

Since adoption of the Commercial Strategy there have been no acquisitions of property assets solely to generate future income streams, although the parameters and expectations of such a consideration in the future are set out within the strategy.

Governance: Decisions relating to capital expenditure for all purposes, including for the acquisition of property assets, are made in accordance with the Financial Regulations of the Council, this requiring the approval of either the Finance and Democracy Committee (following consideration by the appropriate programme committee) or of the full Council.

4. Liabilities

The Council is required to meet its share of any future deficit of the Lancashire Local Government Pension Fund. Full details of the defined benefit pension scheme can be found in the Council's statutory financial accounts.

The Council has also set aside £1.620m (as at 31st March 2021) in a Business Rates Appeal Provision to cover risks arising from the costs of Business Rates appeals as a consequence of the transfer of such risks under the localisation of business rates arrangements introduced in 2013.

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

The Council also faces a number of contingent liabilities for which it has not set aside a specific sum. A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Governance: Decisions on incurring new discretional liabilities are made in accordance with the Financial Regulations of the Council, this requiring the approval of either the Finance and Democracy Committee (following consideration by the appropriate programme committee) or by a meeting of the full Council.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream of the council i.e. the amount funded from Council Tax, business rates and general government grants including New Homes Bonus.

Table 8: Prudential Indicator: Proportion of financing costs to net revenue stream

	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Financing costs (£m)	0.750	0.746	0.715	0.736
Proportion of net revenue stream	5.9%	6.3%	6.5%	6.5%

Further details on the revenue implications of capital expenditure are in table 3 of the Capital Strategy.

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years may extend for up to 50 years into the future. The Chief Financial Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable.

5. Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Chief Financial Officer is a qualified accountant with 38 years of Local Government finance experience. The Council supports accountancy staff to study towards relevant professional accountancy qualifications and the staff within the treasury team attend treasury seminars and workshops provided by CIPFA and other external service providers.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their particular field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Training is provided to councillors as part of the member training and development programme and more detailed treasury management training is offered to councillors who serve on the Audit and Standards Committee by the Council’s treasury management advisors.

Part A. The Capital Programme

This section details the key aspects of the Councils Capital Programme including any proposed additional Capital Expenditure during the life of the Capital Strategy.

The Council has a current underlying need to borrow for capital schemes for the years 2021/22 to 2025/26 as set out in the Capital Programme of £3.635m (Total of estimated Prudential Borrowing for all years as shown in table 2). Budget Proposals have been put forward to be approved for inclusion in the programme with a cost to the Council of £0.646m as shown at Appendix F of the Medium Term Financial Strategy. These have also been highlighted within table 1 below. **Each of the proposed new schemes will be fully financed from the Capital Investment Reserve and consequently no borrowing is required for these schemes.**

Table 1 shows the updated 5 year Capital Programme 2021/22 to 2025/26 by scheme, including the schemes proposed as part of the 2022/23 budget.

Table 2 shows the Financing of the updated 5 year Capital Programme 2021/22 to 2025/26.

Table 3 shows a summary of the updated 5 year Capital Programme 2021/22 to 2025/26 by Committee, including how the programme is to be financed.

Capital Programme: Table 1

UPDATED 5 YEAR CAPITAL PROGRAMME 2021/22 TO 2025/26 - BY SCHEME

	Estimate 2021/22 £000	Estimate 2022/23 £000	Estimate 2023/24 £000	Estimate 2024/25 £000	Estimate 2025/26 £000
FINANCE & DEMOCRACY COMMITTEE					
Purchase of Land Adjacent to Squires Gate Station	6				
Sub total	6	0	0	0	0
TOURISM & LEISURE COMMITTEE					
Fairhaven Lake & Promenade Gardens Restoration	1,433				
Promenade Footways	0	155	40	40	40
Staining Playing Fields Development Scheme	43				
Coastal Signage Improvements	68				
Coastal Explorers	0				
Fylde Sand Dunes Improvement Scheme	46				
Blackpool Road North Playing Fields drainage	145				
Additional Parks Access Control Measures	16				
Ashton Gardens Lighting Improvement Scheme	25				
Park View Drainage Improvement Scheme	1	39			
Fairhaven Boathouse - Remodelling and Refurbishment Scheme	7	217			
Play Area Improvements	100				
Friends of Newton Community Park Improvement Scheme - Fylde Council Contribution	100				
Fairhaven Kiosk / Ice Cream Bar Project	20	340			
Boating Pool Safety Improvements	60				
North Beach Windsports Centre	200				
Petanque Court - ***Budget Proposal***		13			
Play Area - Blackpool Road North Playing Field - ***Budget Proposal***		125			
Improvements to Children's Play Areas - ***Budget Proposal***		100			
Sub total	2,264	989	40	40	40
OPERATIONAL MANAGEMENT COMMITTEE					
Replacement Vehicles	486	306	971	791	1,251
Car Park Improvements	70	30	30	30	30
Public Transport Improvements	138	30			
Fairhaven and Church Scar Coast Protection Scheme	10				
St Annes Sea Wall	891	1,870	7,480	1,870	
Accommodation/ facilities at Snowdon Rd Depot - Welfare Improvements	206				
Charging Infrastructure for Electric Taxis	150				
Cemetery and Crematorium - Infrastructure Phase 3b	35				
Outdoor Digital Signage	30				
Staining Drainage Improvement Scheme	0	65			
South Fylde Line Study	70				
North Beach Car Park Public Conveniences - ***Budget Proposal***		150			
Stanner Bank Public Conveniences Refurbishment - ***Budget Proposal***		58			
Carbon Neutral Vehicles - ***Budget Proposal***		34	27		
Cleaning Mechanical Sweeper Vehicle - ***Budget Proposal***		60			
Sub total	2,086	2,603	8,508	2,691	1,281

Capital Programme: Table 1 (Continued)

UPDATED 5 YEAR CAPITAL PROGRAMME 2021/22 TO 2025/26 - BY SCHEME

	Estimate 2021/22 £000	Estimate 2022/23 £000	Estimate 2023/24 £000	Estimate 2024/25 £000	Estimate 2025/26 £000
ENVIRONMENT, HEALTH & HOUSING COMMITTEE					
Disabled Facilities Programme	1,236	1,130	1,130	1,130	1,130
Housing Needs Grant	27				
Progress Housing Buy Backs	58				
Rapid Deployment CCTV Replacement Projects	27				
Hydration points	60				
Fylde Affordable Housing Delivery Programme	60				
Affordable Housing Scheme, Lytham Road, Warton	260				
Replacement of Town Centre CCTV Systems - ***Budget Proposal***		79			
Sub total	1,728	1,209	1,130	1,130	1,130
PLANNING COMMITTEE					
St Annes Regeneration Schemes	124				
St Annes Road West – Square to Pier link and Gateway	0	110			
Lytham Regeneration Schemes	50	750			
Kirkham Public Realm Improvements	3				
M55 Link Road (Inc. S106 monies for design work)	122	2,000			
St Annes Pier - Coastal Revival Fund	5				
Kirkham and Wesham Station	15				
Future High Street Fund: Kirkham	3,506	2,118	683		
Wesham Community Centre	92				
Elswick Village Green	115				
Kirkham Heritage Action Zone	1,539	1,067	622		
Tree Planting Scheme	25				
25 Victoria Road St Annes Y-Pad Scheme	50	150			
Sub total	5,646	6,195	1,305	0	0
Total Expenditure	**11,730**	**10,996**	**10,983**	**3,861**	**2,451**

Capital Programme: Table 2

UPDATED 5 YEAR CAPITAL PROGRAMME 2021/22 TO 2025/26 - FINANCING

	Estimate 2021/22 £000	Estimate 2022/23 £000	Estimate 2023/24 £000	Estimate 2024/25 £000	Estimate 2025/26 £000
FINANCING:					
Capital Receipts - General Asset Sales	160	45	45	45	45
Capital Receipts - Right to Buy Receipts	25	25	25	25	25
Better Care Fund / Disabled Facilities Grant	1,156	1,090	1,090	1,090	1,090
Disabled Facilities Grant Repayments - 'Housing Needs Grants'	27				
Section 106 Monies - St Annes	74				
Section 106 Monies - Lytham	50	80			
Section 106 Monies - M55 Link-Road	122				
Section 106 Monies - Public Transport Improvements	138	30			
Section 106 Monies - Kirkham and Wesham Station	15				
Section 106 Monies - Fylde Sand Dunes Improvement Scheme	19				
Section 106 Monies - Wesham Community Centre	18				
Section 106 Monies - Elswick Village Green	35				
Section 106 Monies - Kirkham Heritage Action Zone	69	223	168		
Section 106 Monies - Fylde Affordable Housing Delivery Programme	60				
Section 106 Monies - Affordable Housing Scheme, Lytham Road, Warton	260				
Section 106 Monies - Progress Housing Buy Backs	58				
Section 106 Monies - 25 Victoria Road St Annes Y-Pad Scheme	50	150			
Capital Investment Reserve	1,359	1,091			
Capital Investment Reserve - Underwriting max £343k - Fairhaven	251				
Capital Investment Reserve - ***Budget Council Proposals March 2022***		619	27		
M55 Link-Road Reserve		2,000			
Funding Volatility Reserve - Fairhaven Kiosk / Ice Cream Bar Project	20	340			
Funding Volatility Reserve - St Annes Sea Wall			2,300		
Other External Finance (see analysis below)	7,443	4,882	6,357	1,910	40
Direct Revenue Finance	120				
Prudential Borrowing	201	421	971	791	1,251
Total Financing	**11,730**	**10,996**	**10,983**	**3,861**	**2,451**
Total surplus (-) / shortfall in year	0	0	0	0	0
Cumulative surplus (-) / shortfall	0	0	0	0	0

See note below for external funding available to finance the above schemes:

Other External Finance: Analysis					
LSP Performance Reward Grant	27				
Environment Agency - Fairhaven and Church Scar	10				
Environment Agency - St Anne's Sea Wall	771	1,870	5,180	1,870	
Coastal Revival Fund - St Annes Pier	5				
Central Governement Grant - Future High Street Fund: Kirkham	3,506	2,118	683		
Staining Parish Council	0	10			
New Fylde Housing - DFG Contribution	80	40	40	40	40
Lancashire Environmental Fund - Fylde Sand Dunes Imp't Scheme	27				
Heritage Lottery Fund - Fairhaven Restoration Project	1,169				
Sport England - Fairhaven Restoration Project - confirmed	100				
United Utilities - Fairhaven Restoration Project	60				
Lytham Schools Foundation - Fairhaven Restoration Project	5				
Café Tenant Contribution	15				
RSPB - Fairhaven Restoration Project	3				
Central Government - Charging Infrastructure for Electric Taxis	150				
Wesham Town Council	24				
Elswick Parish Council (Elswick Village Green)	10				
Kirkham Town Council (Kirkham Heritage Action Zone)	150				
External Grants - Lancs Env Fund (Elswick Village Green)	30				
External Grants - Pocket Parks (Elswick Village Green)	15				
External Grants - Historic England (Kirkham Heritage Action Zone)	778	618	272		
External Grants - Historic England - Additional Grant (Kirkham HAZ))	35	35	10		
Private Sector / Other (Kirkham Heritage Action Zone)	357	191	172		
Department for Transport (South Fylde Line Study)	50				
Project Partners (South Fylde Line Study)	16				
Newton Community Park - Lancashire Environment Fund	30				
Newton Community Park - Newton & Clifton Parish Council	15				
Newton Community Park - Friends of Newton Community Park	5				
	7,443	4,882	6,357	1,910	40

Capital Programme: Table 3

UPDATED 5 YEAR CAPITAL PROGRAMME 2021/22 TO 2025/26 - SUMMARY

	Estimate 2021/22 £000	Estimate 2022/23 £000	Estimate 2023/24 £000	Estimate 2024/25 £000	Estimate 2025/26 £000
Committee:					
Finance & Democracy Committee	6	0	0	0	0
Tourism & Leisure Committee	2,264	989	40	40	40
Operational Management Committee	2,086	2,603	8,508	2,691	1,281
Environment, Health & Housing Committee	1,728	1,209	1,130	1,130	1,130
Planning Committee	5,646	6,195	1,305	0	0
Total Expenditure	**11,730**	**10,996**	**10,983**	**3,861**	**2,451**
Financing:					
Capital Receipts - General Asset Sales	160	45	45	45	45
Capital Receipts - Right to Buy Receipts	25	25	25	25	25
Better Care Fund / Disabled Facilities Grant	1,156	1,090	1,090	1,090	1,090
Disabled Facilities Grant Repayments - 'Housing Needs Grants'	27				
Section 106 Monies - St Annes	74				
Section 106 Monies - Lytham	50	80			
Section 106 Monies - M55 Link-Road	122				
Section 106 Monies - Public Transport Improvements	138	30			
Section 106 Monies - Kirkham and Wesham Station	15				
Section 106 Monies - Fylde Sand Dunes Improvement Scheme	19				
Section 106 Monies - Wesham Community Centre	18				
Section 106 Monies - Elswick Village Green	35				
Section 106 Monies - Kirkham Heritage Action Zone	69	223	168		
Section 106 Monies - Fylde Affordable Housing Delivery Programme	60				
Section 106 Monies - Affordable Housing Scheme, Lytham Road, Warton	260				
Section 106 Monies - Progress Housing Buy Backs	58				
Section 106 Monies - 25 Victoria Road St Annes Y-Pad Scheme	50	150			
Capital Investment Reserve	1,359	1,091			
Capital Investment Reserve - Underwriting max £343k - Fairhaven	251				
Capital Investment Reserve - ***Budget Council Proposals March 2022***		619	27		
M55 Link-Road Reserve		2,000			
Funding Volatility Reserve - Fairhaven Kiosk / Ice Cream Bar Project	20	340			
Funding Volatility Reserve - St Annes Sea Wall			2,300		
Other External Finance (see analysis below)	7,443	4,882	6,357	1,910	40
Direct Revenue Finance	120				
Prudential Borrowing	201	421	971	791	1,251
Total Financing	**11,730**	**10,996**	**10,983**	**3,861**	**2,451**
Total surplus (-) / shortfall in year	0	0	0	0	0
Cumulative surplus (-) / shortfall	0	0	0	0	0

Part B. The Treasury Management Strategy

1. Introduction

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. As an active investor, the Council, in common with all investors, is exposed to a number of financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. In December 2021 CIPFA published a revised Treasury Management Code of Practice which takes immediate effect, with the exception that the Council may defer introducing the revised reporting requirements until the 2023/24 financial year. This is because guidance notes are still to be published along with any associated training.

Investments held for service purposes or for commercial profit are considered in the Investment Strategy (see Part C of this Capital Strategy).

2. Economic background

The global recovery from the pandemic has entered a more challenging phase. The resurgence in demand has led to a rise in inflationary pressure, but disrupted factors of supply are also amplifying the effects which increases the likelihood of lower growth rates in the future.

UK Consumer price Inflation was 5.1% for November 2021 and is expected to rise higher in the short term. This prompted the Monetary Policy Committee to raise the Bank Rate from 0.10% to 0.25% in December 2021.

Interest rate forecast: the Bank Rate is forecast to rise to 0.50% by March 2022 (see Table 1) but then to remain level. Longer term Investment yields remain low as investors are concerned that significant monetary policy tightening in the short term will slow growth and coronavirus risks are prompting investors to seek out safe havens for their investments.

Table 1: Arlingclose Interest Rate Forecast

Quarter Ending	Bank Rate %	Investment Rates		Borrowing Rates		
		3 month %	5 year %	5 year %	20 year %	50 year %
Mar 2022	0.50	0.55	0.60	1.40	1.85	1.55
Jun 2022	0.50	0.55	0.60	1.40	1.90	1.60
Sep 2022	0.50	0.60	0.60	1.40	1.90	1.65
Dec 2022	0.50	0.60	0.60	1.40	1.90	1.70
Mar 2023	0.50	0.60	0.60	1.40	1.90	1.75
Jun 2023	0.50	0.60	0.60	1.40	1.95	1.80
Sep 2023	0.50	0.65	0.60	1.40	1.95	1.85
Dec 2023	0.50	0.65	0.60	1.40	1.95	1.85
Mar 2024	0.50	0.65	0.65	1.45	2.00	1.90
Jun 2024	0.50	0.65	0.70	1.50	2.00	1.90
Sep 2024	0.50	0.65	0.75	1.55	2.00	1.95
Dec 2024	0.50	0.65	0.75	1.55	2.00	1.95

3. Treasury Balances Forecast

On 31st December 2021 the Authority had no external debt and £38m of investments. This is summarised in Table 2 below. The revised forecast of treasury balances is shown in Table 3.

Table 2: Existing Investment & Debt Portfolio Position at 31.12.21

	31.12.21 Actual Portfolio £m
External Borrowing:	
Public Works Loan Board	0
Total External Borrowing	**0**
Treasury investments:	
Short Term	
Banks	2
Local Authorities	21
Debt Management Office	9
Money Market Funds	6
Total Treasury Investments	**38**
Net Lending / (Borrowing)	**38**

Table 3: Treasury Balances Forecast

	31.03.22 Estimate £m	31.03.23 Forecast £m	31.03.24 Forecast £m	31.03.25 Forecast £m	Notes
Capital Financing Requirement (CFR)	4.5	4.1	4.3	4.4	1
Less: Long Term Borrowing already taken	-	-	-	-	2
Cumulative Borrowing Requirement	**4.5**	**4.1**	**4.3**	**4.4**	3
Usable Reserves and Provisions as at 31st March	22.4	16.3	12.5	11.4	4
Working Capital	6.2	5.0	5.0	5.0	5
Less: Internal Borrowing	(4.5)	(4.1)	(4.3)	(4.4)	6
Forecast cash available for Investment	**24.1**	**17.2**	**13.2**	**12.0**	7

Notes to Table 3

1. The CFR is the amount the Authority needs to borrow for a capital purpose. The CFR increases when Prudential Borrowing is used to finance the capital programme. The Authority's capital expenditure plans are the key driver of treasury management activity and are summarised within the Capital Programme.

2. This is the amount of debt that the Authority has already borrowed. The Council repaid the last £1m of Public Works Loan Board debt in December 2019 and has since been debt free.

3. This is the cumulative amount of new borrowing that is required to finance the Capital Programme. The timing of any new borrowing will be determined by the profile of capital expenditure and the availability of Internal Borrowing (Note 6), the expectation being that no additional external borrowing will be required in the short term.

4. This is the estimated amount of usable reserves, balances and provisions which are available funds. These estimates are assessed taking into account the budgeted drawdown of reserves, balances and provisions as estimated in the Financial Forecast Update 2021/22 to 2025/26 and the Capital Programme.

5. Working Capital is a temporary surplus in day to day cash. The current balance represents an estimate of cash held at 31st March 2022.

6. Internal Borrowing occurs when the Authority uses its own cash resources to finance capital expenditure rather than new external borrowing. This is a prudent approach when investment returns are low. The amounts shown are the cumulative amount of borrowing required at the end of each year.

7. This is the forecast amount of cash available for investment after allowing for the funding of Internal Borrowing.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Authority became debt free in 2019 and its capital plans do not currently imply any need to borrow over the forecast period. The cash available for investing is forecast to reduce over time as reserves are drawn down, working capital reduces and internal borrowing is used to fund the Capital Programme.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 2 shows that the Authority expects to comply with this recommendation during 2022/23.

4. Borrowing Strategy

The Authority currently holds no external debt. The balance sheet forecast in table 2 shows that the Authority does not expect to need to borrow in 2022/23. The Authority may however decide to take external borrowing to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £8.0 million.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriate risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans in the event that the Council's long-term plans change is a secondary objective.

Strategy: Given the historic reductions in public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. By doing so, the Council is able to reduce borrowing costs and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly, and this strategy will be reviewed if the outlook for borrowing rates indicates a significant risk of a rise in borrowing rates, with the outcome being that external loans may be taken whilst borrowing rates are relatively cheap.

It may be necessary for the Council to borrow in the short-term to cover unexpected cash flow movements, although current cash flow projections suggest this will not be necessary.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- UK Local Authorities
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body
- UK public and private sector pension funds (except Lancashire County Pension Fund as it is the Council's own pension fund)

- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as debt liabilities:

- Leasing
- Hire purchase
- Sale and leaseback

The Authority has previously raised all of its long-term borrowing from the PWLB. The Council will also consider other sources of finance should it become necessary in the future, such as local authority loans and bank loans, which may be available at more favourable rates and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council does not currently have any plans to borrow primarily for commercial yield.

All decisions on borrowing will be reported as part of the Council's annual reporting cycle on Treasury Management and Prudential Indicators.

5. Investment Strategy

The Council holds significant invested funds, representing income received in advance of expenditure, monies held on behalf of the Collection Fund (Lancashire County Council, the Police and Crime Commissioner for Lancashire and Lancashire Combined Fire Authority) plus balances and reserves held.

Objectives: The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Strategy: It is the Council's current policy to limit investments to those of up to one year in order to maintain liquidity, reduce counterparty risk

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in table 4 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 4: Approved investment counterparties and limits

Investment Type / Minimum Credit Rating (Note 1)	Banks Unsecured (Note 2)	Banks Secured (Note 3)	Government (Note 4)
UK Government (Gilts & Debt Management Office)	n/a	n/a	£ Unlimited for up to 5 years
National Governments Rated A-	n/a	n/a	£2m each for up to 5 years
UK Treasury Bills	n/a	n/a	£ Unlimited for up to 1 year
UK Local Authorities	n/a	n/a	£5m each for up to 2 years Lancashire County Council call account - £8m
Institutions Rated A- (or above)	£1.5m each for up to 6 months	£2m each for up to 1 year	N/A
UK Unrated Building Societies (Note 5)	£1m each (maximum of £2m in total) for up to 3 months		
Money Market Funds (Note 6)	£3m per Fund		
Pooled Funds (Note 6)	£2m per Fund (£5m in total)		
Real Estate Investment Trusts (7)	£2m in Total		
Registered Housing Providers (Note 8)	£2m in total for up to 5 years		
Any other organization (Note 9)	£100k each for up to 5 years		

This table must be read in conjunction with the notes below.

Notes to Table 4

1. Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

2. Banks unsecured: Includes accounts, deposits, certificates of deposit and unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

3. Banks secured: Includes covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.

4. Government: Includes loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts as a contingency in the event of a financial crisis.

5. Building Societies: The Building Societies regulatory framework and insolvency regime means that in the unlikely event of a Building Society liquidation, the Authority's deposits would be paid out in preference to retail depositors. Most Building Societies do not have a credit rating, therefore, a credit analysis will be undertaken by Treasury Advisor's Arlingclose which will determine a preferred list of Building Societies with whom to invest.

6. Pooled Funds: These Funds are shares in diversified investment vehicles which invest in any of the investment types above (Notes 2 to 4), plus equity shares and property. These funds provide wide diversification, together with the services of a professional Fund Manager. The Money Market Funds offer same-day liquidity and very low volatility and are used as an alternative to instant access bank accounts. The Cash Plus and Bond Funds may be used for investments for a longer period and the value of these investments may change in line with market prices but offer enhanced returns over the longer term. These funds have no defined maturity date but are available for withdrawal after a short notice period.

7. Real Estate Investment Trusts (REITS): REITS are pooled investments in property (real estate) funds. As with many property funds, REITs offer enhanced returns over the longer term as compared to other types of investment but are more volatile especially as the share price reflects price fluctuations as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

8. Registered providers: These are longer term Loans or bonds that are secured or guaranteed on the assets of Registered Providers of Social Housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England). As a provider of public services, they retain the likelihood of receiving government support if needed.

9. Other organisation: This is subject to an external credit assessment and specific advice from the Council's treasury management adviser.

10. Foreign Countries: Investments with institutions domiciled in foreign countries rated AA+ or higher will be limited to £2m per foreign country. This limit does not apply to Pooled Funds as these funds spread their investments over many countries in order to reduce risk.

11. Operational bank accounts: The Council's own bank account which is used for all of the Council's operational activities will have a minimum credit rating of BBB- and assets greater than £25 billion. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity. The balances in the Council's own bank account will ideally be kept below £2m. Due to cash flow fluctuations this limit may be exceeded on occasion and if the limit is exceeded for more than three working days the Chief Financial Officer will review the position.

12. Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where a credit rating agency announces that a counterparty of the Council is on review for a possible credit rating downgrade (so that it may fall below the approved rating criteria), then only investments that can be withdrawn on the next working day will be made until the outcome of the review is announced. This policy will not apply to credit rating 'negative outlooks' which indicate a long-term trend rather than an imminent change of credit rating.

13. Other information on the security of investments: Credit ratings are not the only predictors of investment default. Other information is also used to assess the credit quality of counterparties. This information includes credit default swap prices, financial statements, potential government support and reports in the financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

To minimise counterparty risk, the Chief Financial Officer (Section 151 Officer) may implement additional internal treasury instructions from time-to-time, over and above the approved investment strategy cash limits and time limits, as and when the economic or market conditions require that more prudent approach is adopted. At present there is an additional instruction in enabling overnight balances up to £7m to be held in the Council's bank account due to daily fluctuations within the cash flow during the pandemic and where certain counterparty yields were negative.

All investments are authorised by the Chief Financial Officer (Section 151 Officer) or the Deputy S151 Officer.

Liquidity management: The Council uses a detailed daily cash flow forecast to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

The council spreads it liquid cash over a number of providers (e.g. Bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators:

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the average credit rating of its investment portfolio. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	**Target**
Portfolio average credit rating	A-

Liquidity – the Authority will manage its cash flow so as to not go overdrawn.

Yield – the benchmark for returns on investments is the Sterling Overnight Index Average (SONIA). Actual investment returns are monitored against budget.

Maturity structure of borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Table 5: Maturity Structure of Debt

	Lower Limit	Upper Limit
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years and above	0%	100%

No lower limit is set in order to allow flexibility when managing the debt portfolio in the current economic conditions.

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than a year: This limit is set to ensure adequate liquidity of investments and is the maximum amount of funds the Council will invest longer term. This is shown in table 6 below.

Table 6: Limit for investments over 365 days

	2021/22	2022/23	2023/24
Limit for investments over 365 days	£5.0m	£5.0m	£5.0m

Related Matters

The CIPFA Code requires the Council to include the following in its Treasury Management Strategy.

- **Policy on use of financial derivatives** – the Council will only use financial derivatives (such as swaps, forwards, futures and options) where it can be clearly demonstrated to reduce the level of financial risks that the Council is exposed to. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- **Markets in Financial Instruments Directive** – the Council has opted up to professional client status with its providers of financial services, including advisors, banks and brokers allowing it to access a greater range of services but without the additional regulatory protections afforded by individuals and small companies. Given the size and the range of the Councils treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

Financial Implications

The budget for investment income in 2022/23 is £31.4k, based on an average investment portfolio of £21m at an interest rate of 0.15%. If actual levels of investments and borrowing, or actual interest rates, differ from those as forecast, performance against budget will be correspondingly different.

Part C. The Investment Strategy

Introduction

The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

Treasury Management Investments

The Authority typically receives its income (e.g. from taxes and grants) before it pays for its expenditure (e.g. through payroll and invoices). It also holds reserves for various purposes including future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Further details: Full details of the Authority's policies and its plan for 2022/23 for treasury management investments are covered in the Treasury Management Strategy at Part B.

Commercial Investments: Property

Department for Levelling Up, Housing and Communities (DLUHC) defines property to be an investment if it is held primarily or partially to generate a profit.

Contribution: The Council holds a number of investments in commercial assets which generate a return which contributes to the general revenue resource available to be spent on local public services. The main revenue generating investments held by the Council include the Pleasure Island site in St Annes, Carr Bridge Caravan Park in Westby-with-Plumpton, and a number of café concessions in the borough.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the authority's most recent Statement of Accounts as at 31st March 2021 as shown below:

	2019/20	2020/21
	£'000	£'000
Rental Income from Investment Property	(371)	(185)
Direct operating expenses arising from investment	83	325
	(288)	140
Changes in Fair Value of Investment Properties	(307)	(695)
Net (Gain) / Loss	**(595)**	**(555)**

Rental income for 2021/22 included in the table above has been adversely affected by the covid-19 pandemic. There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the most recent year for the Council's audited accounts.

	2019/20	2020/21
	£'000	£'000
Balance at start of year	3,194	3,501
Net gains /(losses) from fair value adjustments	307	695
Reclassification of Assets	-	(508)
Balance at end of year	**3,501**	**3,688**

Security: In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

A fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment.

Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding property investments by completing due diligence checks and relevant officer skill sets.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay any capital borrowed, the Authority minimises this risk by ensuring that commercial investments remain proportionate to the size of the authority.

Governance: Decisions on commercial investments are made in line with the criteria and limits approved by Full Council in line with Financial Regulations, the Constitution and the Commercial Strategy which was approved by the Finance and Democracy Committee on the 24th September 2018 and is accessible at the link below:

Fylde Council Commercial Strategy

Specified and Non-Specified Investments

The Ministry of Housing, Communities and Local Government Guidance defines two types of investments – specified and non-specified investments.

Specified investments are:

- denominated in pound sterling,
- due to be repaid within 12 months of the arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality"

The Council defines "high credit quality" organisations and securities as:

- those having a credit rating of A- or higher that are domiciled in the UK for deposits up to one year,
- those domiciled in a foreign country with a sovereign rating of AA+ or higher for deposits of up to one year,
- those having a credit rating of A- or higher for periods of up to 6 months,

For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

Non-Specified Investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies and will not make any investments with low credit quality bodies, nor any that are defined as capital expenditure by legislation, such as company shares.

Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality.

Non-Treasury Investments

Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the DCLG Guidance, the Council may also purchase property for investment purposes and may also make loans and investments for service purposes. Such loans and investments will be subject to the Council's normal approval process for revenue and capital expenditure and need not comply with this treasury management strategy.

Borrowing in Advance of Need

Government guidance is that local authorities must not borrow more than (or in advance of) their needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance of need will be within approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. Borrowing in advance will be made within the constraints that:

- it will be limited to no more than 100% of the expected increase in capital borrowing need (CFR) over the three year period to 2024/25.

All decisions on borrowing will be reported to the appropriate Committee as part of the Councils annual reporting cycle on Treasury Management and Prudential Indicators.

Capacity, Skills and Culture

Elected members and statutory officers:
The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Chief Financial Officer is a qualified accountant with 38 years of Local Government finance experience. The Council supports accountancy staff to study towards relevant professional accountancy qualifications and the staff within the treasury team attend treasury seminars and workshops provided by CIPFA and other external service providers. Training is provided to Councillors as part of the Member training and development programme and more detailed treasury management training is offered to Councillors who serve on the Audit and Standards Committee by treasury management advisors Arlingclose Limited.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Commercial deals:
With central government financial support for local public services declining in recent years, the Council has developed a Commercial Strategy as a framework to explore ways in which the authority can become more financially self-reliant by adopting a more entrepreneurial outlook. Among the areas covered by the Commercial Strategy is the potential investment in property assets as a means to generate additional revenue income. The strategy was adopted by Finance and Democracy Committee on 24th September 2018.

Since adoption of the strategy there have been no acquisitions of property assets solely to generate future income streams, although the parameters and expectations of such a consideration in the future are set out within the strategy.

Governance: Decisions relating to capital expenditure for all purposes, including for the acquisition of property assets, are made in accordance with the Financial Regulations of the Council, this requiring the approval of either the Finance and Democracy Committee (following consideration by the appropriate programme committee) or of the full Council

Part D. The Minimum Revenue Provision Statement

The Authority is required to provide for an element of the accumulated capital expenditure each year through a charge to revenue known as the Minimum Revenue Provision (MRP).

The Department for Levelling Up, Housing and Communities (DLUHC) regulations require the Authority to approve an MRP policy in advance of each year. This policy sets out how much the Authority will set aside from revenue each year in order to fund capital expenditure. Council is recommended to approve the following MRP statement:

I. For capital expenditure incurred **before** 1 April 2008 – the MRP is based on 4% of the adjusted CFR. This option provides for a 4% reduction in the borrowing need (CFR) each year.

II. For capital expenditure incurred **after** 1 April - the MRP policy for all unsupported capital expenditure (i.e. Prudential Borrowing) will be the estimated life of the assets in accordance with the Regulations.

Appendix H

Fylde Borough Council

Useable Reserves and Balances Policy

Policy on Useable Reserves and Balances

1 The Useable Reserves and Balances Policy

1.1 Setting the level of useable reserves and balances is just one of several related decisions in the formulation of the Council's Medium Term Financial Strategy.

1.2 In establishing and approving the Medium Term Financial Strategy, "the Council will ensure that it maintains a prudent level of reserves in line with best practice and relevant guidelines".

1.3 Any surplus balances will be considered in the light of the budget forecast and the risks associated with that forecast. Any changes to this Policy will require approval by Members.

2 Integrated Financial Planning

2.1 Under section 114 of the Local Government Finance Act 1988 the Chief Financial Officer is required to report to all Councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year.

2.2 There are no statutory minimum levels of general reserves but in line with best practice and CIPFA advice it is suggested that 5% of the total net budget requirement is set as the minimum for the reserve balances. For Fylde this equates to approximately £575k based on a net budget requirement for 2022/23 of approximately £11.5m.

However, during 2008/09, due to the downturn in the economy, the Council had to take urgent in year action to make further service cuts in order to maintain minimum balances at that time. In order to remain financially robust over the medium term, Budget Council in February 2009, based on the advice of the Chief Financial Officer, agreed to increase the minimum level of balances to £750k. This recommendation remains in place in order for the Council to maintain a future stable financial environment for the Council in light of the current economic climate and risks.

In making a recommendation as to the level of balances which should be maintained, the Chief Financial Officer will pay particular attention to:-

- The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates, etc.)
- The authority's track record in budget and financial management including the robustness of the Council's Medium Term Financial Strategy
- The authority's capacity to manage in-year budget pressures
- The strength of the financial information and reporting arrangements
- The authority's virement and end of year procedures in relation to revised budget and cash limit under/over-spends at authority and departmental level
- The adequacy of the authority's insurance arrangements to cover major unforeseen risks.

2.3 The level of earmarked reserves will be reviewed in the preparation of each update to the Medium Term Financial Strategy and annually as part of the closure of accounts process. The creation of any new Earmarked Reserves will be subject to Member approval.

2.4 The Council's General Fund Reserve balance as at 31st March 2021 was £4.571m.

3 Reporting Framework

3.1 Any recommended changes to the level of useable reserves held will be reported within the Medium Term Financial Strategy or in the consideration of the Annual Accounts and will take account of the strategic, operational and financial risks facing the authority at that time.

3.2 In making any recommendation the Chief Financial Officer will provide Members, (in line with the requirements of the Local Government Act 2003) with an opinion on the robustness of the budget estimates and on the adequacy of the Council's useable reserves.

4 Earmarked General Fund Reserves

4.1 Earmarked general fund reserves are a means of voluntarily and prudently building up funds to meet known future or predicted liabilities. When establishing reserves the Council must adhere to the International Financial Reporting Standards (IFRS) and in particular the need to distinguish between reserves (set aside for future liabilities) and provisions (mandatory set asides for actual liabilities existing).

In approving any new earmarked reserves the Council needs to identify the purpose of the reserve, the protocol for its use and the procedures for its management and control. The earmarked reserves as at 31st March 2021 and expected at 31st March 2022 are set out in a note at the end of this Appendix. The note identifies any earmarked reserves that can be released to revenue if required.

5 Presentation of the Reserves & Balances

5.1 These have been presented in a way which is intended to be an easy to follow and useful summary format. These Reserves & Balances are also fully detailed in the Annual Statement of Accounts but are presented in a more technical format to ensure that the Council comply with the new International Financial Reporting Standards (IFRS).

6 Earmarked Reserves – Proposals for 2022/23

6.1 Having reviewed the current useable reserves and balances it is now proposed:

i. that in order to minimise the need for additional borrowing in the future, transfers be made to the Capital Investment Reserve in 2021/22 and 2022/23 equivalent to the balance of the revenue surplus for those years, after allowing for all approved transfers to other reserves, currently estimated at £1.486m in 2021/22 and £0.380m in 2022/23 to provide sufficient resource for any capital projects that may arise; and

ii. that the government grant funding received in 2021/22 to compensate for lost business rate income as a result of the Covid-19 related business rate reliefs awarded in the sum of £3.615m be transferred into the Collection Fund Deficit Reserve. The lost income to the collection fund for 2021/22 will create a deficit in the fund for 2022/23 and this transfer into the reserve will be required in 2022/23 to offset that deficit.

6.2 The capital schemes that remain to be funded from the Capital Investment Reserve and the forecast balance at the end of each year throughout the forecast are set out in the table below.

Capital Investment Reserve - Analysis of forecast balances, contributions and expenditure

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Opening balance at start of year	**5,223**	**5,099**	**3,769**	**3,742**	**3,742**
Schemes approved at Budget Council 3rd March 2014					
Lytham Park Cemetery Infrastructure	- 26				
Schemes approved at Budget Council 5th March 2018					
Kirkham Town Centre - Public Realm scheme	- 3				
Wood Steet St Annes - Public Realm scheme	- 50				
Staining Playing Fields Development Scheme	- 43				
Schemes approved at Budget Council 5th March 2019					
Accommodation/ facilities at Snowdon Rd Depot	- 200				
Coastal Signage Improvements	- 31				
Lytham Regeneration Scheme		- 670			
St Annes Road West – Square to Pier link and Gateway Improvements		- 110			
Fairhaven Heritage Lottery Fund Restoration Scheme	- 251				
Purchase of Land Adjacent to Squires Gate Station	- 5				
Schemes approved at Budget Council 4th March 2020					
Blackpool Road North Playing Fields drainage	- 105				
Snowdon Road Depot: – Welfare Improvements	- 6				
Outdoor Digital Signage	- 30				
Cemetery and Crematorium - Infrastructure Phase 3b	- 9				
Hydration points	- 60				
Wesham Community Centre	- 50				
Elswick Village Green	- 25				
Kirkham Heritage Action Zone	- 150				
Beach Safety Sign Improvements	- 37				
Updated forecast transfers for 2021/22 & 2022/23	1,486	380			
Schemes approved at Budget Council 4th March 2021					
Additional Parks Access Control Measures	- 16				
Ashton Gardens Lighting Improvement Scheme	- 25				
Park View Drainage Improvement Scheme	- 1	- 39			
Fairhaven Boathouse - Remodelling and Refurbishment Scheme	- 7	- 217			
Play Area Improvements	- 100				
Friends of Newton Community Park Improvementnt Scheme - Fylde Council Contribution	- 50				
Staining Drainage Improvement Scheme		- 55			
Tree Planting Scheme	- 25				
South Fylde Line Study	- 4				
Purchase of Land Adjacent to Squires Gate Station	- 1				
Blackpool Road North Playing Fields Drainage	- 40				
North Beach Windsports Centre - F&D January 2022	- 200				
St Annes Paddling Pool (boating lake) - health and safety improvements - F&D January 2022	- 60				
Schemes proposed for Approval by Council 3rd March 2022					
Replacement of Town Centre CCTV Systems		- 79			
North Beach Car Park Public Conveniences		- 150			
Stanner Bank Public Conveniences Refurbishment		- 58			
Carbon Neutral Vehicles		- 34	- 27		
Cleaning Mechanical Sweeper Vehicle		- 60			
Petanque Court		- 13			
Play Area - Blackpool Road North Playing Field		- 125			
Improvements to Children's Play Areas		- 100			
Forecast balance at end of year	**5,099**	**3,769**	**3,742**	**3,742**	**3,742**

6.3 Additionally, a number of schemes have been approved during 2021/22 that are to be funded from the Funding Volatility Reserve. These schemes and the forecast balance at the end of each year throughout the forecast are set out in the table below.

Funding Volatility Reserve - Analysis of Contributions & forecast balances

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Opening balance at start of year	**5,889**	**4,668**	**4,231**	**1,858**	**1,858**
Approved Commitments					
- St Anne's foreshore sand extraction development studies and regulatory applications	- 162				
- Additional Contribution to M55 Link Road	- 692				
- St.Annes Town Centre commisioning of vision/strategy funded by Funding Volatility Reserve	- 150				
- Additional resource to support Town Centes/Blackpool Enterprize Zone	- 121	- 97	- 73		
ADDITIONAL COMMITMENTS 2021-22					
- Stanner Bank Kiosk	- 20	- 340			
- St Anne's foreshore sand extraction development studies and regulatory applications	- 76				
- St Annes Sea Wall - FBC contribution			- 2,300		
Forecast balance at end of year	**4,668**	**4,231**	**1,858**	**1,858**	**1,858**

Useable Reserves and Balances Position

1. Earmarked Reserves

Reserve	Purpose	How and When Used	Balance 31/03/21 £000	Budgeted Transfers in for 2021/22 £000	Budgeted Use/ Transfers out 2021/22 £000	Estimated Balance 31/03/22 £000	Comments
ICT Investment Reserve	Voluntary set aside for the funding of new IT initiatives and development of IT systems - this fund was established from savings in revenue ICT expenditure .	To be used to fully fund ICT developments and investment in moving this important support function forward.	**40**			**40**	Part-used in 2017/18 to provide suitable equipment for new Council chamber. The balance is to be retained for future IT development requirements.
Performance Reward Grant Reserve	Created in 2009/10, this is a voluntary set aside of performance reward grant (PRG). Although Fylde Borough Council is the Accountable Body for the Fylde PRG, The Fylde Local Strategic Partnership (LSP) are the appointed decision making body in relation to the allocation of the PRG.	Used to set aside Performance Reward Grant funding in order to support LSP approved projects.	**27**			**27**	The LSP approved some legacy funding for projects prior to its wind-up in March 2013. The remaining balance of funds is earmarked for the replacement of CCTV equipment.
MMI Insurance Reserve	Created in 2011/12, this is a set aside to cover the likely liability in respect of the MMI scheme of arrangement.	Used to meet the cost of future scheme run off.	**80**			**80**	Not available for release as to be fully utilised to fund the scheme run-off.
Capital Investment Reserve	Created in 2012/13, this is a voluntary revenue set aside established to fund capital expenditure and thus minimise the future need to borrow.	As required to meet the cost of capital expenditure.	**5,223**	**1,486**	**-1,610**	**5,099**	Whilst the balance at 31/03/22 is projected to be £5.099m, after taking account of the previously approved schemes scheduled to be delivered in later years that are to be funded from this reserve, along with the capital bids that form part of the 2022/23 budget proposals the **un-committed** balance at 31/03/22 is reduced to £3.363m prior to any further transfers into the reserve in later years.
Community Right to Bid/Challenge Reserve	Created in 2012/13, this is a set aside of grant awarded to fund costs involved in potential future community right to bid.	Used to meet any potential costs arising from the community right to bid/challenge initiatives.	**46**			**46**	Not available for release as the monies are ear-marked for meeting community right to potential bid/challenge costs.

1. Earmarked Reserves - Cont'd

Funding Volatility Reserve	Created in 2013/14 from additional Business Rates received under the Business Rate Retention Scheme, this is a voluntary set-aside established to provide a degree of protection to the Council's finances against future volatility in central government funding allocations and to fund investment in activity to stimulate Economic Development in the Borough.	To be used to cushion the impact of future funding reductions and to fund investment in activity to stimulate Economic Development in the Borough.	**5,889**		**-1,221**	**4,668**	For release to support the revenue budget as and when necessary to cushion the impact of future funding reductions and to fund investment in activity to stimulate Economic Development in the Borough. A number of schemes have been approved during 2021/22 that are to be funded from this reserve. Additionally, it is assumed that a further £20k will be used to support the development of a Greater Lancashire Plan whilst the budget Council meeting of March 2020 approved that a further priority call upon the reserve would be in respect of the regeneration of St Annes town centre. The un-committed balance at 31/03/22 is £4.668m.
Collection Fund Deficit Reserve	Created in 2013/14, this is a voluntary set-aside of funds to meet the Council's share of the collection fund deficit. The Reserve has been topped-up in 2020/21 and 2021/22 as a result of the Business Reliefs awarded in response to the Covid-19 pandemic.	To be used to meet the estimated deficit on the collection fund.	**5,576**	**3,615**	**-3,235**	**5,956**	Not available for release as the reserve is ear-marked for offsetting the estimated collection fund deficits in 2021/22 and future years.
M55 Link Road Reserve	Established at Council in July 2016 to fund a contribution towards the accelerated delivery of the link road.	To be used in line with ongoing negotiations with delivery partners for the road.	**1,308**	**692**		**2,000**	Not available for release as the reserve is ear-marked for a contribution to the link road scheme.
EU Exit Funding Reserve	Created in 2018/19, this is a voluntary set-aside of government grant received to be used to enhance capacity and capability in making preparations for exiting the European Union.	To be used in line with the purpose of this government funding.	**53**			**53**	To be used in line with the purpose of this government funding.
Total Earmarked Reserves			**18,242**	**5,793**	**-6,066**	**17,969**	

2. General Fund Reserve

General Fund	An unallocated general working balance reserve fund to help cushion the impact of uneven costs of running council's day to day services or the impact of unexpected events or emergencies.	In line with the annual budget and medium term forecast as approved by Council, taking in to account strategic, operational and financial risks facing the council over the medium term.	**4,571**			**4,571**	This is the position in line with the Council's current financial forecast.
Total General Fund Reserves			**4,571**	**0**	**0**	**4,571**	
		Total	**22,813**	**5,793**	**-6,066**	**22,540**	

Appendix I

SPECIAL EXPENSES POLICY

At its meeting of 3rd March 2008, the Council implemented a differential taxation policy by introducing special expense charges as set out in the following recommendations:

i) *That the resolutions of the former Policy and Resources Committee of 15 January 2001, relating to special expenses (minute 13), be rescinded in relation to categories (a) and (b) as set out in the minute, so that items falling within those categories (parks, gardens, open spaces and games sites) or within this resolution but outside those categories (Christmas lights/trees) will become the council's special expenses under section 35(2)(d) of the Local Government Finance Act 1992 and that the items of Special Expenses as listed in paragraph 9.4 be approved.*

ii) *That the principle of differential taxation be agreed and the impact is set out in Table A of Appendix E.*

For clarification the special expense charge relates to costs incurred in respect of the provision of recreational resources on parks, playing fields, open spaces and gardens located within Lytham and St Annes, together with the costs of Christmas lights and/or trees in those same locations.

For 2021/22 a 2.08% increase was applied to each of the individual elements of the Council Tax charge i.e. the borough-wide charge and the special expense charge, in order that both elements were increased to an equivalent extent.

For 2022/23 an average Band D Council Tax of £219.19 is proposed (that being an increase of £4.28 or 1.99% as compared to the 2021/22 charge). This equates to a proposed 2.154% increase in respect of each of the individual elements of the Council Tax charge.

Therefore, the special expenses policy for 2022/23 shall be:

- the annual special expense charge per property will be set for 2022/23 at the 2021/22 level plus 2.154%, that being £80.92 per band D property;

- the annual borough wide charge per property will be set for 2022/23 at the 2021/22 level plus 2.154%, that being £172.47 per band D property; and

- the budget resource to be allocated to delivering concurrent services and chargeable as special expenses for 2022/23 will be set at a sum equivalent to the annual special expense charge per property (band D equivalent) multiplied by the tax base for the special expense area.

For the purposes of charging special expenses, both the special expense costs and the tax bases relating to the areas of Lytham and St Annes will each be aggregated and the Council Tax charge per property at each band level will be the same across the whole area.