DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
MANAGEMENT TEAM	COUNCIL	5 DECEMBER 2016	12

FINANCIAL FORECAST UPDATE (INCLUDING REVENUE, CAPITAL & TREASURY MANAGEMENT) 2016/17 TO 2020/21

PUBLIC ITEM

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

SUMMARY

The report provides Members with an update of the financial forecast for the Council for the five years 2016/17 to 2020/21. It includes changes arising since the Budget was set by Council in March 2016.

RECOMMENDATION

Council is recommended :

1. To note the implications of this updated financial forecast;
2. With regards to the transfer of funds into earmarked reserves as described within this report, the Finance and Democracy Committee considered the proposed transfers to reserves at its meeting of 21st November 2016 and recommends:
   a) That Council approve a transfer into the Accommodation Project Reserve in the sum of £320k to be funded from forecast favourable in-year revenue budget variances in 2016/17, and to note that this will provide sufficient funds for completion of the Accommodation Project;
   b) That Council approve a Transfer into the M55 Link Road Reserve totalling £804k split between 2016/17 and 2017/18, to be funded from forecast favourable in-year revenue budget variances in the respective years, and to note that the balance on this reserve will then total £1M in line with Council's previous recommendation as an "in-principle" contribution to the Link Road project; and
   c) That Council approve a transfer into the Funding Volatility Reserve in the sum of £2M to be funded from forecast favourable in-year revenue budget variances in 2017/18 in order to mitigate against the removal of safety-net protection as a result of the decision to enter the Lancashire Business Rate Pool for 2017/18 in order for the Council to retain a greater share of Business Rate income in that year.

SUMMARY OF PREVIOUS DECISIONS

The Council set its budget for 2016/17 at its meeting of 2nd March 2016. This report provides Members with an update of the financial position of the Council, including changes since that date. This report was considered by Finance and Democracy Committee at its meeting of 21st November 2016 and the recommendations in the report are those made by the Committee.

CORPORATE PRIORITIES	
Spending your money in the most efficient way to achieve excellent services (**Value for Money**)	√
Delivering the services that customers expect of an excellent council (**Clean and Green**)	√
Working with all partners (**Vibrant Economy**)	√
To make sure Fylde continues to be one of the most desirable places to live (**A Great Place to Live**)	√
Promoting Fylde as a great destination to visit (**A Great Place to Visit**)	√

REPORT

1. PURPOSE OF THE FINANCIAL FORECAST UPDATE

1.1 This report is the mid-year and preliminary forecast of the Council's financial position and takes account of latest reserve balances, revenue and capital spending forecasts and treasury management issues. It also identifies and updates the financial risks and challenges facing the Council. The assumptions set out in this forecast are the latest best estimates and will be updated as and when further information becomes available.

1.2 This latest financial forecast update is designed to:

- Present an updated five-year financial forecast for revenue and capital spending based upon the best information available at the time;
- Review and update the currently identified risks and opportunities;
- Alert Members to any new specific risks and opportunities;
- Inform Members of any changes required to budgets due to external factors outside the Council's control; and,
- Provide a basis on which Members can begin to make future spending decisions.

2. BACKGROUND TO THE FORECAST

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

(i) Original Budget 2016/17

At the Council meeting on the 2nd March 2016 the budget for 2016/17 and the medium term financial forecast were agreed. The resolution included a 2.68% increase in the average Council Tax amounts and a total net budget requirement of £9.371m for 2016/17. The General Fund balance at that time was forecast at the end of 2019/20 to be £1.967m. In agreeing the Original Budget for 2016/17 a number of key high level financial risks and assumptions were highlighted.

(ii) General Fund Revenue Outturn Position 2015/16

The revenue outturn position for 2015/16 was reported to Members in June. The impact of the outturn position, including transfers to earmarked reserves and slippage items in the total sum of £0.478m, has been reflected in this updated forecast.

(iii) Budget Right-sizing Exercise

During the autumn each year the Council undertakes a budget right-sizing exercise to identify any in-year budget variances and any future budget adjustments that might be made. 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.

(iv) Capital Outturn Position 2015/16

The latest approved expenditure budget in the capital programme for 2015/16 was £3.380m. After adjusting for slippage of £0.410m, the overall outturn position for 2015/16 was an in-year favourable variance against the latest updated estimate. The capital receipts surplus for the year, after taking into account of slippage, totals £13k which produced a total underlying favourable variance of £14k.

(v) General Fund Revenue Quarterly Budget Monitoring 2016/17

Revenue budget monitoring reports for the period to 31st July 2016 have been presented to each of the Programme Committees during the September 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. These include revised fee income estimates, updated employee cost assumptions, and the latest estimate of borrowing costs.

3. THE GENERAL FUND REVENUE FORECAST

3.1 Appendix A sets out the original base budget forecast, agreed at the Budget Council meeting on 2nd March 2016.

3.2 Appendix B shows the general assumptions underpinning the base forecast, whilst Appendix C shows the financial impact of changes to general assumptions and the impact of other significant changes that have been identified since the budget was approved, including the impact of outturn 2015/16 and the budget right-sizing exercise. Appendix D sets out the narrative which explain the significant changes made to the forecast. Included in the changes are a number of items arising from the Capital Programme which are explained in the 'Capital' section of this report.

3.3 The impact of all these changes are summarised in Appendix E which details the latest updated forecast. The forecast needs to be considered carefully in the light of the identified risks which cannot be fully quantified at this time but may have an impact on the forecast at some future point.

The following decisions have also been made since the Budget Council meeting on 2nd March 2016:

3.4 The Establishment of an M55 Link Road Reserve

At the meeting of 4th July 2016 the Council approved the establishment of a specific 'M55 Link-road Reserve' to meet the cost of any financial contribution from the Council towards the cost of construction of the road, given the economic benefits that the completion of a new arterial route into and out of the borough would bring. At that meeting the Council also:

- approved the transfer of £196k from the Capital Investment Reserve into the M55 Link-road Reserve;

- requested that officers investigate further funding opportunities, including the achievement of additional income/savings from budget right-sizing exercises which could be considered for potential transfer into the M55 Link-road Reserve; and

- approved an 'in principle' contribution of up to £1m towards the cost of construction of the M55 link road up to 2019, with a further report to follow detailing how the remainder of the required contribution may be identified.

3.5 The Accommodation Project Reserve

At its meeting of 26th September 2016, Finance and Democracy Committee received an update report on progress in delivery of the Accommodation Project. The Committee approved continuation of the works into Phase 6 (Council chamber, lobby and basement) and part of Phase 7 (1st floor of the Town Hall - internal refurbishment/redecoration/services upgrade including lighting) subject to approval by Council of the necessary funding. The additional funding in the total sum of £518k, was to be met partly from the release of a number of earmarked reserves as detailed within the report, with the balance of £151k being met from General Fund Reserves in 2016/17.

At the meeting of 17th October 2016 the Council approved the release of the monies from the earmarked revenue reserves and the allocation of a sum of £151k from the General Fund Reserves in 2016/17 to finance the continuation of the project as set out in the earlier report. The report also noted that the estimated cost of the remaining elements of the project was £320k.

3.6 Business Rates: Reassessment of the appeals provision, under-lying growth and 'pooling'

At the meeting of 28th October 2016 the Finance Committee considered a report detailing a number of revisions to the business rates income expectations. The report also proposed that as a consequence of the revised position in this regard that Fylde Council become a member of the Lancashire Business Rate Pool for 2017/18.

The report noted that the dismissal by the Valuation Office Tribunal of one of the highest value business rate appeals, together with a reassessment by the Councils external rating consultants of the required level of provision for other large appeals, has meant that a significant sum can be released from the total appeals provision.

A further benefit arising from the settlement of long-outstanding appeals is that it has the effect of making the underlying in-year Business Rates position clearer in terms of real growth as compared to earlier years. A number of known upward revaluations of existing businesses for Business Rates and a number of additions as a result of new developments in the borough have also been reflected on the rating list.

These changes have resulted in a thorough review of in-year monitoring and the underlying assumptions and options in respect of pooling. This analysis has shown that the potential one-off windfall from release of cumulative appeals provisions amounts to an estimated £1m (which is forecast to be realised in 2017/18), with an estimated additional recurring underlying growth of approximately £900k per annum from 2017/18 onwards.

The Finance and Democracy Committee approved membership of the Lancashire Business Rate Pool for 2017/18 in order to maximise the Councils share of this additional income. The Committee also approved that the initial gains from membership of the pool (in terms of business rate income retained over and above the baseline level) are utilised to create a "local safety net" to provide replacement funding in the event that actual income received fails to meet the baseline level. This is to be achieved through an additional contribution to the Funding Volatility Reserve in 2017/18.

The effect of the above changes to Business Rates income expectations for 2017/18 and beyond (including the 'one-off' further benefit for 2017/18) and the contribution to the Funding Volatility Reserve in 2017/18 have been reflected in a revised General Fund Budget Forecast at Appendix E to this report.

3.7 <u>The Budget Right-sizing Exercise and further Transfers to Ear-marked Reserves</u>

Following a review of the budget position for 2016/17 as part of the preparation of this Financial Forecast update, including the identification of fortuitous additional income for the year, costs-savings and the outcome of the budget right-sizing exercise, the forecast revenue surplus for 2016/17, currently stands at £816k as detailed at Appendix E.

Of this, the Council meeting of 17th October approved the transfer of a sum of £151k to the Accommodation Project Reserve as part of the funding required for the continuation of the Accommodation Project as detailed in 3.5 above, leaving a balance of the projected revenue surplus for 2016/07 of £665k.

It is proposed that of this balance, a sum of £320k is transferred to the Accommodation Project Reserve to provide a source of funding for the delivery of the Accommodation Project up to the completion of phase 7 of the project.

If the transfer of funding into the Accommodation Project Reserve is approved, a further report will be presented to a later meeting of the Finance and Democracy Committee which will provide full details of the proposed works in relation to the next phases of the scheme, and which will request approval to enter into contractual agreements to deliver those works.

This would leave a remaining estimated surplus for 2016/17 of £345k which it is proposed be transferred into the M55 Link Road Reserve.

It is further proposed that of the current forecast favourable variance for 2017/18 of £853k, a sum £459k also be transferred to the M55 Link Road Reserve in 2017/18, such that the balance of the reserve at that point would total the agreed maximum £1m 'in principle' contribution from Fylde Council for the construction of the road.

4. Central Government Funding and the Four-Year Settlement Offer

The Local Government Finance Settlement for 2016/17 also included indicative funding levels for years 2017/18 to 2019/20 thus providing, for the first time, an 'illustrative' four-year funding settlement offer.

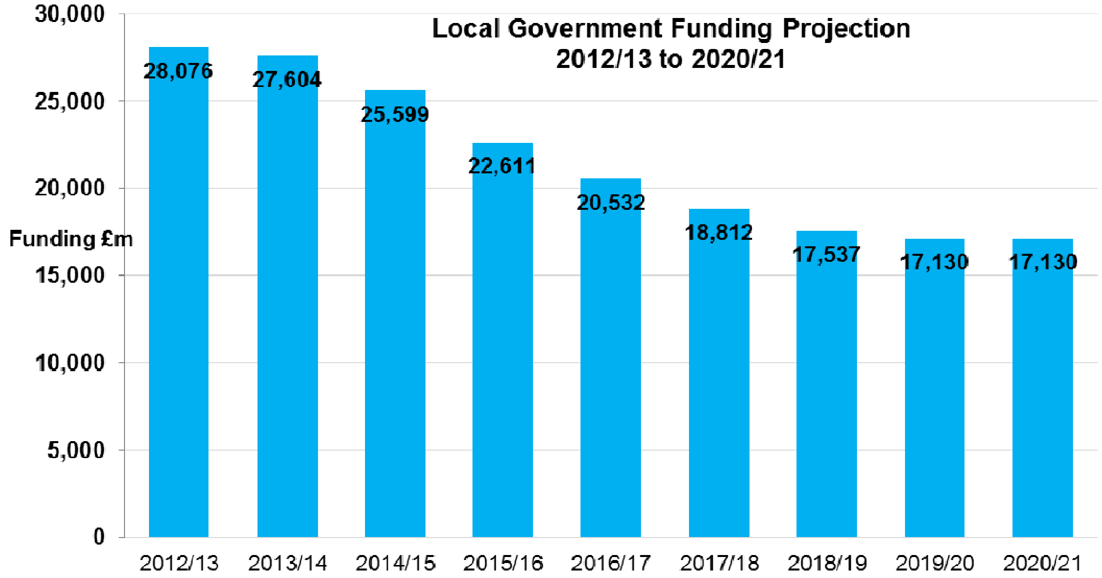
The funding sources that form part of the total central government illustrative settlement offer comprise:

- Revenue Support Grant
- New Homes Bonus
- Business Rate Retention
- Transition Grant

Full details of the illustrative funding levels for each of these income sources is provided within the March 2016 Financial Strategy Update report to Council. No further details or amended figures in this regard have been received since the initial publication of the data in January 2016. It is anticipated that the Government Autumn Statement, to be announced later in November 2016, may contain further information which will impact on assumed government funding levels for future years.

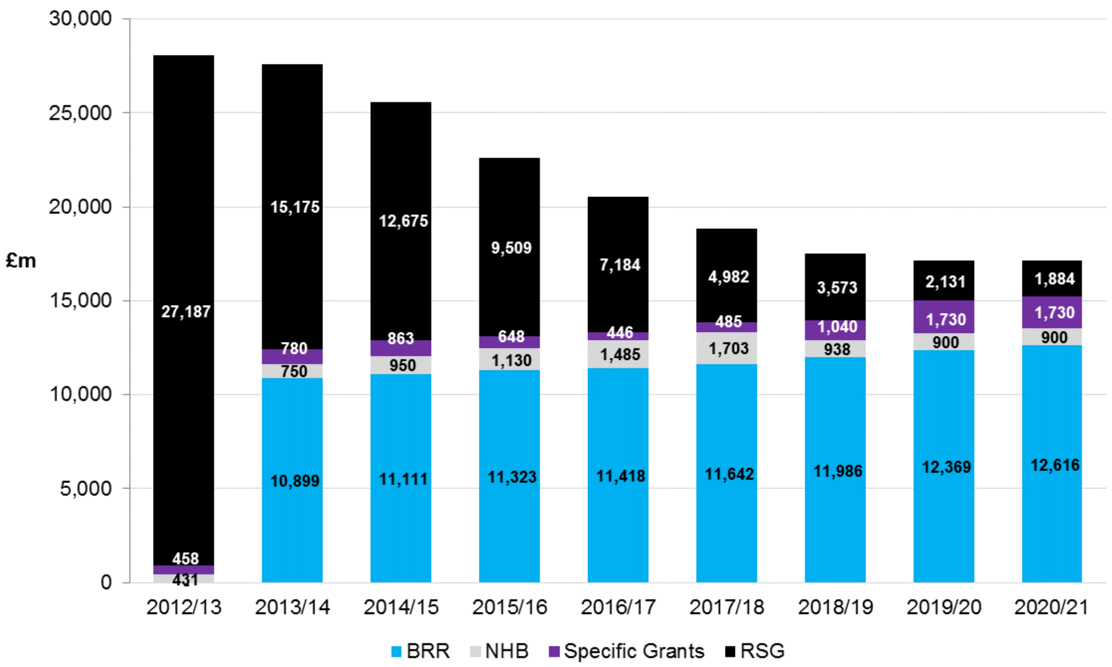
The illustrative figures of local government funding levels for future years, as set out in the 2016/17 Finance Settlement, compared with previous years funding levels are shown in the tables below.

The first table illustrates the reduction in **total** local government funding levels over the period from 2012/13 to 2020/21:



The next table illustrates the change in composition of **total** local government funding over the same period. It shows the move from 2012/13 when funding was largely based upon central government allocations of Revenue Support Grant (RSG) to the current position where RSG is being phased out and being replaced by Business Rate Retention (BRR), New Homes Bonus (NHB) and other Specific Grants.

Composition of Total Local Government Funding 2012/13 to 2020/21:



The illustrative funding levels for 2017/18 onwards are conditional upon those councils that wish to take up the offer publishing an 'Efficiency Plan'.

Fylde Council has, in line with the majority of district councils, indicated that it does wish to take advantage of the degree of certainty that is provided by a four-year funding settlement and consequently has met the requirement to prepare an Efficiency Plan. This is accessible at:

http://www.fylde.gov.uk/council/finance/efficiency-plan-2016/

It should be noted that the figures for central government funding as contained within the General Fund forecast at Appendix E have been amended since the March 2016 Forecast Update to reflect:

1. The decision to form part of a Business Rate pool for 2017/18 as detailed in section 3.6 of this report; and
2. An updated estimate of New Homes Bonus income for 2017/18 onwards that is based upon estimated housing completions in the year to October 2016, one of the determinants of future levels of New Homes Bonus income.

Any amendments to the levels of central government funding levels within the Financial Forecast will be made as and when any revised allocations are provided and will be reflected in future updates to the Financial Forecast.

5. KEY AREAS OF FINANCIAL RISK TO THE GENERAL FUND REVENUE BUDGET FORECAST.

5.1 In considering this forecast Members should note that there are a number of significant risks. In assessing each risk the following has been taken into account:-

High Level Financial Impact Risk

- 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

Medium Level Financial Impact Risk

- 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

Low Level Financial Impact Risk

- 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

5.2 High Level Financial Impact Risks

(i) Future Central Government Funding

As detailed in Section 4 above the central government funding figures currently shown within the General Fund Forecast at Appendix E comprise the funding allocations as contained within the 'illustrative' four-year funding settlement offer that was provided as part of the 2016/17 Local Government Finance Settlement, as amended for known changes in respect of retained Business Rates (including the impact of Fylde joining the Lancashire Business Rate Pool for 2017/18) and New Homes Bonus for 2017/18.

It is anticipated that the Government Autumn Statement, to be announced later in November 2016, may contain further information which will impact on assumed government funding levels for future years. There is also uncertainty about the level and makeup of central government funding beyond 2019/20. The government have announced the introduction of a revised business rate retention scheme from 2020/21 which, although referred to as a '100% Business Rate Retention Scheme', will undoubtedly retain a balancing mechanism between authorities (similar to the present 'tariff and top-up' adjustments) which will not in fact result in Fylde Council retaining 100% of its proportionate share of all business rates that are collected.

The four-year funding settlement which is reflected in this Financial Forecast update covers the years 2016/17 to 2019/20, with only the funding for 2016/17 being certain, whilst for years 2017/18 to 2019/20 are described as 'illustrative'. There is a clear risk that the actual levels of central government funding beyond the current year (i.e. for 2017/18 to 19/20) may differ from the illustrative amounts for those years that are reflected within this update.

Furthermore, in respect of 2020/21 the government has not provided even 'illustrative' funding levels. Therefore, given the absence of any information regarding central government funding for 2020/21 the same funding levels as for 2019/20 have been used for 2020/21 in respect of both Revenue Support Grant and New Homes Bonus.

Any amendments to the levels of central government funding levels within the Financial Forecast will be made as and when any revised allocations are provided and will be reflected in future updates to the Financial Forecast.

5.3 **Medium Level Financial Impact Risks**

(i) Retained Business Rates - Pooling

The decision to join a Business Rate pool for 2017/18 as detailed in Section 3.6 of this report entails the loss of the protection of a 'Safety Net' payment in the event of a significant reduction in Business Rate income below a defined level.

As part of the decision to join a Business Rate pool it was also 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 would effectively create a 'local safety net' to provide replacement funding in the event that actual income received fails to meet the baseline level.

(ii) Borrowing Cost Assumptions

In light of the current level of reserves and balances held by the Council the forecast has been updated to reflect an expectation that additional external borrowing will not be required during the life of the Financial Forecast and that internal cash balances will be utilised to fund capital expenditure. This means that the base forecast no longer contains any budget cover for external borrowing beyond the level currently held by the Council, on the assumption that the Council's underlying need to borrow will be funded through the life of the current forecast from internal borrowing.

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

(iii) 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 Universal Credit Scheme. This financial forecast reflects the latest estimates of reduced grant levels for 2016/17 and for subsequent years.

As updated grant notifications are received in respect of future years it may be necessary to update the forecast accordingly.

(iv) 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.

(v) 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.

5.4 **Low Level Financial Impact Risks**

(i) The Living Wage

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) Community Infrastructure Levy (CIL)

The Community Infrastructure Levy (CIL) which came into operation nationally in April 2011 is intended to assume the role of the traditional Section 106 Agreement. However Section 106 Agreements will continue to have a role to play on site specific development proposals. For the CIL to become operational within the borough the Local Plan will need to be in place. Officers will be exploring infrastructure requirements as part of the work on the Local Plan with the aim of producing, for public consultation, an Infrastructure Delivery Plan which will help inform a CIL charging schedule. At this moment in time the financial implications are unknown.

6. GENERAL FUND RESERVE AND OTHER EARMARKED RESERVES & PROVISIONS

6.1 The Council carries a General Fund Reserve (often referred to as General Reserves) and a number of other earmarked reserves and provisions. These are held for a number of purposes:

- As a working balance to help cushion the impact of uneven cash flows and avoid the need for temporary borrowing;
- As monies specifically set aside for future events or liabilities (known as earmarked reserves and provisions); and
- As a contingency to cushion the impact of unexpected events or emergencies.

6.2 The Council's General Fund Reserve Balance at 31st March 2016 was £8.6m.

6.3 The Council has a Useable Reserves and Balances Policy in place, which is reviewed and approved annually as part of the budget setting process. If any reserves can be released, proposals will be presented in a future financial forecast update.

7. CONCLUSIONS – GENERAL FUND REVENUE FORECAST

7.1 The Council faces a number of uncertainties in the future in respect of its finances, particularly arising from the reduction in central government funding for the coming years which was announced as part of the 2016/17 Local Government Financial Settlement. Further details regarding the levels of central government support are expected later in 2016 with the Government's Autumn Statement. The gap between in-year income and expenditure in later years of the forecast will need to be addressed.

7.2 To meet these challenges Fylde Council will continue with the approach to delivering savings and efficiencies which have helped deliver balanced budgets and contribute to reserves over recent years. This programme has included the introduction of a number shared service arrangements with partner authorities across a range of services including revenues and benefits, human resources, health and safety, corporate fraud, and payroll. Ongoing modernisation work and business improvement will continue to make Council services more efficient, save money and maintain frontline services to customers. **Prudent financial management has provided a level of reserves which allows the necessary time to determine how this council can best respond to these increased challenges.**

7.3 The Council's stated approach to meeting these challenges, as described in the March 2016 Medium Term Financial Strategy, can be summarised as:

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;
4. To transfer a significant sum from General Fund balances to the Funding Volatility Reserve in 2015/16 to set-aside resources that can be used to support the revenue budget in future years, as and when that becomes necessary.

7.4 Much of this work has already commenced and a number of decisions either have been taken, or are in the process of final determination, which will impact positively on the Council's future revenue position by achieving a reduction in the gap between in-year income and expenditure in later years of the forecast. Specifically the important issues that have the potential to improve the Council's financial position to a significant extent are:

- the decision to join a Business Rates pool from 2017/18 (see section 3.6 above);

- the recommendation by the Council's Operational Management Committee in September 2016 that the Council approve:

1. The introduction of a year-round green waste subscription service for implementation from April 2017; and
2. An increase in car park tariffs by an average of 5% effective from April 2017.

7.5 The current forecast has a number of high risk financial assumptions which are outside the Council's control. These will be kept under close scrutiny and regular review, with any new information or amendments being incorporated into the latest update to the Financial Forecast.

7.6 Budget planning work for 2017/18 is well underway and further updates of the financial forecast will be brought before Members in due course.

8. COLLECTION FUND

8.1 As a Council Tax and National Non-Domestic Rates (NNDR) Billing Authority, the Council is required by legislation to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and NNDR, and to calculate the surplus or deficit for each financial year on the Collection Fund. Prior to 2013/14 the requirement was to maintain this for Council Tax only, however, as part of the Local Government Finance Act 2012 the Government implemented a Business Rates Retention Scheme from April 2013, whereby the collection and distribution of NNDR is also collected and distributed via the Collection Fund (the distribution of NNDR had previously been managed nationally).

8.2 For Council Tax only, there was a cumulative surplus on the fund as at 31st March 2016 of £513k. This will be shared between the Borough Council, the County Council, the Police Authority and the Fire & Rescue Authority in 2016/17 & 2017/18. The Borough Council's share of the surplus is £70k.

8.3 For Non-Domestic Rates only, there was a deficit on the fund as at 31st March 2016 of £5.286m. This will be shared between Central Government, the Borough Council, the County Council and the Fire & Rescue Authority in 2016/17 & 2017/18. The Borough Council's share of the deficit is £2.114m, and the Council has previously set aside an equivalent sum in the Collection Fund Deficit Reserve to cover this deficit when it becomes due.

9. THE CAPITAL PROGRAMME

9.1 The Capital Programme is updated continually for agreed changes and reported to Members during the financial year on a periodic basis.

9.2 The latest updated Capital Programme Summary for the years 2016/17 to 2020/21 is set out in Table 1 below. The Programme has been updated for changes to the end of September 2016. A prudent approach is taken in preparing the programme to ensure that financing resources are only recognised when there is reasonable certainty that they will be received.

TABLE 1 - SUMMARY CAPITAL PROGRAMME

	Estimate 2016/17 £000	Estimate 2017/18 £000	Estimate 2018/19 £000	Estimate 2019/20 £000	Estimate 2020/21 £000
Committee:					
Finance & Democracy Committee	1,641	0	0	0	0
Tourism & Leisure Committee	422	466	40	40	40
Operational Management Committee	2,197	14,242	7,117	501	577
Environment, Health & Housing Committee	1,591	1,222	468	468	468
Development Management Committee	741	237	0	0	0
Total Capital Payments	**6,592**	**16,167**	**7,625**	**1,009**	**1,085**
Financing:					
Availability of Resources	**6,592**	**16,167**	**7,625**	**1,009**	**1,085**
Total surplus (-) / shortfall in year	0	0	0	0	0
Cumulative surplus (-) / shortfall	0	0	0	0	0

9.3 Capital schemes are directly linked with the Council's priorities. Major items of enhancement or renewal are identified via the Council's Asset Management Plan and work is underway to review and update this. The planned spend over the life of the programme is continuously reviewed. If any scheme profiling amendments are required these will be reflected in future periodic update reports.

9.4 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;
(iii) Capital Receipts;
(iv) External Funding (such as Heritage Lottery Funding);
(v) Prudential Borrowing/Leasing;
(vi) Revenue Funding; and
(vii) Capital Investment Reserve

9.5 Members should note the current balanced position on the Capital Programme.

10. VEHICLE PURCHASES

10.1 The Council has adopted a Service Modernisation Strategy for Operational Services which includes a rolling programme of vehicle replacement that assumes the replacement of vehicles on a like-for-like basis at the end of their useful economic life. The approved capital programme includes significant capital expenditure for scheduled operational vehicle replacements during the life of the forecast. This expenditure has been reviewed and re-phased to reflect the currently expected profile of vehicle replacements.

11. KEY AREAS OF FINANCIAL RISK TO THE CAPITAL PROGRAMME

There are a number of financial risk areas within the Capital Programme for Members to be aware of:

11.1 Medium Level Financial Impact Risks

(i) <u>Coast Protection Scheme</u>

The Strategic Appraisal Report for the Fylde Shoreline Strategy was approved by the Environment Agency's Large Project Review Group (LRPG) in January 2014 and included the replacement of sea defences at Fairhaven and Church Scar. Following this approval further funding was released by DEFRA and Cabinet approved spend for a Coastal Headland Study Project Appraisal Report (PAR) in the sum of £175k with a further £95k awarded in August 2016, fully funded from DEFRA resources. The PAR report was submitted for approval by the Environment Agency's LRPG on the 6th August 2015. Following a number of queries and points of clarification the Project Appraisal report has been approved.

The next stage is the preliminary detailed, customer led design of the new sea walls and involves gaining the necessary approval for the work to progress, planning permission, Marine Management Organisation licence, environmental impact assessment and appropriate assessment with regards to the potential to disturb overwintering birds during construction. Once these approval are obtained it will unlock funding for both Fairhaven Lake and Church Scar sea defence construction schemes.

The overall cost of the Fairhaven and Church Scar Coast Protection Scheme within the original Capital Budget was £16.5m including a contribution from Fylde Council of £400k. The DEFRA funding spans the years 2016/17 to 2018/19. Fylde Council's contribution of £400k towards sea wall development works is fully-funded from the Capital Investment Reserve. Following annual review of the Environment Agency's Medium Term Plan (MTP) the project funding has been reviewed and re-phased as follows 2016/17 - £1.4m, 2017/18 - £13m, 2018/19 - £5.825m. The total project cost is now £20.225m including a contribution from Fylde Council of £400k in 2016/17. We are awaiting the formal confirmation letter from the environment agency that their MTP has been updated and once received this will be reflected in a later update to the Financial Forecast. Further updates and any future changes to the scheme will be reported to Members in the appropriate manner and the Capital Programme will be updated accordingly.

Due to the significant value of this scheme this has been highlighted as a potential future risk.

(ii) <u>Vehicle Replacement Programme</u>

The estimated vehicle replacement profile, to replace existing fleet at the end of its useful economic life from 2016/17 to 2020/21 within the Capital Programme totals £3.9m.

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.

11.2 Low Level Financial Impact Risks

(i) <u>Project Slippage</u>

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.

(ii) <u>Other Capital Receipts</u>

The approved programme for 2016/17 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.

(iii) Capital Investment in St. Annes Pool

As part of the arrangement with the YMCA for the operation of the pool, the Council undertook to provide Capital support in the event of major works, repair or breakdown and a provision of £153k was included in the programme for this eventuality. There is now a remaining capital resource of £93k in 2017/18. There is a risk that this remaining resource is insufficient to meet future capital expenditure needs for the facility.

(iv) Disabled Facilities Grants (DFGs)

As 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).

As part of the 2013 Spending Round review the Government established the 'Better Care Fund', with the intention of "providing an opportunity to transform local services so that people are provided with better integrated care and support". Under these new arrangements from 2015/16 onwards the funding for Disabled Facilities Grants (DFGs) 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 will be 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.

This Council has previously made a decision to limit DFG expenditure to the level of the funding received for this purpose. In order to monitor the level of demand upon this resource the number of applications on the various categories of waiting lists and the periods of waiting time for DFG's are closely monitored and are reported to Members as appropriate.

The Capital Programme includes annual provision from 2017/18 onwards for DFG's at the level of the actual 2015/16 grant amount in the sum of £468k. However for the current year, 2016/17, the allocation has been confirmed in the sum of £849k and a report was presented to Council on 4th July 2016 outlining the increased DFG allocation. For 2017/18 onwards no allocation information has been provided and it is therefore considered prudent to revert to the 2015/16 grant level at this stage. Actual allocations will only be made available in advance of the coming financial year. Therefore at this point the figures in the capital programme are prudent estimates and will be updated as and when actual allocation amounts are announced. For as long as DFG works remains a statutory obligation the grant is unlikely to be withdrawn by the Government but could be reduced.

Whilst the significant increase in grant is to be welcomed it is unlikely to be fully spent within this financial year due to the backlog in assessments by the Occupational Therapy Service. The OT Service has pledged to appoint additional resources over the coming months to reduce the backlog of cases.

Any changes in DFG income received by the Council will have a direct impact on the level of works that can be undertaken. There is also a direct revenue implication on DFG fees which would also have to be adjusted.

(v) Accommodation Project

The Accommodation Project was originally included in the capital programme on the basis that the scheme would be self-financing from capital receipts from the sale of 3 sites (St

David's Road Depot, Derby Road, Wesham and the Public Offices). Actual asset sales and receipts are dependent on market conditions and cannot be predicted with certainty. St David's Road depot was sold in 2012/13, and the site at Derby Road, Wesham was sold in 2013/14. The Public Offices was re-marketed during 2014/15 and the Accommodation Working Group have reviewed a number of further expressions of interest. The site has additional complications of being in a conservation area with the Public Offices being a listed building and the tenure being leasehold not freehold. Disposals of this nature where purchasers require certainty of any planning and leasehold requirements prior to committal often take some time to bring to a conclusion.

In December 2015 the Council approved the establishment of an Accommodation Project Reserve to ensure the continued delivery of the Accommodation Project and the transfer into the reserve of £504k to be funded from favourable in-year revenue budget variances in 2015/16.

At its meeting of 26th September 2016, Finance and Democracy Committee received an update report on progress in delivery of the Accommodation Project. The Committee approved continuation of the works into Phase 6 (Council chamber, lobby and basement) and part of Phase 7 (1st floor of the Town Hall - internal refurbishment/redecoration/services upgrade including lighting) subject to approval by Council of the necessary funding (which was subsequently approved by Council on 17th October 2016). The additional funding in the total sum of £518k, is to be met partly from the release of a number of earmarked reserves as detailed within the report, with the balance of £151k being met from General Fund Reserves in 2016/17.

It is now proposed that of the favourable variance for 2016/17 that has been identified as part of this Financial Forecast update (see section 3.7 of this report) that a sum of £320k is transferred into the Accommodation Project Reserve to provide a source of funding for the delivery of the Accommodation Project up to the completion of phase 7 of the project.

The cross-party Accommodation Working Group continues to monitor and manage this project and regular update reports on the project will continue to be provided to Members.

12. CONCLUSIONS – CAPITAL PROGRAMME

12.1 The current Capital Programme as updated is showing a balanced position for 2016/17 onwards.

12.2 The capital programme and the associated financing will be subject to discussion with Members during the coming months as part of the annual budget setting process for 2017/18.

12.3 Any additional expenditure which is not fully funded by external finance would normally require the generation of capital receipts or further borrowing (the latter placing further pressure on the Revenue Budget from the consequent repayment costs). However Budget Council on 4th March 2013 approved the creation of a Capital Investment Reserve to finance future capital expenditure. The balance of this reserve at 31st March 2016 was £2.275m. However all of this is committed to deliver approved schemes in the years 2016/17 to 2019/20 and there is presently no funding available within this reserve for additional future projects. Whilst it remains the case that this reserve is the preferred source of finance for any further additions to the Capital Programme in future years, additional contributions to the reserve would be required in order to create such a funding source.

13. TREASURY MANAGEMENT

13.1 The Treasury Management Strategy and Prudential Indicators were approved by Council on 2nd March 2016.

13.2 The regulatory framework for treasury management requires Councils to receive a mid-year Treasury Review report. This report will be presented to the Audit and Standards Committee for scrutiny on 17th November 2016 and subsequently will be presented to Council on 5th December 2016.

14. KEY AREAS OF FINANCIAL RISKS FOR TREASURY MANAGEMENT

14.1 There are a number of potential areas of significant risk associated with Treasury Management activities, the most significant of which are:

(i) Unexpected movements in cash flow;
(ii) Differences between the actual interest rate and interest rates used in the forecast; and,
(iii) The security of monies invested with counterparties

15. CONCLUSIONS - TREASURY

15.1 Investment rates available in the market continue to be at historically low levels. As a consequence of the voters' decision to exit the European Union ('Brexit') both bank base rate and investment return rates are expected to remain low for some time. A further consequence of the 'Brexit' vote has been an increased uncertainty in economic forecasts and financial markets. The Council will continue to aim to achieve the optimum return on investments commensurate with proper levels of security and liquidity that have been approved by Members.

16. OVERALL CONCLUSIONS ON THE LATEST FINANCIAL FIVE YEAR FORECAST UPDATE

16.1 The overall position on the Council's financial forecast, as summarised in Appendix E of this report, is an improvement since Budget Council in March 2016. The current position is a forecast surplus in the current year and in 2017/18, with deficits in 2018/19 and beyond, albeit at a reduced level since the budget was set. A significant factor in the improved position is the forecast increase in funding receivable from the Business Rate Retention Scheme, including the impact of joining the Lancashire Business Rate Pool.

16.2 In light of the budget challenges that will need to be addressed in the later years of the forecast, the Council needs to continue with the approach to delivering savings and efficiencies which have helped deliver balanced budgets and contribute to reserves over recent years. Through continued focus on the importance of financial stability the Council has delivered a significant savings programme since 2007 and has continued to significantly reduce senior management costs and other overheads. Ongoing modernisation work and business improvement will continue to make Council services more efficient, save money and maintain frontline services to customers. This work has yielded ongoing savings to help improve the Council's overall financial position over that period.

16.3 For Fylde Council to continue to successfully meet the future challenges that it faces it is vital that this approach is re-doubled and that all reasonable opportunities for further cost-reduction measures and for the generation of additional income are seriously considered. Prudent financial management in previous years has provided a level of reserves which allows the necessary time to determine how this council can best respond to the challenges ahead.

16.4 As part of that continued approach the Council's priorities for improvement remain and the Council is committed to the continuation of the overall financial management strategy, making any changes it feels are relevant whilst recognising the future uncertainties that exist. This approach will ensure that the Council continues to achieve and sustain a balanced budget position on an ongoing basis.

16.5 The assumptions set out in this forecast are the latest best estimates and will be updated as and when further information becomes available. External pressures outside the Council's control are being experienced by all local authorities, and instructions remain in place that Officers should not commit to any unnecessary expenditure

16.6 **The forecast financial position of the Council has improved since the budget was set in March this year, and the finances of the Council remain robust. Members should, however, remain cognisant of the risks that are detailed within this report and note that the gap between in-year income and expenditure in later years of the forecast will need to be addressed.**

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

REPORT AUTHOR	TEL	DATE	DOC ID
Paul O'Donoghue Chief Financial Officer	(01253) 658566	November 2016	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Medium Term Financial Strategy (MTFS) Update, Including General Fund, Capital Programme and Treasury Management for 2015/16 – 2019/20	Budget Council meeting 2nd March 2016	www.fylde.gov.uk
MTFS – Outturn Position For 2015/16 (Including General Fund, Capital Programme & Treasury Management)	Finance and Democracy Committee meeting 20th June 2016	www.fylde.gov.uk
Revenue Budget Monitoring Report 2016/17 – to 31st July 2016	Finance and Democracy Committee meeting 26th September 2016	www.fylde.gov.uk
Capital Programme Monitoring Report 2016/17 – to 31st July 2016	Finance and Democracy Committee meeting 26th September 2016	www.fylde.gov.uk

Attached documents

1. Appendix A – Forecast approved at Council on 2nd March 2016
2. Appendix B – Schedule of general assumptions underpinning the forecast
3. Appendix C – Schedule of unavoidable changes to the forecast
4. Appendix D – Narrative on unavoidable changes to the forecast and specific assumptions to support Appendix C
5. Appendix E – Updated latest forecast position

Appendix A

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

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Adverse / Favourable
Forecast approved at Council on 3rd March 2015	**9,991**	**9,979**	**10,007**	**11,029**	**11,029**	
Forecast changes - per Appendix C	- 1,318	- 638	- 648	- 689	- 251	Favourable
Budget Proposals - per Appendix F		30	38	47	47	Adverse
Forecast Budget Requirement	**8,673**	**9,371**	**9,397**	**10,387**	**10,825**	
Financed by:						
Revenue Support Grant	1,443	861	354	47		
Business Rates Funding - BASELINE	1,625	1,771	1,806	1,859	1,623	
Transition Grant		56	56			
Council Tax Freeze Grant relating to 2015/16 freeze	59					
Less - Parish Element of Council Tax Support Funding	- 69	- 66	- 66	- 66	- 66	
Sub Total	3,058	2,622	2,150	1,840	1,557	
Council Tax (including Collection Fund Surplus/Deficit)	5,248	5,484	5,667	5,851	6,038	
Other grants						
New Homes Bonus	1,660	1,859	1,873	1,177	1,129	
Forecast Financing	**9,966**	**9,965**	**9,690**	**8,868**	**8,724**	
Forecast surplus(-)/deficit for year	**- 1,293**	**- 594**	**- 293**	**1,519**	**2,101**	
Reserves						
Forecast surplus/deficit(-) for year from above:	1,293	594	293	- 1,519	- 2,101	
Less: Contribution to Accommodation Project Reserve	- 504					
Less: Contribution to Capital Investment Reserve	- 32					
Balance of surplus/deficit(-) remaining:	757	594	293	- 1,519	- 2,101	
Balance of General Fund Reserves b/f	5,443	3,200	3,794	4,087	2,568	
Less: Contribution to/from Funding Volatility Reserve	- 3,000				1,500	
Less transfer to/from(-) General Fund Reserves in year	757	594	293	- 1,519	- 2,101	
Forecast Reserves at Year End	**3,200**	**3,794**	**4,087**	**2,568**	**1,967**	
Band D Council Tax (Excl Parish Precepts)	**£185.79**	**£190.77**	**£195.76**	**£200.75**	**£205.74**	
Band D Average Council Tax Increase		**£4.98**	**£4.99**	**£4.99**	**£4.99**	
Band D Average Council Tax Increase	**0.00%**	**2.68%**	**2.62%**	**2.55%**	**2.49%**	

Appendix B

General Assumptions

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

- General Prices Inflation – a freeze or cash-limiting of all general revenue expenditure budgets with the exception of pay, fuel & utility budgets;
- Slippage - underspend items from 2015/16 agreed by the Finance and Democracy Committee in June 2016 have been slipped into 2016/17;
- Pay award - assumed to be 1% per annum from 2016/17 onwards throughout the forecast;
- Employers Pension Contributions – the Council's contribution to the Lancashire pension fund scheme is set in accordance with the outcome of the 2013 Triennial Pension Review at 12.5% plus 9% deficit recovery lump sum payment for the period to 2016/17; any amendments resulting from the next review will be reflected in later updates to the Financial Forecast;
- Employer's National Insurance contributions – the forecast reflects the statutory contribution rates currently in place, including a reduced contribution rate as a result of the Council being part of the pension scheme. This reduced rate will increase due to the introduction of a Single Tier Flat Rate State Pension from April 2016, and the impact of this has been reflected in the forecast;
- Council tax increases – £4.99% increase per annum from 2017/18 onwards in line with latest government announcement on the threshold for referendums;
- Government Grant Support – the forecast assumes central government funding is as notified in the illustrative four-year funding settlement announced in January 2016, amended for known changes in respect of retained Business Rates and New Homes Bonus for 2016/17;
- Fees and Charges – 0% increase in all years except for planned increases in cemetery and crematorium fees. Budget holders have been requested to review fee levels any changes to fees & charges will be considered at the Budget Council in March 2017;
- Vacancy Savings – the forecast assumes £310k savings target for 2016/17, and £200k per annum from 2017/18 onwards;
- Localisation of Council Tax Benefit Scheme – the forecast assumes a fully funded scheme with no cost to the Council from 2016/17 onwards pending a Council decision on the 2017/18 scheme to be agreed in December 2016 following the completion of consultation.

Appendix C

Forecast changes since Budget Council March 2016:

		16/17 £000	17/18 £000	18/19 £000	19/20 £000	20/21 £000	ADVERSE / FAVOURABLE / NEUTRAL
1	**CHANGES AS A RESULT OF MEMBER APPROVALS:**						
	F&D Committee - 20/06/16 - Slippage	282	0	0	0	0	ADVERSE
	F&D Committee - 20/06/16 - Weed Treatment - Mechanical Removal	-9	2	2	3	2	NEUTRAL
2	**BUDGET RIGHTSIZING EXERCISE:**						
	Revenue impact of budget right-sizing exercise across all budget areas of the Council	-78	-81	-33	-55	-26	FAVOURABLE
3	**UPDATED ESTIMATES OF INCOME BUDGETS:**						
	Increase in Crematorium Income forecasts	-50	-25	-32	-40	60	FAVOURABLE
	Increase in Cemetery Income forecasts	0	-4	-9	-16	-22	FAVOURABLE
	Parks Contracts - Contribution to Overheads	-28	-21	-21	0	0	FAVOURABLE
4	**STAFFING COSTS:**						
	Updated estimate for future years pay award and on-costs	0	0	0	0	94	ADVERSE
	Additional in-year vacancy savings target	-110	0	0	0	0	FAVOURABLE
	Apprenticeship Levy - introduced April 2017	0	18	18	18	19	ADVERSE
5	**OTHER FORECAST CHANGES**						
	Removal of Borough Elections budget included in base for 2019/20	0	0	0	0	-80	FAVOURABLE
	Reduction in Planning Appeals budget provision	-52	0	0	0	0	FAVOURABLE
	Reduction in Enforcement costs - Travellers	-40	0	0	0	0	FAVOURABLE
	Photocopier contract savings (one-off, future years still to be identified)	-18	0	0	0	0	FAVOURABLE
	Rephase of car park closures (Coastal defence works)	-20	0	20	0	0	NEUTRAL
6	**Revised borrowing assumptions:**						
	Interest Charges - Receivable	-12	83	63	43	43	ADVERSE
	Interest Charges - Payable	-13	-133	-168	-149	-133	FAVOURABLE
	TOTAL	**-148**	**-161**	**-160**	**-196**	**-43**	FAVOURABLE

Appendix D

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

(1) Changes as a Result of Member Approvals

The forecast that was approved by Budget Council in March 2016 has been updated to reflect the financial impact of Member decisions made since then.

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

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

(3) Revised Crematorium and Crematorium income forecasts

The forecast has been updated to reflect additional income generated in-year at the Cemetery and Crematorium. The budgets for the years to 2019/20 have also been revised upwards. For 2020/21 there are planned re-lining works to the cremators which are expected to require a certain closure period which will impact on income levels at the crematorium. The timing and length of the expected closure period will be kept under review and any necessary amendments will be reflected in future updates to the Financial Forecast.

(4) Extension of Parks Contracts – contribution to overheads

A number of Parks contracts with external parties have been renewed. The additional profit on the contract works, which contributes towards the central overhead costs, has now been reflected in the budgets for the appropriate years.

(5) Staffing Costs

The forecast assumes an estimated 1% pay award per annum from 2016/17 onwards. Salary estimates are based upon a revised assessment of the base level of salary costs to reflect any staffing changes that have occurred since the last point of calculation. The effect of adding the year 2020/21 within this Financial Forecast necessitates an additional sum being reflected in this update for the pay award for that year.

The forecast that was approved by Council in March 2016 has an assumed level of 'turnover savings' (delays in the recruitment to vacant posts) of £200,000 per annum from 2016/17 onwards. Actual savings to date are already in excess of this target. Accordingly, the turnover savings targets for the current year has been updated to reflect a revised estimate of the level of savings.

(6) Removal of Borough Election Costs 2020/21

Fylde Borough is next due to hold a Council election in 2019/20 and the estimated costs are already included within the base budget for that year. The forecast has been updated to remove the costs of the election from the base budget in the year 2020/21.

(7) Reductions in budget requirements: Planning Appeals and Planning Enforcement

The budgets for both Planning Appeals and Planning Enforcement costs in 2016/17 have been revised to reflect the latest estimates of the required resource for the year.

(8) Reductions in Photocopier budget requirement

The budget for the costs of the photocopier contract in 2016/17 has been revised to reflect the achievement of savings on the contract price.

(9) Re-phasing of car park closure (loss of income)

The car park closures that are required due to the impact of the Coastal Defence Works are now expected to occur in 2018/19 and not in 2016/17 as previously anticipated. The consequential loss of income has therefore now been reflected in the appropriate year.

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

The forecast has been updated to reflect both:

- the latest estimated cost of borrowing required in order to fund expenditure approved within the capital programme. The savings reflect an expectation that external borrowing will not be required during the life of the Financial Forecast and that internal cash balances will be utilised to fund capital expenditure; and
- the latest estimate of investment interest estimated to be received on cash balances and reserves which the Council invests as part of daily treasury management activities. Interest earnings are significantly reduced due to the continuing expectation of a low bank base rate in the coming years and the negative effect this has on investment returns.

Appendix E

Latest General Fund Budget Forecast 2016/17 to 2020/21

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Adverse / Favourable
Forecast approved at Council on 2nd March 2016	**9,371**	**9,397**	**10,387**	**10,825**	**10,825**	
Forecast Changes - per Appendix C	- 148	- 161	- 160	- 196	- 43	Favourable
Forecast Budget Requirement	**9,223**	**9,236**	**10,227**	**10,629**	**10,782**	
Financed by:						
Council Tax Funding:						
Council Tax - Precept	5,484	5,720	5,942	6,168	6,399	
Council Tax - Share of Previous Years Surplus/(Deficit)	70	50				
Sub Total - Council Tax Funding	***5,554***	***5,770***	***5,942***	***6,168***	***6,399***	
Business Rates Funding:						
Baseline (including contribution from CF deficit reserve)	1,771	3,879	2,819	2,611	2,633	
Recommended contribution to Funding Volatility Reserve		- 2,000				
Sub Total - Business Rates net of reserve transfers	***1,771***	***1,879***	***2,819***	***2,611***	***2,633***	
Other Funding:						
New Homes Bonus	1,863	2,153	1,351	1,296	1,296	
Revenue Support Grant	861	354	47			
Transition Grant	56	56				
Less - Parish Element of Council Tax Support Funding	- 66	- 66	- 66	- 66	- 66	
Sub Total - Other Funding	***2,714***	***2,497***	***1,332***	***1,230***	***1,230***	
Forecast Financing	**10,039**	**10,146**	**10,093**	**10,009**	**10,262**	
Forecast surplus(-)/deficit for year	**- 816**	**- 910**	**134**	**620**	**520**	
Reserves						
Forecast surplus/deficit(-) for year from above:	816	910	- 134	- 620	- 520	
Less: Approved contribution to Accommodation Project Reserve	- 151					
Less: Recommended contribution to Accommodation Project Reserve	- 320					
Less: Recommended contribution to M55 Link Road Reserve	- 345	- 459				
Balance of surplus/deficit(-) remaining:	0	451	- 134	- 620	- 520	
Balance of General Fund Reserves b/f	3,481	3,481	3,932	3,798	3,178	
Less transfer to/from(-) General Fund Reserves in year		451	- 134	- 620	- 520	
Forecast Reserves at Year End	**3,481**	**3,932**	**3,798**	**3,178**	**2,658**	
Band D Council Tax (Excl Parish Precepts)	**£190.77**	**£195.76**	**£200.75**	**£205.74**	**£210.73**	
Band D Average Council Tax Increase	**£4.98**	**£4.99**	**£4.99**	**£4.99**	**£4.99**	
Band D Average Council Tax Increase	**2.68%**	**2.62%**	**2.55%**	**2.49%**	**2.43%**	