

# Agenda

## Council



Date:

Monday, 1 December 2014 at 7.00pm

Venue:

Lowther Pavilion, West Beach, Lytham, FY8 5QQ

### Procedural Items

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<b>1</b>	<b>Declarations of Interest:</b> Declarations of interest, and the responsibility for declaring the same, are matters for elected members. Members are able to obtain advice, in writing, in advance of meetings. This should only be sought via the Council's Monitoring Officer. However, it should be noted that no advice on interests sought less than one working day prior to any meeting will be provided.	<b>1</b>
<b>2</b>	<b>Confirmation of Minutes:</b> To confirm the minutes of the previous meeting, held on 6 October 2014, as a correct record, as attached.	<b>3 - 7</b>

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The code of conduct for members can be found in the council's constitution at  
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# Minutes Council

<b>Date:</b>	Monday, 6 October 2014
<b>Venue:</b>	United Reformed Church, St George's Road, St Annes
<b>Members:</b>	<p>Mayor (Councillor Kevin Eastham) Deputy Mayor (Councillor Karen Henshaw JP)</p> <p>Councillors Brenda Ackers, Tim Armit, Susan Ashton, Tim Ashton, Karen Buckley, David Chedd, Maxine Chew, Alan Clayton, Peter Collins, Fabian Craig-Wilson, Susan Cunningham, John Davies, Leonard Davies, David Donaldson, Charlie Duffy, David Eaves, Sue Fazackerley, Dr Trevor Fiddler, Tony Ford JP, Gail Goodman JP, Peter Hardy, Paul Hayhurst, Howard Henshaw ADK (MALAYSIA), Ken Hopwood, Angela Jacques, Cheryl Little, Barbara Nash, Edward Nash, Linda Nulty, Elizabeth Oades, Albert Pounder, Richard Redcliffe, Louis Rigby, Elaine Silverwood, John Singleton JP, Heather Speak, Thomas Threlfall, Vivienne M Willder.</p>
<b>Officers:</b>	Allan Oldfield, Tracy Morrison, Ian Curtis, Howard Dawson, Murray Don, Bernard Judge, Ross McKelvie, Sharon Wadsworth.
<b>Other attendees:</b>	Reverend Alan Clark and approx 9 members of the public.

## Prayers

Prayers were offered by the Mayor's Chaplin, the Reverend Alan Clark.

### 1. Declarations of interest

Members were reminded that any disclosable pecuniary interests should be declared as required by the Localism Act 2011 and any personal or prejudicial interests should be declared as required by the Council's Code of Conduct for Members. During the course of the meeting the Mayor declared a personal interest in item 8 in so far as he employed Ms Helen Hockenhull some twenty years ago.

### 2. Confirmation of minutes

RESOLVED: To approve the minutes of the Council meeting, held on 28 July 2014, as a correct record for signature by the Mayor subject to the addition of Elswick Parish Council to Councillor Chedd's declaration of personal interest.

### 3. Mayor's Announcements

The Mayor, Councillor Kevin Eastham, commented on an enjoyable couple of months of Gala Days, Club Days and Carnivals and commended the volunteers that gave their time to events in the borough. The Mayor also mentioned the commemorations that had recently been held in aid of the Second World War and the seventieth anniversary of the Freckleton School disaster.

A minutes' silence was observed in memory of Honorary Alderman Alfred Jealous who had passed away on Monday 15<sup>th</sup> September 2014.

The Mayor concluded his announcements by informing members that there would be a concert by the Guardian Band on 25<sup>th</sup> October 2014 at the Fairhaven Methodist Church in aid of the Mayoral Charities, RNLI and YMCA.

#### 4. Chief Executive's Communications

There were no communications from the Chief Executive.

#### 5. Questions from Members of the Council

There were no questions from members of the Council.

#### 6. Questions from Members of the Public

There were three questions from members of the public.

As a member of the County Council management control committee, Councillor Hayhurst withdrew from the meeting for the duration of the third question.

##### 1. From Alan Ashton

*"Is the Council aware that permission is currently being sought for the installation of solar panels in the Fylde countryside?"*

*A typical installation occupies 40-50 acres (in order to be economically viable). The panels are considerably larger than the rooftop ones, and stand some 7 and 8 feet tall, as a permanent feature in the landscape for 25 years or more.*

*Does the Borough Council have a policy on this matter?"*

Councillor Thomas Threlfall, Portfolio Holder for Environment and Partnerships, responded that the Fylde Borough Local Plan, 2005 was adopted prior to the development of large scale solar facilities and did not contain any policy specific to such forms of development.

Policy CL2 of the Emerging Local Plan to 2030 addresses "Renewable and Low Carbon Energy Generation". This policy sought to ensure that the benefits that renewable energy generation projects, including large scale solar facilities, would provide to the wider economy and local community were properly balanced against any potential harm to landscape, local residents, ecology, land reserves, including agricultural land, the historic environment, aviation, defence interests and highway safety.

As part of the consultation, with regard to the council's preferred option, a number of comments had been received and the Council had resolved to incorporate those comments into the policy in a revised preferred option which was currently being prepared. Any application submitted would receive full and proper consideration and would be subject to consultation.

##### 2. From John Nolan

*"I have heard and seen many comments regarding Blackpool Airport being up for sale by the current owners. As this is our local Airport, can you please inform me as to what Fylde Council are doing in order to keep the Airport operational and serving residents across the Fylde."*

Councillor Dr Trevor Fiddler, Portfolio Holder for Planning and Development, responded that he could assure the author of the question and all those in the Blackpool Airport catchment area that Fylde Council was doing all it could to ensure the airport remained operational. As soon as Balfour Beatty announced that the airport was for sale, Fylde took the initiative and invited Blackpool, Wyre, Lancashire County Council and members of Lancashire Enterprise Partnership to see if they could collectively safeguard the airport.

However, the local authority had limited powers and little resources to provide direct support to private sector organisations in difficulty. The airport had lost significant amounts of money for several years, with the prospect of increased business virtually none existent.

Legislation and regulation restricted local authorities from spending public resources, particularly finance, for the support or competition with private ventures.

Fylde along with neighbouring authorities were working with the owners of the airport to ensure, that if passenger jets were to stop flying from the airport, that the runway remained operational as an airfield with private small planes and helicopter business. The protection of the runway was essential for any prospect of another airline flying passenger jets from the airport and every effort was to be made to promote and support a new airline business.

3. From Susan Holliday

*“At the last council meeting the following question was asked: Organisations such as the RSPB, National Trust etc., (see: <http://www.rspb.org.uk/ourwork/policy/climatechange/action/ukenergy/fit-to-frack.aspx>) have raised concerns regarding the lack of appropriate regulation for on-shore fracking. There is also emerging research highlighting health issues to people who live in close proximity to fracking sites, particularly as a result of flaring which releases radon gas (a carcinogenic substance, and methane gas (greenhouse gas) into the atmosphere. As we live within 300m of the proposed fracking site at Preston New Road where Cuadrilla are proposing two flares this gives us great concern. Will Fylde Borough Council ask Lancashire County Council to make ‘green completion’ mandatory for all phases of the exploration, and press Lancashire County Council and the Government to introduce regulation specific to on-shore high volume fracking with regular and independent monitoring of fracking operations to ensure the environment in respect of neighbouring residents and local wildlife is not adversely effected.*

*To which the following response was received:*

*Councillor Thomas Threlfall, Portfolio Holder for Environment and Partnerships, responded that there had been almost four years of work undertaken by Task and Finish groups and Shale Gas Member working groups that had been set up by Fylde Council. The primary objective of both groups had been to ensure that any Shale Gas activity would have full regulation, maximum safety compliance, regular independent monitoring and full restoration of the local environment. All concerns that had been highlighted to the Council would be considered when putting together the response as a statutory consultee. Safety and regulation had dominated the agenda and he had asked that for any shale gas exploration in Fylde that the regulatory bodies were located in Fylde, on the doorstep of where the activity was taking place.*

*Given that Fylde Borough Council are currently in the process of submitting an objection to Lancashire County Council for the proposed site at Preston New Road as agreed at the Development Meeting on 17/09 please can I have confirmation that they will still be including these concerns in the response should LCC choose to ignore the objections received and grant planning permission.*

Councillor David Eaves, Leader of the Council, responded that he could confirm that Fylde Council had considered all the concerns that had been raised in putting together the detailed response that had been sent to Lancashire County Council in respect of the shale gas applications.

Regardless of what decision County Council came to on the applications this Council would always advocate the need for reassurance that there would be full safety regulation and monitoring procedures in place before any shale gas activity was carried out.

## 7. Notice of Motion – Employment Land

Following notice given under rule 11 of the Council Procedure Rules, the following Motion was proposed by Councillor Elizabeth Oades and seconded by Councillor Charlie Duffy.

*"In response to the Policy Development Scrutiny Committee's recent decision not to call in the Cabinet Member Decision regarding Employment Land, a minority of the Committee have published a Minority Report to explain our concerns.*

*We believe there is a serious risk that the Local Plan could be found to be based on conclusions that are unsound, and we therefore call for this matter to be addressed in detail via a Task and Finish Scrutiny Group.*

*We propose that the Council:*

*i) receive the Minority Report, and*

*ii) request the Policy Development Scrutiny Committee to establish a Task and Finish Group to investigate in detail the concerns set out in our Minority Report, and that Mr Guest, who submitted his critique at the request of the Portfolio Holder, be invited to become part of that Task and Finish group, and*

*iii) that a further report be made to full Council by the Scrutiny Committee."*

A request by Councillor Oades to deal with the Motion in three parts was briefly discussed but the Mayor directed that normal practice should be followed and the motion should be discussed as a composite resolution. However, it was agreed that the Minority Report would be recorded as having been formally received by virtue of the motion.

During the course of the debate Councillor Fiddler proposed to proceed to the next business and was seconded by Councillor Tim Ashton.

A recorded vote, having been requested by five or more members under council procedure rule 14.5(i), followed.

***Votes for the motion to proceed to next business (22):*** Councillors Ackers, Armit, S Ashton, T Ashton, Buckley, Craig-Wilson, Cunningham, L Davies, Donaldson, Duffy, Eaves, Fiddler, Goodman, Jacques, Little, B Nash, E Nash, Pounder, Redcliffe, Singleton, Threlfall, Willder.

***Votes against the motion to proceed to next business (16):*** Councillors Chedd, Chew, Clayton, Collins, J Davies, Ford, Hardy, Hayhurst, H Henshaw, Hopwood, Nulty, Oades, Rigby, Silverwood, Speak, K Henshaw.

***Abstentions (2):*** Councillors Fazackerley and Eastham.

The motion, having been APPROVED, the meeting proceeded to the next business and the motion proposed by Councillor Oades was deemed to have been lost.

## 8. Independent Remuneration Panel

Councillor Karen Buckley introduced the report that recommended that Helen Hockenhill and Mary Wilson be appointed as members of the council's independent remuneration panel in succession to Peter Law-Jones, who had stepped down. Councillor Pounder seconded the proposal.

It was RESOLVED to appoint Ms Helen Hockenhill and Ms Mary Wilson MBE to the members' allowances independent remuneration panel in succession to the Reverend Peter Law-Jones.

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REPORT OF	MEETING	DATE
DIRECTOR OF RESOURCES	COUNCIL	1 DECEMBER 2014

## QUESTIONS FROM MEMBERS OF THE PUBLIC

### PUBLIC ITEM

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

### SUMMARY

No questions for Council have been received from the public before the deadline, as outlined in Standing Order 9 in Part 4 of the Council's Constitution, for publication on the agenda.

Any further questions received before the deadline for questions, as outlined above, will be circulated prior to the meeting for members' information, under separate cover.

Any question(s) will be read out during the Council meeting on 1 December 2014 by the Chief Executive. A response will be given by the relevant Cabinet Member.



# REPORT

REPORT OF	MEETING	DATE
RESOURCES DIRECTORATE	COUNCIL	1 DECEMBER 2014

## ELECTION OF LEADER OF THE COUNCIL

### PUBLIC ITEM

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

### SUMMARY

Members are invited to elect an Executive Leader for a period which will run to the end of the current four year term of office in line with the provisions of the Constitution.

### RECOMMENDATIONS

To seek nominations for the position of Executive Leader for the Council for a period which will run up until the end of the current four year term of office.

### CABINET PORTFOLIO

This item falls within the following cabinet portfolio(s):

Finance and resources:

Councillor Karen Buckley

### SUMMARY OF PREVIOUS DECISIONS

Council 25<sup>th</sup> March 2013, which resolved to appoint the previous Leader of the Council.

### REPORT

#### BACKGROUND

1. Members are invited to elect an Executive Leader for a period which will run to the end of the current four year term of office, in line with the provisions of the Constitution.
2. The vacancy has arisen due to the resignation of Councillor David Eaves as Executive Leader.

3. In the event of such as a casual vacancy arising, the Council shall fill the vacancy as soon as reasonably practicable, this Council meeting being the first scheduled meeting of the Council since the vacancy arose.

<b>IMPLICATIONS</b>	
Finance	No direct implications
Legal	Article 7, of the Council's Constitution 'The Executive' addresses the circumstances in which the office of Leader becomes available for election by the Council.
Community Safety	No direct implications
Human Rights and Equalities	No direct implications
Sustainability and Environmental Impact	No direct implications
Health & Safety and Risk Management	No direct implications

<b>REPORT AUTHOR</b>	<b>TEL</b>	<b>DATE</b>	<b>DOC ID</b>
Tracy Morrison	01253 658521	18 November 2014	

<b>LIST OF BACKGROUND PAPERS</b>		
<b>Name of document</b>	<b>Date</b>	<b>Where available for inspection</b>
Council Minutes	25/3/13	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>

# REPORT

REPORT OF	MEETING	DATE
DIRECTOR OF RESOURCES	COUNCIL	1 DECEMBER 2014

## APPOINTMENT TO OUTSIDE BODIES

### PUBLIC ITEM

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

### SUMMARY

The Council makes a number of appointments to outside bodies, which are confirmed each year, the last round of appointments were confirmed at the Council meeting held on 31 March 2014.

When a Councillor steps down, resigns or otherwise indicates that they no longer wish or are able to represent the Council on an Outside Body, the Council is required to appoint a replacement.

### RECOMMENDATION

1. To confirm the appointment of a member of the Conservative group as one of the Council's representatives on the Police Crime Commissioner Panel for the remainder of the 2014/15 municipal year.
2. To confirm the appointment of a member of the Conservative group as a representative of the Council on the Three Tier Forum for the remainder of the 2014/2015 municipal year.

### CABINET PORTFOLIO

This item falls within the following cabinet portfolio(s):

Leader of the Council

### SUMMARY OF PREVIOUS DECISIONS

Council are required to confirm the appointments to outside bodies annually.

### REPORT

1. The Council makes a number of appointments to outside bodies in each municipal year. Two appointments were made to the Lancashire Police Crime Commissioner Panel, and six appointments were made to the Three Tier Forum, in March 2014 for the 2014/2015 municipal year.

2. The Lancashire Police Crime Commissioner Panel is a statutory body, comprising elected members from Local Authorities across Lancashire. The Panel provides oversight and scrutiny of the Office of the Lancashire Police Crime Commissioner. The panel is required to be politically balanced and must reflect the political make up of all the Lancashire authorities combined.
3. The appointment should be one of a Councillor who holds a post of responsibility within the Council. The advice from the Office of the Police Crime Commissioner is that the representatives should where possible be the Leader of the Council, but this is not required. All other local authorities have nominated the Leader of the Council.
4. Fylde Council is one of the few local authorities that has two nominations on the panel in order to ensure that the panel represents the political make-up of the whole county. Councillor Oades is a member of the panel in her capacity as the independent representative.
5. The Three Tier Forum is a group comprising of representatives of the county, district and parish councils with a view to share information and discuss priorities affecting all three tiers of local government.
6. Following Councillor Eaves's decision to step down as Leader of the Council on Monday 13<sup>th</sup> October, vacancies have arisen on the Three Tier Forum and the Lancashire Police Crime Commissioner Panel, which must be filled by a member of the Conservative ruling group in order to maintain the necessary political balance, specifically on the Lancashire Police Crime Commissioner Panel.
7. The Council is asked to confirm the appointment of a representative to each of the outside bodies to ensure Fylde Borough Council is fully represented. A confirmed appointment would be timely to ensure that the Council is fully represented at the next meeting of the Lancashire Police Crime Commissioner Panel in January 2015.

IMPLICATIONS	
Finance	None arising from the report.
Legal	None arising from the report.
Community Safety	None arising from the report.
Human Rights and Equalities	None arising from the report.
Sustainability and Environmental Impact	None arising from the report.
Health & Safety and Risk Management	None arising from the report.

REPORT AUTHOR	TEL	DATE	DOC ID
Tracy Morrison / Katharine McDonnell	01253 658423	23 October 2014	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
None		

Attached Documents.

None

# REPORT



REPORT OF	MEETING	DATE
RESOURCES DIRECTORATE	COUNCIL	1 DECEMBER 2014

## GOVERNANCE ARRANGEMENTS

### PUBLIC ITEM

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

### SUMMARY

Following the referendum in May 2014, which resulted in a vote for a return to a committee system, the Council is required to implement the proposals agreed at the Full Council meeting in February 2014 for operating a committee based system of governance. It is intended that the new system will operate from the annual council meeting at the start of the municipal year 2015-16.

The Full Council appointed a cross party Governance Working Group with a remit to consider the constitutional and governance arrangements that would need to be included in a committee system at Fylde. The arrangements must be within the principles of the committee system agreed prior to the referendum at the meeting in February 2014.

The Working Group has met on a number of occasions and has made recommendations, which are set out in this report. The recommendations (if accepted), along with other technical and administrative changes, will be incorporated in a revised version of the constitution which will be presented to the council for adoption in March 2015.

The report sets out the recommendations from the Working Group in respect of the terms of reference for the new programme committees, the role of the Leader of the council, protocols and procedures for budget setting and monitoring, referral and recovery and taking urgent decisions.

The Working Group discussed arrangements for substitute members and the appropriate number of members for each committee under the new system, neither of which is required to be determined as part of the change of governance and would be within the remit of the new Council from May 2015 to determine. The outcomes from the discussions in the Working Group are included in the report.

### RECOMMENDATIONS

1. Endorse the following recommendations of the Governance Working Group:
  - a. that the terms of reference for the new programme committees be as set out in Appendix 1 to the report
  - b. that the role of the Leader of the Council be as set out in paragraph 15 of the report
  - c. to adopt the revised protocols and procedures for setting and monitoring the council's budget, incorporating the revised schedule of meetings, set out in Appendix 2 to the

report

- d. to adopt the rules for referral and recovery set out in Appendix 3 to the report
  - e. to agree to the arrangements for taking urgent decisions set out in paragraph 21 of the report
  - f. to consider whether arrangements for substitutes under the committee system should be proposed at this stage in line with one of the options outlined in Appendix 4 to the report
2. Mandate the Director of Resources to produce an amended version of the constitution incorporating the changes set out in the recommendations above and such further technical or administrative changes as are necessary or appropriate for the council's transition to a committee system
  3. Request the Director of Resources to bring a report to the meeting of the council on March 30<sup>th</sup> 2015 requesting that the council adopt its new constitution with effect from its 2015 annual meeting

#### **CABINET PORTFOLIO**

This item falls within the following cabinet portfolio(s):

Finance and Resources:

Councillor Karen Buckley

#### **SUMMARY OF PREVIOUS DECISIONS**

On February 24<sup>th</sup> 2014 the Council agreed the key principles for the operation of a committee system in the event of the referendum voting in favour of a governance change.

On 27<sup>th</sup> July 2014 the Council established a cross-party group of members to give consider the constitutional and governance issues necessary for the change to a committee system or which could conveniently be considered alongside it. Council also agreed to receive recommendations direct from the Governance Working Group, as opposed to the Audit Committee, on the governance changes because of the limited time available to complete the work.

#### **REPORT**

##### **BACKGROUND**

###### **THE REFERENDUM**

1. On 29<sup>th</sup> October 2012, the Council received a valid petition under the Local Authorities (Referendums) (Petitions) (England) Regulations 2011. The petition sought to change the form of governance of the authority from executive arrangements consisting of a leader and cabinet executive (England) to a committee system.
2. In February 2014, as required by the Local Authorities (Conduct of Referendums) (England) Regulations 2012, the Council resolved to adopt the following proposals for the operation of a committee system in the event of the referendum delivering a vote favour of it:

*Full council would have power to set policy parameters within which each committees is to operate*

*Within such parameters, functions (except planning policy) that are now executive functions would be divided between four committees whose broad remits would be defined around: (1) Tourism and Leisure, (2) Operational Management, (3) Health and Housing and (4) Finance.*

*The following existing committees would continue with the same remits as now, except as noted below: (1) Audit Committee, (2) Chief Officers Employment Committee, (3) Development Management, (4) Licensing and (5) Public Protection.*

*Matters presently within the terms of reference of the Standards Committee would fall within the remit of the Audit Committee. Formulation of planning policy would fall within the remit of the Development Management Committee. Final adoption of the local plan would remain, as required by law, a matter for full council.*

*There would be no arrangements for scrutiny within the governance framework.*

*Each committee would have full delegated authority to make decisions within the parameters set by full council.*

*There would be a mechanism under which a committee would be barred from exercising delegated authority in a particular matter (i.e. would only be permitted to make a recommendation to council, rather than take a decision) under procedure rules to be developed. There would be a separate mechanism within the same procedure rules under which decisions made by committees could be referred to the council for reconsideration.*

*There will be the ability for full council to take any function it has delegated to a Committee, in place of that Committee: and a Committee may refer or recommend a decision in respect of a delegated function to be taken by full Council.*

*Delegations to officers would be the same as in current constitution.*

*There would continue to be a Leader of the Council, appointed and removable by a vote of the full council.*

3. The referendum took place on 22<sup>nd</sup> May 2014, with 57.8 % of votes in favour of changing to a committee system. The Council is required to operate the committee system from May 2015 in accordance with the proposals adopted in February 2014.

#### GOVERNANCE WORKING GROUP

4. The change to the council's system of governance requires a root and branch review of the Council's constitution. As well as detailed technical changes to facilitate the committee system, the need for a review brings an opportunity for members to consider the structures and procedures of the Council.
5. At its meeting on July 27<sup>th</sup> 2014, Council appointed a cross-party Working Group to consider possible constitutional and governance changes and report to Full Council with recommendations. The working group consisted of five councillors from the majority Conservative group and five councillors drawn from opposition groups. Meetings of the Working Group were facilitated by Councillor Glen Sanderson, Regional Peer Lead Member from the Local Government Association and supported by appropriate officers.

6. The working group met on six occasions between August and November 2014 to consider in detail a range of constitutional and governance matters informed by responses to consultation from key stakeholders, including the organisers of the petition.
7. The group worked to find consensus on each issue where possible. Where it was not possible to find consensus, the group identified alternative options or stated principles for the council to consider.

## WORKING GROUP RECOMMENDATIONS

### GENERAL

8. The report sets out the matters considered by the working group. Where the group made a consensus recommendation, Council is invited to endorse the recommendation. Where the group did not reach a consensus, the report sets out the options or principles agreed by the group, but does not make a recommendation.
9. The following terms are used in this report and its appendices:

“Programme Committees” means the new committees to be established by the council, as set out in the proposals adopted in February 2014; that is, Finance and Democracy Committee, Tourism and Leisure Committee, Operational Management Committee and Health and Housing Committee.

“Main Committees” means the programme committees together with Development Management Committee.

## TERMS OF REFERENCE

10. The principles adopted in February 2014 allocated the current Executive functions between four programme committees with the formulation of planning policy, regeneration and economic development falling within the remit of the Development Management Committee.
11. The Working Group examined the detailed distribution of business between the programme committees and recommended that they have the activities and areas of responsibility that are set out in **Appendix 1** to this report:
12. The terms of reference as set out in the appendix would be contained in part 3 of the constitution. Part 3 will also contain revised supporting text to reflect the change to a committee system, terms of reference for the Audit and Standards Committee (combining the terms of reference for the two previous separate committees), and revised terms of reference for the Development Management Committee to take account of that committee’s new responsibility for the development of planning policy, regeneration and economic development.

## LEADER OF THE COUNCIL

13. In the Leader and Cabinet (England) form of Executive arrangements currently operated by the Council, the leader of the Council has a range of formal powers. These include appointing and removing Cabinet members and taking decisions relating to any Executive function. The Leader can also determine the extent to which decision-making powers are given to the cabinet and individual cabinet members.
14. Those formal powers do not exist in a committee system. The formal powers of the Leader would be limited to matters including which member of the council should answer questions at



a Council meeting. The Leaders role in the committee system was considered by the Working Group.

15. The working group, following consultation with the member development steering group, recommended that the role of the Leader should be as follows:

- To act as principal spokesman for the Council
- To take political responsibility for proposing and directing corporate strategy, the budget, and policy
- To facilitate effective communication with all those engaged in the decision making process of the Council and provide feedback to all members, with suggestions for effective communication and information sharing such as via a weekly email update; group leaders briefing or statement at each Council.
- To work effectively with the Chair on each of the Council's Committees
- To promote the democratic working of the Council, in accordance with the Council's Constitution with due regard for any statutory provisions set out in legislation
- To promote and uphold the 10 principles of public life in the Code of Conduct for Members
- As the principal community leader, promote the Council's vision for Fylde and lead the Council and its partners to achieve that vision

16. The Working Group felt strongly that it should be understood that the personal development of the Council's members ought to be regarded as a priority by the Leader of the council.

#### BUDGET SETTING AND MONITORING

17. The present protocols and procedures for setting and monitoring the council's budget are structured around the Cabinet and the scrutiny committees. The move to a committee system means that those protocols and procedures need to be redesigned. The Working Group considered and adopted proposals for budget setting and monitoring put forward by the council's section 151 officer. The proposed protocols and procedures are intended to continue the robust and effective financial management presently in place, and to take into account the advice and experience of other authorities operating a committee system and are set out in **Appendix 2**, including a proposed schedule of meetings for 2015-16 as proposed by the Governance Working Group.

#### REFERRAL AND RECOVERY

18. The proposals adopted at the February 2014 council meeting required that there is a mechanism under which a committee would be barred from exercising delegated authority in a particular matter and a separate mechanism within the same procedure rules under which decisions made by committees could be referred to the Council for reconsideration.

19. After discussion at a number of meetings, the Working Group approved rules for referral and recovery. "Referral" gives the ability for ten or more members to require a decision to be dealt with as a recommendation to Full Council, rather than under a committee's delegated powers. "Recovery" is the ability for ten or more members to require that a decision already taken by a committee stand referred to the Full Council for reconsideration. Exemptions and time limits would apply to both referral and recovery. The detailed rules, which would form section 5 of part 3 of the constitution (responsibility for functions) are set out as **Appendix 3** to this report.

## URGENT BUSINESS

20. Under the present Executive arrangements, urgent decisions can be taken by the Leader of the council or appropriate portfolio holders. The move to a committee system made it appropriate to consider the arrangements for taking urgent decisions where a committee could not be practicably convened.
21. The Working Group considered that where emergency action was required, that is action that was deemed to be critical and where a decision was needed to be made within 24 hours, power to take such a decision should be delegated to the Chief Executive, in consultation with at least two of the following named members of the Council: the Leader of the Council, the deputy Leader, the Leader of the Opposition or the Chairman of the relevant committee, with every effort made to contact all the above named members.

## SUBSTITUTES

22. Changes to the arrangements for substitutes is not a requirement to enable the change to a committee system, but the group felt it appropriate to discuss the issue in tandem with the wider changes. The Working Group was not able to reach a consensus on a single recommendation, but agreed on the two alternative options that are set out for members' consideration in **Appendix 4**.

## COMMITTEE SIZE

23. The number of members on the programme and other committees of the Council is a matter that will be decided after the May 2015 council elections by the newly elected council. It is not a requirement to determine the number of seats on each committee as part of the change of governance to a committee system. The distribution of seats between political groups represented on the council will also be a matter for the new council, in accordance with the wishes of political groups under the rules of political balance<sup>1</sup>.
24. The Working Group did feel that it was appropriate to put forward the following statement of principle for consideration by the Council:

*"The working group has considered a number of options on committee size and recommends, as a guiding principle, that the number of seats on each programme committee should be such as would provide maximum opportunity for each member to have a seat on one of the four programme committees."*

IMPLICATIONS	
Finance	
Legal	The council is obliged to implement a committee system in accordance with the proposals that it adopted at the meeting of February 24 2014.
Community Safety	The Health and Housing Committee would be designated as the Council's Crime and Disorder Committee for the purposes of section 17 of the Crime and Policing Act 2006.

<sup>1</sup> Local Government and Housing Act 199, sections 15-17; Local Government (Committees and Political Groups) Regulations 1989

Human Rights and Equalities	No implications
Sustainability and Environmental Impact	
Health & Safety and Risk Management	

REPORT AUTHOR	TEL	DATE	DOC ID
Ian Curtis	01253 658506	Date of report	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Notes of meetings of the Governance Working Group	7 September 2015, 2 October 2015, 22 October 2015, 3 November 2015, 10 November 2015	Town Hall, Lytham St Annes
Governance Working Group discussion papers	Undated, discussed at the above meetings	Town Hall, Lytham St Annes

#### **Attached Documents**

Appendix 1: Terms of reference for programme committees

Appendix 2: Protocols and procedures for budget setting and monitoring, including the schedule of meetings

Appendix 3: Rules for referral and recovery

Appendix 4: Options for substitutes

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# APPENDIX 1

## **Tourism and Leisure Committee**

1. *To consider and scrutinise reports relating to performance of services under the remit of the committee*
2. *To consider and scrutinise periodic revenue and capital budget monitoring reports on areas under the committee's remit*
3. *Considering reports, reviewing, and formulating where necessary, policies relating to leisure management and community development*
4. *Considering reports, reviewing, and formulating where necessary policies in relation to recreation including parks and open spaces development and grounds maintenance in relation to areas under the jurisdiction of the council*
5. *Considering reports, reviewing, and formulating where necessary policies relating to arts, culture and heritage*
6. *Considering reports, reviewing, and formulating where necessary policies relating to sand dunes management*
7. *Considering reports, reviewing, and formulating where necessary, policies relating to tourism and events promotion*
8. *Considering reports, reviewing, and formulating where necessary policies relating to beach management*
9. *To review, and formulate where necessary, policies relating to coast and countryside*
10. *To deal with issues arising in relation to the Trust set up to manage Lowther Pavilion and Gardens*
11. *To consider swimming provision and deal with partnership issues arising in relation to the operation of swimming pools*
12. *To keep under review income generating activity and subsequent contractual arrangements with respect to parks and open spaces*
13. *To consider any management issues arising in relation to land or property within the remit of the committee*
14. *To keep the Council's sports development programme under review*
15. *To interface with partners involved in the work of the committee as necessary*
16. *To establish any Working Group to consider, and make recommendations, on any issues within the remit of the committee's terms of reference*

## **Operational Management Committee**

1. *To consider and scrutinise reports relating to performance of services under the remit of the committee*
2. *To consider and scrutinise periodic revenue and capital budget monitoring reports on areas under the committee's remit*
3. *To keep under review arrangements regarding depot arrangements with respect to operational services and consider issues relating to the Council's Vehicle Replacement Programme*
4. *Considering reports, reviewing, and formulating where necessary policies relating to waste management and recycling*
5. *Considering reports, reviewing, and formulating where necessary policies relating to public toilet provision*

6. *Considering reports, reviewing, and formulating where necessary policies relating to amenity cleaning*
7. *Considering reports, reviewing, and formulating where necessary policies relating to car parking*
8. *Considering reports, reviewing, and formulating where necessary policies relating to customer access, ICT and website*
9. *Considering reports, reviewing, and formulating where necessary policies relating to coastal defences*
10. *Considering reports, reviewing, and formulating where necessary policies relating to dog Control*
11. *Considering reports, reviewing, and formulating where necessary policies relating to Emergency Planning*
12. *To consider and review provision in relation to footway lighting and bus shelters*
13. *To consider any management issues arising in relation to land or property within the remit of the committee*
14. *To interface with partners involved in the work of the committee as necessary*
15. *To establish any Working Group to consider, and make recommendations, on any issues within the remit of the committee's terms of reference*

#### **Health and Housing Committee**

1. *To consider and scrutinise reports relating to performance of services under the remit of the committee*
2. *To consider and scrutinise periodic revenue and capital budget monitoring reports on areas under the committee's remit*
3. *Considering reports, reviewing, and formulating where necessary, policies relating to housing, homelessness and housing advice*
4. *To consider any matters arising in relation to health development and promotion including matters relating to the Health and Wellbeing Board*
5. *To keep under review matters relating to disabled facilities grants, housing standards and energy efficiency*
6. *Considering reports, reviewing, and formulating where necessary policies relating to community safety including CCTV provision*
7. *To fulfil the statutory overview and scrutiny role in terms of the Crime and Disorder Reduction Partnership*
8. *Considering reports, reviewing, and formulating where necessary policies relating to environmental health, protection and sustainability*
9. *Considering reports, reviewing, and formulating where necessary policies relating to cemetery and crematorium*
10. *Considering reports, reviewing, and formulating where necessary policies relating to Fylde Coast Bathing Waters*
11. *Considering reports, reviewing, and formulating where necessary , policies relating to Food hygiene*
12. *Considering reports, reviewing, and formulating where necessary , policies relating to Pest Control*
13. *Considering reports, reviewing, and formulating where necessary, policies relating to the Children's Trust, Working Together for Families partnership and the Health and Well-Being Partnerships*

14. *To receive reports from partners who receive community grants from the council and to interface with partners involved in the work of the Committee including Fylde CAB, Age Concern, Care and Repair and Face to Face*
15. *To establish any Working Group to consider, and make recommendations, on any issues within the remit of the committee's terms of reference*

**Finance and Democracy Committee**

1. *To consider and scrutinise reports relating to performance of services under the remit of the committee*
2. *To consider and scrutinise periodic revenue and capital budget monitoring reports on areas under the committee's remit*
3. *To lead the budget setting process, in consultation with the other programme committees, and to put forward a draft budget package to the Council for approval*
4. *To receive financial forecast updates and provide guidance and commentary to other committees as necessary*
5. *To consider reports from the Head of the Shared Service as necessary in relation to revenues and benefits service related matters including business debt write offs*
6. *To keep under review the Council tax reduction scheme review and make recommendations to the Council on the same*
7. *To review the Pay Policy annually and make recommendations to the Council on the same*
8. *To consider any matters arising in relation to Strategic Procurement*
9. *To keep under review matters relating to the Council's Community projects fund*
10. *To consider any matters arising in relation to the mayoralty, civic functions and civic ceremonial*
11. *To monitor and evaluate progress towards achieving the objectives by the council within the Corporate Plan*
12. *Considering reports, reviewing, and formulating where necessary policies relating to public relations and communications*
13. *To manage any land and property owned by the council and not specifically held for the purposes of another committee*
14. *To consider any community assets nominations*
15. *All of the Council's functions relating to elections, as set out in Schedule 1 to the Local Authorities (Functions and Responsibilities) (England) Regulations 2000*
16. *To interface with partners involved in the work of the committee as necessary*
17. *To establish any Working Group to consider, and make recommendations, on any issues within the remit of the committee's terms of reference*

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## APPENDIX 2

In regards to in year budget monitoring and the revenue budget, the existing revenue budget book would be re-cast from the current Directorate-based breakdown to a Committee-based analysis whereby each cost centre would be allocated to one of the five main committees (i.e. the four new programme committees together with the Development Management Committee) in line with the responsibilities for functions. Many of the cost centres fell logically into relevant committees based on the functions of the committees, but where allocation was less straightforward (i.e. for cross-cutting or strategic cost centres such as the Chief Executive, Directors, The Accommodation project) those would be allocated to the Finance Committee.

Quarterly budget monitoring reports at cost centre level would be posted on the intranet for all Members to access on a self-service basis budget holders would respond directly to any resultant Member enquiries relating to in-year spending, and that all Councillors would be sent a link to alert them that the reports had been posted to the web.

This would be supplemented by periodic summary budget monitoring reports to main committees which would: i) identify variances against profiled budgets within the remit of the relevant committee, and ii) provide narrative to explain variances for Members to scrutinise.

In regards to the capital programme each of the capital schemes within the Council's approved Capital Programme would be allocated to one of the main committees, determined by the terms of reference, and periodic summary budget monitoring reports would be presented to programme committees which would: i) identify progress on delivery of capital schemes within the remit of the relevant programme committee, and ii) provide narrative to explain any variances for Members to scrutinise.

In regards to the capital programme, and specifically new schemes and scheme spend approval:

- a. With the exception of schemes as described in point b) below, Council would need to approve the addition of new capital schemes to the Capital Programme, and that would ordinarily be achieved through the budget setting process as set out in section 5 below;
- b. Provided that any ongoing revenue costs could be met from existing approved resources, main committees could approve the addition of new schemes to the Capital Programme up to the value of £250,000 during the financial year provided they were fully funded from new external funding (or from virements of resources from existing schemes - provided that the overall objectives of the new scheme remained consistent with those of the source scheme), with all schemes above this value or those without a virement or new external funding would require approval by Full Council for addition to the Capital Programme.
- c. Expenditure on any scheme within the approved Capital Programme would only commence once the relevant programme committee had received a detailed report setting out the cost breakdown of the scheme, ongoing revenue budget implications, the method of financing, relevant value for money issues, the procurement path and delegations if required, and detailed objectives, outputs and outcomes.

In regards to budget setting in order to provide continuing strong corporate strategic financial management of the Council the composition of the Finance Committee may, where political balance allowed, include the Chairs of the other 4 budget holding committees (including Development Management). The Finance Committee may also be chaired by the Council Leader, an approach which would further strengthen the corporate strategic role of the Finance committee.

The remit of the Finance Committee included dealing with requests for funded budget increases, together with virements above officer delegation levels, following consideration by the relevant programme committee. This would ensure that the Finance Committee retained a strategic overview of the finances of the Council which was essential if the existing financial strength of the Council was to be retained. All unfunded budget increase requests would be considered by Council, as was currently the case.

The Medium Term Financial Strategy (MTFS) would remain as the key financial strategy document for the Council, and would be presented to Full Council periodically during the financial year, with a final version in March in order to set the detailed budget and Council Tax levels for the coming year. In addition the same MTFS report would be presented to the Finance Committee along the same timeframes in order that the Finance Committee was cognisant of the overall financial position of the Council.

Finance Committee would appoint a Budget Working Group early in each financial year to co-ordinate and oversee the budget setting process and to provide a strategic steer to the main committees and the Council 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.

Each of the main committees would receive a report during November which would set out potential capital bids for the forthcoming financial year for the committee to prioritise, with the lists from each committee to be considered by the Budget Working Group and tailored to fit within available resources/corporate priorities.

The existing budget rightsizing exercise would be continued each year.. The budget rightsizing exercise was primarily for officers, but chairmen of the programme committees could be involved.

Summary budgets would be presented to each of the main committees at the November cycle of meetings after the budget rightsizing exercise had been completed. Detailed budgets for each programme committee would be made available via the intranet for members to access on a self-service basis, as per the quarterly budget monitoring reports. Members would be alerted to the detailed budgets by email, with a link to the information sent to all members. The budgets would be prepared on a continuation basis – i.e. the budgets would represent the latest estimate of resources required to provide a continuation of the existing levels of service approved by the Council or its committees.

Each of the main committees would receive a report during the January meeting cycle, which would set out the fees and charges within its remit together with proposals for any changes to those fees and charges for the forthcoming financial year for consideration by the committee.



It would be within the remit of the Finance Committee to ultimately propose a final budget package to Council for consideration, informed by the deliberations of the programme committees and the Budget Working Group.

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## APPENDIX 3

### (a) Referral

- (i) Referral should only be used where members of the council, after due deliberation, consider that it is in the interests of the inhabitants of the borough that a pending decision should be made at a meeting of the council rather than by a committee or sub-committee.
- (ii) If, during the referral period, referral of a pending decision is requested by any ten members of the council then, notwithstanding anything in the scheme of delegation or elsewhere in the constitution, no committee or sub-committee may exercise any delegated authority to make that decision, but may instead make a recommendation to a meeting of the council.
- (iii) In this rule:
  - “pending decision” means any decision that would otherwise be taken by a committee or sub-committee of the council except:
    - a. a decision to make a recommendation to a meeting of the council or to any committee or sub-committee of the council (including a joint committee);
    - b. a decision relating to the determining of any approval, consent, licence, permission or registration;
    - c. a decision in respect of which the Chief Executive, following consultation with the Leader of the Council, has, before the decision is referred, certified that any delay likely to be caused by the referral process would seriously prejudice the council’s or the public interest.

“referral period” means, in relation to a pending decision, the period commencing with the publication on the council’s website of the committee or sub-committee agenda at which it would be considered and ending at 16.00 on the day before the meeting.

### (b) Recovery

- (i) Recovery should only be used where members of the council, after due deliberation, consider that a recoverable Decision is not in the interests of the inhabitants of the borough and ought to be reconsidered.
- (ii) During the recovery period, the Director of Resources shall recover a decision for consideration at a meeting of the council if so requested by any ten members of the council. She shall arrange for the decision to be placed on the agenda of the next available meeting of the council.
- (iii) Notwithstanding anything in the scheme of delegation or elsewhere in the constitution:
  - a. a recoverable decision may not be implemented during the recovery period; and
  - b. a decision that has been recovered under rule (b)(ii) will be treated for all purposes as though the decision had been a recommendation to a meeting of the council to take that decision
- (iv) In this rule:

The “next available” meeting means the first meeting falling more than ten working days after the Director of Resources receives the request for recovery, unless it is practicable to include the decision as an agenda item at an earlier meeting, in which case it means that earlier meeting.

“recoverable decision” means any decision taken by a committee or sub-committee of the council except:

- a. a decision to make a recommendation to a meeting of the council or to any committee or sub-committee of the council (including a joint committee);
- b. a decision relating to the determining of any approval, consent, licence, permission or registration;
- c. a decision relating to conduct or procedure at the meeting at which it was taken; or
- d. a decision in respect of which the Chief Executive, following consultation with Leader of the Council, has, before the decision is recovered, certified that any delay likely to be caused by the recovery process would seriously prejudice the council's or the public interest.

“recovery period” means, in relation to a decision, the period of six working days commencing with day of the meeting that made the decision. This means that, if the meeting was held on a Tuesday, the request for recovery would need to be made no later than the following Tuesday, unless there was a bank holiday in between.

Fylde Borough Council Schedule of Meetings

Draft Version 5.3

2015-2016

	CYCLE 1		CYCLE 2		CYCLE 3		CYCLE 4		CYCLE 5					
2015/16	May	June	July	August	September	October	November	December	January 2016 -	February	March	April	May	2015/16
Mo		1								1				Mo
Tu		2 Operational MGMT			1			1		2	1			Tu
We		3	1		2 Dev Mgmt			2		3	2 Budget Council			We
Th		4 Tourism and Leisure	2		3	1		3		4	3			Th
Fr	1	5	3		4	2		4	1 New Years Day	5	4	1		Fr
Sa	2	6	4	1	5	3		5	2	6	5	2		Sa
Su	3	7	5	2	6	4	1	6	3	7	6	3	1	Su
Mo	4 May Day	8	6 Council	3	7	5	2	7	4	8 Council	7	4	2 Bank Holiday	Mo
Tu	5	9 Health and Housing	7	4	8 Health and Housing	6	3	8	5 Health and Housing	9	8 Operational MGMT	5	3	Tu
We	6	10 Dev Mgmt (POLICY)	9 Dev Mgmt	5	9	7 Dev Mgmt	4 Dev Mgmt	9 Dev Mgmt	6 Dev Mgmt	10 Dev Mgmt	9 Dev Mgmt (POLICY)	6	4	We
Th	7 Election Day	11	9	6	10 Tourism and Leisure	8	5	10	7 Tourism and Leisure	11	10 Tourism and Leisure	7	5	Th
Fr	8	12	10	7	11	9	6	11	8	12	11	8	6	Fr
Sa	9	13	11	8	12	10	7	12	9	13	12	9	7	Sa
Su	10	14	12	9	13	11	8	13	10	14	13	10	8	Su
Mo	11	15	13	10	14	12 Council	9	14 Council	11	15	14	11 Council	9	Mo
Tu	12	16	14	11	15 Operational MGMT	13	10 Health and Housing	15	12 Operational MGMT	16	15	12	10	Tu
We	13	17 Dev Mgmt	15	12	16 Dev Mgmt (POLICY)	14	11	16	13	17	16 Dev Mgmt	13	11 Council AGM (14:00) ?	We
Th	14	18	16	13	17	15	12 Tourism and Leisure	17	14	18	17 Audit/Stand	14	12	Th
Fr	15	19	17	14	18	16	13	18	15	19	18	15	13	Fr
Sa	16	20	18	15	19	17	14	19	16	20	19	16	14	Sa
Su	17	21	19	16	20	18	15	20	17	21	20	17	15	Su
Mo	18	22 Finance and Democracy	20	17	21	19	16	21	18	22 Special Finance and Democracy - Budget	21 Finance and Democracy	18	16	Mo
Tu	19	23	21	18	22	20	17 Operational MGMT	22	18	23 Health and Housing	22	19	17	Tu
We	20 Council AGM (14:00)	24	22	19	23	21	18 Dev Mgmt (POLICY)	23	17 Dev Mgmt (POLICY)	24	23	20 Dev Mgmt	18	We
Th	21	25 Audit/Stand (18:00)	23	20	24 Audit/Stand	22	19	24	21 Audit/Stand	25	24	21	19	Th
Fr	22	26	24	21	25	23	20	25 Christmas Day	22	26	25 Good Friday	22	20	Fr
Sa	23	27	25	22	26	24	21	26	23	27	26	23	21	Sa
Su	24	28	26	23	27	25	22	27	24	28	27	24	22	Su
Mo	25 Spring Bank Hol	29	27	24	28 Finance and Democracy	26	23	28 Boxing Day	25 Finance and Democracy	29	28 Easter Monday	25	23	Mo
Tu	26	30	28	25	29	27	24	29	26		29	26	24	Tu
Wed	27		29 Dev Mgmt	26	30	28	25	30	27		30	27	25 Dev Mgmt	Wed
Th	28		30	27		29	26 Audit/Stand	31	28		31	28	26	Th
Fr	29		31	28		30	27		29			29	27	Fr
Sa	30			29		31	28		30			30	28	Sa
Su	31			30			29		31				29	Su
Mo				31 Summer Bank Hol			30 Finance and Democracy						30 Spring Bank Hol	Mo
Tu													31	Tu

**KEY 2015/16 MEETINGS:**

Council x 7	7	Mondays
Finance x 6	6	Mondays
Operational Mgmt x 5	5	Tuesdays
Health & Housing x 5	5	Tuesdays
Dev Mgmt x 12	12	Wednesdays
DM (POLICY) x 5	5	Wednesdays
Tourism & Leisure x 5	5	Thursdays
Audit/Stand x 5	5	Thursdays
<b>TOTAL 2015/16 =</b>	<b>50</b>	<b>MEETINGS</b>
LSAHS School Holidays		

**Additional Information**

2014/15 Scheduled meetings

Council x 7	7
Dev Mgmt x 11	11
Standards x 2	2
Audit x 5	5
Cabinet x 7	7
CFSC x 7	7
PDSC x 6	6
Local Plan steering group	5
<b>TOTAL 2014/15 =</b>	<b>50 MEETINGS</b>

Substitutions.

Option	Subs allowed	If yes, how?	Notification req'd?	How?	Notice period?	Notes
1. (As now)	Yes	Any member may sub except at DM where subs must be drawn from a trained pool of 6	Yes	Oral or written by absent member or political group	Before meeting	
2.	Yes	Any member may sub except if they have previously subbed three times at the relevant committee in the municipal year; at DM subs must additionally be drawn from a trained pool of 10	Yes	Oral or written by absent member or political group	No later than the day before the meeting	

# REPORT



REPORT OF	MEETING	DATE
RESOURCES DIRECTORATE	COUNCIL	1 DECEMBER 2014

## DISPENSATION TO ALLOW TOWN AND PARISH COUNCILLORS TO PARTICIPATE IN COUNCIL TAX REDUCTION SCHEME ITEM

### PUBLIC ITEM

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

### SUMMARY

In the Code of Conduct for Members, where any business of this authority affects the financial position of a body exercising public functions, a Councillor who is a member of such a body may have a personal and prejudicial interest in that business. A Town and Parish Council falls within the category of a body exercising public functions. Members should not participate in any discussion of and vote on a matter in which they have a personal and prejudicial interest.

In order to ensure Councillors who are also Town and Parish Councillors can participate in the discussion about and vote on the item in relation to the Council Tax Reduction Scheme (CTRS), with reference to the allocation of grants to Town and Parish Councils relating to the CTRS, it is recommended that the Council gives a dispensation to those Councillors who are both Borough and Town/Parish Councillors (and who have requested such a dispensation) to participate in the debate and voting on this matter, for the Council meeting of 1 December 2014.

Members must direct such a request, in writing, to the Director of Resources prior to the Council meeting if they wish to apply for a dispensation. If a member chooses not to make such a request it is a matter for them to satisfy themselves that in participating and voting during the debate, on this particular aspect of the Council Tax Reduction Scheme item, they remain within the code of conduct.

### RECOMMENDATION

That dispensations are given to Councillors, who have requested the same in relation to the Council Tax Reduction Scheme (CTRS) item contained later on the agenda, for Council meeting of 1 December 2014 in so far as the allocation to the grants to Town and Parish Councils relating to the CTRS is concerned.

### SUMMARY OF PREVIOUS DECISIONS

Previous dispensations were approved at the Council meetings held on 28 January 2013 and 27 January 2014 for the allocation of the grant to Town and Parish Councils in 2013/14 and 2014/15 respectively.

IMPLICATIONS	
Finance	None arising directly from this report.
Legal	<p>Since the present code of conduct has been in force, dispensations on this matter have been routinely granted each year to councillors who are members of town or parish councils. The council considered a report earlier this year which would have amended the code to take membership of a town or parish council outside the scope of personal or prejudicial interests. Consideration of the amendment was deferred.</p> <p>It is not consistent with good governance for dispensations to be granted other than exceptionally. If the council ultimately decides not to proceed with amendment to the code referred to above, it would not be appropriate to continue to offer dispensations on this issue in future years.</p>
Community Safety	None arising directly from this report.
Human Rights and Equalities	None arising directly from this report.
Sustainability and Environmental Impact	None arising directly from this report.
Health & Safety and Risk Management	None arising directly from this report.

REPORT AUTHOR	TEL	DATE	DOC ID
Tracy Morrison	01253 658521	12 November 2014	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
None		

Attached documents

1. None

# REPORT



REPORT OF	MEETING	DATE
RESOURCES DIRECTORATE	COUNCIL	1 DECEMBER 2014

## REVIEW OF COUNCIL TAX DISCOUNTS AND PREMIUM 2015/16

### PUBLIC ITEM

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

### SUMMARY

With effect from 1st April 2013, the Government introduced legislation allowing local authorities the discretion to determine discounts for both second homes and empty properties. One of the government's main intentions in localising these decisions was to enable authorities to encourage empty homes to be brought back into use. An additional premium can also be charged to the owners of properties left empty for over two years.

In January 2013 the Council considered the subject and introduced a regime of discounts to take effect from 1<sup>st</sup> April 2013, agreeing to re-visit the issue for 2014/15. Subsequently at its meeting in January 2014 the Council considered the further options available and agreed further changes to the regime of Council Tax discounts and premium charges, effective from 1<sup>st</sup> April 2014.

This report provides an opportunity to review the current regime of Council Tax discounts and the Council Tax Premium and to consider any further amendments. Council is therefore requested to determine any changes to be made to Council Tax discounts and to the long-term empty property premium for 2015/16.

### RECOMMENDATIONS

The Policy Development Scrutiny Committee at its meeting of 13<sup>th</sup> November 2014 considered this matter and resolved 'to note the report and to recommend to Cabinet and Council to continue the current Council Tax discounts and premiums regime for 2015/16.'

Cabinet will also consider this report at its meeting of 27<sup>th</sup> November 2014. Any further comments arising will be reported verbally to the Council meeting.

Council is recommended, with effect from 1<sup>st</sup> April 2015:

1. To continue the current Council Tax discounts and premiums regime for 2015/16.



## **CABINET PORTFOLIO**

This item falls within the following Cabinet portfolio:

Finance and Resources - Councillor Karen Buckley

## **SUMMARY OF PREVIOUS DECISIONS**

Having previously been considered by Cabinet at its meeting of 16<sup>th</sup> January 2013, Council resolved at its meeting of 28<sup>th</sup> January 2013 that with effect from 1<sup>st</sup> April 2013:

1. In respect of unfurnished vacant dwellings where major repairs or structural alterations are required, underway, or recently completed (previously class A exemptions) to approve a new discount at 100% for a period of up to 12 months;
2. In respect of vacant dwellings which are empty and substantially unfurnished (previously class C exemptions) to approve a new discount at 100% for a period of six months;
3. In respect of long-term empty properties (class C exempt properties after the expiration of the current 6 month exemption period) to approve no discount; and
4. In respect of second homes to approve retention of the existing discount of 10%.

Subsequently, following consideration by Cabinet at its meeting of 15<sup>th</sup> January 2014, Council resolved at its meeting of 27<sup>th</sup> January 2014 that with effect from 1<sup>st</sup> April 2014:

1. In respect of unfurnished vacant dwellings where major repairs or structural alterations are required, underway, or recently completed (previously class A exemptions) to continue to apply the current 100% discount for up to 12 months;
2. In respect of vacant dwellings which are empty and substantially unfurnished (previously class C exemptions) to continue to apply the current discount at 100% for a period of six months;
3. In respect of properties that have remained empty for more than 2 years to introduce a premium and charge 150% of council tax;
4. In respect of Second Homes that the current 10% discount should no longer apply from April 2014; and
5. To approve that the Revenues Shared Service will contact those property-owners who will become liable for the Council Tax premium as a consequence of their property having been unoccupied for in excess of two years to advise them of this decision prior to the dispatch of Council Tax bills.

## **REPORT**

### **1.0 Background**

- 1.1 Section 12 of the Local Government Finance Act (LGFA) 2012 (which amended s.11A of the LGFA 1992) allows billing authorities to have discretionary powers to amend the discounts to council tax applicable for both second homes and long term empty properties. The Act also allows for a premium to be charged in cases where an owner has left a property unoccupied and unfurnished for over two years.

## **2.0 Current Position and Options from April 2015**

### **2.1 Discount for dwellings undergoing major repairs**

#### **Current Position - 100% Discount for 12 Months**

This is granted in respect of dwellings where the property is unoccupied and unfurnished, which needs or is undergoing major repairs or structural alterations. The maximum period for this discount is 12 months.

#### **Options from April 2015**

The Council can continue to allow a 100% discount for these properties or may set any lower percentage. The discount that is set will apply for a maximum of 12 months and the percentage discount cannot be varied during that time. Following the discount period the Council has previously decided that a full charge should apply.

The Government have suggested that a partial discount rather than a full 100% discount may encourage owners to bring these properties back into use more quickly than would otherwise be the case. However a degree of collection difficulty is inevitable if owners were to face an immediate charge instead of a 12 month 100% discount.

It is not anticipated that any change to the current position would have a material effect upon the number of long-term empty properties.

### **2.2 Discount for properties which are vacant**

#### **Current Position - 100% Discount for up to 6 months**

Dwellings which become empty and unfurnished receive a 100% discount for up to 6 months. If the property remains empty beyond the 6 month period no further discount is given. (Where properties remain empty for a further 18 months a premium of 50% is applied – see below).

#### **Options from April 2015**

Billing authorities have been given discretion to set an appropriate level of discount of between 0% and 100% and the power to vary the period to which each percentage charge applies. It is commonly accepted that some period of full discount should be given. However, short periods of liability of under 6 weeks ought not to entitle the council tax payer to a further discount under this class if the property is subsequently vacated. It is proposed to amend the current policy to include this provision with effect from 1<sup>st</sup> April 2015.

It is not anticipated that any change to the current position would have a material effect upon the number of long-term empty properties.

### **2.3 Empty Homes Premium on Properties Remaining Empty for in Excess of 2 Years**

#### **Current Position – 50% premium is currently charged**

Dwellings which have remained empty and unfurnished for over 2 years are charged 150% of the normal Council Tax charge.

### **Options from April 2015**

This additional charge is discretionary and the Council could determine that the premium should no longer be applied. However the premium provides a strong incentive to owners to bring the property back into use. For the current year the number of long-term empty properties has reduced from 581 in October 2013 (the point when the annual tax base is established) to 514 at the 31<sup>st</sup> July 2014 – a reduction of 67 properties (11.5%)

There remains a number of national exemptions in respect of certain classes of empty properties such that the premium does not apply in these cases. Full details are set out in section 3.0 of this report.

A further consideration in support of continuing to apply the premium charge links to the Council's Empty Property Strategy, which aims at reducing the number of empty properties in the borough. After two years of remaining empty, properties may start to deteriorate and impact negatively on neighbourhoods. The return to use of long term empty properties contributes to the New Homes Bonus received by the Council and helps improve current stock and increase overall supply.

Property owners are provided with advance notification that their property is approaching the date when the premium charge will commence – some three to four months prior to that date. This provides an opportunity for property owners to take appropriate action to avoid the premium charge where such a course of action is available to them eg. The letting of a vacant property.

The current premium charge would appear to be having the intended effect and it could be reasonably implied that any reduction or removal of the charge would have the effect of increasing the number of long-term empty properties.

## **2.4 Second Home Discount**

### **Current Position – No discount**

For Fylde Borough Council there is no discount in respect of for these properties.

### **Options from April 2015**

A property is classed as a second home if it is furnished but no-one lives there as their sole or main residence. Council tax legislation allows the billing authority to award a discount on these properties of between 0% and 50%. Fylde Council could re-introduce a second homes discount within this range.

The removal of the Second Home discount has met with very little response amongst property owners who have been affected by this change. There would appear to be no compelling reason to suggest that a reversion to the previous discount position is required.

## **3.0 Continuing Exemptions**

- 3.1 For certain types of properties there are exemptions under current legislation which apply nationally and which therefore exclude properties from the impact of locally determined changes to discounts and premiums. Examples of such exemptions include properties in probate, unoccupied dwellings which were previously the sole or main residence of a person who has moved into a hospital or care home, and unoccupied dwellings where the owner or tenant has moved in order to provide personal care to another person. Appendix A sets out

the exemptions for the various categories of properties which would exclude them from the changes to discounts and the premium charge that is currently under consideration. The exemption in respect of properties in probate runs for a 6 month period following probate, and all other exemptions listed in Appendix A run for an indefinite period whilst the exemption applies.

#### 4.0 Conclusions

4.1 Members are requested to consider the regime of Council Tax discounts and the premium charge currently in operation. It is recommended that the current Council Tax discounts and premiums regime is continued for 2015/16.

<b>IMPLICATIONS</b>	
Finance	Detailed financial implications are set out in the body of the report and the Appendices.
Legal	Section 12 of the Local Government Finance Act 2012 (which amended s.11A of the LGFA 1992) allows a billing authority to make a determination that any discount under section 11(2)(a) shall not apply or shall be such percentage (which may be 100%) as it may specify. In practise, this allows billing authorities to set a discount on unoccupied and unfurnished dwellings. Section 12 of the Local Government Finance Act 2012 also inserted a new section 11B into the LGFA 1992 allowing billing authorities, in relation to a dwelling that has been unoccupied and substantially unfurnished for more than two years, to charge up to 150% of the council tax that would be payable if the dwelling were occupied by two adults and no discounts were applicable. A billing authority which makes such a determination is required to publish a notice of it in at least one newspaper circulating in its area and do so before the end of the period of 21 days beginning with the date of the determination. Although, failure to comply with this condition shall not affect the validity of the determination.
Community Safety	None
Human Rights and Equalities	Any changes to the level of discount will be subject to an Equality Analysis.
Sustainability and Environmental Impact	None
Health & Safety and Risk Management	None

REPORT AUTHOR	TEL	DATE	DOC ID
Paul O'Donoghue Chief Financial Officer	01253 658566	November 2014	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Report to Council - Council Tax Discount Changes 2013/14	28 <sup>th</sup> January 2013	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Report to Council - Council Tax Discount Changes 2014/15	27 <sup>th</sup> January 2014	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>

#### Attached documents

Appendix A – Analysis of property classes which will remain exempt from Council tax charges

## Council Tax Exemption Categories - September 2014

Note: Locally determined discounts or premia do not apply for the following classes of properties where national exemptions take precedence

Exemption Class	Property Type
B	Unoccupied dwellings owned by a charity (up to six months).
D	A dwelling left unoccupied by people who are in prison.
E	An unoccupied dwelling which was previously the sole or main residence of a person who has moved into a hospital or care home.
F	Dwellings left empty by deceased persons (from notification of death up to six months following probate, after which full liability for council tax applies).
G	An unoccupied dwelling where the occupation is prohibited by law.
H	Unoccupied clergy dwellings.
I	An unoccupied dwelling which was previously the sole or main residence of a person who has moved into another residence to receive personal care (but which is not a hospital or care home).
J	An unoccupied dwelling which was previously the sole or main residence of a person who is the owner or tenant and who has moved in order to provide personal care to another person
K	An unoccupied dwelling where the owner is a student who last lived in the dwelling as their main home.
L	An unoccupied dwelling which has been taken into possession by a mortgage lender.
M	A hall of residence provided predominantly for the accommodation of students.
N	A dwelling which is occupied only by students, the foreign spouses of students, or school and college leavers.
O	Armed forces' accommodation.
P	A dwelling where at least one person who would otherwise be liable has a relevant association with a Visiting Force.
Q	An unoccupied dwelling where the person who would otherwise be liable is a trustee in bankruptcy.
R	Empty caravan pitches and boat moorings.

# REPORT



REPORT OF	MEETING	DATE
RESOURCES DIRECTORATE	COUNCIL	1 DECEMBER 2014

## COUNCIL TAX REDUCTION SCHEME 2015/16 INCLUDING GRANTS TO TOWN AND PARISH COUNCILS

### PUBLIC ITEM

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

#### SUMMARY

From April 2013 the local Council Tax Reduction Scheme (CTRS) replaced the previous national scheme of Council Tax Benefit. The purpose of the scheme is to define the entitlement to support that reduces the level of Council Tax that is payable by low income households.

The scheme that operates within Fylde borough for 2014/15 was approved by this Council in January 2014 for 2014/15 only.

This report provides the background to the change from Council Tax Benefit to CTRS for 2013/14; the approval of the CTRS for 2014/15; describes the experience to date of the operation of the local CTRS; and sets out the proposals in respect of the scheme for 2015/16.

The Councils Revenue Budget and Financial forecast for 2015/16 onwards has been prepared on the assumption that the CTRS will be fully self-funding as it is for 2014/15. That is, that the net cost of the scheme to Fylde Borough Council will be met by applying reduced levels of support to claimants. The Council decision with regard to the 2015/16 CTRS will be in respect of 2015/16 only.

The report also addresses the question of the payment of grants to Town and Parish Councils to compensate them for reduced Council Tax income as a result of the introduction of a local CTRS and outlines the options available to the Council in this regard.

The Councils Revenue Budget and Financial forecast for 2015/16 onwards currently assume that grants to Town and Parish Councils in relation to the introduction of CTRS will be made for 2015/16 onwards in the sum of £72k per annum (the value of such grants in respect of 2014/15).

#### RECOMMENDATIONS

The Policy Development Scrutiny Committee at its meeting of 13<sup>th</sup> November 2014 considered this matter. In line with those deliberations:

It is recommended:

1. that the Council retains the currently implemented key features of the Council Tax Reduction

Scheme for 2015/16, with a projected nil cost to the Council and the major preceptors and a 22.7% maximum reduction in the level of support to working age claimants;

2. that the Council adopts option 2 as set out in Section 5 of the report for payments of grants to Town and Parish Councils. That is, in 2015/16 for Fylde Borough Council to agree to fund Town and Parish Councils to compensate them for losses in income as a consequence of the Council Tax Reduction Scheme impact in a total sum which reflects the estimated funding reductions that will apply to Fylde Borough Council for 2015/16. This reduction equates to 4.4%, with £68,800 to be distributed as set out in Appendix E;

3. that the Council determine that the distribution methodology for payment of grants to Town and Parish Councils relating to the introduction of the Council Tax Reduction Scheme as described in section 5.10 of the report will be such that the grant allocation would be calculated by reference to the tax-base of each Town and Parish Council excluding the impact of Council Tax Reduction Scheme and the revised tax-base under the 2015/16 Council Tax Reduction Scheme regime, this being consistent with the methodology applied in respect of 2014/2015 grant allocations; and

4. that Council approves that the Council Tax Reduction Scheme continues to provide funding for Discretionary Hardship Relief in accordance with S13A (1) (a) or S13A (1) (c) of the Local Government Finance Act 2012 as detailed in section 4 of the report.

It is further recommended:

5. that the Council authorise the Section 151 Officer to make payments to Town and Parish Councils within Fylde borough in 2015/16 in relation to the Council Tax Reduction Scheme.

#### **CABINET PORTFOLIO**

This item falls within the following cabinet portfolio(s):

Finance and Resources - Councillor Karen Buckley

#### **SUMMARY OF PREVIOUS DECISIONS**

The Council at the 27<sup>th</sup> January 2014 meeting approved the CTRS for 2014/15. The full scheme is available on the Fylde Borough Council website at:

<http://www.fylde.gov.uk/council/finance/counciltaxfinance/localisationofcounciltax/>

#### **REPORT**

##### **1. Background to the CTRS Introduction and the adopted schemes for 2013/14 and 2014/15**

1.1 As part of the 2012 Welfare Reform Act the national Council Tax Benefit (CTB) scheme was abolished after 2012/13, with individual local authorities instead being required to introduce a local Council Tax Reduction Scheme (CTRS) with effect from 2013/14.

1.2 Prior to 2013/14 the full cost of Council Tax Benefit was met in full by the Department for Work and Pensions (DWP). The Council processed and awarded benefit entitlement and the DWP reimbursed local authorities for the cost of Council Tax income that was foregone as a consequence of reductions in Council Tax liability (in the form of Council Tax Benefit) that were



granted to households. From April 2013 the Government introduced a new grant (via the Department for Communities and Local Government) equal to 90% of the Government's forecast of Council Tax Benefit funding levels had the existing benefit system continued, meaning that the Council's funding to be received from central government in respect of the new scheme was effectively around 10% lower than the anticipated cost of Council Tax Benefits payments. Each Council was required to determine an approach to fund this gap.

- 1.3 Local Council Tax Reduction Schemes must incorporate the national scheme for pension-age claimants. The pensioner scheme ensures that pensioners' support will continue at the previous level (i.e. as they were under the Council Tax Benefit regime) meaning that pension-age claimants will be protected from any reductions in support under CTRS. Because pension-age claimants are protected, a 10% cut in total funding, unless funded by the Council in full or in part, would result in a greater reduction for working-age claimants.
- 1.4 All authorities were therefore presented with a choice to either meet this funding gap from other resources to protect benefit recipients at the previous levels of support or to pass on all or a proportion of the funding shortfall in the form of reduced levels of support to working-age claimants.
- 1.5 For 2013/14 only the Government introduced a transitional grant that was aimed at cushioning the level of any reduction in support that was passed on to working-age claimants for the first year of operation of local Council Tax Reduction Schemes, subject to the adopted CTRS scheme meeting certain criteria. The main component for eligibility for transitional grant was the adoption of a CTRS whereby claimants under the previous Council Tax Benefit arrangements would experience a maximum reduction in their level of support of 8.5% under the new scheme.
- 1.6 The Council in January 2013 approved a scheme for 2013/14 which was supported in part by the Transitional Grant and in part by Council funds with working age recipients experiencing a maximum reduction in their level of support of 8.5%. The scheme also incorporated the national CTR scheme for pensioners (which protects claimants of pensionable age from any reductions in support) and incorporated a Discretionary Hardship Fund (in the sum of £10k being set aside for this purpose) to provide support for claimants in exceptional circumstances who are unable to increase their income from other means.
- 1.7 For 2014/15 and subsequent years there is no offer of Transitional Grant. Council in January 2014 approved a scheme for 2014/15 which aimed to have a neutral financial impact on this Council and the major preceptors. For working-age claimants there would be a means tested assessment to establish entitlement and a maximum percentage reduction in the level of support at the end of that assessment of 22.7%. The 2014/15 CTRS included the national scheme for pension-age claimants for whom there is no reduction in the level of support.

## **2. Key points arising from implementation of the local CTRS to date**

- 2.1 There has been no evidence which has emerged since the inception of the scheme to suggest that it is fundamentally in need of revision. The scheme has embedded well with no formal legal challenge to the principle of the scheme.
- 2.2 Experience to date for 2014/15 indicates that 22.7% maximum reduction in the level of support is the correct level at which the scheme becomes self-funding.
- 2.3 The average additional reduction in Council Tax support per claimant for 2014/15 is approximately £109 (representing the annual amount of additional/new Council Tax payable in 2014/15 as compared to the previous year), but may be higher or lower depending on the property band.

- 2.4 In the period to 30<sup>th</sup> September 2014 a total of 5 hardship cases have been awarded additional support from the Discretionary Hardship Fund in the total sum of £607 (of the £9.6k that was set aside for this purpose in 2014/15).
- 2.5 It was initially expected that the introduction of CTRS would impact significantly on collection rates, particularly for 2014/15 given the change in the maximum level of reduction in support from 8.5% for 2013/14 to 22.7% in 2014/15. The in-year collection rate for those residents who now pay Council Tax as a consequence of the introduction of CTRS is 48% to the end of September. This is lower than the overall in-year collection rate for all council tax payers which is 60% for the same period, but is higher than was originally expected when the 2014/15 scheme was introduced.

### **3. Proposed CTRS for 2015/16**

- 3.1 The Councils Revenue Budget and Financial forecast for 2015/16 onwards currently assume that the CTRS will be fully self-funding. That is, that the net cost of the scheme to Fylde Borough Council will be met by applying reduced levels of support to claimants.
- 3.2 It is proposed that the key features of the CTRS as currently implemented are retained in respect of 2015/16 and that the 22.7% maximum reduction in the level of support is also retained in the 2015/16 CTRS to deliver a scheme which is self-funding ie. at a projected nil cost to Fylde Council and the major precepting bodies.
- 3.3 The principles for the 2015/16 scheme will remain that it needs to:
- be affordable in terms of grant received, revenue loss and costs to operate
  - be as fair as possible and a detailed 'map' of those affected is required; a detailed Equality Analysis is required
  - be transparent, understandable to customers and practical to operate
  - be feasible to implement within the constraints of the timescales and available software
  - be simple in design avoiding unnecessary complexity
  - avoid the costs and risks associated with collecting additional data.
- 3.4 It is proposed that the scheme for 2015/16 will continue to provide for an additional discretionary award which may also be granted in accordance with S13A (1) (a) or S13A (1) (c) of the Local Government Finance Act 2012.
- 3.5 A consultation paper was distributed to the Major Preceptors - Lancashire County Council, Lancashire Fire and Rescue Service and the Lancashire Police and Crime Commissioner in August 2014 seeking their views on the proposed scheme for 2015/16. The consultation and a summary of the responses of each are set out in Appendix A to this report.
- 3.6 Public consultation has taken place and both the outcome of the consultation and the Council's response are shown at Appendices B and C to this report.

The Equality Analysis carried out for the 2013/14 scheme was revisited and updated following the introduction of the scheme. This aims to mitigate the impact on protected groups. As part of their consideration of the CTRS scheme for 2015/16 Members must read the updated Equality Analysis which is available on the Fylde Borough Council website at:

[www.fylde.gov.uk/council/finance/counciltaxfinance/localisationofcounciltax](http://www.fylde.gov.uk/council/finance/counciltaxfinance/localisationofcounciltax)

### **4 Hardship Relief**

- 4.1 The provision of Discretionary Hardship Relief to provide support for claimants in exceptional circumstances, and who are unable to increase their income from other means, is a key element

of the operation of the scheme. Section 76 of the Local Government Act 2003 in respect of Council Tax (as amended by section 13A of the Local Government Finance Act 2012) empowers a billing authority to reduce the amount of Council Tax as it thinks fit. Funding for such reductions must be provided by the Council and major preceptors as necessary.

- 4.2 In order to mitigate part of the impact of the CTRS on the most vulnerable households, the Council has adopted a Discretionary Discount Policy under the above powers. Strict criteria is used to determine if any additional relief is appropriate and the level of any such award. Awards are made only in exceptional circumstances to those unable to increase their income. The updated draft Discretionary Discount Policy for 2015/16 is available on the Fylde Borough Council website at:

<http://www.fylde.gov.uk/resident/council-tax/>

Council will be required to consider the updated policy for approval at a subsequent meeting.

- 4.3 It is proposed that for 2015/16 the Council Tax Reduction Scheme will continue to provide for additional discretionary awards which may also be granted in accordance with S13A (1) (a) or S13A (1) (c) of the Local Government Finance Act 2012.
- 4.4 The Major Preceptor consultation described at 3.5 above also provided the opportunity to comment on the proposals with regard to Hardship Relief. A summary of the responses on this matter is contained within Appendix A to this report.

## 5 Implications for Town and Parish Councils

- 5.1 The government's decision to move from a system whereby support for Council Tax was paid directly into a receiving person's Council Tax Account as a benefit, and instead to re-designate the support as a Council Tax discount, has had far-reaching implications. Notably, Town and Parish Councils were not immune from these changes.
- 5.2 This is because a discount reduces the amount of Council Tax payable and therefore impacts upon the Council tax-base calculation by reducing the tax-base to below the level that it would have been had the previous Council Tax Benefit system been retained.
- 5.3 This is significant because if a Town or Parish Council were to precept the same amount **per Band D property** under the new arrangements, and its tax-base had reduced due to the switch from benefit to discounts, it would collect a reduced total level of precept.
- 5.4 For 2013/14 only the Government also identified a separate grant within the total government funding settlement in the sum of £74k to meet the assumed cost of the introduction of the CTRS regime on Town and Parish Councils within the borough. The purpose of this was to support reduced levels of Town and Parish precepts and so avoid the need for significant increases in the parish element of the total Council Tax charge at individual property level. This funding was distributed to Town and Parish councils in proportion to the impact of the CTRS in each locality.
- 5.5 **For 2014/15 there was no notified specific element of funding of the CTRS for Town and Parish Councils within FBC's overall grant settlement. This element, together with the funding for Fylde Borough Council CTRS having been subsumed within the total of central grant funding and as such being no longer separately identifiable.** The Council, in January 2014, agreed to fund Town and Parish Councils to compensate them for losses in income as a consequence of CTRS impact in 2014/15 in a total sum which reflects the overall central funding reductions that have been suffered by Fylde Borough Council. Based on the funding settlement and the new homes bonus allocations this equated to a reduction from the previous year's funding level of 3.1%, leaving a sum of approximately £72k to be distributed.

5.6 **Within the provisional funding settlement for 2015/16 there is once again no specific element of funding of the CTRS for Town and Parish Councils.**

There are a number of options in this regard which are summarised below:

**Option 1:** Fylde Borough Council could agree to fund Town and Parish Councils to compensate them for losses in income as a consequence of CTRS for 2015/16 at a level equivalent to that for 2014/15 i.e. in a total sum of £72k.

**Option 2:** Fylde Borough Council could agree to fund Town and Parish Councils to compensate them for losses in income as a consequence of CTRS impact in a total sum which reflects the overall central funding reductions that have been suffered by Fylde Borough Council. Based on the settlement figures and new homes bonus provisional allocations notified to date, the reduction would equate to 4.4%, leaving a sum of approximately £68.8k to be distributed.

**Option 3:** Fylde Borough Council could determine that due to the uncertainty surrounding central grant funding and the expectation that the current grant reduction trajectory will continue in the future (thus reducing the grant amount available for distribution to Town and Parish Councils still further) the option which provides greatest clarity for future years for Town and Parish Councils is that funding relating to CTRS impacts will be distributed for 2015/16 in the sum of either £72k or £68.8k, but that no such payments will be made at all in any future years. This would allow Parish Councils to determine their own financial environment without having to take regard of the actions of the Borough Council.

5.7 **The explicit intention of this grant was to encourage each Town and Parish Council to avoid the need for significant increases in the parish element of the total Council Tax charge. It may be relevant to note that not all Town and Parish Councils upon receipt of funding for the impact of CTRS introduction since 2013/14 have used this to avoid increases in the level of Council Tax at a Band D property level. Some have indeed used the funding in this way whilst others have not. Appendix D of this report shows an analysis of the Town and Parish Precepts from 2012/13 to 2014/15 together with the amount of grant each received as their share of the CTRS grant passed on by this Council.**

5.8 Additionally of note is the fact that, to date, Parish Councils are not covered by the restriction which limits Council Tax increases to 2% at Band D property level without the prior need for a local referendum to approve this increase. At the time of writing it is not known whether this exemption will also apply in respect of 2015/16. If this exemption continues for 2015/16 Parish Councils will be able to meet any funding shortfall arising from a reduction in CTRS grant from Fylde Borough Council by way of an increase in the precept level (both in total and at a per property level).

5.9 In the written ministerial statement by the then Local Government Minister Brandon Lewis on the provisional local government finance settlement 2014 to 2015 that was issued on 18<sup>th</sup> December 2013, the subject of Parish Councils and local Council Tax support was addressed in the following paragraph:

‘We have also set out previously that there is some £3.3 billion in the settlement this year for Council Tax support schemes. There is an element within this national pot that is there specifically to reflect reductions in the parish tax base. We have not separately identified the money because it is not ring-fenced and as caseloads change and schemes evolve, the amount that different parishes need will change. It would be wrong to try to manage that centrally. But we have been clear that we expect billing authorities to carry on passing on support to town councils and parishes to help mitigate any reduction in their taxbase due to the local Council Tax support scheme.’

5.10 If Council determine that grants to compensate Parish Councils for the impact of CTRS will be made for 2015/16 it is proposed that the distribution methodology will be similar to that used in previous years i.e. the grant allocation will be in proportion to the changes in the tax-base of each Town and Parish as a consequence of the introduction of the CTRS regime.

## **6. Review of the Scheme**

6.1 A review of the Scheme must be carried out annually to ensure it remains fit for purpose taking account of ongoing changes in legislation, caseload and financial requirements. The Council will be required to approve the scheme each year.

## **7. Equality Analysis**

7.1 The Government Equalities Analysis was published in January 2012. It considered equality impacts in relation to age and disability, concluding that protection for pensioners would be a positive impact and the effects on disabled people would depend on how each local authority responded to the reduction in council tax support. No impacts were identified in relation to gender or ethnicity and no other protected characteristics were considered and it was left to individual councils to identify full local impacts, based on local implementation.

7.2 The Council has carried out a much more detailed and robust Equality Analysis which is available on the Council's website as described in paragraph 3.6 The impact of CTRS has been considered on people based on the following:

- Age
- Disability
- Sex and sexual orientation
- Gender reassignment
- Pregnancy and maternity
- Race
- Religion or belief

The analysis also contains a detailed action plan showing how the issues identified will be addressed and the monitoring arrangements that have been put in place.

## **8. Linkages to Wider Welfare Reform**

8.1 The Welfare Reform Act 2012 provides for a major overhaul of the current benefits system. The abolition of Council Tax Benefit was implemented ahead of the commencement of Universal Credit.

8.2 Since its introduction in April 2013 the Council Tax Reduction Scheme has run alongside Housing Benefit. Housing Benefit administration will gradually diminish until 2017. Wider changes to existing benefits during the next few years will mean customers on benefits will have less money available to pay their Council Tax liability.

## **9. Conclusion**

9.1 The Council is required to adopt a local Council Tax Reduction Scheme for 2015/16 which (as is the case for the scheme currently in operation) will incorporate a reduction in awards to working age claimants (currently at a maximum reduction level of 22.7%).

9.2 Schedule 6 of the Council Tax Reduction Scheme will detail the percentage reduction in support to working age claimants once the scheme design has been determined by Council and

following any final minor adjustments to the calculation of costs for 2015/16. That Schedule forms part of the adopted scheme.

9.3 For 2015/16 it is proposed that the Council Tax Reduction Scheme shall be:

- a scheme for which the percentage reduction made at the end of the assessment for working age claimants shall remain as for 2014/15 at 22.7%, the percentage reduction such that the full costs of the Council Tax Reduction Scheme are recovered from the working-age recipients of support.

9.4 A review of the Scheme (including the percentage reduction in support detailed within Schedule 6 of the Scheme) should be carried out annually to ensure it remains fit for purpose taking account of ongoing changes in legislation, caseload and financial requirements. Therefore this decision will be in respect of 2015/16 only.

9.5 The Council is also required to determine the issue of the distribution of grants to Town and Parish Councils in relation to changes arising from the introduction of a local scheme. For 2015/16 it is proposed:

- that the Council adopts option 2 as set out in Section 5 of the report for payments of grants to Town and Parish Councils. That is, in 2015/16 for Fylde Borough Council to agree to fund Town and Parish Councils to compensate them for losses in income as a consequence of the Council Tax Reduction Scheme impact in a total sum which reflects the estimated funding reductions that will apply to Fylde Borough Council for 2015/16. This reduction equates to 4.4%, with £68,800 to be distributed as set out in Appendix E.

<b>IMPLICATIONS</b>	
Finance	Financial implications are contained within the body of the report.
Legal	As part of the 2012 Welfare Reform Act the national Council Tax Benefit (CTB) scheme was abolished after 2012/13, with individual local authorities instead being required to introduce a local Council Tax Reduction Scheme (CTRS) with effect from 2013/14 and subsequent years.
Community Safety	None
Human Rights and Equalities	An Equality Analysis has been carried out and is available on the Council's website as detailed in the report.
Sustainability and Environmental Impact	None.
Health & Safety and Risk Management	The elements of the working age scheme will need to be reviewed annually to avoid increased financial risk to the Council.

REPORT AUTHOR	TEL	DATE	DOC ID
Paul O'Donoghue Chief Financial Officer	01253 658566	October 2014	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Council Tax reduction Scheme 2013/14	28 <sup>th</sup> January 2013	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Council Tax reduction Scheme 2014/15	27 <sup>th</sup> January 2014	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>

**Attached documents:**

Appendix A - Consultation and responses from major preceptors

Appendix B - Public Consultation

Appendix C - Results of Public Consultation

Appendix D – Comparison of levels of Town and Parish Councils Funding between 2012/13 and 2014/15

Appendix E – Proposed allocations of CTRS grants to Town & Parish Councils 2015/16.

**Preceptor Consultation Letter (sent 12<sup>th</sup> August 2014)**

**Fylde Borough Council - Council Tax Reduction Scheme 2015/16 – Consultation with major preceptors on the design of the local scheme.**

**Summary:**

This paper sets out the proposed Council Tax Reduction Scheme (CTRS) that will operate in Fylde borough for the year 2015/16.

**Introduction:**

The scheme that currently operates within Fylde borough was approved by this Council in January 2014.

That Scheme, in summary, is one which:

- maintains most of the previous council tax benefit rules but reduces the award by a standard percentage at the end of the calculation for working age claimants such that the CTRS is self-funding ie. That the scheme does not result in the loss of Council Tax income to Fylde Council or the major preceptors. The claimant has to pay this amount to the Council as their contribution to Council Tax.
- in 2014/15 the maximum percentage reduction in support in respect of working-age claimants is 22.7%.
- includes the national scheme which protects claimants of pensionable age from any reductions.
- provides a Discretionary Hardship Fund to support claimants in exceptional circumstances who are unable to increase their income from other means.

The full Scheme is available on the Fylde Borough Council website at

[www.fylde.gov.uk/council/finance/counciltaxfinance/localisationofcounciltax](http://www.fylde.gov.uk/council/finance/counciltaxfinance/localisationofcounciltax).

**The proposed 2015/16 Scheme:**

Following consultation with interested parties including the public since the introduction of a local CTRS the clear preference was for the adopted scheme to be one which maintains most of the previous council tax benefit rules but reduces the level of the award by a standard percentage at the end of the calculation for working age claimants. The adopted local schemes for 2013/14 and 2014/15 have been in accordance with this preference. It is not intended to change this element of the design in respect of 2015/16.

Council Members will be asked to agree a scheme of Council Tax Support in December 2014. The principles for the 2015/16 scheme will remain that it needs to:

- be affordable in terms of grant received, revenue loss and costs to operate
- be as fair as possible and a detailed 'map' of those affected is required; a detailed Equality Analysis is required
- be transparent, understandable to customers and practical to operate



- be feasible to implement within the constraints of the timescales and available software
- be simple in design avoiding unnecessary complexity
- avoid the costs and risks associated with collecting additional data

**It is proposed that the scheme for 2015/16 will:**

- Maintain the current council tax support rules and reduce the level of support by a specified percentage level at the end of the calculation (bottom slice) such that the CTRS is self-funding. Minor technical changes will be required to the scheme in respect of the treatment of Universal Credit. It is estimated that for working-age recipients the maximum reduction in the level of support will be between 20% - 25%.
- Provide for an additional discretionary award which may also be granted in accordance with S13A (1) (a) or S13A (1) (c) of the Local Government Finance Act 2012.
- Include the national scheme for pension age claimants for whom there is no reduction in the level of support.

**Hardship Fund**

The existence of a Discretionary Hardship Fund to provide support for claimants in exceptional circumstances who are unable to increase their income from other means is a key element of the operation of the scheme.

It is proposed that for 2015/16 the Council Tax Reduction Scheme will provide for an additional discretionary award which may also be granted in accordance with S13A (1) (a) or S13A (1) (c) of the Local Government Finance Act 2012.

**Consultation Questions**

1. Do you agree or disagree that the 2015/16 Fylde Council Tax Reduction Scheme should be based on the existing rules with the final award made to a working age claimant being reduced so that the maximum reduction in the level of support is between 20% - 25% for 2015/16 (note: the maximum reduction in the level of support under the scheme for 2014/15 is 22.7%).
2. Hardship Fund – Please provide your views on the requirement to operate a Hardship Fund alongside the CTRS scheme to provide support in exceptional circumstances to the most vulnerable claimants.
3. Hardship Fund – Please provide your views on the inclusion of a hardship fund as an additional discretionary award which may also be granted in accordance with S13A (1) (a) or S13A (1) (c) of the Local Government Finance Act 2012.

The Council appreciates the potential impact of the final scheme on its own finances and those of other preceptors. However, at the same time it needs to balance this against the impact it will have in respect of low income Council Tax payers of the Borough. The Council recognises that other preceptors may have strong opinions in respect of the final scheme that is adopted. It is important therefore that the opinion of all interested parties is reported and forms part of the consideration by the elected members in making a final decision.

**Responses**

Please provide your responses by e-mail / hard copy at the contact points shown above by **1<sup>st</sup> September 2014**.

Yours sincerely

A handwritten signature in black ink, appearing to read 'PO'Donoghue', written in a cursive style.

Paul O'Donoghue

Chief Financial Officer

## Summary of Responses from Major Preceptors

### **A. George Graham, Deputy County Treasurer, Lancashire County Council (26<sup>th</sup> August 2014)**

In respect of your scheme for 2015/16 Lancashire County Council feels that a reduction in the level of support to working age claimants of between 20-25% is the most appropriate approach as it offers protection to the most vulnerable individuals as identified within the existing Council Tax system and offers no additional costs to the billing and precepting authorities.

At a time when resources are extremely limited and will be reduced significantly in 2015/16 and future years it is vital that the operation of the scheme does not pass on additional costs to precepting authorities.

Lancashire County Council continues to support the provision of hardship payments to the most vulnerable claimants in exceptional circumstances.

### **B. Steve Freeman, Deputy Chief Finance Officer, The Office of the Police and Crime Commissioner for Lancashire (26<sup>th</sup> August 2014)**

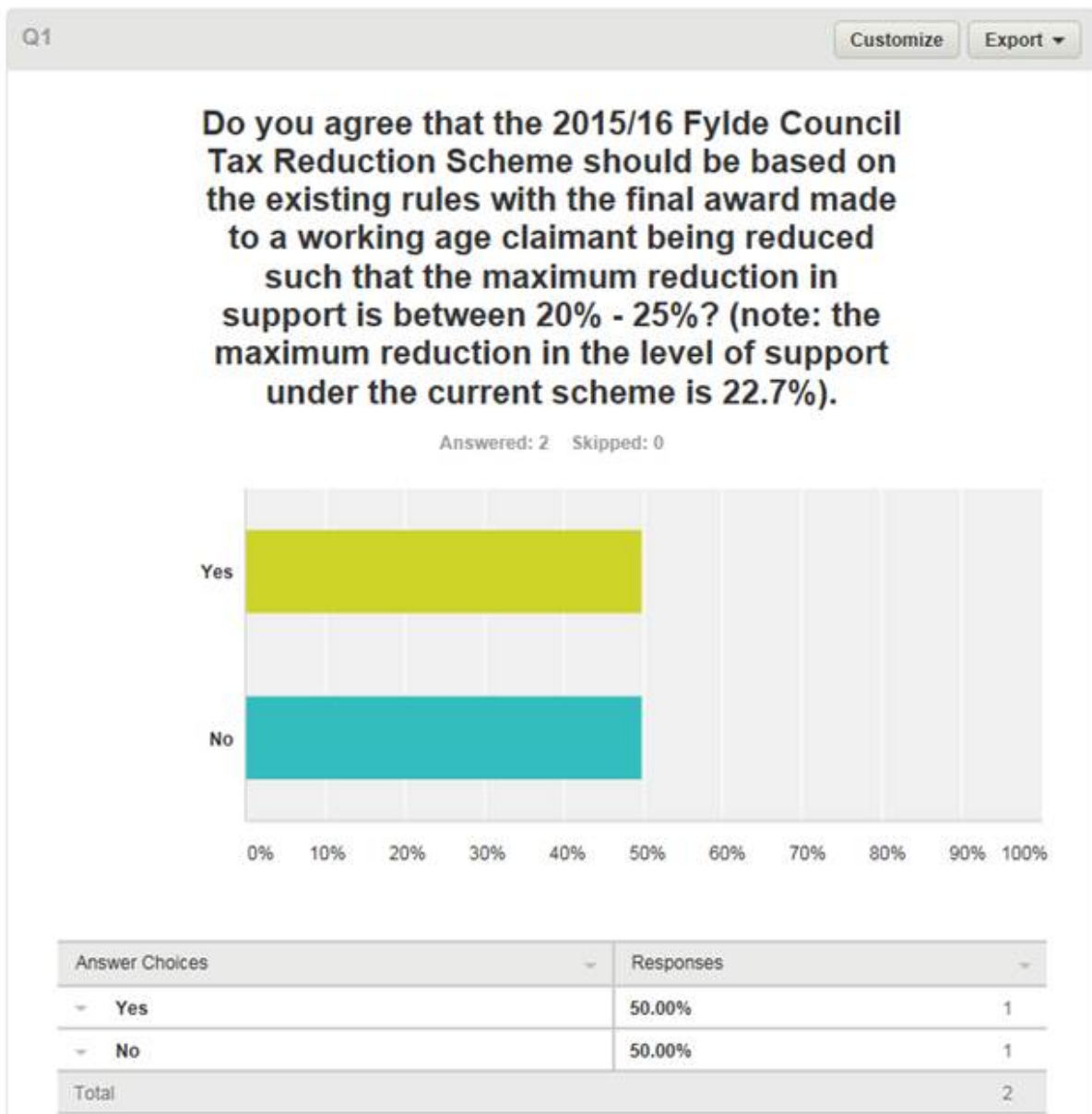
In respect of your scheme for 2015/16 the Commissioner feels that a reduction in the level of support to working age claimants of between 20-25% is the most appropriate approach as it offers protection to the most vulnerable individuals as identified within the existing Council Tax system and offers no additional costs to the billing and precepting authorities.

At a time when resources are extremely limited and will be reduced significantly in 2015/16 and future years it is vital that the operation of the scheme does not pass on additional costs to precepting authorities.

The Commissioner continues to support the provision of hardship payments to the most vulnerable claimants in exceptional circumstances.

### **C. Keith Mattinson, Director of Corporate Services, Lancashire Fire & Rescue Service (by e-mail 13<sup>th</sup> August 2014)**

I do not propose submitting a formal response as the scheme is broadly in line with the current one and should have a negligible impact on our finances.



### **Response – Council Tax Reduction Scheme consultation**

Fylde Council sought views on the proposed 2015/16 local Council Tax Reduction Scheme over a 3 week period between 10 September 2014 and 2 October 2014. This is the Council's response to the outcome of the consultation.

Only two responses were received by the Council, one agreed with the proposed scheme and one disagreed.

As part of our duties under Equalities legislation, the Council has considered the impact of Council Tax changes on a range of groups with "protected characteristics" and has produced an Equalities Analysis taking into account comments received.

The Council would like to thank the participants for their time and interests.

## Comparison of levels of Town and Parish Councils Funding between 2012/13 and 2014/15

Town/Parish Council	Town & Parish Precepts £	Town & Parish Precepts £	CTRS Grant paid by Fylde BC to Town & Parish Councils £	Total Town & Parish Precepts & CTRS Grants £	Town & Parish Precepts £	CTRS Grant paid by Fylde BC to Town & Parish Councils £	Total Town & Parish Precepts & CTRS Grants £	Increase in Total Town and Parish Council Funding (precept and CTRS grant) 12/13 to 14/15 £	Increase in Total Town and Parish Council Funding (precept and CTRS grant) 12/13 to 14/15 %
	2012.13	2013.14			2014.15				
Bryning-with-Warton	49,725	70,540	6,447	76,987	83,798	8,571	92,369	42,644	85.8%
Elswick	18,797	21,998	1,291	23,289	24,911	1,065	25,976	7,179	38.2%
Freckleton	96,797	99,600	10,549	110,149	99,600	9,194	108,794	11,997	12.4%
Greenhalgh-with-Thistleton	5,000	4,000	167	4,167	5,000	162	5,162	162	3.2%
Kirkham	165,581	159,252	16,621	175,873	166,452	15,528	181,980	16,399	9.9%
Little Eccleston-with-Larbreck	6,805	6,805	582	7,387	7,013	463	7,476	671	9.9%
Medlar-with-Wesham	49,998	51,500	4,280	55,780	53,022	4,991	58,013	8,015	16.0%
Newton-with-Clifton	49,969	49,969	3,504	53,473	49,969	2,681	52,650	2,681	5.4%
Ribby-with Wrea	48,200	46,613	1,587	48,200	47,254	946	48,200	0	0.0%
Singleton	16,621	16,953	926	17,879	17,123	1,546	18,669	2,048	12.3%
Staining	52,628	56,488	4,945	61,433	58,460	5,356	63,816	11,188	21.3%
St.Annes	150,000	145,277	20,928	166,205	155,652	19,815	175,467	25,467	17.0%
Treales, Roseacre & Wharles	6,636	6,619	130	6,749	6,529	139	6,668	32	0.5%
Weeton-with-Preese	13,800	14,076	1,331	15,407	14,498	618	15,116	1,316	9.5%
Westby-with-Plumpton	8,000	8,000	501	8,501	8,000	631	8,631	631	7.9%
<b>Total</b>	<b>738,557</b>	<b>757,690</b>	<b>73,790</b>	<b>831,480</b>	<b>797,281</b>	<b>71,706</b>	<b>868,987</b>	<b>130,430</b>	<b>17.7%</b>

## Appendix E

### Proposed allocations of CTRS Grants to Town and Parish Councils 2015/16

Town/Parish Council	CTRS Grant amounts 2015/16
	£
Bryning-with-Warton	9,449
Elswick	1,020
Freckleton	8,193
Greenhalgh-with-Thistleton	187
Kirkham	14,542
Little Eccleston-with-Larbreck	491
Medlar-with-Wesham	4,557
Newton-with-Clifton	2,662
Ribby-with Wrea	874
Singleton	1,379
Staining	5,137
St.Annes	19,007
Treales, Roseacre & Wharles	154
Weeton-with-Preese	657
Westby-with-Plumpton	491
<b>Total</b>	<b>68,800</b>

#### Notes:

1. Grant amounts are calculated by reference to the reduction in income as a consequence of the CTRS scheme and are based upon a provisional taxbase for each town and parish area as calculated at October 2014 and the precept Band D amounts for 2014/15.

# REPORT



REPORT OF	MEETING	DATE
CHIEF FINANCIAL OFFICER	COUNCIL	1 DECEMBER 2014

## FINANCIAL FORECAST UPDATE (INCLUDING REVENUE, CAPITAL & TREASURY MANAGEMENT) 2014/15 TO 2018/19

### 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 five years 2014/15 to 2018/19. It includes changes arising since the Budget was set by Council in March 2014.

### RECOMMENDATIONS

1. That Council notes the implications of this updated financial forecast.

### CABINET PORTFOLIO

This item falls within the following cabinet portfolio:

Finance and Resources - Councillor Karen Buckley

### SUMMARY OF PREVIOUS DECISIONS

The Council set its budget for 2014/15 at its meeting of 3<sup>rd</sup> March 2014. This report provides Members with an update of the financial position of the Council, including changes since that date.

### 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 is made 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 2014/15

At the Council meeting on the 3rd March 2014 the budget for 2014/15 and the medium term financial forecast were agreed. The resolution included a 0.01% reduction in Council Tax and a total net budget requirement of £9.869m for 2014/15. Future reserve balances at that time were forecast at the end of 2017/18 to be £4.218m. In agreeing the Original Budget for 2014/15 a number of key high level financial risks and assumptions were highlighted.

(ii) General Fund Revenue Outturn Position 2013/14

The revenue outturn position for 2013/14 was reported to Members in June. The impact of the outturn position, including contributions to earmarked reserves totalling £1.203m, has been reflected in this updated forecast.

(iii) Budget Right-sizing Exercise

In 2012 the Councils Management Team committed to carrying out a budget right-sizing exercise to analyse underspends which have occurred over the last 3 financial years. As a result a number of budget adjustments are included within Appendix C of this report under the heading 'Budget Rightsizing'. This exercise in reviewing outturn variances and adjusting future budgets accordingly has become part of the annual budget process. 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.

Members are requested to note that rightsizing adjustments in respect of revised income forecasts for planning application fees have not been included in the total rightsizing adjustment figures at this stage as this issue is addressed in a further item on the Cabinet agenda of 26<sup>th</sup> November 2014. Any financial implications will be picked up in the next update of the financial forecast.

(iv) Capital Outturn Position 2013/14

The Capital Outturn for 2013/14 was a net underspend in year of £2k after taking £0.110m of slippage into account.

(v) General Fund Revenue Quarterly Budget Monitoring 2014/15

Revenue budget monitoring reports for both quarter 1 and quarter 2 of the current financial year have been presented to the Portfolio Holder for Finance & Resources and Policy & Development Scrutiny Committee during the year. 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 3<sup>rd</sup> March 2014.
- 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 2013/14 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 both Appendix E which details the latest updated forecast.
- 3.4 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 considerable impact on the forecast at some future point.

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

- 4.1 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

## 4.2 **High Level Financial Impact Risks**

### i. Government Grant Support

The Government has made it clear that it continues to be committed to a national deficit reduction programme with the aim of significantly accelerating the reduction in the structural deficit of the country, with the main burden of deficit reduction being borne by reduced spending rather than increased taxes.

The Government have provided provisional Revenue Support Grant allocations in respect of 2015/16 but have given no indication of the level of grant receivable thereafter. Future year's forecasts are based upon annual reductions of 31% per annum from 2016/17 onwards in line with the trajectory of grant reductions over the last few years. If future year's grant reductions are greater than this assumed level this may have a significant impact upon the forecast.

### ii. New Homes Bonus

New Homes Bonus represents an increasingly important element of the Council's overall funding as other forms of funding, particularly Revenue Support Grant, are forecast to reduce in future years.

The budget forecast for 2013/14 included an assumed level of New Homes Bonus (NHB) for future years. This calculation was based upon an estimated growth in total property numbers and incorporated the grant calculations as they have been in operation since the inception of the NHB scheme in 2011. The announcement in July 2013 of a consultation on proposals to 'top-slice' individual councils' allocations of NHB from 2015/16 onwards (at either a 19% or a 35% level in order to provide funding at a national level for the Local Enterprise Partnerships) was completely unanticipated and would have had a serious detrimental effect upon the Council's financial position. Fortunately as part of the 2013 Autumn Statement, delivered on 5<sup>th</sup> December 2013, it was announced that this proposal was being withdrawn for local authorities outside London.

This experience served to illustrate the inherent risk in the dependence on centrally-controlled funding such as the New Homes Bonus. The reliance upon New Homes Bonus to support ongoing revenue expenditure of the Council is one of the most significant financial risks facing the Council.

### iii. Localisation of Business Rates

The current year is only the second year of the operation of the localised business rate scheme. These new arrangements can have a significant effect on councils, as any changes to the Business Rates yield now directly impact on council funding levels, with both the risks

and rewards of Business Rate growth being shared between Central Government, Precepting Authorities and Billing Authorities.

Such losses and gains are subject to separate 'Safety Net' and 'Levy' arrangements to reduce the potential volatility of local authority funding under the new system, effectively limiting the gain or loss in any one year.

However any single change, such as has occurred locally with the announcement of the cessation of commercial operations at Blackpool Airport (actually located largely within the borough of Fylde), can have a significant and sudden impact of the finances of the Authority that is affected.

All rateable values are supposed to be reassessed every five years at a general revaluation, although the next one, due in 2015, has been postponed. The current rating list is based on a revaluation which took place in 2010. A large number of businesses within the borough, and indeed nationwide, have lodged appeals to the Valuation Office Agency (VOA) against the level of their business rating valuations. These appeals are often supported by specialist rating agents and the outcome can be backdated to the date of the appeal or the last revaluation (i.e. 2010). This scenario can result in significant in-year business rate refunds being made to businesses whose appeals are successful. The VOA have committed to reducing the backlog of appeals within the system, which may increase the possibility of a greater volume of refunds being made.

Monitoring arrangements to provide an early identification of in-year trends in respect of business rate income have been developed, including regular appeals updates and meetings with VOA officers. There will, however, remain an element of uncertainty as events triggered by changes in business circumstances and the determination of appeals are, by their nature, unpredictable.

iv. Waste Recycling Cost Sharing Arrangements (Lancashire County Council)

Lancashire County Council is the Waste Disposal Authority (WDA) for Lancashire and Fylde Borough Council is a Waste Collection Authority (WCA) as defined by the Environmental Protection Act 1990 (EPA). Section 52(1) of the Act places a duty on WDAs to pay waste disposal credits to a WCA in its area when the WCA diverts waste from the household waste stream for recycling - the value of credit being the savings per tonne in disposal costs. The Clean Neighbourhoods and Environment Act 2005 introduced flexibility to this requirement by allowing authorities to develop joint working arrangements, tailored to their area, to work toward the goals of the National Waste Management Strategy.

Additionally, central Government expects local authorities to consider whether a better, more appropriate, cost-sharing model can be developed for their area in order to aid in the achievement of Landfill Allowance Trading Scheme obligations and local plans for recycling and composting. To this end the Lancashire Waste Strategy (LWS) was adopted by WCA's in Lancashire in 2001.

The Lancashire Waste Strategy was updated in April 2013 to move away from the previous Property Based Payment Mechanism (which provided a discretionary index-linked payment from LCC to participating districts for each domestic property covered by a three stream collection service i.e. green waste, dry recycling and residual (grey bin) waste) to a fixed level of support paid annually.

These arrangements with LCC run to March 2018. The value to FBC of income from LCC under the updated agreement are summarised below:

	<b>Total Income to FBC from LCC under the existing Cost Sharing Agreement</b>
	<b>£000</b>
2014/15	791
2015/16	777
2016/17	764
2017/18	763

On 27<sup>th</sup> January 2014, FBC were informed (along with other participating Districts) that LCC's Cabinet Member for Public Protection and Waste had adopted a 'Policy for Making Recycling Payments (Recycling Credits) to Waste Collection Authorities'. **The policy indicates that the existing payment arrangements will cease after 2017/18.** The decision had been taken having carried out a detailed review of LCC's obligations and having considered the requirement for the County Council to reduce it's spend by £300m over the next four years.

This therefore represents a significant risk to FBC's financial position in the final year of this forecast and beyond with the potential loss of up to £763k per annum from 2018/19 onwards.

Following dialogue between Lancashire districts and LCC on this matter, LCC have developed a draft proposal for a Lancashire wide review of waste collection arrangements, with the aim of providing "a comprehensive evaluation of the fundamental aspects of waste collection with a view to reducing the cost of provision of collection services across Lancashire". FBC have indicated that we will take part in the review, which will be funded by the County Council.

At this stage the loss of cost sharing income has been reflected in this update of the forecast, based upon the decision which has been taken by LCC. The outcome of the waste review and the resultant financial implications to Fylde Council of this development and any new arrangements will be reflected in the future updates to the financial forecast as they become clearer.

v. Planning Appeal and Judicial Review Costs

The 2013/14 financial forecast included a sum of £50k in respect of planning appeal costs, reducing to £25k per annum thereafter. In previous years costs have exceeded this level. During 2013/14 a significant cost claim against the Council was finalised which exceeded the budgetary provision and the Council, at its January 2014 meeting, was required to approve an unfunded budget increase in the sum of £116k to provide for these costs.

Consequently the 2014/15 budget was increased to provide a sufficient level of resource for this purpose, resulting in a budget of £125k for 2014/15, £100k for 2015/16 and to £75k per annum thereafter.

Additionally, the possibility of further legal costs being incurred as part of the enforcement notice on the illegal Travellers site at Hardhorn is uncertain and any potential cost is very difficult to estimate because it is subject to whether further legal challenges are made.

This budgetary provision will be kept under review in order that the Council is able to respond to any appeals which may occur. If future years planning appeal costs are in excess of these revised budget amounts further amendments to the financial forecast may become necessary.

#### 4.3 **Medium Level Financial Impact Risks**

##### i. Reduction in Housing Benefit Administration Grant

The Council previously received a combined Housing and Council Tax Administration grant. For 2013/14 the value of this grant was approximately £426k payable by the DWP. For 2014/15 the grant comprised a separate grant from the DWP in respect of Housing Benefit Administration Subsidy in the sum of £311k, and a further grant from DCLG in respect of Council Tax Support Administration Subsidy in the sum of £82k – a total combined sum of £393k, which equates to a reduction of £33k from the 2013/14 grant level. Of this, a reduction in the grant of £20k had already been assumed in the budgets for 2014/15 and subsequent years.

It is expected that these grants will reduce further in the future as the wider Welfare Reform Agenda changes take effect and workloads change accordingly. A degree of grant reduction is reflected in the latest financial forecast but the actual level of reduction may be greater. As grant notifications are received in respect of future years it may be necessary to update the forecast accordingly.

##### ii. 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.

##### iii. Universal Credit

The Government has commenced the consolidation of a number of the current 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 the Department of Work and Pensions. A small number of the less complex welfare benefit claims within Fylde borough will transfer to Universal Credit from November 2014. The timing and financial implications of the roll-out of the full-scale changeover remain uncertain.

iv. Changes in Council Tax, and Capping Regulations

Budget Council agreed a 0.01% Council Tax reduction in respect of 2014/15. This is the fourth year in a row that Council Tax has not increased and the average annual Fylde band D council tax charge is £185.90. For each of the years when Council Tax was frozen the Council has received short term compensatory grants from central government. The previously approved forecast assumed increases of 2.0% per annum from 2015/16 onwards (per Appendix A).

The Localism Act 2011 replaced the previous power of the Secretary of State to cap council tax increases with a system of mandatory referendums triggered by “excessive” increases. Any local authority (including police and fire authorities) setting an increase above a ceiling set by the Secretary of State and approved by the House of Commons will trigger a referendum of all registered electors in their area. The Government believe this will make local authorities much more transparent and much more accountable to local people. If Councils want to increase Council Tax beyond the specified level in any given year, they will have to make the case to the local electorate and receive approval via a referendum. The impact on the Council will depend on the ceiling set by the Secretary of State compared to any future proposed Council Tax rises.

In his Spending Round statement, the Chancellor announced that funding would be available to freeze council tax for a further two years, covering 2014/15 and 2015/16. The key details are as follows:

- The grant is available to local authorities (including the GLA), single purpose fire and rescue authorities, and Police and Crime Commissioners (PCCs). Town and parish councils are not included.
- The freeze grant will operate in the same way as the 2013/14 scheme in that authorities and PCCs which freeze or reduce their Band D council tax will receive a grant (additional to their Revenue Support Grant) equivalent to a 1% increase on their Band D council tax levels.
- The grant will be based on the local authority tax base which would apply having disregarded the reduction in the tax base due to localisation of council tax support – so it would be a higher tax base figure than the actual one and means the 1% grant would be worth more than a 1% rise in council tax.
- The funding will be base lined, so the grant for authorities which freeze in 2014/15 will be paid in both 2014/15 and 2015/16.
- A separate grant for 2015/16 will be paid to authorities which freeze in that financial year.
- This means that authorities and PCCs which freeze in both years will receive a 1% council tax equivalent grant in 2014/15, and 2% in 2015/16.

It was also confirmed in the Spending Round that the 2011/12 and 2013/14 freeze grants would be base-lined into 2015-16. This forecast has been prepared to assume future Council

Tax increases limited to 2% per annum in line with this updated information about potential future thresholds.

There is a possibility that future years capping regulations will restrict the increase in Council Tax that is permissible without the need for a local referendum to a level that is lower than the assumed 2% level. Should this be the case there is a risk that the increase in income from Council Tax as shown in the forecast in future years may not be achievable.

#### 4.4 **Low Level Financial Impact Risks**

##### i. Land Charges

There remains an on-going legal challenge to allow for access to unrefined data under the Environmental Information Regulations 2004 and there is a possibility that there could be some eligible refunds, the value of which is not known precisely at the time of writing. An earmarked reserve has been established to meet this eventuality should it occur. The value of this reserve has been increased to the level of the latest calculation of the Councils maximum exposure in the sum of £127k (increased from £89k in June 2013). There is a risk that later calculations of the level of the Councils exposure may require further additions to this reserve.

##### 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.

##### iii. Lowther Gardens Trust

The Council's revenue budget currently contains budget provision for a subsidy payable to Lowther Trust for the operation of Lowther Pavilion, as detailed in the service level agreement. The budget stands at £51k in 2014/15 and reduces over the remainder of the five year subsidy period to £32k in 2016/17.

There is a risk that the existing budget provision is insufficient to sustain the continuing operation of the Pavilion over the life of the agreement and that further funding requests will be received by the Council.

## 5. **GENERAL FUND RESERVE AND OTHER EARMARKED RESERVES & PROVISIONS**

5.1 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.

5.2 The Council's General Fund Reserve Balance at 31st March 2014 was £5.1m.

5.3 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.

## **6. CONCLUSIONS – GENERAL FUND REVENUE FORECAST**

6.1 The Council faces a number of uncertainties in the future in respect of its finances, particularly from 2015/16 when further reductions in the level of central government funding are scheduled to take effect. The current forecast has a number of high risk financial assumptions which are outside the Council's control.

6.2 A number of these risks, as well as being significant, have a high probability factor. The scale of the changes in the later years of the forecast will only be fully realised when the Government confirms grant settlement figures and may have a significant impact on the final forecast and overall financial strategy of the Council. In addition the cessation of the income that the Council receives under the Waste Recycling Cost Sharing Arrangements with Lancashire County Council will have a seriously detrimental impact on the Council's financial position from 2018/19 when the planned changes come into effect. FBC will be a willing participant in the Lancashire wide waste review, the aim of which is to mitigate the potential impact of the LCC decision.

6.3 The financial situation the Council faces continues to be challenging and uncertain, and the gap between in-year income and expenditure in later years of the forecast will need to be addressed. That said, the revenue forecast shows a stable position with reserves forecast to be broadly the same at the end of the updated five year forecast (at £4.208m in Appendix E), compared with £4.218m when the forecast was approved by Council in March this year (see appendix A).

6.4 Budget planning work for 2015/16 has already started and further updates of the financial forecast will be brought before Members in due course.

## **7. COLLECTION FUND**

7.1 The Council is required to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non Domestic Rates (NNDR). The deficit on the collection fund for Council Tax as at 31st March was £44k. This deficit will be shared in accordance with regulations and will form part of the 2015/16 Council Tax Calculation. The Council's share of the deficit is £5k.

7.2 Prior to 2013/14, the Council collected Business Rates on behalf of Central Government. All the Business Rates income was paid directly into a central pool which was re-distributed to individual councils according to a needs-based formula. Under the new regulations the Council notionally retains a 40% share of its business rates, after which a tariff in the form of a further payment to central government is applied. As at 31st March 2014 the actual

collection of NNDR was lower than originally forecast, largely as a result of the extension of the small business rate relief scheme. As a consequence, the Council's share of the Collection Fund deficit for the year was £416k which was offset by additional Government grant to recompense local authorities for the extension of the small business rate relief scheme.

## 8. THE CAPITAL PROGRAMME

8.1 The Capital Programme is updated continually for agreed changes and reported to the Portfolio Holder for Finance & Resources during the financial year on a quarterly basis.

8.2 The latest updated Capital Programme Summary for the years 2014/15 to 2018/19 is set out in Table 1 below. The Programme has been updated for changes to the end of September 2014. 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 2014/15 £000	Estimate 2015/16 £000	Estimate 2016/17 £000	Estimate 2017/18 £000	Estimate 2018/19 £000
<b>Estimated Expenditure:</b>					
Chief Executive Resources	189	261	49	1,388	602
Development Services	515	366	366	366	366
	3,300	340	320	12,427	4,222
<b>Total Capital Payments</b>	<b>4,004</b>	<b>967</b>	<b>735</b>	<b>14,181</b>	<b>5,190</b>
<b>FINANCING:</b>					
Availability of Resources	<b>4,026</b>	<b>967</b>	<b>735</b>	<b>14,181</b>	<b>5,190</b>
<b>Total surplus (-) / shortfall in year</b>	-22	0	0	0	0
<b>Cumulative surplus (-) / shortfall</b>	-22	-22	-22	-22	-22

8.3 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 quarterly update reports.

### 8.4 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

8.5 Members should note the current surplus position on the Capital Programme.

## **9. VEHICLE PURCHASES**

9.1 The Council has an agreed Service Modernisation Strategy for Operational Services in place 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 longer term plan for future vehicle replacement will be reviewed leading up to the Council budget setting meeting in March 2015. The approved capital programme includes significant capital expenditure for scheduled operational vehicle replacements in 2017/2018.

Cabinet on the 24<sup>th</sup> September RESOLVED to agree to approve the continuation of in house service delivery of all Operational Services until the outcomes of the independent review of waste collection services across Lancashire are known and have been fully assessed and County's statutory obligations under the Environmental Protection Act 2010 (EPA) have been clarified, and in any event before the commitment of significant capital expenditure in relation to replacement of fleet from 2017/18. Any future changes will then be reflected in the Capital Programme.

## **10. 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:

### **10.1 High Level Financial Impact Risks**

#### **(i) Fairhaven Masterplan**

The Council is in the process of applying to the Heritage Lottery Funds Parks for People programme for Development funding to work up the restoration proposals for Fairhaven Lake, historic buildings, landscapes and structures. The Heritage Lottery Fund has a two round bidding process, the first round is the Development Phase and the second round is project implementation. Each bidding round is competitive and further applications will be made dependant on the extent of support from the Heritage Lottery Fund. The first round bid is due to be submitted in February 2015.

If successful at the first round stage the Council would be expected to contribute £20k of capital investment towards a total project development cost of £230k to include the submission of a second round application. This £20k was approved by Council in March 2013 as a capital scheme to be funded from the Capital Investment Reserve.

At the second round submission the Council will need to demonstrate support for a project estimated to be in the region of £2.5 million pounds with an estimated capital contribution from the Council of £400k. At this stage this source of funding has not been identified. The

funding of the £400k will be reviewed leading up to the Council budget setting meeting in March 2015. Any future changes will be reflected in the Capital Programme.

## **10.2 Medium Level Financial Impact Risks**

### **i) Accommodation Project**

The accommodation project is currently included in the programme with the scheme being self-financing from capital receipts from the sale of 3 sites (St David's Road Depot, Derby Road, Wesham and the Public Offices). If either the estimated cost of the refurbishment, the capital receipts achieved or the phasing of this scheme changes, there could be revenue implications (including for example costs of displacing staff / vehicles and equipment) which would be reported to Members and reflected in future revenue budget forecasts accordingly. 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 has been re-marketed during the late summer and the Accommodation Working Group have reviewed a number of further expressions of interest. Disposals of this nature where external agencies, planning decisions, external legal specialists and property developers are involved often take many months to conclude. This results in an inherent risk in the forecast level of programmed resources particularly in the current year of the programme. 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.

### **ii) Coast Protection Scheme**

The adoption of the Strategic Appraisal Report for the Fylde Shoreline Strategy by the Environment Agency will unlock funding for the replacement of sea defences at Fairhaven and Church Scar. Cabinet approved a Coastal Headland Study "Project Appraisal" report in the sum of £175k, fully funded from DEFRA resources. Once the Project Appraisal Report is approved, £500k of funding from DEFRA is then required to complete the next stage. This is the detailed design of the new sea walls. For new sea wall schemes to gain approval and to be funded by DEFRA, they need to achieve a minimum cost benefit ratio of 100%. This is the cost of the works, balanced against the damages or properties they protect from flooding and erosion. Both Fairhaven Lake and Church Scar sea defence schemes achieved a score of 100% in the Strategic Appraisal Report, but Fairhaven, due to its lesser benefits in terms of flood and erosion risk, relies on a contribution of £400k to ensure it achieves a score of 100%. The overall cost of the Fairhaven Sea Wall is currently estimated by DEFRA to be £7.3m, and Church Scar Sea Wall to be £9.4m. The DEFRA funding spans the years 2015/16 to 2018/19. FBC's contribution of £400k towards sea wall development works is fully funded from the Capital Investment Reserve. Further updates and any future changes to the scheme will be reported to members and the Capital Programme will be updated accordingly. Due to the significant value of this scheme this has been highlighted as a future risk.

### **(iii) Vehicle Replacement**

The estimated vehicle replacement profile, to replace existing fleet at the end of its useful economic life from 2014/15 to 2018/19 within the Capital Programme totals £2.489m (of which £1.887m has been approved). Within the forecast it is assumed that this will be financed from borrowing. It is within the delegations of the Chief Financial Officer to determine how the replacement programme is best financed and if leasing becomes a more

economically advantageous method then future forecast updates will be updated to reflect such decisions.

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 program to ensure that ongoing fleet replacement is accurately budgeted for in future years. The Euro VII engine will be introduced in future years in line with stringent environmental regulations. There is no current timeline for this at present however it may fall within the next 5 years. This will have significant financial consequences for future fleet procurement the extent of which is currently unknown as did the introduction of the Euro VI engine with reduced emissions for light passenger and commercial vehicles in 2014 which resulted in a higher purchase price and a resulting increased cost which is currently being considered as part of the budget setting process for 2015/16.

(iv) Disabled Facilities Grants

As local housing authority, the Council has a statutory duty to provide disabled adaptations within the Borough. The Capital Programme includes annual provision for Disabled Facilities Grants (DFG's) in line with the current grant received by the Council from the DCLG to provide this statutory obligation. This accords with the Council decision to limit expenditure to the level of the Central Government grant received annually. In order to monitor the effect of this, the length of time and the number of applications on the various categories of waiting lists for DFG's are being closely monitored and will be reported to Members. The grant settlement for 2014/15 has been confirmed but from 2015/16 onwards the figures in the programme are estimates and will only be confirmed in the year they are due. For as long as the disabled facilities work remains a statutory obligation the grant is unlikely to be withdrawn by the Government but could be reduced.

As part of the 2013 Spending Round announced in June last year, the Government has 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". With effect from 2015/16 onwards DFG funding will move from the Department for Communities and Local Government to the Department of Health and will be paid via the Better Care Fund. In Lancashire the fund will be administered by Lancashire County Council as the upper-tier authority. However, the statutory duty on local housing authorities to provide DFG to those who qualify for it will remain. Therefore each area will have to allocate this funding to their respective housing authorities (district councils in two-tier areas) from the pooled budget to enable them to continue to meet their statutory duty to provide adaptations to the homes of disabled people, including in relation to young people aged 17 and under.

Special conditions will be added to the DFG Conditions of Grant Usage (under Section 31 of the Local Government Act 2003) which stipulate that, where relevant, upper-tier local authorities or CCGs must ensure they cascade the DFG allocation to district council level in a timely manner such that it can be spent within year.

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

## **10.2 Low Level Financial Impact Risks**

### **(i) Project Slippage**

Areas of slippage must be addressed in future years to ensure that no loss of external grant is imposed due to conditions associated within specified timescales.

### **(ii) Other Capital Receipts**

The approved programme for 2014/15 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 2014/15. There is a risk that this remaining resource is insufficient to meet future capital expenditure needs for the facility.

## **11. CONCLUSIONS – CAPITAL PROGRAMME**

- 11.1 The current Capital Programme as updated is showing a surplus position of £22k
- 11.2 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.
- 11.3 Cabinet and Management Team are currently examining in detail the options available. The future capital programme and the associated financing will be subject to discussion with Members during the coming months in the lead up to the annual budget setting process for 2015/16. Meanwhile the capital expenditure position will be closely monitored.
- 11.4 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 further borrowing. The latter would place additional pressure on the Revenue Budget from the consequent financing costs.
- 11.5 It is good practice to maintain a surplus in capital resource to mitigate the risks to the programme.

## **12. TREASURY MANAGEMENT**

- 12.1 The Treasury Management Strategy and Prudential Indicators were approved by Council on 3rd March 2014.
- 12.2 The treasury activities and Prudential Indicators are monitored closely and are reported on a quarterly basis to the Portfolio Holder for Finance & Resources.
- 12.3 Revisions to the regulatory framework of treasury management during 2009 introduced a requirement for Councils to receive a mid-year Treasury Review report. This report will be presented to Audit Committee for scrutiny on 20th November 2014 and subsequently presented to Council on 1st December 2014.

### **13. KEY AREAS OF FINANCIAL RISKS FOR TREASURY MANAGEMENT**

13.1 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,
- (iv) The security of monies invested with counterparties

### **14. CONCLUSIONS - TREASURY**

14.1 Investment rates available in the market have continued at historically low levels and are expected to remain low for some time. Also there remains 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.

### **15. OVERALL CONCLUSIONS ON THE LATEST FINANCIAL FIVE YEAR FORECAST UPDATE**

15.1 The Government have made it clear that it continues to be committed to a deficit reduction programme with the aim of significantly accelerating the reduction in the structural deficit over the course of a Parliament, with the main burden of deficit reduction borne by reduced spending rather than increased taxes. This commitment encompasses the 'Local Government Resource Review' which set out to fundamentally review the grant allocation system to local government with a new regime in place effective from April 2013.

15.2 The assumptions set out in this forecast are the latest best estimates and will be updated as and when further information is made available. External pressures outside the Council's control are being experienced by all local authorities. Instructions remain in place that Officers should not commit to any unnecessary expenditure and this may result in an under spend this year.

15.3 Much work has been done over the last 5 years to ensure that the Council's finances remain robust. This current version of the MTFS shows an in-year contribution to reserves for 2014/15 to 2016/17, followed by a continuing uncertain budget position during the remainder of the forecast as a result of external factors which could adversely affect the Council's financial position, in particular the Lancashire Waste Cost Sharing Agreement. The implementation of Public Sector Deficit Reduction measures promoted by central Government includes both immediate and medium term spending reductions on public services, and like all councils Fylde is also dealing with cost pressures.

15.4 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. The Council continues to examine the balance between charges and tax levels looking closely at new opportunities for income generation.

- 15.5 The Council began a budget right-sizing programme during the summer of 2012 in preparation for the ongoing Government funding reductions anticipated in future years. Following presentation of the 2012/13 outturn report to both Cabinet and Scrutiny Committee, Management Team again committed to carrying out a budget rightsizing exercise to analyse underspends which have occurred over the last 3 financial years. As a result a number of budget adjustments are included within Appendix C of this report under the heading 'Budget Rightsizing'. This programme will continue year-on-year in order to contribute to addressing the ongoing financial challenges faced by the Council, but it should be noted that there is a limit to the efficiencies and savings that can be achieved through this approach. Members and Management Team have carried out further work to address the broader challenges posed by the reduction in Government grant funding and work continues to investigate shared service options and the implementation of modernisation and business process improvement that will make Council services more cost-effective. This programme will yield efficiency improvements to help improve the Council's overall financial position.
- 15.6 Given the significant uncertainty and turbulence of the current economic climate and potential Government spending cuts in future years further revisions to the figures and assumptions in this update will be necessary over the coming months.
- 15.7 At this point the finances of the Council remain robust. Members must, however, remain cognisant of the risks that are detailed within this report
- 15.8 The Council's priorities for improvement remain and the Council needs to continue with the overall strategy making any changes it feels are relevant whilst recognising the future uncertainties that exist.

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 2014	



LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Medium Term Financial Strategy (MTFS) Update, Including General Fund, Capital Programme and Treasury Management for 2014/15 – 2016/17	Budget Council meeting 3rd March 2014	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
MTFS – Outturn Position For 2013/14 (Including General Fund, Capital Programme & Treasury Management)	Cabinet meeting 25th June 2014	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Revenue Budget Monitoring Report 2014/15 – Quarter 1	Policy Development Scrutiny Committee meeting 4 <sup>th</sup> September 2014	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Revenue Budget Monitoring Report 2014/15 – Quarter 2	Policy Development Scrutiny Committee meeting 13 <sup>th</sup> November 2014	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>

Attached documents

1. Appendix A – Forecast approved at Council on 3<sup>rd</sup> March 2014
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

**Latest General Fund Budget Forecast 2013/14 to 2017/18 - as approved at Budget Council March 2014**

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	Adverse / Favourable
<b>Forecast approved at Budget Council in 4th March 2013</b>	<b>10,618</b>	<b>10,424</b>	<b>10,529</b>	<b>10,472</b>	<b>10,472</b>	
Forecast changes - per Appendix C of March 2014 Council report	- 947	- 690	- 704	- 566	- 317	Favourable
Cabinet Budget Proposals - per Appendix F of March 2014 Council report		135	111	87	88	Adverse
<b>Forecast Budget Requirement</b>	<b>9,671</b>	<b>9,869</b>	<b>9,936</b>	<b>9,993</b>	<b>10,243</b>	
<b>Financed by:</b>						
Government Grants	3,524	1,991	1,374	948	654	
Business Rates Funding - Safety Net Level		1,594	1,638	1,671	1,705	
Council Tax Support Funding	638					
Council Tax Freeze Grant relating to 2014/15 freeze		57	57			
Less - Parish Element of Council Tax Support Funding	- 74	- 72	- 72	- 72	- 72	
Sub Total	4,088	3,570	2,997	2,547	2,287	
Council Tax (incl annual Tax Base changes & Collection Fund Surplus/Deficit)	5,114	5,257	5,364	5,500	5,640	
<b>Other grants</b>						
Compensatory grant re Support for Council Tax scheme - 13/14 only	17					
New Homes Bonus	907	1,269	1,519	1,769	1,740	
<b>Forecast Financing</b>	<b>10,126</b>	<b>10,096</b>	<b>9,880</b>	<b>9,816</b>	<b>9,667</b>	
<b>Forecast surplus(-)/deficit for year</b>	<b>- 455</b>	<b>- 227</b>	<b>56</b>	<b>177</b>	<b>576</b>	
<b>Reserves</b>						
Contribution to Capital Investment Reserve	- 455					
Balance of General Fund Reserves b/f	4,800	4,800	5,027	4,971	4,794	
Less transfer to/from(-) General Fund Reserves in year		227	- 56	- 177	- 576	
<b>Forecast Reserves at Year End</b>	<b>4,800</b>	<b>5,027</b>	<b>4,971</b>	<b>4,794</b>	<b>4,218</b>	
<b>Band D Council Tax (Excl Parish Precepts)</b>	<b>£185.92</b>	<b>£185.90</b>	<b>£189.62</b>	<b>£193.41</b>	<b>£197.28</b>	
<b>Council Tax Increase</b>	<b>-0.2%</b>	<b>0.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</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 2013/14 agreed by Cabinet in June 2014 to be slipped into 2014/15;
- Pay award - assumed to be 1% per annum from 2014/15 onwards throughout the forecast (pay negotiations in respect of 2014/15 have not yet been concluded. Any necessary changes arising from the outcome of the negotiations will be reflected in later updates to the forecast);
- Employers Pension Contributions – the Council’s contribution to the Lancashire pension fund scheme is set in accordance with the outcome of the recent Triennial Pension Review at 12.5% plus 9% deficit recovery lump sum payment;
- 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 – 2% increase per annum from 2015/16 onwards in line with latest government announcement on the threshold for referendums;
- Government Grant Support – the forecast reflects updated grant settlement figures in line with the DCLG exemplifications for 2014/15 and 2015/16, then assumes 31 % annual grant reduction from 2016/17 onwards in line with the trajectory of the last few years;
- New Homes Bonus – the forecast assumes the receipt of grant in line with current legislation, with future year’s forecast based upon historical tax base increase data;
- Fees and Charges – 0% increase in all years, budget holders to review in line with policy and any changes to fees & charges to be agreed at Budget Council in March 2015;
- Vacancy Savings – the forecast assumes £125k savings target for 2014/15, and £75k per annum from 2015/16 onwards;
- Localisation of Council Tax Benefit Scheme – the forecast assumes a fully funded scheme with no cost to the Council from 2015/16 onwards pending a Council decision on the 2015/16 scheme to be agreed in December 2014 following the completion of consultation.

## Appendix C

### Forecast changes since March 2014:

	14/15	15/16	16/17	17/18	18/19	ADVERSE / FAVOURABLE / NEUTRAL
	£000	£000	£000	£000	£000	
<b>1 CHANGES AS A RESULT OF MEMBER APPROVALS:</b>						
Accommodation project - use of decant budget for TH windows - approved by Cab 03/03/2014	174	0	0	0	0	ADVERSE
Re-phasing of resources for delivering the Local Plan - approved by Cabinet 26/03/2014	21	0	0	0	0	ADVERSE
Slippage from 2013-14 into 2014-15 approved by Cabinet 25/06/2014	94	0	0	0	0	ADVERSE
Savings from re-negotiated Benefit Fraud Service contract - approved by Cabinet 24/09/14	-13	-20	-20	-20	-20	FAVOURABLE
<b>2 STAFFING COSTS:</b>						
Updated estimates for future years pay award - 2018/19	0	0	0	0	80	ADVERSE
Additional in-year vacancy savings target	-50	0	0	0	0	FAVOURABLE
<b>3 BUDGET RIGHTSIZING EXERCISE:</b>						
Recurring savings from right-sizing exercise across all budget areas of the Council	-66	-29	-52	-53	-39	FAVOURABLE
<b>UPDATED ASSUMPTIONS RE INCOME BUDGETS:</b>						
4 Additional Income - Sandwinning	-50	-50	-25	0	0	FAVOURABLE
5 Additional Income - Car Parking Fees	-25	0	0	0	0	FAVOURABLE
6 Revised Crematorium Income forecasts including impact of CAMEO scheme	-34	31	31	31	31	ADVERSE
7 Fairhaven Lake - impact of red algae - reduced income and increased costs	12	0	0	0	0	ADVERSE
8 Children's Trust - LCC Reduced Funding	5	0	0	0	0	ADVERSE
<b>OTHER FORECAST CHANGES</b>						
9 Loss of waste cost sharing income from LCC from 2018/19 onwards	0	0	0	0	763	ADVERSE
10 Net savings from revised borrowing assumptions and interest rate forecasts	-141	-1	7	-58	58	FAVOURABLE
11 Trade Waste - Increase in LCC Landfill Levy costs	37	0	0	0	0	ADVERSE
12 Refund and ongoing savings of business rates re public conveniences	-63	-13	-13	-13	-13	FAVOURABLE
13 Re-Phasing of I.T. Reserve-Funded Expenditure	-60	60	0	0	0	NEUTRAL
13 Corresponding I.T. Reserve adjustment	60	-60	0	0	0	NEUTRAL
14 Reduction in Housing Benefit Admin Subsidy Grant receivable from central government	0	10	20	30	40	ADVERSE
15 Reduction in External Audit Fees	-8	-18	-18	-18	-18	FAVOURABLE
<b>TOTAL</b>	<b>-107</b>	<b>-90</b>	<b>-70</b>	<b>-101</b>	<b>882</b>	<b>ADVERSE</b>

Full explanations for these changes can be found in 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 2014 has been updated to reflect the financial impact of Cabinet decisions made since then.

(2) Staffing Costs

The forecast has been updated to reflect an estimated 1% pay award per annum throughout the life of the forecast. This is 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. Pay negotiations in respect of 2014/15 have not yet been concluded. Any necessary changes to the forecast arising from the outcome of the settlement will be reflected in later updates to the Financial Forecast when they are known.

The forecast that was approved by Council in March 2014 has an assumed level of 'turnover savings' (delays in the recruitment to vacant posts) of £75,000 per annum from 2014/15 onwards. Actual savings to date are already in excess of this target. Accordingly, the turnover savings target for the current year has been updated to reflect a revised estimate of the level of savings.

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

Officers gave a commitment to Members following the 2011/12 outturn position to review underspends across the Council. This exercise was first carried out in autumn 2012 and has been repeated each year since, resulting in a significant level of favourable adjustments which have been reflected in the revised forecast.

(4) Increase in Sandwinning Income forecasts

The forecast has been updated to reflect the latest estimate of income receivable from sandwinning.

(5) Increase in Car Parking Fee Income forecasts

Car Parks Income for the year has been significantly higher than the forecast amount, most likely as a result of the favourable weather experienced throughout much of the summer period. This income budget has been increased accordingly for the year as part of the budget right-sizing exercise.

(6) Revised Crematorium Income forecasts

The forecast has been updated to reflect additional income generated in-year at the Crematorium and for the impact of the introduction of the 'Cameo' scheme. Income from cremations has been significantly higher than the budgeted level. The increase in respect of the current year is due largely to the delayed re-opening of crematorium facilities in neighbouring areas. However this is offset by a reduction in the level of income received as a result of the introduction of the 'CAMEO' scheme from January 2013. The CAMEO scheme results in a payment through a central pool to those authorities (including Fylde) who have undertaken modernisation works at their facilities to reduce emissions in line with government directives. This is funded by payments into the central pool from those authorities which have not carried out the modernisation works. However during this first year of operation receipts into the pool have been less than was forecast resulting in a reduction in the expected level of receipts to those eligible authorities (including Fylde). As the scheme becomes embedded the collection of payments into the pool may improve and appropriate enforcement action may be introduced, but that is not certain at this stage.

(7) Fairhaven Lake – Impact of Red Algae

The forecast has been updated to reflect the impact of the case of red algae which occurred in the lake during the summer, including the impact of reduced income due to the lake being closed to water based usage and increased cost in dealing with the outbreak.

(8) Reduced Funding from LCC re Children's Trust

The forecast has been updated to reflect the impact of reduced income from LCC to support work around the Children's Trust.

(9) Loss of waste Cost Sharing Income form LCC

The forecast has been updated to reflect the impact of the decision made by LCC to not extend the waste management cost sharing agreement which ends in March 2018. Further details are contained in section 4.2 (iv) of this report.

(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 one-off saving in 2014/15 is as a result of the decision to delay borrowing in the short term and to use internal cash balances 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.

(11) Trade Waste – Increase in costs

At the point in time at which the fees and charge levels for the following year in respect of trade waste are determined the actual level of waste tonnage that will be collected is extremely difficult to predict and assumptions are based on the number of customers and tonnages collected for the previous year. For the current year there has been a 25% increase in commercial waste tonnages collected for the first two quarters of 2014/15 compared to the same period last year, largely attributable to an increase in grey sack customers. This increase in waste tonnage results in a consequential additional landfill levy charge that is payable to LCC. This equates to an additional charge of approximately £37k per annum if the experience of the first two quarters were to be repeated throughout the remainder of 2014/15.

As part of the calculation of fees and charge levels for 2015/16 it will be necessary to take account of the increase in tonnage levels that has been experienced for this year together with the increased landfill charges from LCC and to adjust fee levels accordingly to ensure that such costs are covered by corresponding income to the appropriate level. For the current year the budget for landfill levy/tipping charges has been increased as part of the budget right-sizing exercise.

(12) Refund and ongoing savings of business rates re public conveniences

The forecast has been updated to reflect the one-off refund and recurring savings resulting from Business Rating appeals submitted and settled in year in relation to Public Conveniences within Parks in the Borough.

(13) Re-phasing of IT Projects funded from IT Reserve

The forecast has been updated to reflect the impact of restructuring of the IT Section during the course of 2014/15 which has meant that not all of the planned projects to be funded from the IT reserve are now expected to be completed by 31st March 2015. It is forecast that £60k of this resource will now not be required until 2015/16. Accordingly this budget has been re-profiled together with the corresponding contribution from the IT reserve.

(14) Reduction in Housing Benefit Admin Subsidy Grant receivable from central government

The forecast has been updated to reflect the expectation that housing benefit admin subsidy grant will continue to reduce further in the future as the wider Welfare Reform Agenda changes take effect and workloads change accordingly. A degree of grant reduction is reflected in the latest financial forecast but the actual level of reduction may be greater. As grant notifications are received in respect of future years it may be necessary to update the forecast accordingly.

(15) Reduction in External Audit Fees

The forecast has been updated to reflect the expected reduction in external audit fees notified to the Council by the Audit Commission.

**Latest General Fund Budget Forecast 2014/15 to 2018/19 - Cabinet November 2014**

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	Adverse / Favourable
<b>Forecast approved at Budget Council in 3rd March 2014</b>	<b>9,869</b>	<b>9,936</b>	<b>9,993</b>	<b>10,243</b>	<b>10,243</b>	<b>Adverse</b>
Forecast changes - per Appendix C	- 107	- 90	- 70	- 101	882	
<b>Forecast Budget Requirement</b>	<b>9,762</b>	<b>9,846</b>	<b>9,923</b>	<b>10,142</b>	<b>11,125</b>	
<b>Financed by:</b>						
Revenue Support Grant	1,991	1,374	948	654	451	
Business Rates Funding - Safety Net Level	1,594	1,638	1,671	1,705	1,739	
Council Tax Freeze Grant relating to 2014/15 freeze	57	57				
Less - Parish Element of Council Tax Support Funding	- 72	- 72	- 72	- 72	- 72	
Sub Total	3,570	2,997	2,547	2,287	2,118	
Council Tax (including Collection Fund Surplus/Deficit)	5,257	5,368	5,520	5,669	5,823	
<b>Other grants</b>						
New Homes Bonus	1,269	1,639	1,939	1,960	1,954	
<b>Forecast Financing</b>	<b>10,096</b>	<b>10,004</b>	<b>10,006</b>	<b>9,916</b>	<b>9,895</b>	
<b>Forecast surplus(-)/deficit for year</b>	<b>- 334</b>	<b>- 158</b>	<b>- 83</b>	<b>226</b>	<b>1,230</b>	
<b>Reserves</b>						
Balance of General Fund Reserves b/f	5,089	5,423	5,581	5,664	5,438	
Less transfer to/from(-) General Fund Reserves in year	334	158	83	- 226	- 1,230	
<b>Forecast Reserves at Year End</b>	<b>5,423</b>	<b>5,581</b>	<b>5,664</b>	<b>5,438</b>	<b>4,208</b>	
<b>Band D Council Tax (Excl Parish Precepts)</b>	<b>£185.90</b>	<b>£189.62</b>	<b>£193.41</b>	<b>£197.28</b>	<b>£201.23</b>	
<b>Council Tax Increase</b>	<b>0.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>	



# REPORT



REPORT OF	MEETING	DATE
FINANCE	COUNCIL	1 DECEMBER 2014

## MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2014/15

### PUBLIC ITEM

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

### SUMMARY

This report is a mid-year Prudential Indicators and Treasury Management monitoring report which has been prepared in line with the recommendations of CIPFA's (Chartered Institute of Public Finance Accountants) Code of Practice on Treasury Management 2011, and has been scrutinised by the Audit Committee.

### RECOMMENDATIONS

Audit Committee has considered the Mid-Year Prudential Indicators and Treasury Management monitoring report at its meeting of 20<sup>th</sup> November 2014, and recommends that Council approves:

1. the revised Investment Strategy, including the amendment to the Strategy to allow investment in banks and building societies rated BBB+ or above for short periods of time as described at section 5 of this report; and
2. the revised Prudential Indicators and Limits in Appendix B of this report.

### CABINET PORTFOLIO

This item falls within the following cabinet portfolio:

Finance and Resources - Councillor Karen Buckley.

### SUMMARY OF PREVIOUS DECISIONS

Council approved the 2014-15 to 2016-17 Treasury Management Strategy & Prudential Indicators at its meeting of 3rd March 2014.

## **REPORT**

### **1. Introduction**

The Code of Practice on Treasury Management requires the Council to receive a Mid-Year Treasury Review report in addition to the forward-looking Annual Treasury Strategy and the backward-looking Annual Treasury Report.

The Mid-Year Treasury Review report has been prepared in compliance with the Code of Practice. The Code of Practice requires Members to receive reports and scrutinise the Treasury Management function.

In order to assist with the terminology and explanations that are included within this report Appendix A sets out a Glossary of Treasury Terms and a number of Treasury Management and Prudential Indicators Frequently Asked Questions.

### **2. Economic Update**

#### **2.1 Economic Background**

The UK economic recovery has continued and appears to be sustainable. Gross Domestic Product (GDP) has grown by an average of 0.8% since the middle of 2013. The recovery is still largely driven by household consumption, but the continued rise in employment makes this position less of a concern in the short term. Business investment is recovering and should support continued GDP growth.

Inflationary pressure is currently low and is likely to remain so in the short-term. The annual rate of CPI (Consumer Prices Index) inflation fell to 1.2% in the 12 months to September 2014.

There was no change to UK monetary policy with official interest rates being maintained at 0.5%. The Monetary Policy Committee (MPC) remains concerned about the sensitivity of the UK economy to a rise in Bank Rate. The MPC's focus is on the amount of spare capacity in the economy.

The Bank of England announced a range of measure to cool the UK's housing market including tighter stress testing of mortgage applications and a cap on the number of mortgages at more than 4.5 times the borrower's income.

Eurozone inflation continued to fall towards zero and the limited recovery is losing pace. The EU unemployment rate is high at 11.5%. This compares to an unemployment rate for the UK as at July 2014 of 6.2%, the lowest level since the 2008 financial crisis. The European Central Bank has lowered its interest rate from 0.15% to 0.05%. The Bank of England Monetary Policy Committee noted that weakness in the euro area could lead to uncertainty, damage confidence and disrupt financial markets.

#### **2.2 Economic Outlook for 2014/15**

The growth in the level of consumer spending is expected to slow later this year, alongside a softening of housing market activity. The first rise in Bank Rate is forecast to be in the quarter July to September 2015, with the pace of any further increases being slow and gradual.

#### **2.3 Interest Rate Forecast**

The latest forecast for interest rates from the Council's Treasury Advisors, Arlingclose, is shown in table 1 below.

**Table 1: Interest Rate Forecast from Arlingclose**

Quarter Ending	Bank Rate %	Investment Rates		Borrowing Rates		
		3 month %	1 year	5 year	20 year	50 year
Dec 2014	0.50	0.55	0.95	2.50	3.70	3.80
Mar 2015	0.50	0.60	1.00	2.55	3.75	3.85
Jun 2015	0.50	0.65	1.05	2.70	3.85	3.90
Sep 2015	0.75	0.85	1.20	2.80	3.90	3.95
Dec 2015	0.75	1.00	1.35	2.90	3.95	4.00
Mar 2016	1.00	1.15	1.50	3.00	4.00	4.05
Jun 2016	1.00	1.30	1.65	3.10	4.05	4.10
Sep 2016	1.25	1.45	1.80	3.20	4.10	4.15
Dec 2016	1.25	1.60	1.95	3.30	4.15	4.20
Mar 2017	1.50	1.75	2.10	3.40	4.20	4.25
Jun 2017	1.50	1.85	2.20	3.50	4.25	4.30

### 3. Debt Management

The Council currently has long-term debt of £3.8M at an average rate of 2.856%. No additional external borrowing has taken place during the current financial year.

The Council has a requirement to fund a further £3.0M in 2014/15 (the £6.8M Capital Financing Requirement, or CFR, less £3.8M already borrowed) based on Prudential Borrowing that has been approved as part of the Capital Programme. The CFR of £6.8M (See Appendix B Table 2) includes this Prudential Borrowing. Currently this is being funded by the Council's cash flow, i.e. internal borrowing, and it is expected that internal borrowing will continue to be used for the rest of the financial year in line with advice from the Council's Treasury Advisors.

On 14<sup>th</sup> December 2014 £1.5M of external debt (PWLB loan) will be repaid, reducing the total level of external borrowing from £3.8M to £2.3M.

The use of internal resources in lieu of borrowing, i.e. internal borrowing, has continued to be the most cost effective means of funding capital expenditure. Following the repayment of £1.5M of debt on 14<sup>th</sup> December 2014, internal borrowing of £4.5M will be used to fund the Capital Programme in 2014/15. Using internal borrowing lowers the overall treasury risk by reducing both external debt and temporary investments. However, this position will not be sustainable over the medium term. Consequently, external borrowing options and the timing of such borrowing will continue to be assessed in conjunction with the Council's Treasury Advisors.

The Council has recently been advised that it has qualified for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a further 12 month period (from 1<sup>st</sup> November 2014) having earlier qualified for the period from November 2013 to October 2014.

### 4. Investment Activity

The guidance on Local Government Investments in England give priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

The security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in the Investment Strategy for 2014/15 approved by Council on 3rd March 2014.

The Council held £15.9M of investments as at 30<sup>th</sup> September 2014. These investments represent the Council's surplus cash flow at the mid-year point. The balance of cash is likely to reduce during the remainder of the financial year.

The UK Bank Rate has been maintained at 0.5% since March 2009 and it is not expected to rise until 2015/16. Short-term money market rates have remained at very low levels. Deposits have been made at an average rate of 0.35% in line with the benchmark return of 0.35%. The Council's budgeted investment return for 2014/15 is £0.026m, and performance for the first half of the year is in line with the revised budget.

## **5. Banking Reform Legislation and Revised Investment Strategy**

In April 2014 the European Parliament adopted the Bank Recovery and Resolution Directive which sets out new rules for all Member States and puts an end to bank bail-outs. The Directive will be introduced on the 1<sup>st</sup> January 2015 and aims to ensure that a failing bank or financial institution can be rescued quickly with minimal risk to wider financial stability. The shareholders and creditors of a failing bank will bear the cost of the bank's failure rather than taxpayers.

The European Parliament has also approved a revised Deposit Guarantee Schemes Directive in April 2014 which will affect the UK's Financial Service's Compensation Scheme from July 2015. At present, individuals with investments of up to £85,000 are protected from loss. This protection is being extended to include all non-financial private sector organisations. This change affects how Local Authorities are ranked as creditors in the event of a banking failure. The legislation states that central, regional, local governments and money market funds are not protected from bail-in as it is expected that Public Authorities have much better access to credit than citizens. Many depositors (such as corporate and retail customers) will rank above the Council in the event of a bail-in (A bail-in takes place before bankruptcy and under current proposals, certain types of depositors would suffer a reduction in the amount of their deposit that would be returned to them whilst other classes of investor would not). This will mean that the Council's deposits are at risk of a larger loss if bailed-in when a bank fails. **The risk of a bank failing remains unchanged, but the amount of loss that the Council would incur increases as a consequence of these revised arrangements.**

In preparation for the implementation of the new Directive, credit rating agencies have stated that they plan to review the credit ratings of EU banks in this financial year. At present, the ratings of many UK banks are uplifted by the credit rating agencies to allow for potential government support in the event of a banking failure. Treasury Advisor's Arlingclose consider that there is a realistic risk that some major UK banks may have their credit ratings downgraded from A- to BBB. The Council's existing approved Investment Strategy permits investments to financial institutions with a credit rating of A- or above.

To respond to the risk that the Council's investment counterparties may have their credit ratings downgraded, the Council is asked to approve the following amendments to the Investment Strategy:

- Amend the Investment Strategy by adding authorisation to invest in BBB+ rated banks and building societies for short periods of time (see Table 2 below).

**Table 2: Approved Investment Counterparties**

Counterparty	Credit Rating	Time Limit	Cash Limit
Banks and other organisations and securities whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	BBB+	1 month	£1M per counterparty subject to a maximum of £3M in total to BBB+ rated institutions

The counterparty limit for banks and building societies that have a credit rating of A- and above will continue to be £2M per counterparty in line with the existing approved Investment Strategy.

The Council will always aim to invest in the highest-rated institutions as is possible.

#### **6. Compliance with Prudential Indicators**

The Council has complied with its Prudential Indicators for 2014/15, which were approved on 3rd March 2014 as part of the Council's Medium Term Financial Strategy Update, Including General Fund, Capital Programme and Treasury Management for 2014/15 to 2016/17.

Details of the Prudential Indicators can be found in Appendix B. As changes arise during the year some of the Prudential Indicators and Limits need to be revised.

#### **7. Risk Assessment**

Scrutiny of the revised Prudential Indicators and Limits and the subsequent recommendation of approval to the revisions by Audit Committee to Council helps to protect the Council from the risk of not having adequate liquidity or funding for the Council's capital plans.

Additionally, if this scrutiny process were absent the Council would not be compliant with the Council's approved Treasury Management Practices (as detailed in the Council Constitution) or CIPFA's Code of Practice on Treasury Management.

#### **8. Conclusion**

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the first half of 2014/15. As indicated in this report, none of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

<b>IMPLICATIONS</b>	
Finance	Financial implications are contained within the body of the report.
Legal	This report secures the continued compliance with the Council's approved Treasury Management Practices (as detailed in the Council Constitution) and CIPFA's Code of Practice on Treasury Management.

Community Safety	None
Human Rights and Equalities	None
Sustainability and Environmental Impact	None
Health & Safety and Risk Management	None

REPORT AUTHOR	TEL	DATE	DOC ID
Paul O'Donoghue (Section 151 Officer)	(01253) 658566	November 2014	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Medium Term Financial Strategy Update Including General Fund, Capital Programme & Treasury Management for 2013/14 – 2017/18	Council meeting 3rd March 2014	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>

#### Attached documents

1. Appendix A – Glossary of Treasury Terms and Treasury Management and Prudential Indicators Frequently Asked Questions
2. Appendix B – Prudential Indicators

## Glossary of Treasury Terms

Term	Description
Counterparty	Another party to an agreement.
Credit rating	A measure of the credit worthiness of an institution, corporation, or a country. Credit ratings are calculated from financial history and current assets and liabilities. Typically, a credit rating tells a lender or investor the probability of the counterparty being able to pay back a loan.
Liquidity	As assessment of how readily available an investment is. It is safer to invest in liquid assets because it is easier for an investor to get their money out of the investment.
Minimum Revenue Provision (MRP)	The minimum amount that the Council must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.
Public Works Loan Board (PWLB)	PWLB is part of HM Treasury and lends money to local authorities.
Security	As assessment of the creditworthiness of a counterparty.
Treasury adviser	External consultancy firms that provide information to local authorities, including information regarding counterparty creditworthiness.
Bail-in	A bail-in takes place before bankruptcy and under current proposals, certain types of depositors would suffer a reduction in the amount of their deposit that would be returned to them whilst other classes of investor would not.

## **Treasury Management and Prudential Indicators Frequently Asked Questions**

### **1. What is the difference between capital expenditure and capital financing requirement?**

Capital Expenditure is defined as expenditure on the acquisition, creation or enhancement of tangible fixed assets, subject to a de minimis level of £10,000. It includes expenditure on land, buildings and vehicles.

The Capital Financing Requirement (CFR) is the level of total funding that is required to fund the capital programme. The actual level of external borrowing may be lower than the CFR as a consequence of the use of internal borrowing. Internal Borrowing occurs when the Council temporarily uses its own cash resources to finance capital expenditure rather than arranging new external borrowing. This is a prudent approach when investment returns are low and counterparty risk is high.

### **2. What does the term 'financing' mean?**

The term 'financing' does not refer to the payment of cash but the resources that will be applied to ensure that the capital payment amount is dealt with over the longer term. A number of financing options are available to Councils:-

- capital receipts (eg. sale of land or buildings)
- contribution from revenue expenditure
- capital grant
- contribution from a third party
- borrowing
- contribution from earmarked reserves

### **3. Does the Council link long term loans to particular capital assets/projects?**

The Council does not directly associate loans with particular capital assets/projects, as it is not best practice. The Council will, at any point in time, have a number of cash flows both positive and negative and will be managing its position in terms of its borrowings and investments in accordance with its treasury management strategy and practices. This is best practice in line with the CIPFA Prudential Code.

### **4. What does the term 'net borrowing should not exceed the total of the CFR' mean?**

Net borrowing will remain below the CFR to ensure that the Council is only borrowing for a capital purpose. The Council is permitted to borrow in advance for a capital purpose over the medium term. The term 'total of the CFR' is the CFR of the current year plus increases in the CFR of the previous financial year and next two financial years. In other words, the total of the Council's existing assets, plus additions to assets resulting from forecast Capital Programme expenditure, e.g. vehicles. This gives the Council some headroom to borrow early for a capital purpose in order to secure low interest rates.

### **5. Is the cash that is being managed in-house revenue or capital?**

The short term surplus cash that is managed during the year in house may be revenue or capital, e.g. the Council may receive a capital receipt in April but capital expenditure is incurred throughout the year which gives rise to increased cash balances in the early part of the financial year which is



invested short term by the in house treasury team. The Council receives Council Tax which is classed as revenue income. Council Tax income is typically received in the months of April to January as Council Tax payers make 10 instalments. Therefore, the Council has less cash in the months of February and March and may need to borrow cash short-term in line with the cash flow forecast.

#### **6. What does the Council invest in?**

The Council is restricted in where it can invest its surplus funds. The restrictions are prescribed by statute (Local Government Act 2003 section 15(1) (a)). Councils are also required to have regard to supplementary investment guidance provided by the Communities and Local Government.

The Council's investments are typically short term, i.e. less than a year, and are made in sterling with institutions with high credit ratings. Which is in accordance with the Treasury Management Strategy approved on the 3<sup>rd</sup> March 2014.

#### **7. What is the role of internal and external auditors in respect of treasury management?**

The focus of external auditors work is a Council's annual accounts and the financial management systems and processes that underpin them. The external audit will enquire as to whether the Treasury Management Code has been adopted and whether its principles and recommendations have been implemented and adhered to. External auditors cannot comment or advise on Council's treasury management strategy or policies

Through a process of review, the role of Internal Audit is to provide an opinion of the adequacy, application and reliability of the key internal controls put in place by management to ensure that the identified risks are sufficiently mitigated. This will assist Treasury Management in meeting its desired objectives and help to ensure that the risk of fraud and/or error is minimised. Internal Audit will also look to identify other areas of potential risk which could usefully be included as well as any inefficiencies in existing processes and procedures where improvements can be made. Treasury Management is one of the core financial systems and as such is audited on a cyclical basis.

#### **8. What are the qualifications of Council staff involved in treasury management practices?**

Staff are either working towards or have achieved professional accountancy qualifications from CIPFA (Chartered Institute of Public Finance Accountants), ACCA (Association of Chartered Certified Accountants) or CIMA (Chartered Institute of Management Accountants). Staff work closely with Treasury Management Advisors and attend treasury training and updates provided by the Treasury Management Advisor

## Prudential Indicators

### 1.1 Capital Expenditure

Table 1 shows the revised forecast capital expenditure as reported in the Quarter 2 Capital Programme Update as compared to the capital expenditure originally approved by Council.

**Table 1 Forecast Capital Expenditure**

Forecast Capital Expenditure	2014/15 Original Indicator £M	2014/15 Latest Estimate £M
Total	4.1	4.0

The above table shows the forecast capital expenditure on new projects. The minor reduction in the latest estimate is a consequence of re-phasing the accommodation project and slippage from 2013/14 into 2014/15.

### 1.2 Capital Financing Requirement (CFR)

Table 2 shows the CFR which is the total of all of the Council's capital assets (existing and planned) less all of the Council's capital reserves. This is the amount of capital expenditure that the Council has still to finance. The CFR is normally funded by external borrowing. The Council has borrowed £3.8M and will repay £1.5M of this debt on 14<sup>th</sup> December 2014 (see section 3 of report). After the £1.5M of debt has been repaid, there is a requirement to finance £4.5M from internal cash resources.

**Table 2 Capital Financing Requirement (CFR)**

	2014/15 Original Indicator £M	2014/15 Revised Indicator £M
Total CFR	6.8	6.8

The latest estimate of the CFR is in line with the original approved indicator.

### 1.3 Gross Borrowing

The Council needs to ensure that its total capital borrowing does not, except in the short term, exceed the total of the CFR. Table 3 below shows that the Council will be able to comply with this requirement.

There are no difficulties anticipated in keeping the long term capital borrowing below the CFR. Revenue borrowing may be incurred for short periods in line with cash flow requirements.

**Table 3 Gross Borrowing**

	2014/15 Original Indicator £M	2014/15 Revised Indicator £M
Gross Borrowing Indicator	6.8	3.8
Short Term Borrowing (Revenue)	0	0
<b>Gross Borrowing (Capital)</b>	<b>6.8</b>	<b>3.8</b>
<b>CFR</b>	<b>6.8</b>	<b>6.8</b>
<b>Under Borrowing (Capital)</b>	<b>0</b>	<b>3.0</b>

The Gross Borrowing Indicator has decreased as the Council is forecast to be able to fund the capital borrowing requirement with internal borrowing and does not expect to require new external borrowing during 2014/15, in line with advice from Treasury Advisors. The Under Borrowing (Capital) amount of £3.0M will increase to £4.5M after the repayment of £1.5M of debt on 14<sup>th</sup> December 2014.

#### 1.4 Operational Boundary and Authorised Limit for External Debt

The Operational Boundary is based on the maximum external debt during the course of the year. It is not a limit and therefore may be exceeded on occasion.

The Authorised Limit for external debt represents the limit beyond which borrowing is prohibited, and is set and revised by Council. It reflects the level of borrowing which, in extreme circumstances, could be afforded in the short term. This is a statutory limit which should not be breached.

There were no breaches to the Authorised Limit and the Operational Boundary to 30<sup>th</sup> September 2014.

**Table 4 Operational Boundary and Authorised Limit for External Debt**

	2014/15 Original Indicator £M	2014/15 Revised Indicator £M	Note
Existing Capital Borrowing	6.8	3.8	1
<b>Gross Borrowing Indicator</b>	<b>6.8</b>	<b>3.8</b>	
<b>Operational Boundary</b>	<b>6.8</b>	<b>3.8</b>	1
Contingency	6.1	6.1	2
<b>Authorised Limit</b>	<b>12.9</b>	<b>9.9</b>	

#### Note

1. The Gross Borrowing Indicator and Operational Boundary have decreased as the Council is able to fund the capital borrowing requirement with internal borrowing and does not expect to request new external borrowing during 2014/15, in line with advice from Treasury Advisors.

2. The Authorised Limit includes £6.1M for 'contingency' which is an amount that has been estimated to provide scope to undertake short-term borrowing in the event of a service delivery failure or emergency, e.g. a failure to collect council tax income.

### 1.5 Forecast Treasury Position

Table 5 shows the expected balances for investments and debt at 31<sup>st</sup> March 2015.

**Table 5 Forecast Treasury Position**

At 31 <sup>st</sup> March	2014/15 Estimate £M	2014/15 Revised £M
Debt (Long-Term External Borrowing)	6.8	2.3
Investments	0	4.0

The Council has not undertaken any new external long-term borrowing as it is funding capital expenditure with internal borrowing (see Section 3 of the report).

### 1.6 Forecast Interest

Table 6 shows the impact on the revenue budget of interest payable and investment income.

**Table 6 Forecast Interest**

Revenue Budget	2014/15 Estimate £M	2014/15 Revised £M
Interest payable on Borrowing	0.22	0.10
Investment Income	0.03	0.04

The interest payable budget has been revised to incorporate the savings generated by using internal borrowing to fund capital expenditure.

### 1.7 Adoption of the CIPFA Treasury Management Code

The Council approved the adoption of the CIPFA Treasury Management Code at its meeting on 1<sup>st</sup> December 2003, and adopted the revised Code on 1<sup>st</sup> March 2010.

### 1.8 Limits on Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

**Table 7 Interest Rate Exposures**

	2014/15 Original Indicator £M	2014/15 Revised Indicator £M
Limits on fixed rate debt	6.8	3.8
Limit on variable rate debt (50% of total debt)	3.4	1.9

The limits have decreased as the Council is able to fund the capital borrowing requirement with internal borrowing and does not expect to request new external borrowing during 2014/15.

**1.9 Ratio of Financing Costs to Net Revenue Stream**

This indicator identifies the trend in the financing cost (interest payable less interest receivable) as a percentage of the net revenue stream as shown in Table 8.

**Table 8 Ratio of Financing Costs to Net Revenue Stream**

	2014/15 Original Indicator	2014/15 Revised Indicator
Ratio	8.8%	7.5%

Financing costs are based on the amount of interest payable and receivable as a percentage of the total net revenue stream of the Council. The latest estimate is lower than the original estimate due to the current treasury strategy of internal borrowing rather than long-term external borrowing, which has reduced estimated debt interest charges.

# REPORT



REPORT OF	MEETING	DATE
DEVELOPMENT SERVICES	COUNCIL	1 DECEMBER 2014

## PARK VIEW PLAYING FIELD – SAND & WATER PLAY FACILITY FULLY FUNDED ADDITION TO THE CAPITAL PROGRAMME

### PUBLIC ITEM

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

### SUMMARY

The report proposes an addition to the capital programme of a scheme to provide a sand and water play facility at Park View playing field, Lytham fully funded from a capital grant of £272,084 from the Coastal Communities Fund.

### RECOMMENDATIONS

Approve an addition to the Council's Capital Programme for 2015/16 in the sum of £272,084 to be fully-funded from a grant from the Coastal Communities Fund in the same sum.

### CABINET PORTFOLIO

This item falls within the following cabinet portfolio(s):

Leisure and Culture - Councillor Susan Fazackerley

### SUMMARY OF PREVIOUS DECISIONS

Cabinet 24<sup>th</sup> September 2014 - Park View Playing Field - Consideration of the Management of a Grant for a Sand & Water Play Facility

Cabinet considered the details set out in the report before it and at the meeting and RESOLVED to:

1. Provide officer support from the Parks & Greenspace and Technical Service teams in the delivery of the project to include tender preparation, procurement and project management. These costs will be recharged as part of the scheme costs and will therefore be met by the capital grant.
2. Agree that the Council will act as accountable body for the project.
3. Note that a further report will be presented to Council seeking approval for a fully funded addition to the capital programme, and a subsequent report will be presented to Cabinet later in the year detailing the full financial and management details of the project before any work is awarded or started.

4. The management of the project is to result in no additional costs to the council.

Cabinet 28<sup>th</sup> April 2010 - Community Parks Improvement Programme:

Cabinet considered the details set out in the report before it and at the meeting and RESOLVED:

2. To agree that the Council will act as the accountable body for individual schemes and funding streams where necessary.

4. To present individual detailed reports of the remaining schemes to future meetings of Cabinet to ensure that the Council's financial regulations are satisfied.

## **REPORT**

### **Background**

#### **BACKGROUND**

1. Park View 4U were initially formed as a parks supporter group in 2003. The aim of the group was to improve existing facilities which had gradually declined over the previous 30 years, and to create new facilities that meet the need of the local community. Local need was to be established through a series of community consultation events with the physical improvements being achieved through external grant funding. The group became a registered charitable trust in 2004.
2. During the last 11 years the group, in partnership with the Council have successfully delivered numerous projects and initiatives at Park View playing fields, which has seen a wide range of new and improved outdoor play facilities, to meet all age groups and sections of the community.
3. In 2010 the Trust gained an external capital and revenue grant from the Big Lottery to construct and manage a community café on the site. This facility has proven very popular with the local community and visitors and is now generating a sustainable income.
4. The revenue funding was a key factor with regard to creating local jobs and making the project sustainable. The Trust are now working with officers from the Parks and Greenspace team on how the income from the café and further extensions to the revenue funding grants will make all the facilities on the site sustainable. The Trust will make financial provision for the longer term replacement of the equipment, which will be included in a proposed Service Level Agreement between Park View 4U Trust and Fylde Council.
5. This year the Trust have recently gained an external grant to construct and develop an educational centre on the site which will provide environmental education to local residents and schools and will enable further income generation. This project will start in the next few weeks.
6. Since the start of the Park View 4U supporters group in 2003 the site has been transformed with the group gaining around £2 million in external grant funding in partnership with the Council, which has been invested to create a popular and vibrant site, which has a broad range of quality recreational, leisure and educational facilities.

## CURRENT SITUATION

7. Since the conception of the group in 2003, numerous public consultation exercises have been undertaken to establish community need. The provision of a sand & water play facility was highlighted as a priority in the original consultation in 2003, and has since been a consistent requirement in every community consultation undertaken.
8. Early in 2014, the Park View 4U Trust approached the Council with a proposal to develop a sand and water play facility on the former Scruples site on Lytham Promenade. A proposal was also received at this time from The Civic Society to regenerate this site.
9. Both groups were invited to meet with the Community Focus Scrutiny Committee on the 13<sup>th</sup> March 2014 to present their proposals. The Scrutiny Committee agreed to support the proposal made by the Civic Society in relation to the former Scruples site and Cabinet agreed to this recommendation at the Cabinet meeting on 27<sup>th</sup> May 2014.
10. Due to the Park View proposal not being supported on the Scruples site, the Park View 4U Trust continued in their bid to the Coastal Communities Fund to deliver the sand and water facility on Park View Playing Fields. The bid has since been successful and a total grant of £395,084 has been awarded to the Trust.
11. The total award is split into £274,084 capital grant and £121,000 revenue grant. All tendering, procurement and project management costs will be met by the capital grant and all additional maintenance costs will be met by the revenue grant and income generated from other facilities on the site.
12. The total grant of £395,084 will be paid to the Park View 4U Trust by the Coastal Communities Fund, with all the revenue grant of £121,000 being retained by the Trust, for maintenance and management of the facility. The Trust will also retain £2,000 of the capital grant for legal fees relating to the project.
13. The proposal is that the Council will tender out one capital contract of around £272,084 for the installation of a sand and water play facility including associated groundworks and drainage including a management fee retained by the Council to undertake the tender preparation, procurement and project management.
14. Officers from the Parks & Greenspace and Technical Service teams will deliver all stages of the project in the Council's name, and pay the contractor on successful completion.
15. On completion the Park View 4U Trust will draw down the funding from the Coastal Communities Fund and the monies of £272,084 will be paid to the Council in full. The management fee will be retained by the Council, and the VAT will be recoverable as it will be a Council managed project on land owned by the Council.
16. Cabinet considered a report at its meeting on the 24<sup>th</sup> September and agreed to act as accountable body for the project.
17. This report seeks the approval of Council to include the project as an addition to the council's capital programme which would be fully funded by a grant from the Coastal Communities Fund.
18. A further report will be presented to Cabinet in due course detailing a full financial breakdown and management details of the project before any work is awarded or started.



IMPLICATIONS	
Finance	<p>The report proposes an addition to the capital programme for 2015/16 in the sum of £272,084 fully funded from a grant from the Coastal Communities Fund in the same sum.</p> <p>A subsequent report will be presented to Cabinet in due course detailing the full financial and management details of the project before any work is awarded or started. No ongoing further revenue costs will be incurred by the Council.</p>
Legal	None arising from this report
Community Safety	Provision of modern recreational facilities is important in terms of providing diversionary activities.
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	The proposals represent the replacement of some existing facilities and features, the design will seek to incorporate low maintenance materials and facilities. Creative landscaping will be included in the scheme to ensure minimum impact on the existing landscape and maintenance.
Health & Safety and Risk Management	The tender requests will include Health and Safety information which will be developed by the successful contractors prior to starting on site to safeguard the public and contractor personnel. The completed facility will be inspected in accordance to ROSPA recommendations.

REPORT AUTHOR	TEL	DATE	DOC ID
Paul Walker	01253 658431	14 <sup>th</sup> November 2014	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Cabinet report and minutes	24 <sup>th</sup> Sept 2014	<a href="http://www.fylde.gov.uk/meetings/details/1188">http://www.fylde.gov.uk/meetings/details/1188</a>

# REPORT

REPORT OF	MEETING	DATE
DEVELOPMENT SERVICES	COUNCIL CABINET	1 DECEMBER 2014 2 DECEMBER 2014

## REPLACEMENT OF MOTORISED BOATS AT FAIRHAVEN LAKE

### PUBLIC ITEM

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

### SUMMARY

The existing motorised boats at Fairhaven Lake are no longer in a suitable condition to be used. The report proposes the replacement of the existing motorised boats with new electric boats funded from the capital investment reserve. Members are requested to note the urgency of the request if the council is to be able to provide a boat service to visitors to Fairhaven Lake from next Easter.

### RECOMMENDATIONS

For Council 1<sup>st</sup> December 2014

1. Council are recommended to approve an addition to the Council's Capital Programme in the sum of £55k in 2014/15 to be fully-funded from the Capital Investment Reserve.

For Cabinet 2<sup>nd</sup> December 2014

2. If 1, above is approved then Cabinet is recommended to approve expenditure in respect of the proposed scheme to replace the existing motorised boats (and associated works) at Fairhaven Lake with ten new electric boats in 2014/15 to the sum of £55k as detailed in the report.

### CABINET PORTFOLIO

This item falls within the following cabinet portfolio(s):

Leisure and Culture - Councillor Susan Fazackerley

### SUMMARY OF PREVIOUS DECISIONS

None

## **REPORT**

### **Background**

1. Since the construction of Fairhaven Lake and Gardens in 1923, the Lake has been used for a variety of sailing and water activities. The local authority has delivered a public boat service since around the mid 1930's up until the present day. During this period the style and number of vessels has changed many times, except that of the wooden motorboats, which have been in constant use for several decades.
2. The current fleet consists of 17 teak motorboats, the launch and a variety of non-motorised fleet such as canoes, rowing boats and Pedalos. The motorboats are the main craft in the fleet and bring in around 80% of the boat service income. However, many of these vessels are decades old and have been constantly repaired, altered and maintained by FBC staff through each winter period. Many are now unrepairable and will not be in a suitable condition to be used at the start of the next 'boating season' in spring 2015.

### **Current Situation**

3. On the 14<sup>th</sup> August 2014 the teak motorboats were inspected by the Health and Safety Team from Blackpool Council. Certain alterations were recommended by the team to ensure user safety, in particular to securely 'house' the air cooled engines. These alterations were carried out the week beginning 18<sup>th</sup> August 2014 by the Lake team. The Health & Safety advisor also recommended that to carry out a full condition survey of the motorised fleet. This has now been completed and clearly shows that only 4 of the original teak motorboats could be made 'sea worthy' for the next season.
4. Further to the alterations being carried out on these vessels, one of the engines set on fire due to overheating on the 7<sup>th</sup> September 2014. There was no injury to service users or staff, but a management decision was made to suspend the motorised boating service as user safety could not be guaranteed. The motorised boat service has not been operative since. None of the current motorboats meet any British or European engineering standard.

### **Proposal**

5. To ensure a sustainable and safe 'boating offer' at Fairhaven Lake, it is proposed to replace the 17 teak motor boats with 10 fibre glass, electric boats (see photograph). The reduction in boats will not have a negative effect on revenue income as the 17 teak motor boats currently are not used to capacity. Officers from the Parks and Greenspace team have liaised with numerous national boat service operators and have evaluated a range of craft that would be suitable for Fairhaven Lake.
6. The proposal is to buy 10 electric, fibre glass boats of a similar size to the existing craft that meet CE certification. The cost per craft includes a battery pack, charger and delivery. One of the boats will be fully accessible to ensure that the new service is inclusive to all. Dependent upon demand consideration could be given to the need for additional boats in future years.
7. A new electricity supply will be required to supply electricity to charging points, and some minor infrastructure alterations will be needed to 'house' the charging points.

8. It is also proposed to retain 4 of the original teak motorboats (referred to in paragraph 3 above), to retain some 'heritage interest', as they prove very popular with many service users. It is proposed to fully refurbish these within existing revenue budgets including the provision of a suitable engine and exhaust system. The service would continue to offer the non-motorised sailing service such as canoes, rowing boats and pedalos.
9. As part of the Heritage Lottery Project consultation, the boat service is seen to be very popular by residents and visitors. The upgrade of the fleet will certainly be seen favourably by HLF officers with regard to the wider bid, as it will demonstrate service sustainability, be environmentally friendly and be fully inclusive.
10. If the request for replacement is not approved the council would only be able to run a non-motorised boat service in 2015 which will result in a dramatic reduction in income, and a poor public perception of this service. The reduction of income would be approximately in the region of between £30,000 and £40,000 per annum as some lost income would be replaced by the additional hire of rowing boats.
11. As the boating service usually opens the week before Good Friday, early consideration is required to allow for procurement and manufacture if the proposal is acceptable. Hence why consideration of this is requested now ahead of the annual council budget setting. Orders will need to be placed by early December to ensure delivery before 31<sup>st</sup> March 2015.

#### **Cost breakdown of the proposals**

12. The cost breakdown of the proposal is set out in the table below.

##### **2014/15**

<b>Cost Heading</b>	<b>Description</b>	<b>Total</b>
Purchase of 10 Electric Boats including 1 all-inclusive boat	To purchase 9 standard electric, fibre glass boats with battery and chargers @ £4,915 each and one all-inclusive boat at £6,415	£50,650
Electric Infrastructure Upgrade	New feeder pillar and column, upgrade lanterns, new wiring, ducting and sockets	£2,850
Decommissioning petrol storage chamber	To remove or 'fill in' the existing underground fuel storage bunker	£1,500
<b>Total Costs 2014/15</b>		<b>£55,000</b>

#### **Method and cost of financing the scheme**

13. It is proposed that the project is funded in full from the Capital Investment Reserve.

#### **Future revenue budget impact**

14. There are no additional revenue implications to this proposal. Savings may actually be achievable although these will not be confirmed until the facility is up and running.

### Risk assessment

15. A risk assessment is attached to the report at appendix 1

### Viable alternatives

16. Officers have considered alternative proposals to ensure the boat service at Fairhaven Lake from next Easter. As part of this consideration the use of electric craft is proposed.

### Value for money and details of procurement path

17. In order to ensure that value for money is achieved a procurement exercise is underway and written tenders have been sought in accordance with the Council's contract procedure rules. Selection of the successful tenderer will be on the basis that value for money is a key consideration as well as the suitability of the goods provided and an update will be provided at the Cabinet meeting.

### Detailed objectives, outputs and outcomes

18. The objectives, outcomes and outputs are to:
- Have a new modern fleet of power boats that are clean, safe and environmentally friendly, that enable the provision of a safe and all inclusive boat service.
  - Provide a safe and sustainable 'boating offer'
  - Ensure that the current income generated is sustainable, with a potential to increase
  - Provide an upgraded modern visitor attraction that meets the needs of service users
  - Provide an improved environmentally friendly service with a reduced carbon footprint
  - Provide a fully inclusive 'boating offer' to all members of the public
  - Increase chance of sustaining Green Flag status for the site

### Relevant drawings and plans

19. A photographs is appended which indicates the type of replacement boats being procured.

IMPLICATIONS	
Finance	<p>This report requests approval by Council for an addition to the Council's Capital Programme for the total sum of £55k in 2014/15 - to be fully-funded from the Capital Investment Reserve.</p> <p>If Council approve the addition to the Council's Capital Programme for this scheme Cabinet are requested to approve expenditure in respect of the proposed scheme to replace the existing motorised boats (and associated works) at Fairhaven Lake with ten new electric boats in 2014/15 to the sum of £55k as detailed in the report.</p> <p>Revenue Income for motorised boats is in the region of £30k - £40k per annum which over the 5 year forecast would equate to £150k - £200k. A loss of income of</p>

	this scale would be detrimental to the Council's revenue budget.
Legal	No implications
Community Safety	No implications
Human Rights and Equalities	One of the new boats will be fully accessible
Sustainability and Environmental Impact	The proposed replacement boats will be electric powered and use less energy
Health & Safety and Risk Management	The majority of the existing fleet of motorised boats are no longer in a condition to be used on the lake

REPORT AUTHOR	TEL	DATE	DOC ID
Paul Walker	01253 658431	14 <sup>th</sup> November 2014	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Document name		Council office or web address

Attached documents

1. Committee report risk assessment
2. Photograph of proposed replacement boats

## Committee Risk Assessment Template

Directorate: Development Services		Date of Assessment: 27 <sup>th</sup> October 2014		
Section: Parks and Greenspace		Assessment Team: Mark Wilde/Adam Nagy		
Assessment Activity / Area / Type: Parks Operational				
Do the hazards create a business continuity risk? Yes				
RISK DESCRIPTION	RISK SCORE (Likelihood x Impact)	RISK MITIGATION	RESIDUAL RISK SCORE (Likelihood x Impact)	RISK OWNER / RISK REGISTER
Boats not ready for start of the season leading to postponed service	8	Early decision required. Orders placed before Christmas 2014. Close communication with supplier	6	Mark Wilde / Adam Nagy
New boats not fit for purpose	9	Agreed detailed specification.	6	Mark Wilde / Adam Nagy

New craft not suitable for Fairhaven	9	Pre order demonstration on Lake	6	Mark Wilde / Adam Nagy
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Risk Likelihood

Risk Impact

Multiply the likelihood by the impact and if the score is above 12 then

6 = Very High

1= Negligible

mitigating action should be undertaken to reduce the risk. This action should

5 = High

2 = Marginal

be recorder and monitored in either a directorate or corporate risk register.

4 = Significant

3 = Critical

3 = Low

4 = Catastrophic

2 = Very Low

1 = Almost impossible



