



SCRUTINY ITEM

REPORT OF	MEETING	DATE	ITEM NO
MANAGEMENT TEAM	INTERNAL AFFAIRS SCRUTINY COMMITTEE	20 FEBRUARY 2024	
MEDIUM TERM FINANCIAL STRATEGY UPDATE, INCLUDING GENERAL FUND, CAPITAL PROGRAMME AND TREASURY MANAGEMENT FOR 2023/24 TO 2027/28			

PUBLIC ITEM

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

PURPOSE OF THE REPORT

This report provides Members with an update of the financial forecast for the council for the five years 2023/24 to 2027/28. The MTFS is designed to provide a strategic link between available financial resources and the Council's corporate policy priorities, and to ensure that the Council sets a budget which is robust and sustainable in order that it can deliver its strategic objectives.

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

The update includes the impact of the 2024/25 Local Government Finance Settlement, details of which were announced on 18th December 2023.

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

The detailed draft 2024/25 revenue budget allocations forms part of this report, as does the proposed fees and charges schedule shown at Appendix J to this report. The Committee is requested to consider and provide feedback on each of these elements of the 2024/25 budget.

The proposed capital growth items for 2024/25 are shown at Appendix F to this report for consideration and comment.

This report will also be presented to the Executive Committee for consideration at the meeting of 19th February. The MTFS may be updated as a result of the decisions made by this Committee or by the Executive Committee and will be considered at the Budget Council meeting of 4th March 2024.

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

SOURCE OF REFERRAL

The terms of reference for this committee include receiving periodic update reports in respect of the Council's revenue and capital budgets. This report provides an opportunity for the committee to consider and provide comment on the proposed revenue budget for 2024/25 prior to the Budget Council meeting on 4th March 2024.

FURTHER INFORMATION

The Medium Term Financial Strategy Update is contained within this report and is also available at the link below:

[Medium Term Financial Strategy – Fylde Council](#)

SUGGESTED RECOMMENDATIONS

The Committee is recommended to:

1. Scrutinise the proposed revenue budget for 2024/25 and provide comments, as appropriate, on:
 - (a) The revised estimates for 2023/24 and the revenue budget for 2024/25 as set out in Appendix E, which includes recommended transfers to the Capital Investment Reserve in 2023/24 and 2024/25 equivalent to the balance of the revenue surplus for those years, currently estimated in total to be £0.595m in 2023/24 and £0.375m in 2024/25;
 - (b) The budget proposals and changes to Reserves and Balances as set out in Appendices F & H, to include approval that the Council will act as the accountable body for any of the new capital schemes (as indicated) in Appendix F;
 - (c) The Capital Strategy 2024-28, including Prudential Indicators and Limits, set out in Appendix G; which incorporates the Treasury Management Policy, the Capital Programme, the Treasury Management Strategy, the Investment Strategy and the Minimum Revenue Provision Statement;
 - (d) The updated Useable Reserves & Balances Policy as detailed in Appendix H;
 - (e) An average Band D Council Tax of £225.43 for 2024/25 (excluding Town and Parish precepts), which is a 2.99% increase from the 2023/24 average Band D charge;
 - (f) The Special Expenses policy as set out in Appendix I; which includes that:
 - for the purposes of charging special expenses, both the special expense costs and the tax bases relating to the areas of Lytham and St Annes will each be aggregated and the Council Tax charge per property at each band level will be the same across the whole area; and
 - the annual special expense charge per property will be set for 2024/25 with a 3.06% increase on the 2023/24 level, that being £83.39 per band D property; and
 - the annual borough wide charge per property will be set for 2024/25 with a 3.06% increase on the 2023/24 level, that being £177.75 per band D property; and
 - the budget resource to be allocated to delivering concurrent services and chargeable as special expenses for 2024/25 will be set at a sum equivalent to the annual special expense charge per property (band D equivalent) multiplied by the tax base for the special expense area; and
 - (g) The schedule of fees and charges for 2024/25 as detailed in Appendix J: and
 - (h) The detailed draft 2024/25 revenue budget which can be found on the council website at the following link: [Finance – Fylde Council](#)

REPORT

1. In March 2023 the Council agreed a five-year financial strategy from 2022/23 to 2026/27.
2. The attached Medium Term Financial Strategy (MTFS) identifies the key financial risks for the Council moving forward. These are detailed in Section 10 (Revenue) and Section 13 (Capital) of the report. The Council acknowledges the need to continuously reduce costs and to seek efficiencies in order to meet the challenge of reduced public sector funding, whilst providing high quality services to residents and delivering the ambitions set out in the Corporate Plan. The Council has delivered a balanced budget in 2023/24 and is forecast to do so again in 2024/25 and has delivered significant savings from its budget rightsizing programme across all years of the forecast. This leaves the Council well placed to address further pressures on funding and income.
3. On 18th December 2023, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC), Rt. Hon. Michael Gove MP, released a written statement to Parliament on the provisional local government finance settlement 2024-25. Subsequently the final settlement figures were confirmed in the first week of February 2024, details of which can be viewed by [clicking on this link](#). Further details of this are contained within the attached MTFS.
4. The Council's MTFS and a summary of the budget proposals therein will be made available for consultation via the Council's website and will be provided directly to a range of stakeholders during February 2024.
5. Feedback from this consultation process will be considered as part of the budget setting meeting, as will any views that are expressed by this Committee or the Executive Committee.

IMPLICATIONS	
Finance	Detailed financial implications are contained in the body of the attached Medium Term Financial Strategy. Specific advice from the Council's Chief Financial Officer is contained within the overall conclusions to the report in Section 19.
Legal	None arising directly from the report.
Community Safety	None arising directly from the report.
Human Rights and Equalities	None arising directly from the report.
Sustainability and Environmental Impact	None arising directly from the report.
Health & Safety and Risk Management	None arising directly from the report.

SUMMARY OF PREVIOUS DECISIONS

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

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

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul O'Donoghue, chief Financial Officer	paul.odonoghue@fylde.gov.uk	February 2024

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 2022/23 – 2026/27	Budget Council meeting 2 nd March 2023	www.fylde.gov.uk
MTFS – Outturn Position For 2022/23 (Including General Fund, Capital Programme & Treasury Management)	Executive Committee meeting 25 th May 2023	www.fylde.gov.uk
Financial Forecast Update (including Revenue, Capital & Treasury Management) 2023/24 to 2027/28	Executive Committee meeting 5 th December 2023 and Council meeting 18 th December 2023	www.fylde.gov.uk
Revenue Budget Monitoring Reports & Capital Programme Monitoring Reports 2023/24	Internal Affairs Scrutiny Committee meeting 21 st November 2023	www.fylde.gov.uk
Financial Forecast Update 2023/24 to 2027/28 (Position as at January 2023)	Executive Committee meeting 30 th January 2024 and Council meeting 12 th February 2024	www.fylde.gov.uk

Attached documents

1. Medium Term Financial Strategy 2023/24 to 2027/28

MEDIUM TERM FINANCIAL STRATEGY: 2023/24 – 2027/28



Section 1: FOREWORD

- 1.1 A significant amount of work has been carried out in recent years to ensure that the Council's finances, as detailed in the Medium Term Financial Strategy (MTFS), remain robust. This current version of the MTFS shows a projected surplus for 2023/24 and 2024/25 followed by a period of uncertainty as the national framework for the financing of local government will be subject to review.
- 1.2 The financial year 2023/24 to date has been shaped by a number of the key themes. The economic backdrop during the period continued to be characterised by ongoing high, though reducing, inflation - and its impact on consumer's cost of living - and no imminent end in sight to the conflict in Ukraine, along with the additional conflict in the Middle East. Inflation eased during the second half of 2023 but remains significantly above the Bank of England target of below 2%. Consequently, the economic outlook for UK and world growth remains weak.
- 1.3 This MTFS includes the impact of the final 2024/25 Local Government Finance Settlement, details of which were confirmed in the first week of February 2024. This followed a policy statement on the future of Local Government Finance published on 5th December 2023, covering 2024 to 2025. The policy statement can be viewed here: [Local government finance policy statement 2024 to 2025](#)
- 1.4 The bulk of the December 2023 policy statement confirms the announcements of the [2023/24 Local government finance policy statement](#), released in December 2022 which provided councils with forward notice of the proposals for the 2024/25 settlement.
- 1.5 The continuation of a Lancashire-wide Business Rates Pool was confirmed for 2024/25. The latest in-year monitoring and future modelling indicates that continued participation in a Lancashire Business Rate Pool for 2024/25 will be of financial benefit to Fylde Council, as it has been since participation in the pool commenced.
- 1.6 As such the 2024/25 settlement is once again a single-year settlement and no details have been provided in respect of subsequent years.
- 1.7 For New Homes Bonus the settlement confirms a single-year allocation for 2024/25 and that there are to be no changes to the New Homes Bonus until after the next election. Given that New Homes Bonus is a major source of funding for the Council uncertainty about the future of the scheme represents a significant risk to the overall level of future central government funding. Other government funding for 2024/25 is shown in the updated allocations in Appendix E to this report.
- 1.8 In order to maintain the current financial position, the Council needs to continue with the approach to delivering savings and efficiencies and maximising income which have helped deliver balanced budgets and contribute to reserves over recent years. Through continued focus on the importance of financial stability the Council has delivered a savings programme in recent years and has continued to reduce overheads wherever possible. Ongoing modernisation work and business improvement will continue to make Council services more efficient, save money and maintain frontline services to customers. This work has yielded ongoing savings to help improve the Council's overall financial position over that period.

- 1.9 Although it is clear that further uncertainty and challenges lie ahead in the later years of the financial forecast, **the finances of the Council remain robust and the reserves and balances are at reasonably healthy levels as compared to earlier periods.** Furthermore, Fylde Council has a past record of taking actions in order to meet and overcome financial challenges as they arise. The Council will continue to seek opportunities to maintain a robust financial position in the face of a changing financial environment. This approach will ensure that the Council continues to achieve and sustain a balanced budget position on an ongoing basis and is able to deliver the priorities set out in the Corporate Plan. External pressures outside the Council's control are being experienced by many local authorities and the full impact of the pandemic is still being understood and assessed. Instructions remain in place that budget-holders should remain prudent and not commit to any unnecessary expenditure. This approach saves money and may result in an under-spend again for this financial year.
- 1.10 The assumptions that are contained within this MTFS are the latest best estimates and will be updated as and when further information becomes available.

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Appendix H	Useable Reserves & Balances Policy and Summary Position
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Appendix J	Schedule of proposed fees and charges for 2024/25.

Section 3: THE PURPOSE OF THE MEDIUM TERM FINANCIAL STRATEGY

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

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

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

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

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

3.3 The Council has adopted a pro-active approach to financial management and a commitment to sound corporate governance, safeguarding public monies and ensuring accountability. Over recent years the Council has been recognised by its external auditors as making good progress with ongoing achievements and successes in priority service areas. It is recognised that whilst there continue to be challenges ahead, arrangements have been put in place to ensure that the priorities as set out in the Council's Corporate Plan are supported by a robust financial framework. The council's Audit and Governance Committee considered a report in February 2024 on a review of compliance with the CIPFA Financial Management code, which concluded that the Council is fundamentally compliant in all significant respects with the code requirements. More details are provided in section 6.20 onwards of this report.

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

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

Section 4: VISION FOR THE BOROUGH

- 4.1 The Council produces a Corporate Plan which outlines the key priorities, targets and outcomes for the Authority and the wider community. The Corporate Plan is developed through consultation and feedback with stakeholders based on the key strategic responsibilities of the Council.
- 4.2 The Corporate Plan takes into consideration emerging legislation, policy and changes in resources and responsibilities informed by the Local Government Association, the Department for Levelling Up Communities and Housing, the Department for Work and Pensions and the various professional associations which provide support on policy, finance, governance, waste, planning, parks, public health and environmental health. The intention is to forecast the resources required to address the strategic issues the Council will need to deliver against over the next four years.
- 4.3 The current Corporate Plan covering the period 2020 to 2024 has been developed and has been presented to each of the earlier programme committees of the Council.

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

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

- 4.4 The 2020/24 Corporate Plan was approved at the October 2020 meeting of the Council, along with a review and closure of the 2016/20 plan. A new Corporate Plan for the period 2024/2028 will be presented to the Council early in the 2024/25 municipal year.

The current Corporate Plan is accessible on the Council website at: [Corporate Plan 2020-24](#).

Section 5: STRATEGIC PLANNING

- 5.1 The Council has in place a corporate planning and performance management framework that includes periodic reviews and progress updates on progress against priorities set out in the Corporate Plan. The plan is reviewed in consultation with staff and councillors, partners in other public services, the community and voluntary sector, the local business community and local residents and updates are provided to programme committees. The Council's [Performance Portal](#) tracks activities aligned to each of the key themes within the Corporate Plan.
- 5.2 The Council regularly reviews progress against longer term plans and Members receive regular updates of the financial forecast. It is recognised that despite robust action during recent financial years to produce a stable and sustainable financial position, the continuing uncertainties surrounding the future resources available to the public sector means that the Council needs to strive to continue to achieve a sustainable and robust budget.

- 5.3 The Medium Term Financial Strategy (MTFS) is one of the enabling strategies of the Council, aimed at improving transparency and accountability in the way that services and functions are delivered. The MTFS takes account of the resources the Council requires to deliver its priorities. Where resources are limited the overall objectives of the Council will be the same, but the pace of achievement may require adjustment.

External funding

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

Section 6: DEVELOPING THE MEDIUM TERM FINANCIAL STRATEGY (MTFS)

- 6.1 The MTFS sets out the Council's revenue budget allocations, the programme for capital investment, efficiency targets and forecasts for the period covered by the strategy. The key influences on this strategy include:
- The impact of inflationary pressures on both pay and prices;
 - The continuing uncertainty surrounding future central government funding for local government;
 - The consequent spending constraints resulting from potentially reduced resources in the medium term;
 - Ensuring a robust and sustainable budget through the prudent use of reserves and balances and ensuring externally funded projects are facilitated;
 - Developing new ways of delivering services using modernisation techniques to achieve higher levels of customer satisfaction, efficiency, value for money, strategic partnerships, service commissioning, and enterprise; and
 - The need to continuously review and maintain existing assets to a quality standard.
- 6.2 The MTFS looks at the current year and ahead over the next four years to identify the resources likely to be required by the Council to meet service priorities and to address spending pressures. It aims to:
- Ensure the sustainability of the Council's budget;
 - Facilitate pro-active strategic management of the budget to ensure service investments and dis-investments flow from the Council's corporate and service planning frameworks;
 - Be responsive to a changing and uncertain financial climate in which existing funding streams cease and new opportunities arise; and,
 - Demonstrate clearly to stakeholders, both internal and external, what the Council's plans are for the use of its resources.

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

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

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

6.5 Central to the budget setting process is the work of the Leadership Board and the budget-focussed meetings of that group. In this regard the role of the group is:

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

The Leadership Group has met a number of times during the year specifically in relation to its role in the budget-setting process for 2024/25 and has carefully considered all budget proposals. The final decision with regard to the 2024/25 budget will be taken at the Budget Council meeting of 4th March 2024.

6.6 In December 2023 the Council received details of the provisional 2024/25 Local Government Financial Settlement along with details of the New Homes Bonus allocation for 2024/25. Further details of the impact of the financial settlement are provided within section 8 of this strategy document. For a number of years local authorities have been hoping that a revised framework of financing for local government would provide multi-year settlements, thus assisting with medium-term financial planning. This was initially to follow from a fundamental review of the funding mechanisms for local government entitled the 'Fair Funding Review'. The review has, however, been delayed due to several factors of national importance, including the impacts of Brexit and the Covid pandemic on the demands facing central government. The policy statement did confirm, however, that the government is 'committed to improving the local government finance landscape in the next Parliament', though no details of future reform are provided.

At the earliest, the implementation of any reform will not now be until 2025/26 - or realistically, depending on the timing and outcome of the General Election and the appetite of the new government for reform, until perhaps 2026/27.

6.7 Given the financial risks as detailed in section 10 of this report, it is vital that the financial resources of the Council are managed carefully. Consequently, no revenue growth items are proposed for 2024/25 to ensure that the Council continues to achieve a robust and sustainable revenue budget over the life of the forecast. A number of additional Capital Schemes are proposed for 2024/25. The Council's element of the funding for each scheme will be met from the Capital Investment Reserve, thus avoiding the requirement for any external borrowing in respect of these new schemes. In formulating

the budget proposals, Members have been cognisant of the national economic context and the financial risks and uncertainties facing the Council. The budget proposals for 2024/25 are detailed in Appendix F of this report.

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

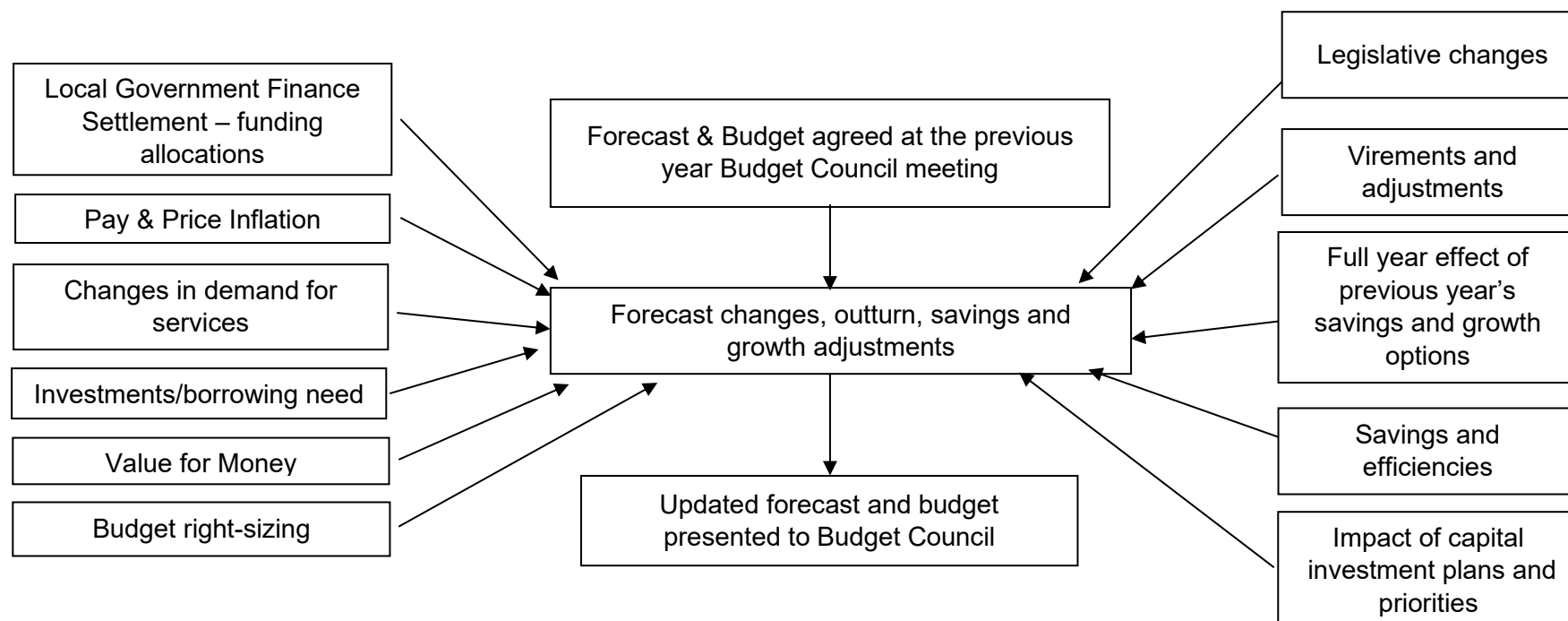
Balancing the MTFS

- 6.9 The Council is primarily a service provider and employee costs are one of its largest areas of expenditure. The budget forecast that was approved by Council in March 2023 included an estimate for the current year pay award of 4%. However, the pay award for 2023/24 was settled at £1,925 per pay point which equates in total to c6.75% on the pay-bill. The updated financial forecast in this report includes revised estimates of future pay awards of 4% for 2024/25 and 2025/26. In total these represent significant adjustments to the base budget. The previous estimates of pay awards of 2.75% per annum thereafter have been retained in each future year of the forecast.
- 6.10 Each year officers review the financial outturn position for the previous year, with particular reference to budget underspend across services, to identify areas where budget adjustments might be appropriate. This exercise has also been carried out several times during 2023/24 following in-year budget monitoring reviews, resulting in a series of mostly favourable budget adjustments, the latest of which have been reflected in this revised forecast.

Developing the Budget Forecast

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

The Council's Budget Process and the Key Factors taken into consideration



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

Fees and Charges

- 6.12 Each year, as part of the budget-setting process for the coming financial year, budget-holders are required to review the fees and charges that the Council applies to the range of services which it delivers.
- 6.13 There are different considerations for assessing changes to the level of fees and charges depending upon the nature of the service. This is explained below:
- For certain activities, for example some environmental health-related activities, fee levels are set by statute at a prescribed level. In respect of these types of activity the review of fees and charges is restricted to ensuring that the correct amount is approved by Council and is correctly applied for the forthcoming year;

- For other types of charges in respect of services for which the Council has statutory responsibilities (for example in relation to licensing matters) fee levels must be set at an appropriate level such that only eligible costs are recovered. In respect of these types of activity the review of fees and charges comprises a review of costs and the adjustment of fees where necessary to avoid the under or over-recovery of costs. Where only minor discrepancies are found between costs and fee levels the charges may be left unchanged until the next review to avoid the costs associated with more regular leaflet re-printing etc.; and
- For other activities which are not set by statute and for which the Council is not acting under statutory powers (e.g. games site fees) fee levels may be set at levels that are determined by the Council itself. In respect of these types of activity the review of fees and charges comprises a review of costs, a review of the fee levels of competitor providers and after a consideration of the likely effect on demand for the services and the total income that would be received at different fee levels.

6.14 Fee levels for all services have been reviewed according to the differing criteria as described above. The proposed fees and charges for 2024/25 have been discussed with Lead Members and at Leadership Board and an updated schedule is shown at Appendix J to this report.

Revenue Budget-setting

6.15 The draft revenue budget for 2024/25 has been prepared and is available via the link shown below. As in previous years, the budget has been prepared on a continuation basis and has been updated to reflect all Committee and Council decisions made to date, the outcome of the budget-rightsizing exercise and all virements.

[Finance – Fylde Council](#)

6.16 The draft budget has been updated to reflect the estimated impact of proposed changes to fees and charges for 2024/25, and the forecast assumes additional overall income from fees and charges increases of £100k per annum from 2025/26 onwards.

6.17 The presentation to this committee of a draft revenue budget for the forthcoming year provides members with the opportunity to review the draft revenue budget and to provide any comments or feedback as appropriate ahead of the Budget Council meeting of 4th March.

Capital Growth Items

6.18 The Council has a duty to manage its assets and capital resources to best deliver its objectives as set out in the Corporate Plan.

6.19 The consideration of capital bids for inclusion or otherwise within the Council's approved Capital Programme is therefore a key component of the budget-setting process and contributes to the longer-term management of the Council's resources in an efficient and effective manner. This report includes proposed capital bids for 2024/25 as shown at Appendix F which have been considered and are proposed by Leadership Board.

CIPFA Financial Management Code

- 6.20 The Local Government financial framework in the UK is governed by primary legislation, regulation and professional standards, as supported by statutory provision. The financial management of a local authority, has not however, until now, been supported by a professional code. The CIPFA Financial Management Code (FM Code) has been introduced because the exceptional financial circumstances faced by local authorities have revealed concerns about fundamental weaknesses in financial management, particularly in relation to some local authorities which may be unable to maintain services in the future.
- 6.21 Whilst there is much good practice across the sector, the failures of a small number of authorities has threatened stakeholders' confidence in local government as a whole. The FM Code is therefore designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability; for the first time, the FM Code sets the standard of financial management for local authorities. Although the FM Code does not have legislative backing, it applies to all local authorities, including police, fire, combined and other authorities.
- 6.22 The purpose of the FM Code itself is to establish the principles in a format that matches the financial management cycle and supports governance in local authorities. A series of FM standards set out the professional standards needed if a local authority is to meet the minimal standards of financial management acceptable to meet fiduciary duties to taxpayers, customers and lenders. Since these are minimum standards, CIPFA's judgement is that compliance with them is obligatory if a local authority is to meet its statutory responsibility for sound financial administration
- 6.23 The underlying principles that inform the FM Code have been designed to focus on an approach which will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable. The principles are as follows:
- **Organisational leadership** - demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture
 - **Accountability** - based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs
 - **Financial management is undertaken with transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making
 - **Adherence to professional Standards** is promoted by the leadership team and is evidenced
 - **Sources of assurance are recognised** as an effective tool mainstreamed into financial management and includes political scrutiny and the results of external audit, internal audit and inspection
 - **The long-term sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources
- 6.24 The Audit and Governance Committee considered a report in early February 2024 on Fylde Council's compliance with the FM code which concluded that the council is fundamentally compliant in all significant respects with the code requirements.

Section 7: BACKGROUND TO THE FORECAST

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

(i) Original Budget 2023/24

At the Council meeting on the 2nd March 2023 the budget for 2023/24 and the medium term financial forecast were agreed. The resolution included a 0.14% decrease in the average Council Tax amount and a total net budget requirement of £11.832m for 2023/24. The General Fund balance at that time was forecast at the end of 2026/27 to be £2.722m. In agreeing the Original Budget for 2023/24 a number of key high level financial risks and assumptions were highlighted in the MTF5 budget report.

(ii) General Fund Revenue Outturn Position 2022/23

The revenue outturn position for 2022/23 was reported to Members in May 2023. The impact of the outturn position, including slippage items in the total sum of £0.435m, has been reflected in this updated forecast. The favourable outturn position for revenue allowed for a total contribution of £0.612m to be made into the Capital Investment Reserve. Appendix E includes the latest estimate in this regard.

(iii) Budget Right-sizing Exercise

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

(iv) Capital Outturn Position 2022/23

The latest approved expenditure budget in the capital programme for 2022/23 was £9.049m. Outturn Expenditure was £7.096m which resulted in an outturn underspend of £1.953m for the year. After adjusting for slippage of £1.952m, the overall outturn position for 2022/23 was an in-year favourable variance of £0.001m against the latest updated estimate. The capital programme has been updated to reflect scheme re-phasing approved as part of the outturn report.

(v) General Fund Revenue Budget Monitoring 2023/24

Revenue budget monitoring reports have been presented to the Internal Affairs Scrutiny Committee at the November and February meetings of the committee. These reports identified a number of budget areas for further consideration. As a result, a number of changes have already been included in this latest forecast update report. These include a significant number of adverse variances as a result of inflationary pressures, revised fee income estimates and the latest estimate of employee costs.

Section 8: THE GENERAL FUND REVENUE FORECAST & NEW FORECAST CHANGES, INCLUDING THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2024/25

- 8.1 Appendix A sets out the original base budget that was agreed at Budget Council in March 2023. In rolling forward the forecast the general assumptions that are included in the base budget are set out in Appendix B, with details of the changes since the last approved budget was set being detailed in Appendix C. Explanations in support of these budget changes are set out in Appendix D. A summary of the impact of these changes, including the proposals of the Budget Working Group, and the updated summary forecast position for the Council, is set out in Appendix E.

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

8.2 The 2024/25 Local Government Finance Settlement

On 18th December 2023, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC), Rt. Hon. Michael Gove MP, released a written statement to Parliament on the provisional local government finance settlement 2024-25. Subsequently the final settlement figures were confirmed in the first week of February 2024. The papers can be viewed [by clicking here](#). This followed a policy statement on the future of Local Government Finance published on 5th December, covering 2024 to 2025. The policy statement can be viewed here: : [Local government finance policy statement 2024 to 2025](#)

The bulk of the December 2023 policy statement confirms the announcements of the 2023/24 Local government finance policy statement, released in December 2022 which was intended to provide councils with forward notice of the proposals for the 2024/25 settlement.

As such the 2024/25 settlement is once again a single-year settlement and no details have been provided in respect of subsequent years.

The broad approach is based on a uniform roll-over of the core elements of the settlement; additional resources for priority services (in particular social care); balancing service pressures with taxpayer concerns through council tax referendum principles; and a fallback, by way of a minimum funding guarantee to ensure that all councils see a minimum increase in their Core Spending Power year on year.

The declared aim is stability for budgeting purposes (which in turn requires a delay to all significant policy changes). Consequently, the settlement contains no new public policy and no specific plans or timescales for the implementation of reform to the mechanisms by which local authorities are funded. Similarly, there are no new resources for service provision arising from the provisional settlement.

FURTHER DELAYS TO FINANCE REFORM

The history of proposed reform to local government financing mechanisms stretches back a number of years without significant progress on the matter.

The policy statement did confirm, however, that the government is 'committed to improving the local government finance landscape in the next Parliament', though no details of future reform are provided.

At the earliest, the implementation of any reform will not now be until 2025/26 - or realistically, depending on the timing and outcome of the General Election and the appetite of the new government for reform, until perhaps 2026/27.

The key points arising from the Finance Settlement for Fylde Council in respect of 2024/25 are:

a) Confirmation of acceptance of the bid by Lancashire authorities to continue to operate Business Rate Pooling arrangements for 2024/25

The continuation of a Lancashire-wide Business Rates Pool was confirmed for 2024/25, subject to no single member of the pool exercising their right to withdraw from the pool within 28 days of the Finance Settlement announcement (as per the terms of the pooling arrangement) which would cause the pool to end. It is not expected that any member of the Lancashire Business Rates pool will exercise this option for 2024/25. The latest in-year monitoring and future modelling suggest that continued participation in a Lancashire Business Rate Pool for 2024/25 will be of financial benefit to Fylde Council, as it has been since participation in the pool commenced.

b) Confirmation of a single year New Homes Bonus allocation in 2024/25 and an ongoing review of the scheme

The settlement confirms a single-year allocation for 2024/25 in the sum of £570k and that there are to be no changes to the New Homes Bonus until after the next election, contrary to the settlement announcement for 2023/24 which stated that there would be a review of the system during 2023.

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

The forecast of New Homes Bonus income for 2024/25 has been updated in line with the provisional allocation announced in the settlement. In respect of all other years, due to the uncertainty surrounding future funding levels, the estimated amounts for 2025/26 onwards are in line with the allocation for 2024/25 and are subject to change as and when further announcements in respect of the scheme are made.

c) Other Government Grants for 2024/25

Other grant changes were also announced in respect of 2024/25 as part of the provisional settlement which for Fylde Council were as follows:

- Services Grant – a final allocation for Fylde of £14k in 2024/25 (reduced from £75k in 2023/24);
- Revenue Support Grant – a final allocation for Fylde of £104k (increased from £98k in 2023/24) and
- The continuation of the “one-off/for 2023/24 only” Funding Guarantee Grant for with a final allocation for Fylde of £1.048m in 2024/25 (increased from £871k in 2023/24). The Funding Guarantee grant aims to ensure all local authorities receive a minimum 3% “Core Spending Power” increase from 2023/24, excluding any funding from increases to 2023/24 council tax levels. Core Spending Power is a measure used by the government of the resources available to local authorities to fund service delivery. It sets out the money that has been made available through the Local Government Finance Settlement. The calculations made by the government to assess Core Spending Power assume that business rate income is receivable at the baseline level, whereas actual business rate income is subject to variation from the baseline level.

The calculation also estimates the council tax base for the coming year based on the average increase on the tax based over the last 4 years, whereas the actual tax base for 2024/25 is below the average increase of the last 4 years.

These updated grant allocations for 2024/25 have been reflected in the summary at Appendix E to this report.

d) Confirmation of the 2024/25 General Council Tax Referendum Principles

The council tax referendum limit for 2024/25 will be 2.99% for local authorities, with an additional 2% social care precept allowed for social care authorities (not Fylde). The 2.99% figure is the same as that for 2023/24 and is the level of increase that is assumed by DLUHC when calculating the core spending power of individual councils. Appendix E of this report assumes an increase in council tax of 2.99% per annum in line with the maximum amount that can be applied without the requirement for a local referendum on this matter.

8.3 Estimates of Government Funding Beyond 2024/25

Estimating the level of funding for local authorities beyond 2024/25 is problematic in light of short-term settlements, national pressures on public finances as a whole, continuing delays to the reform of local government funding mechanisms as well as the changes that may result from a general election due to take place within the next twelve months.

Accordingly, the estimates of government funding contained in the financial forecast at Appendix E of this report have been calculated on a continuation basis and to assume an overall protection of the council's "Core Spending Power" for 2025/26 onwards. This is considered to be the best estimate available given the various uncertainties as outlined in the report.

8.4 Other Forecast Changes

The Financial Forecast has also been updated to reflect the following changes:

a) New Homes Bonus Distribution to Town and Parish Councils

The Finance and Democracy Committee meeting in November 2022 approved that with effect from 2023/24, and for all financial years thereafter, in the event that Fylde Council receives confirmation of an allocation of New Homes Bonus grant for each year, 5% of that grant will be distributed to town and parish councils that have experienced above average housing growth in the previous year using the established distribution methodology. Following the confirmation of the amount of New Homes Bonus grant as part of the 2024/25 financial settlement, allocations of a proportion of this grant to town and parish councils have been calculated in the total sum of £28,489. The financial consequence of this decision is contained within the summary Financial Forecast at **Appendix E** to this report.

b) Other budget adjustments

A number of further budget adjustments have been made to this updated financial forecast in light of the most recent budget monitoring as reported to the Internal Affairs Scrutiny Committee and a further budget-rightsizing review undertaken since the forecast was last updated. These are included within the variance analysis at **Appendix C** to this report and an explanation of each is provided at Appendix D

Section 9: SAVINGS & GROWTH PROPOSALS

- 9.1 In order to prepare for the funding uncertainties of future years only a limited number of growth proposals have been identified and the Council continues to look for further efficiencies. In identifying the growth items now proposed (detailed in Appendix F) and exploring opportunities for future savings, the following criteria has been considered:
- The impact on the Council's corporate priorities;
 - The impact on front line service provision to residents;
 - The sustainability of proposed savings;
 - Value for Money and efficiency implications; and,
 - The potential for further cost reductions both in back-office and service delivery costs, in particular, to be achieved via a mix of more shared services and partnering arrangements.
- 9.2 Although there are no proposed budget reductions as part of this MTFS, the impact of any such future proposed budget reductions would be assessed by way of an equality impact assessment. Any reduction in Council expenditure that leads to a reduction in services will inevitably have an impact on the wider community served. However, in carrying out a high level equality impact assessment on savings options it is necessary to look at two specific issues:
- The effect on persons who share a protected characteristic in relation to the wider community; and,
 - If and how one group is disproportionately disadvantaged by the cuts in relation to other groups.
- 9.3 The Council is consulting with a wide range of stakeholders, including the general public, local business groups, Town and Parish Councils, business rate payers, partners, and other local authorities on the proposed budget for 2024/25.
- 9.4 In putting together the budget proposals due consideration is given to the consultation and feedback which is collated on an ongoing basis through the various service providers as well as bespoke research aimed at specific initiatives. This includes customer satisfaction surveys, suggested service delivery improvements obtained through feedback and an analysis of the complaint and service failure data collated by the Council each month.

Section 10: KEY AREAS OF FINANCIAL RISK (REVENUE)

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

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

10.2 High Level Financial Impact Risks

(i) Future Central Government Funding

The central government funding figures currently shown within the General Fund Forecast at Appendix E comprise the funding allocations as contained within the Local Government Financial Settlement for 2024/25.

Estimating the level of funding for local authorities beyond 2024/25 is problematic in light of short-term settlements, national pressures on public finances as a whole, continuing delays to the reform of local government funding mechanisms as well as the changes that may result from a general election due to take place within the next twelve months.

Accordingly, the estimates of government funding contained in the financial forecast at Appendix E of this report have been calculated on a continuation basis and to assume an overall protection of the council's "Core Spending Power" for 2024/25 onwards. This is considered to be the best estimate available given the various uncertainties as outlined in the report.

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

(ii) Further Delays to the 'Fair Funding Review'

The Government has previously issued a consultation document which focussed specifically on potential approaches that have been identified to measure the relative needs of local authorities. The 2023 policy statement did confirm, however, that the government is 'committed to improving the local government finance landscape in the next Parliament', though no details of future reform are provided.

At the earliest, the implementation of any reform will not now be until 2025/26 - or realistically, depending on the timing and outcome of the General Election and the appetite of the new government for reform, until perhaps 2026/27.

The Fair Funding Review represents a high level risk to the council because it could ultimately result in significant changes to the existing local government funding regime.

(iii) Retained Business Rates – Business Rates Pooling

Currently the financial forecast has been updated to reflect the potential beneficial impact of pooling in 2024/25, followed by estimated reductions of 5% per annum thereafter in line with the possibility of future changes. There remains a risk that the business rate regime is changed as part of the financial settlement and the pooling benefit is diminished.

Any amendments to the levels of forecast Business Rate income to be retained will be reflected in future updates to the financial forecast.

(iv) New Homes Bonus

The provisional settlement confirms a single-year allocation for 2024/25 in the sum of £570k and that there are to be no changes to the New Homes Bonus until after the next election, contrary to the settlement announcement for 2023/24 which stated that there would be a review of the system during 2023.

The forecast of New Homes Bonus income for 2024/25 has been updated in line with the provisional allocation announced in the settlement. In respect of all other years, due to the uncertainty surrounding future funding levels, the estimated amounts for 2025/26 onwards are in line with the allocation for 2024/25 and are subject to change depending on the outcome of any future review of the scheme.

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

10.3 Medium Level Financial Impact Risks

i) Price Inflation and the General Economic Outlook

Price inflation as measured by the Consumer Prices Index (CPI) has remained stubbornly higher than the Bank of England target of a maximum of 2% throughout the year to date. From a peak of an 11.1% annual increase in October 2022 the rate of inflation has fallen to the latest published figure at the time of writing of 4.0% for December 2023.

Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was initially expected to be temporary. Thereafter price rises slowly became more widespread during 2023/24, as a combination of rising global costs and strong demand which was exacerbated by supply shortages as a consequence of the ongoing conflict in Ukraine. The surge in wholesale gas and electricity prices during 2023/24 contributed significantly to overall cost pressures.

Whilst the rate of increase may have slowed during the year to date, prices continue to rise month by month. Price increases represent a significant cost pressure to the council and increase the risk that existing budget provision is insufficient to cover the cost of service delivery. This is particularly pertinent with respect to the financial risks associated with the delivery of the capital programme with building costs and materials continuing to rise.

ii) Borrowing Cost Assumptions

The Capital Financing Requirement (CFR) is a key component of an authority's capital strategy. It quantifies the amount of capital spending that has not been financed by capital receipts, capital grants or contributions from revenue income or reserves. It measures the "underlying need to borrow" for a capital purpose, although this borrowing may not necessarily take place externally. For 2023/24 the Council has a CFR of £4.3m based on past and current capital expenditure plans that have been approved as part of the Capital Programme. A large proportion of the CFR relates to the acquisition of vehicles which are used to deliver operational services including waste management and parks. Further information of the councils Capital Programme can be found in section 8 of this report.

The Council's Capital Financing Requirement is currently being financed by "internal borrowing", a common practice whereby a local authority utilises its internal resources which are not required in the short to medium-term (comprising working capital and reserves), rather than external borrowing, to finance expenditure. Currently the use of internal borrowing continues to be the most cost-effective means of funding capital expenditure not financed from another source as it allows the council to lower the overall treasury risk by reducing both external debt and temporary investments, and to minimise interest costs. It is expected that internal borrowing will continue to be used for the rest of the financial year, and in the medium term, in line with advice from the Council's treasury advisers. However, this position may not be sustainable over the longer term.

The forecast therefore currently assumes that no external borrowing will be required during the life of the financial forecast, that internal borrowing will continue to be utilised to fund capital expenditure not financed from another source, and that the council remains debt-free. This means that the base forecast contains no provision for any external borrowing costs.

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

(iii) Employee Costs - Pay Award

In light of the current year settlement and the continuing high level of inflation relative to the Bank of England target of 2%, the budget provision for the pay award for 2024/25 has been updated to an estimated 4% per annum for 2024/25 and 2025/26 and at 2.75% per annum thereafter. If actual pay awards for those years are higher than these figures this will result in additional costs beyond those budgeted for. Each additional 1% increase in pay equates to an estimated £100k additional cost on the pay bill of the council per annum.

iv) Treasury Management – Investment Income Receipts

The forecast has been updated to reflect the positive impact of increased interest yields receivable on the council's treasury management investments as the bank base rate has increased during the year. Future years estimated interest income levels have also been revised upwards in line with the updated forecast of bank base rate levels provided by the council's treasury management advisors. It is possible that the base rate reduces more quickly or further than estimated which will adversely affect the estimates of interest income receivable by the council, and as such this represents a medium level financial risk.

(v) St Annes Swimming Pool

The council is in the process of re-tendering the contract for the future operation of St Annes swimming pool when the current arrangements with the YMCA come to an end in summer 2025. There is a risk that the existing revenue budget provision is insufficient to cover future revenue costs of the operation of the pool. In addition, a condition survey has been commissioned which may result in the need for capital investment in the pool to keep it operational. Accordingly a capital risk has also been included in section 13 of this report.

(vi) Grounds Maintenance – External Contracts

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

10.4 Low Level Financial Impact Risks

i) The Living Wage

In March 2015 the Council agreed a policy to adopt the Living Wage Foundation pay rates for all employees, excluding apprentices, with effect from 2015/16, such that the Council became a 'Living Wage Employer' from that point forward. Additionally, in the autumn of 2015, the government announced the introduction of a statutory National Living Wage to apply from April 2016 for all employees over the age of 25. The age for entitlement was reduced to those over the age of 23 with effect from April 2021, and in the October 2023 Autumn Statement the government announced that the hourly rate would increase by 9.8% to £11.44 from April 2024 and would apply to 21 and 22-year-olds for the first time.

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

(ii) Planning Application Fee Income

As part of the Autumn Statement announced on 22nd November 2023, DLUHC will bring forward plans for authorities to offer guaranteed accelerated decision dates for major developments in England in exchange for a fee, ensuring refunds are given where deadlines are not met and limiting the use of extension of time agreements. This will also include measures to improve transparency and reporting of planning authorities' records in delivering timely decision-making. Whilst further detail on the proposition is still to be confirmed, it is possible that this initiative could result in the council ultimately refunding some planning fee income to applicants. As such this is considered to be a low level financial risk.

(iii) Reforms of Waste Collection, including Food Waste

In October 2023 the Department for Environment, Food & Rural Affairs (DEFRA) announced reforms of waste collection, including the introduction of weekly collections of food waste for most households across England by 2026. [Further details of the announcement can be found here.](#) The government have given details of initial financial support to be provided to councils to fund implementation of the proposals, but it is currently unclear what the potential cost implications of this announcement are and whether the financial support indicated will be sufficient to meet the full costs of implementation, and as such this is considered to be a financial risk to the council.

Section 11: CAPITAL STRATEGY AND ASSET MANAGEMENT PLAN

- 11.1 The Council owns a number of operational properties and assets and has developed a Capital Strategy and an Asset Management Plan to formalise the management process in respect of physical assets. Operational properties include office accommodation, depots, yards and venues such as the Town Hall and other offices, the crematorium, open space facilities, and various car parks. The Council has a five-year rolling programme of maintenance for its assets which is factored into the Medium Term Financial Strategy.
- 11.2 A small investment property portfolio is managed to generate income to support the revenue budget and maximise any opportunities for regeneration. This position is reviewed regularly in order that income can be maximised and timely decisions made on the disposal of under-performing or surplus assets.
- 11.3 The Asset Management Plan includes a stock condition survey to establish the rolling programme of repair and maintenance, which takes account of the need for efficiency and environmental impact.
- 11.4 Asset holdings are reviewed as part of the annual planning cycle. This could lead to the disposal of some assets to maintain the remaining estate to the desired standard.
- 11.5 A review and revaluation of all heritage assets including furniture and artwork was carried out during 2022. The next review and revaluation will take place in 2027, as required by the Council's adopted accounting policy, to ensure that valuations remain current.

Section 12: THE CAPITAL PROGRAMME

- 12.1 Capital Expenditure is defined as expenditure on the acquisition of a fixed asset and/or expenditure which adds value to (not merely maintains) the value of an existing fixed asset. Examples of fixed assets are; land, building, plant and vehicles. Capital expenditure also includes the making of an advance, grant or other financial assistance towards expenditure which would, if incurred by the Council, be classed as capital expenditure.
- 12.2 The Capital Programme is updated continually for agreed changes and reported in periodic monitoring reports to each Programme Committee.
- 12.3 With effect from the financial year 2019/20 the revised CIPFA Prudential Code 2017 required the Council to produce a Capital Strategy. This new reporting format brings together capital, treasury and investment strategies within a single framework. The latest updated Capital Programme is therefore contained within the Capital Strategy shown at Appendix G which has been updated to reflect the latest position. A prudent approach is taken in preparing the programme to ensure that financing resources are only recognised when there is relative certainty that they will be received. Cost efficiencies achieved in respect of vehicle fleet modernisation, waste collection service development and lease rationalisation have been incorporated.
- 12.4 Capital schemes are directly linked with the Council's priorities and delivered through a series of key programmes through detailed Service Delivery Plans. Major items of enhancement or renewal are identified through the Council's Asset Management Plan.

12.5 Financing the Capital Programme

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

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

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

SUMMARY CAPITAL PROGRAMME

	Estimate 2023/24 £000	Estimate 2024/25 £000	Estimate 2025/26 £000	Estimate 2026/27 £000	Estimate 2027/28 £000
Portfolio:					
Tourism, Leisure & Culture Portfolio	732	1,085	40	40	40
Customer & Operational Services Portfolio	531	2,224	1,281	389	658
Environment Portfolio	1,252	0	0	0	0
Social Wellbeing Portfolio	4,840	1,417	1,317	1,317	1,317
Corporate and Economic Development Portfolio	5,526	6,404	0	0	0
Total Capital Payments	12,881	11,130	2,638	1,746	2,015
Financing:					
Availability of Resources	12,881	11,130	2,638	1,746	2,015
Total surplus (-) / shortfall in year	0	0	0	0	0
Cumulative surplus (-) / shortfall	0	0	0	0	0

Section 13: KEY AREAS OF FINANCIAL RISK (CAPITAL)

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

13.2 High Level Financial Impact Risks

i) Town Centre Regeneration Kirkham

Following the Government's Future High Street funding initiative (FHSF), the Planning Committee resolved, in the autumn of 2019, to select Kirkham Town Centre as its choice to pursue any bids for funding under the scheme. The first opportunity, being part of the broader FHSF, named the High Street Heritage Action Zone initiative (HS HAZ) was launched. This was a competitive process and seeks to enhance the historic environment of high streets that have conservation area status. Following the expansion of the funding for the scheme, due to unprecedented bids from a national perspective, the Kirkham bid proved to be successful, following a recommendation to Government from Historic England (HE). HE is the body responsible for administering the scheme. The grant award was £1.8m and will be match funded from a number of sources including Fylde Council, Kirkham Town Council and Section 106 payments for public realm improvements attributed to residential planning permissions. The scheme will run over 4 years, commencing in April 2020, and includes a wide range of projects. The implementation of the scheme was initially delayed due to the impact of Covid-19 and a revised project plan, which sets out the projects to be delivered and the associated funding, has been agreed with Historic England.

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

The Historic England HAZ scheme is progressing in line with the revised project plan as referenced previously. The shopfront projects supported by HAZ are now committed through the execution of grant agreements and will be defrayed by the end of 2024. A plan for expenditure on Hillside through Phase 2 works (approximately £350k) has been agreed and will be delivered by the end of March 2024. Works to the Public Realm will be substantially complete by the end of February 2024.

The works funded through Future High Street (TSB Refurbishment and Hillside Conversion) are subject to a programme extension until September 2024. The original date for programme completion was March 2024.

The Kirkham Futures Regeneration Programme, which encompasses the funding streams identified above is a complex multi-stranded programme with strict delivery timeframes. As such the Programme has been added to the Council's Strategic Risk Register in order that the identified risks can be managed. Due to the complexities of the scheme, its high value, the strict delivery timescales, and the potential for additional costs beyond those in the approved budget, the scheme is classified as a **high level risk**.

13.3 **Medium Level Financial Impact Risks – Capital Programme**

i) Price Inflation

As explained in section 10.3 of this report, the latest published UK CPI at the time of writing stands at 4.0% year on year to December. Although the rate of inflation has recently fallen, throughout 2023 price increases have continued to exert significant upward pressure on the costs for utilities and for supplies and services across all sectors of the economy, which in turn increases the base costs for both revenue and capital budget items. The situation is particularly acute in the construction sector where supply chain issues and price increases have combined to put increased risks on the delivery of capital programme schemes.

Although the rate of inflation is forecast to fall further during the course of 2024, inflationary price increases represent a significant cost pressure to the council and increase the risk that existing budget provision is insufficient to cover the cost of scheme delivery, or that the scope of scheme deliverables is reduced.

ii) Swimming Pools

A condition survey has been commissioned for St Annes swimming pool which may result in the need for capital investment in the pool to keep it operational. In addition, the council passed a resolution in October 2023 to look at all practicable options to work with partners and stakeholders to support public swim provision following the announcement by the YMCA to permanently close Kirkham Baths. The outcome of these pieces of work may result in as yet unquantified capital expenditure, and accordingly these issues are assessed as a **medium level** capital financial risk.

iii) Vehicle Replacement Programme

The estimated vehicle purchase profile to replace existing fleet at the end of its useful economic life from 2023/24 to 2027/28 within the Capital Programme totals £4.531m (including slippage).

It is important to note that there is currently significant upward pressure on purchase prices for replacement vehicles and technological/legislative changes and alternative fuel options are likely to increase prices further. As a result, it is necessary to reality check the costs associated with new

vehicles on an annual basis and make any necessary adjustments to the capital programme to ensure that ongoing fleet replacement is accurately budgeted for in future years.

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

iv) Borrowing Costs

The Financing section of Table 1 above shows how the capital programme is to be funded. Within that section is the element that is to be funded from Prudential Borrowing. This refers to that element of the capital programme that is not funded by specific or general grants, from capital receipts, or from reserves such as the Capital Investment Reserve, and which requires funding from borrowing. As described in detail at section 10.3(ii) this is currently being financed by “internal borrowing”, the practice whereby a local authority utilises its internal resources which are not required in the short to medium-term (comprising working capital and reserves), rather than external borrowing, to finance the expenditure. However, this position may not be sustainable over the longer-term and it is possible that external borrowing will be required at some future point. This is highlighted as a **medium level financial risk**.

v) Fairhaven Lake and Gardens Heritage Lottery Scheme

In December 2018, the council was notified that it had been successful in securing the second-round capital grant from the Heritage Lottery Fund in the sum of £1.4m for the restoration of Fairhaven Lake & Gardens, with further match funding provided by Fylde Council and other external financial contributions. All capital works apart from the lake package were completed in September 2021, with the defect period and all snags due to be completed by the end of 2023. The refurbished buildings are all now in use, with the new interpretation and activity scheme in place. The final evaluation report for the project is available on request.

The final package of works to be completed is the lake infrastructure and dredge. Design work and different methodologies to desilt the lake are ongoing. The preferred methodologies have been estimated and the costs are significantly higher than the approved capital budget. Officers are seeking additional external grant funding to deliver this remaining element of the project during 2024. Until the scheme is fully delivered there remains the possibility of additional contract costs beyond those in the approved budget.

Consequently, this scheme is considered a **medium level risk**.

vi) St Annes Event Square Scheme

The St Annes Event Space project is the first project to be taken forward from the St Annes Masterplan. The budget for the scheme is £1.5m and this includes physical works, fees, preliminaries, surveys, and contingency.

The objective of the scheme is to provide a flexible events space within the western section of St Annes Road West, from the junction at Clifton Drive to Orchard Road. The road will be able to be temporarily closed during the delivery of large events. The works also include improvements to public

realm items such as seating, planting, and a general softening of the highway. The works will also look at the introduction of new lighting and infrastructure required to support events delivery.

The project is **medium level risk** due to the nature of the works involved, i.e. working in the ground, working adjacent to many stakeholders, public engagement and disruption to the high street.

vii) UK Shared Prosperity Fund (UKSPF)

The UKSPF programme includes 14 different projects across 3 main investment themes: these being Employment & Skills, Support for Business and Communities and Place. There is some flexibility to the Council with regards programme underspends as the government will allow underspends to be moved to different projects, however the funds still are required to be spent within year. Fylde's UKSPF Programme allocation including revenue is £2.6m to be spent across 2022/2023, 2023/2024 and 2024/2025. The capital element within the programme for 2023/24 and 2024/25 is £981k.

The UKSPF programme is considered **medium risk** given the range of projects to be delivered.

13.4 Low Level Financial Impact Risks

i) Project Slippage

It is important that the Council monitors capital scheme slippage to ensure that there is no loss of external grant funding as a result of scheme delays and re-phasing into later years. This is classified as a low level financial risk.

ii) Other Capital Receipts

The approved capital programme assumes "Right to Buy" receipts of £45k for 2023/24 and £25k per annum thereafter, and "General Asset Sale" capital receipts of £404k for 2023/24 (including unapplied receipts from prior years) and £45k per annum thereafter. 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) Better Care Fund (Formerly Disabled Facilities Grants)

As the local housing authority, the Council has a statutory duty to provide disabled adaptations within the Borough. In order to fund these works the Council receives grant support which previously was provided by the Department for Communities and Local Government (DCLG). From 2015/16 the Government established the 'Better Care Fund', and under these new arrangements the funding for Disabled Facilities Grants transferred to the Department of Health, with funding being distributed to all Councils via the upper-tier authority for that area. As such, in Lancashire the fund is administered by Lancashire County Council. Each upper-tier authority then allocates the funding to their respective housing authorities (i.e., district councils within their area) to enable them to continue to meet this statutory responsibility.

The level of government funding has increased significantly under the 'Better Care Fund' arrangements and the budget for 2023/24 (including slippage) totals £1.638m which provides for the delivery of disabled adaptations. It is anticipated that for 2023/24 all identified need for disabled adaptations can be met from the existing resource. There is a risk that future allocations are reduced to a level that is insufficient to meet the demand. The position will be kept under continuous review.

Section 14: RESERVES AND BALANCES PROVISION

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

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

14.2 The Council's General Fund Reserve balance as at 31st March 2023 was £5.006m. The first call on this in 2023/24 was approved slippage items totalling £0.435m.

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

14.4 The Financial Forecast summary at Appendix E includes the proposed transfers to the Capital Investment Reserve in 2023/24 and 2024/25 equivalent to the amount of the revenue surplus for those years (after allowing for all approved transfers to other reserves). The latest estimated surpluses are £0.595m in 2023/24 and £0.375m in 2024/25.

14.5 To maintain a future stable financial environment for the Council, a minimum level of General Fund reserves of £1.0m is the recommendation of the Chief Financial Officer. This is an updated level from the previous approved level of £0.750m to reflect the increased uncertainty in the future levels of central governments funding and the current economic environment in which inflation remains relatively high, economic growth prospects are limited and a significant section of the population is still feeling the effects of the recent inflationary shocks.

Section 15: THE COLLECTION FUND

- 15.1 As a Council Tax and Non-Domestic Rates (NDR) Billing Authority, Fylde Council is required by legislation to collect council tax and business rates within the borough on behalf of central government, Town and Parish Councils and major preceptors (being Lancashire County Council, and the Fire and Police Authorities), and to account for that income through a 'Collection Fund'. Under the Collection Fund accounting arrangements any surplus or deficit on the fund each year, which occur as a result of actual income being higher or lower than that budgeted for, is split between the Government and the other precepting bodies in proportion to their shares.
- 15.2 In respect of **Council Tax**, there was a surplus on the fund as at 31st March 2023 of £276k. This difference between the actual and estimated surplus will be shared between Fylde Council, the County Council, the Police Authority and the Fire & Rescue Authority when calculating the estimated surplus in 2024/25. Fylde Council's share of the estimated surplus in 2023/24 is £40k, the impact of which has been reflected in the Council Tax income forecast within Appendix E.
- 15.3 In respect of **Non-Domestic Rates** there was a deficit on the fund as at 31st March 2023 of £2.926m. A large proportion of this arises from the decision from Government due to the impact of Covid-19 to continue to increase business rate reliefs during 2021/22 and 2022/23 to support businesses during the pandemic. This has the impact of reducing business rates collectable by the council, thus creating a shortfall in income. The difference between the actual and estimated deficit in 2022/23 will be shared between Central Government, Fylde Council, the County Council, and the Fire & Rescue Authority in 2024/25. Fylde Council's share of the estimated deficit in 2023/24 is £1.445m, the negative impact of which will be funded in 2023/24 from the specific government grant allocated for this purpose (i.e. to offset collection fund deficits caused by the additional reliefs awarded to businesses) which has been set aside into the Collection Fund Deficit Reserve in 2020/21 to 2023/24. The remaining balance on the Collection Fund Deficit Reserve is likely to be required to offset collection fund deficits in 2024/25 and later years. The net impact of these movements is reflected within the business rate income forecasts within Appendix E.

Section 16: TREASURY MANAGEMENT AND THE CAPITAL STRATEGY

- 16.1 Treasury Management is defined as the management of cash flow, banking monies, money market and capital market transactions and the control of the risks associated with these activities. Prudential Indicators provide the framework within which these transactions should be monitored.
- 16.2 From 2019/20 there was a significant change to the format and content of the reporting of treasury management and capital investment activities. The revised CIPFA Prudential Code 2018 required the Council to produce a 'Capital Strategy' in place of the former Treasury Management Strategy. The format of the Capital Strategy incorporates the current Capital Programme (along with any the new proposed capital expenditure for the period 2023/24 to 2027/28).

These elements are now brought together thus linking investment decisions in terms of financial assets (e.g. loans and deposits) together with those relating to physical assets (e.g. land and buildings purchased to achieve an investment yield), with a particular emphasis on how all capital and investments are financed. Furthermore, the Capital Strategy sets out how the investment of capital resources contributes to the delivery of the

Council's key objectives and priorities and describes the long-term context in which capital expenditure and investment decisions are made. The new reporting format aims to ensure that due consideration is given to both the risk and reward of all investment decisions and the impact of such decisions on the delivery of the Corporate Plan.

- 16.3 The objective of the Prudential Code for Capital Finance in Local Authorities (the Code) is to provide a framework to ensure that the Council's Capital and Revenue Budget Plans are affordable, prudent and sustainable.
- 16.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management requires the Council to review and approve a Treasury Management Strategy. The Strategy covers the operation of the treasury function, its expected activities for the forthcoming year and also includes a number of mandatory Prudential Indicators covering the forthcoming three years. This is contained within the Capital Strategy at Appendix G.
- 16.5 There are a number of potential areas of significant risk associated with Treasury Management activities.

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

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

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

Section 17: SUMMARY AND CONCLUSIONS

The General Fund Revenue Forecast

- 17.1 The 2024/25 Local Government Financial Settlement has not fundamentally changed the general financial standing of Fylde Council. The central government grants detailed in section 8 of this report are to be welcomed as they marginally improve the financial position of the Council, albeit in the short term. There remains (as reported in the Financial Forecast update reported to the Executive Committee in January 2024 and to Council in February 2024) a projected surplus for 2023/24 and 2024/25 followed by a period of uncertainty as the national framework for the financing of local government beyond that year is uncertain.
- 17.2 The confirmation of the continuation of a Business Rates Pool amongst Lancashire authorities is welcomed. Developments with regard to future proposals (the implementation of a 'Fair Funding Review' encompassing a possible re-assessment of relative need within local government generally), although further delayed, will be followed closely and any implications reported within future Financial Forecast updates when known.
- 17.3 These uncertainties, together with the potential for future reductions in central government funding, require that in order to maintain the current robust financial position and be able to deliver on the Corporate Plan priorities the Council needs to continue with the approach to delivering savings and efficiencies and maximising income which have helped deliver balanced budgets over recent years. Ongoing modernisation work and business improvement will continue to make Council services more efficient, save money and maintain frontline services to customers. This work has yielded ongoing savings to help improve the Council's overall financial position over that period.
- 17.4 Although it is clear that further uncertainty lies ahead, the finances of the Council remain robust and the reserves and balances are at healthy levels as compared to earlier periods. Furthermore, Fylde Council has a past record of taking actions in order to meet and overcome financial challenges as they arise. The Council will continue to seek opportunities to maintain a robust financial position in the face of a changing financial environment. This approach will ensure that the Council continues to achieve and sustain a balanced budget position on an ongoing basis and is able to deliver the priorities set out in the Corporate Plan.
- 17.5 The assumptions set out in this forecast are the latest best estimates and will be updated as and when further information becomes available.

The Capital Programme

- 17.6 The current Capital Programme as updated is showing a balanced position.
- 17.7 There are a number of priority areas beginning to emerge across the Council's property asset portfolio that may require further investment in the medium term.
- 17.8 Any additional expenditure which is not fully funded by either external finance, revenue contributions, or from existing earmarked reserves would require the generation of capital receipts or external borrowing. The latter would place additional pressure on the Revenue Budget from the consequent financing costs.
- 17.9 Due to the ongoing risks faced by the Council, the Capital Programme will continue to be closely monitored and reviewed on a regular basis throughout each year.

Overall Conclusions

- 17.10 The year 2022/23 saw a gradual recovery from the pandemic of the previous two years, both economically and socially, and 2023/24 was a continuation of a return to a relatively settled environment, although several international events continue to cause concern alongside high levels of inflation domestically and other risks to the Councils financial position, as detailed in sections 10 and 13 of this report.
- 17.11 **The overall forecast financial position of the Council continues to be relatively stable, and the finances of the Council remain robust.** Whilst challenges remain as detailed in this report, and will no doubt continue to be present given the uncertainty over central government funding for future years, prudent financial management has provided a relatively stable financial environment which allows the necessary time to determine how this Council can best respond to the challenges it faces and deliver its strategic priorities.
- 17.12 The Council has set out its response to the financial challenges within its Efficiency Plan, published in 2016. The actions that are contained within the Efficiency Plan remain valid and at the forefront of future service planning. The key elements of the Efficiency Plan are:
1. To redouble the challenges to existing expenditure budgets through the regular budget right-sizing exercises which have produced significant levels of savings in recent years in order to seek to further reduce total expenditure;
 2. To seek to maximise existing income streams and explore new sources of income generation and to review existing services for opportunities to generate new forms of income or increased levels of income;
 3. To ensure that the Councils staffing structure is appropriate to the needs of the services that are delivered and to take advantage of opportunities to review establishment structures; and
 4. To transfer a significant sum from General Fund balances to the Funding Volatility Reserve to set-aside resources that can be used to support the revenue budget in future years, as and when that becomes necessary.
- 17.13 At a strategic level, activity and resources are focussed on the delivery of the key objectives of the Council as set out within the Councils approved Corporate Plan. Given the level of reserves that has been generated in recent years the budget deficits in the final years of the forecast appear to be at manageable levels. However, in an uncertain financial environment the position can change in unexpected ways. It is important that the Council continues to operate in a sound and prudent manner in order to maintain a stable financial position and to explore further means by which the financial position can be further strengthened, whilst continuing to provide high quality services to residents and to deliver the priorities set out in the Corporate Plan.

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

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

- **that the estimates have been prepared and reviewed utilising the most up to date and accurate information available;**
- **that the recommendations contained in this report provide the Council with a robust financial position at least for a number of years on the basis of the assumptions set out in this report, and is of the view that:**
 - **the Council has the processes and procedures in place to continue to develop further savings and income generation proposals as necessary to ensure that the minimum revenue balances are maintained over the medium term in light of the financial uncertainty regarding the future impact of the reforms to Local Government Finance in future years; and,**
 - **the Council has the processes and procedures in place to monitor the strategy and its risks in order to take effective remedial action should the need arise.**

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

Latest General Fund Budget Forecast 2022/23 to 2026/27 - Approved at Budget Council March 2023

Appendix A

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Adverse / Favourable
Forecast approved at Council on 3rd March 2022	11,429	11,951	12,212	12,522	12,522	
Forecast Changes since March 2022 - per Appendix C of March 2023 MTFS	28	- 157	- 148	13	661	Adverse
Revenue Budget Growth Items - per Appendix F of March 2023 MTFS		38	39	40	42	Adverse
Forecast Budget Requirement: TOTAL	11,457	11,832	12,103	12,575	13,225	
Financed by:						
Council Tax Funding:						
Council Tax - Precept	6,881	7,002	7,231	7,466	7,707	
Sub Total - Council Tax Income	6,881	7,002	7,231	7,466	7,707	
Business Rates Funding:						
Retained Business Rates	3,580	3,580	3,401	3,231	3,069	
Sub Total - Business Rates Income	3,580	3,580	3,401	3,231	3,069	
Other Funding:						
Lower Tier Services Grant	89					
Services Grant	133	75	75	75	75	
New Homes Bonus (NHB)	1,236	516	516	516	516	
Less - NHB distribution to Town & Parish Councils	- 62	- 26	- 26	- 26	- 26	
Funding Guarantee Grant - one-off 2023/24 only		871				
Assumed "other" government funding to maintain "Core Spending Power"			821	756	677	
Sub Total - Other Income	1,396	1,436	1,386	1,321	1,242	
Forecast Financing: TOTAL	11,857	12,018	12,018	12,018	12,018	
Forecast surplus (-) / deficit for year	- 400	- 186	85	557	1,207	
Reserves						
Forecast surplus/deficit (-) for year from above:	400	186	- 85	- 557	- 1,207	
Less: Proposed Transfer to Capital Investment Reserve	- 400	- 186				
Balance of surplus/deficit(-) remaining:			- 85	- 557	- 1,207	
Balance of General Fund Reserves b/f	5,056	4,571	4,571	4,486	3,929	
Less in year transfer to fund slippage from 2021/22	- 485					
Less estimated transfer from (-) General Fund Reserves in year			- 85	- 557	- 1,207	
Forecast Reserves at Year End	4,571	4,571	4,486	3,929	2,722	
Band D Council Tax (Excl Parish Precepts)	£219.19	£218.89	£223.25	£227.69	£232.22	
Indicative Band D Average Council Tax Increase	£4.28	-£0.30	£4.36	£4.44	£4.53	
Band D Average Council Tax Increase	1.99%	-0.14%	1.99%	1.99%	1.99%	

General Base Budget Assumptions

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

- General Prices Inflation – a freeze or cash-limiting of all general revenue expenditure budgets with the exception of payroll budgets and where contractual commitments require increases;
- Slippage – approved underspend items from 2022/23 agreed by the Executive Committee in May 2023 have been slipped into 2023/24;
- Pay award – the impact of the agreed 2023/24 pay award of £1,925pa for each pay point has been reflected in the updated forecast, with future pay awards estimated to be 4% per annum for 2024/25 and 2025/26 and at 2.75% per annum thereafter;
- Employers Pension Contributions – the Council’s contributions to the Lancashire pension fund scheme are set in accordance with the outcome of the 2022 Triennial Pension Review which was carried out by the scheme actuaries, Mercer. The figures provided by the pension fund confirmed contributions at 19.2% per annum, reduced by scheme surplus payments of 4% per annum for the period from 2023/24 to 2025/26; with future years estimates provided on a continuation basis. The forecast has been updated accordingly;
- 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;
- Council tax increases – the forecast has been prepared to include annual council tax increases at the current referendum threshold of 2.99% per annum from 2024/25 onwards;
- New Homes Bonus Grant – the forecast for 2024/25 onwards assumes a continuation of the 2024/25 level of New Homes Bonus as set out in Section 3.2(b) of the report;
- Fees and Charges – The forecast takes account of the revised fee levels as approved by Budget Council in March 2023. For future years budget-holders have reviewed fee levels as appropriate and any proposed changes to fees & charges will be considered at the Budget Council in March 2024 following consideration by the Executive Committee and the Internal Affairs Scrutiny Committee. The forecast assumes additional income from fees and charges increases of £100k per annum from 2024/25 onwards;
- Vacancy Savings – the forecast assumes vacancy savings of £300k per annum from 2023/24 onwards; and
- Localisation of Council Tax Benefit Scheme – the forecast assumes a fully funded scheme with no additional cost to the Council from 2023/24 onwards; and
- Other Government Funding - the estimates of government funding contained in the financial forecast at Appendix E of this report have been calculated on a continuation basis and to assume an overall protection of the council’s "Core Spending Power" for 2024/25 onwards. This is considered to be the best estimate available given the various funding uncertainties as outlined in the report.

Appendix C

General forecast changes since Budget Council March 2023

	2023/24	2024/25	2025/26	2026/27	2027/28	
	£000	£000	£000	£000	£000	<u>ADVERSE /</u> <u>FAVOURABLE /</u> <u>NEUTRAL</u>
<u>CHANGES AS A RESULT OF MEMBER APPROVALS (fully funded items excluded):</u>						
Lytham Festival - Extension of stadium and car parking - (Exec Committee 25/05/23)	-32	0	0	0	0	FAVOURABLE
Lytham Festival - Impact Assessment (part funding) - (Exec Committee 25/05/23)	13	0	0	0	0	ADVERSE
Members Allowances Report 2023/24 - (Council 27/03/2023)	-7	-9	-9	-9	-9	FAVOURABLE
Lytham Festival - Executive Committee - Dec 2023	0	-35	-38	-41	-44	FAVOURABLE
Members Allowances - annual CPI increases wef 01/04/24 onwards - Council - Dec 2023	0	9	18	27	35	ADVERSE
<u>BUDGET RIGHTSIZING EXERCISE:</u>						
Revenue impact of budget right-sizing across all budget areas of the Council	-89	-27	-26	-126	-29	FAVOURABLE
<u>STAFFING COSTS:</u>						
Updated pay award estimates: £1,925 for 23/24; 4% for 24/25 & 25/26, and 2.75% for 26/27 & 27/28	204	374	521	545	861	ADVERSE
Agency labour cost increases	137	142	147	152	157	ADVERSE
Estimated impact of increase in living wage by 9.8% to £11.44 per hour wef 01/04/2024	0	35	35	35	35	ADVERSE
<u>UPDATED ESTIMATES OF INCOME BUDGETS:</u>						
Updated estimates of Treasury Management investment interest receipts	-855	-710	-555	-380	-310	FAVOURABLE
Planning application fee income - updated in-year estimate based on income to date	58	0	0	0	0	ADVERSE
Planning application fee income - updated estimates including impact of Government fee increases	0	-100	-126	-153	-181	FAVOURABLE
Swimming Pool Support Fund Grant Award - to fund additional subsidy to YMCA in 2023/24	-59	0	0	0	0	FAVOURABLE
Adventure Golf Income - reduced estimate for current year based on income to date	30	0	0	0	0	ADVERSE
Splash facility Income - reduced estimate for current year based on income to date	46	0	0	0	0	ADVERSE
Car Parking Income - updated estimates based on 2023/24 actuals to date	40	20	20	20	20	ADVERSE
Bus Shelters - estimated potential advertising income following tender process	-16	-55	-56	-58	-60	FAVOURABLE
Local Audit Grant - estimated allocation from DLUHC	-16	0	0	0	0	FAVOURABLE
Blackpool Council Planning Committee Support by Fylde Legal Team	-12	-2	-2	-2	-2	FAVOURABLE
Green waste subscription service - updated income estimates based on current subscription level	-10	-10	-10	-10	-10	FAVOURABLE
Trade Waste - additional income from increased usage of the service	-15	-15	-15	-15	-15	FAVOURABLE
Increase in revenue fee income of 15% of £107k additional DFG Capital Grant Funding for 23/24	-16	0	0	0	0	FAVOURABLE
Fylde Waste Schemes - updated estimate of income from other sales - wheeled bins	-13	-13	-13	-13	-13	FAVOURABLE
Fylde Waste Schemes - updated estimate of income from household bulky waste collections	-10	0	0	0	0	FAVOURABLE
Former Public Offices: Rent-free period - budget originally assumed income during 2023/24	30	0	0	0	0	ADVERSE
Beachcomber Café: Rent-free period - budget originally assumed income during 2023/24	11	0	0	0	0	ADVERSE
Estimated additional income from annual fees and charges increases	0	-100	-200	-300	-400	FAVOURABLE
Building Control - updated income based on current income	19	19	19	19	19	ADVERSE
<u>OTHER FORECAST CHANGES</u>						
Gas supply contract renewal - budget increases to reflect estimated increased costs	50	50	50	50	50	ADVERSE
Homelessness costs - increase in number of clients in temporary accommodation	150	100	50	0	0	ADVERSE
Homelessness costs - increase in HB/UC income from clients above	-95	-60	-35	0	0	FAVOURABLE
Homelessness costs - increase in employed client contributions for interim accommodation	-23	-20	-10	0	0	FAVOURABLE
Estimated increase in cost of Housing Benefit, net of subsidy and overpayments recovered	85	85	85	85	85	ADVERSE
Settlement 2023/24 - roll up of 3 grants into RSG (LCTS Admin, CTAX Annex and Food Safety)	80	52	52	52	52	ADVERSE
Increase in council owned asset repairs and maintenance budget to cover inflationary increases	20	20	20	20	20	ADVERSE
Cemetery & Crematorium - increase in statutory medical fees	17	17	17	17	17	ADVERSE
Cemetery & Crematorium - increased cremator R&M costs to keep cremators operational	20	20	20	20	20	ADVERSE
Cemetery & Crematorium - cremated remains containers	5	5	5	5	5	ADVERSE
Fleet Repairs and Maintenance Costs to keep fleet operational - Impact of inflation	80	20	20	20	20	ADVERSE
Further increase in external audit fees from 2023/24 onwards as advised by PSAA	29	29	29	29	29	ADVERSE
Business Rates - additional annual costs following VOA nationwide NNDR revaluation exercise	22	22	22	22	22	ADVERSE
Public Conveniences Contract Inflationary Increases	21	22	10	12	26	ADVERSE
Borough Election 2027/28 - estimated cost	0	0	0	0	150	ADVERSE
Inflationary increase on HR, Payroll & H&S services from Blackpool Council	0	6	10	14	18	ADVERSE
TOTAL	-101	-109	55	37	568	ADVERSE

Explanations of Forecast Changes set out in Appendix C

The following notes relate to specific adjustments made to the Forecast since Budget Council in March 2023 as set out in Appendix C:

(1) Changes as a Result of Member Approvals

The forecast that was approved at the Council meeting in March 2023 has been updated to reflect the financial impact of Member decisions made since then. The significant decisions in terms of their financial effect are detailed within the body of the report.

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

Each year officers carry-out a budget right-sizing exercise focussing on a review of underspends across all budget areas and these have been updated and reflected through the forecast.

(3) Staffing Costs

The estimate for staffing costs has been amended to take account of:

- The agreed pay award for 2023/24, and updated estimates of pay awards for future years
- the on-going effect of the 2022 Triennial Pension Review
- the announcement in the 2023 Autumn statement of a 9.8% increase in the living wage.

(4) Updated Estimates of Income Budgets including:

- Estimates of planning application fee income, car parking income, green waste subscription service income, bus shelter advertising income, domestic and trade waste services income have all been updated to reflect the latest estimated levels throughout the life of the forecast.
- The forecast has been updated to reflect the positive impact of increased interest yields receivable on the council's treasury management investments as the bank base rate has increased during the year. Future years estimated interest income levels have also been revised upwards in line with the updated forecast of bank base rate levels provided by the council's treasury management advisors.

The forecast has been updated to include an estimate of annual increases in the total levels of income from fees and charges as a result of anticipated future increases in charge levels.

(5) Other Forecast Changes:

A number of other changes have been made to the forecast as itemised in the appendix, including additional costs on the repair and maintenance of council-owned buildings, increased estimates of utility costs across the council's asset base, increased estimates of the net cost of providing statutory interim accommodation and the effect of inflationary increases across a range of services most notably in fleet repair and maintenance costs.

Latest General Fund Budget Forecast 2023/24 to 2027/28 - as at February 2024

Appendix E

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	<u>Adverse / Favourable</u>
Forecast approved at Council on 2nd March 2023	11,832	12,103	12,575	13,225	13,225	
Forecast Changes since March 2023 - Per Appendix C	- 101	- 109	55	37	568	Adverse
Forecast Budget Requirement: TOTAL	11,731	11,994	12,630	13,262	13,793	
Financed by:						
Council Tax Funding:						
Council Tax - Precept	7,002	7,261	7,571	7,893	8,227	
Council Tax - Collection Fund Surplus	40					
Sub Total - Council Tax Income	7,042	7,261	7,571	7,893	8,227	
Business Rates Funding:						
Retained Business Rates	3,580	3,401	3,231	3,069	2,916	
Sub Total - Business Rates Income	3,580	3,401	3,231	3,069	2,916	
Other Funding:						
Services Grant	75	14	14	14	14	
Revenue Support Grant	98	104	104	104	104	
New Homes Bonus (NHB)	516	570	570	570	570	
Less - NHB distribution to Town & Parish Councils	- 26	- 29	- 29	- 29	- 29	
Funding Guarantee Grant	871	1,048				
Assumed "other" government funding to maintain "Core Spending Power"			908	748	567	
Sub Total - Other Income	1,534	1,707	1,567	1,407	1,226	
Forecast Financing: TOTAL	12,156	12,369	12,369	12,369	12,369	
Forecast surplus (-) / deficit for year	- 425	- 375	261	893	1,424	
Reserves						
Forecast surplus/deficit(-) for year from above:	425	375	- 261	- 893	- 1,424	
Contribution to revenue from Funding Volatility Reserve	170					
Less: Proposed Transfer to Capital Investment Reserve	- 595	- 375				
Balance of surplus/deficit(-) remaining:			- 261	- 893	- 1,424	
Balance of General Fund Reserves b/f	5,006	4,571	4,571	4,310	3,417	
Less in year transfer to fund slippage from 2022/23	- 435					
Less estimated transfer from (-) General Fund Reserves in year			- 261	- 893	- 1,424	
Forecast GF Reserve Balance at Year End	4,571	4,571	4,310	3,417	1,993	
Band D Council Tax (Excl Parish Precepts)	£218.89	£225.43	£232.17	£239.11	£246.26	
Indicative Band D Average Council Tax Increase	-£0.30	£6.54	£6.74	£6.94	£7.15	
Band D Average Council Tax Increase	-0.14%	2.99%	2.99%	2.99%	2.99%	

Appendix F

BUDGET PROPOSALS - CAPITAL ITEMS

(It is recommended that each of the schemes detailed below is funded from the Capital Investment Reserve)

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Notes
Fairhaven Lake H&S Fencing	0	68	0	0	0	This scheme is for the installation of new fencing along the lakeside edge. This has been highlighted as a safety risk and the new fencing will reduce the risk of members of the public falling into the lake.
Depot Heat Management System	0	117	0	0	0	This proposal is for the replacement of the existing heating oil system in the fleet management workshop, at Snowdon Road Depot with a more modern, fit for purpose, energy efficient heating system to provide adequate welfare facilities for staff working in this building.
Improvements to Ashton Gardens Parks Footpaths	0	63	0	0	0	This scheme is to replace some of the tarmac pathways in Ashton Gardens , particularly the bowling green and skatepark, which are currently served by defective crazy paving paths which are not Disability Discrimination Act compliant, pose safety issues and are difficult to maintain.
Freckleton PC Community Centre Roof	0	30	0	0	0	Fylde Council support for this project has been requested by Freckleton Parish Council. The roof of the Rawstome Centre is leaking in certain areas and is in need of replacement. The full cost is estimated to be £39,000 of which Fylde Council has been asked to contribute £30,000.
TOTAL OF CAPITAL SCHEME PROPOSALS	0	278	0	0	0	

Further details of each of the above capital bids are provided in the following pages.

Capital Bids

FBC Capital Bid 2024/25

Prepared by / Bid Originator – Head of Place and Culture

Scheme Title: Lakeside Fencing – Fairhaven Lake and Gardens**Description of Scheme:**

The Fairhaven Management Team are proposing a capital scheme to undertake the provision and installation of new fencing along the lakeside. Following recent investment from the Heritage Lottery Fund, Fylde Council and external partners, the destination venue has seen an increase in visitors, who enjoy the various recreational facilities on offer around the park and a busy events programme delivered by Fylde Council, the community and the RSPB.

The lake is bordered by a perimeter path that runs around the entirety of the lake, however, in some places the path is narrow and very close to the edge of the water, with no current physical protection in place, which poses a health and safety risk. There have been several instances of visitors falling into the water, particularly close to the café and on the stretch of path from Stanner Bank to the Pagoda Building (RSPB).

The Fairhaven Team have highlighted this as a safety risk to and are proposing that a new fence is installed at these areas to reduce the risk of visitors falling into the lake.

The proposed works are to install 302 linear metres of ornate metal fencing as shown below to create a barrier between the lake and the footpath to stop visitors accidentally falling into the lake in these locations. The proposed design of the fencing is appropriate to the heritage status of the site.

**Area A (shown in yellow) – café boundary.**

Approximate length of 76 linear metres. This area was identified during the HLF works as a potential hazard with the pathway narrowing to a pinch point alongside the café building but was not covered in the grant funding. This area becomes concentrated with people during busy periods, and visitors have accidentally fallen into the water several times throughout the season.

Area B (shown in red) – Stanner Bank to the Pagoda Building (RSPB).

Approximate length of 226 linear metres. This area was identified during the HLF works as a potential hazard with the pathway being the narrowest of the lakeside pathways with no barrier between the pathway and the water. There have been several instances where visitors have accidentally fallen into the water on this stretch as the pathway becomes very busy. Children often walk on the ramped edge ignoring the painted safety line.



The lakeside edge between the yellow and red areas has adequate fenced marked in blue on the map.

Capital cost plan:

Cost Heading	Description	Total
		£
Supply and install new fencing	Provision preparation and installation of new fencing	£65,000
Contingency at 5%		£3,250
Total Project Costs		<u>£68,250</u>

Outputs (i.e., details of what the investment will specifically deliver):

- Installation of new fencing.
- Improved safety in known areas where visitors have fallen into the water.

Contribution to corporate objectives (i.e., how does the project achieve or help deliver priorities within the corporate plan):

- Provide high quality leisure, tourism, arts, sports and recreation facilities.
- Develop leisure offer along the coast to cater for residents and visitors all year round.

Budget Resource Requirements

Breakdown of initial capital costs and future revenue implications

Estimated Total Capital costs of bid (£000's): £68,250

Lakeside fencing safety measures.

Annual additional Revenue costs arising from the bid (£000's): £ nil.

OR

Future Annual Revenue Savings achievable as a result of the bid: (£000's): £ nil

Please provide any further details of revenue savings below:**Value and phasing of bid:**

2024/25	2025/26	2026/27	Additional capital investment required (i.e., the value of the bid)
£68,250	Nil	Nil	
2024/25	2025/26	2026/27	Existing capital resources in the approved Capital Programme
Nil	Nil	Nil	

Estimated timescales for the bid:

Project Start Date: April 2024

Project Completion Date: May 2024

Project Risks (outline any risks to delivery of the project and how these will be mitigated)

Risk	Impact	Mitigating Action
Works non-compliant with Planning Regulations.	Design and development disputes. Alterations not in keeping with heritage value.	Ongoing consultation with Planning Development. Proposals to be agreed with HLF.
Invasive works to heritage structure.	Damage to lakeside edging infrastructure.	Contract works specification and work method statements to be formally agreed in advance. Ongoing consultation with Planning / Technical Services. Assigned Project Manager.

Endorsement of bid by Chief Executive

Signature



Position

Chief Executive

Date

29th January 2024

Prepared by/Bid Originator – Head of Place and Culture

Scheme Title: Fleet Management Services (FMS) Workshop Heating System Improvements.

Description of Scheme:

The proposed project is to replace the existing heating oil system in the fleet management workshop, at Snowdon Road Depot with a more modern, fit for purpose, energy efficient heating system to provide adequate welfare facilities for staff working in this building. The existing heating oil system has been in place since 2010 and was transferred from the old Poulton Fleet Depot where it had previously been in use for many years. It requires replacing as it has become inefficient, costly to run and the infrastructure being used for the system is outdated. The current price for heating oil is 98 pence per litre (September 2023), which has more than doubled from 40 pence per litre (May 2021). This system is designed to heat the entire workshop area, including the MOT bay, fuel pits and vehicle ramps, by pumping heat through a fan system into the building rather than heating any specific work area or object. This results in significant heating loss whenever the roller shutter doors are opened throughout the day when manoeuvring vehicles in and out of the workshop and particularly in the MOT bay area, where there is a requirement for the roller shutter door to be opened constantly. The overall heating oil consumption has risen from around £3,500 per annum in 2021/22 to £8,200 per annum in 2022/23. This is a considerable increase in costs for the service and is a result of an aging workshop heating system in need of complete modernisation.

Another issue with the existing heating system is the oil tank, which is currently stored in an external container and is serviced annually by a contractor. During the last service in 2022 the team were advised that the oil tank and the container that houses the tank, both need to be replaced soon due to their deteriorating condition. If the tank and storage container are not upgraded there is a danger of the heating oil system being condemned with no other means to provide heating in the building, which further necessitates the need to explore alternative heating options for the workshop building to ensure compliance with health and safety standards.

After exploring new heating techniques suitable for workshops, the best solution would be an infrared heating system for the fleet workshop. Infrared heating uses shortwave heat, which is designed to warm spaces or zones effectively and efficiently. Infrared heaters are known to heat objects and people directly, which is ideal for a workshop building environment. This is because the workshop contains large open spaces that can be difficult to heat using the existing heating oil system. More details for the proposed infrared heating system can be found in the attached appendix.

Other heating systems have been considered and discounted such as wet systems (radiators), fan systems and ground source heat pumps. These methods are not suitable for large workshop areas, as they will only heat the entire building and result in heat loss when the roller shutter doors are opened. A reliable, energy efficient, heating system for the workshop is essential and will assist the Council in realising carbon savings from buildings and cost saving benefits in the longer term with the uncertainty of rising oil fuel costs. Therefore, by investing in a more efficient, fit for purpose system will provide considerable cost savings to be made over the longer term.

A detailed breakdown of the funding strategy is detailed below –

Capital cost plan:

Cost Heading	Description	Total £
Removal and disposal of the old system	Removal of fan and vented system in the workshop area plus separate removal of the heating oil tank and container housing from site	6,720
Equipment for New Heating System	10 x gas fired radiant heaters including controllers, flues and all suspension kits etc	21,872
Installing New Heating System	Installation including new internal gas main, electrics, labour and all access equipment	40,603
Upgraded gas supply	Installation of upgraded gas supply including Cadent admin fees	21,535
Installing New Ventilation	New localised fan vents to be placed around workshop for increased air circulation	5,250
Approval costs	Building control costs	500
Project fees @ 10%	Project Management costs (Blackpool Council M&E specialist)	9,648
Contingency 10%	Contingency and inflation allowance	10,612
Total Costs	Full project costs	116,740

Outputs (i.e. details of what the investment will specifically deliver):

Replace an outdated and inefficient heating system, which could cease to be operational soon, with a new efficient heating system. This will ensure staff welfare is maintained and the fleet management workshop continues to operate.

Contribution to corporate objectives (how does the proposal achieve or help deliver priorities within the Corporate Plan and other key corporate strategies?)

By implementing more energy efficient technology will reduce the use of fossil fuels for environmental benefits. The system will also be more adaptable to advances in technology to realise further economic, environmental and efficiency savings.

Budget Resource Requirements - Breakdown of initial capital costs and future revenue implications

Estimated **Total Capital costs** of bid (£000's): **£116,740**


Annual future **additional Revenue costs** arising from the bid as applicable (£000's):

Utility costs are currently volatile so potential savings or additional costs are uncertain. However, based on estimated future price changes and expected use of the heating system, annual gas charges are estimated at about £7,000. Oil costs for 2022/23 were £8,200 and are likely to have further increased through the current financial year. As such it is expected that there should be an annual revenue saving of at least £1,200 with the new system.

Value and phasing of bid (amend dates as necessary):				
2024/25 £116,740	2025/26 £000	2026/27 £000	2027/28 £000	Total £116,740
Existing resources in the Capital Programme relating to this scheme (as applicable):				
2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Estimated timescales for the bid:				
Project Start Date: May 2024			Project Completion Date: August 2024	

Project Risks (outline any risks to delivery of the project and how these will be mitigated)		
Risk	Impact	Mitigating Action
New heating system not adequate	Workshop environment unsuitable to work in	Specialist officers qualified in Mechanical Engineering from Blackpool Council to lead on the specification, tender and project management
Cost of project exceeds budget	Overspend on budget	A contingency of 10% has been included in the project cost breakdown

Endorsement of bid by Chief Executive

Signature  **Position** Chief Executive
Date 29th January 2024

LRU/LRL Radiant Tube Series

Gas Fired U Tube and Linear Models

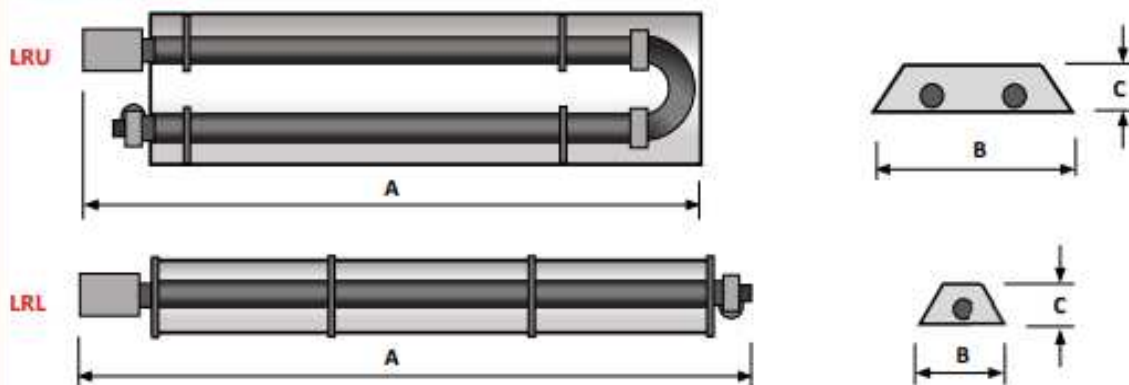


- Six input ratings: 15kW to 47kW available in Linear and 'U' models
- 'Herringbone' link flue systems available with all 'U' and linear models
- Heat treated Aluminised Calorised emitter tube surface - for flake free and cleaner working environment
- Natural Gas and Propane
- Aluminium reflectors - the tested and proven superior material - designed to maximise downward radiant heating effect
- Lightweight construction - tubes supplied in 3m sections - easy to assemble and fit
- CE Approved
- Efficient and cost saving heating method
- Made in the UK under our ISO9001:2008 quality assured system - all units test fired before despatch



SPECIFICATION GUIDE - LRU & LRL Series													
Models		LRU15	LRU25	LRU30	LRU35	LRU40	LRU45	LRL15	LRL25	LRL30	LRL35	LRL40	LRL45
Heat Input	kW Hs	15.0	23.0	29.2	34.5	42.2	47.0	15.0	23.0	29.2	34.5	42.2	47.0
	kW Hi	13.5	20.7	26.3	31.1	38.0	42.3	13.5	20.7	26.3	31.1	38.0	42.3
Seasonal efficiency	ErP %	75.2	75.9	78.2	76.3	75.0	74.1	75.6	77.9	81.0	75.7	78.3	75.3
	BREEAM %	91.4	89.2	89.8	88.1	87.8	86.7	91.4	91.2	92.0	87.9	89.9	86.8
Gas connection	BSP	1/2"											
Maximum gas consumption	Nat gas G20 (m³/h)	1.43	2.19	2.78	3.29	4.02	4.55	1.43	2.19	2.78	3.29	4.02	4.55
	LPG G30 (m³/h)	0.43	0.66	0.84	0.99	1.21	1.34	0.43	0.66	0.84	0.99	1.21	1.34
Gas inlet pressure	mbar	Natural gas - 20mbar						LPG - 37mbar					
Flue connection	Ømm	127mm or 100mm											
Inlet air connection	Ømm	101mm											
Supply voltage	V	230V 50Hz 1PH N & E Current rating 0.55A External fuse rating - 3A											

Dimensional Data



DIMENSIONAL DATA - LRU & LRL Series

Models		LRU15	LRU25	LRU30	LRU35	LRU40	LRU45	LRL15	LRL25	LRL30	LRL35	LRL40	LRL45
Length (A) Standard unit	mm	3100	5385	5510	6970	5493	10065	9955	13000				
Length (A) Extended unit	mm	-	-	7034	8494	-	-	-	-	13003	16048		
Width (B)	mm	460			715					340			
Height (C)	mm	175			210					180			
Weight	kg	31	47	66-std 78.5-ext	81-std 93.5-ext	27	46	62-std 74.5-ext	79-std 91.5-ext				

RECOMMENDED MOUNTING HEIGHT RANGE (General Guidance only) - LRU & LRL Series

Models		LRU & LRL15	LRU & LRL25	LRU & LRL30	LRU & LRL35	LRU & LRL40	LRU & LRL45
Horizontal mounting	m	2.4 to 6.0	3.0 to 8.0	3.8 to 10.0	4.0 to 12.5	4.8 to 13.5	5.6 to 15.0
Angled mounting >30°	m	2.1 to 4.5	2.7 to 5.0	3.3 to 7.0	3.7 to 8.0	4.0 to 9.0	4.8 to 11.0

Clearances To Combustibles



MINIMUM CLEARANCES TO COMBUSTIBLE SURFACES - LRU & LRL Series

Models	Side	Above	Below	End	Front	Rear
LRU & LRL15 to 25	510mm	450mm	1220mm	510mm	610mm	305mm
LRU & LRL30 to 45	760mm	610mm	2285mm	610mm	760mm	380mm

FBC Capital Bid 2024/25

Prepared by/Bid Originator – Head of Place and Culture

Scheme Title: Ashton Gardens Path Resurfacing

Description of Scheme:

Ashton Gardens is one of Fylde Council's most significant Grade II listed heritage parks and contains a range of recreational facilities which are well used by the local community.

Most park facilities are well served by safe and accessible tarmac paths. However, the bowling green and skatepark are currently served by defective crazy paving paths which are not DDA compliant, pose safety issues and are difficult to maintain.

This capital bid proposes the removal of the defective crazy paving and that it is replaced with a new tarmac surface. The new surface will ensure safe access to the bowling green and pavilion as well as the skatepark and youth area.

The work will benefit both the Ashton Bowling Club and general park users, making the facilities safe to use.

Estimates to undertake these works are shown below. Costs include preliminaries, safety fencing and welfare facilities.

Capital cost plan:

Cost Heading	Description	Total £
Remove and dispose of existing crazy paving slabs, including skip hire	Site/surface preparation	£17,000
Installation of tarmac surfacing	Path surfacing	£42,000
Hire of security fencing and welfare facilities	Public safety and welfare arrangements	£4,000
Total Project Costs		£63,000

Outputs (i.e. details of what the investment will specifically deliver):

- Removal of old defective surfacing
- Installation of new, DDA compliant tarmac surfacing

Contribution to corporate objectives:


- Provide high quality leisure, tourism, arts, sports and recreation facilities
- Provide high quality parks and open spaces

Budget Resource Requirements			
Breakdown of initial capital costs and future revenue implications			
Estimated Total Capital costs of bid:		£63,000	
Annual additional Revenue costs arising from the bid:		£ Nil	
OR			
Future Annual Revenue Savings achievable as a result of the bid:		£ Nil	
Value and phasing of bid:			
2024/25	2025/26	2026/27	Additional capital investment required (i.e. the value of the bid)
£63,000	£000	£000	
Existing resources in the Capital Programme relating to this scheme:			
2024/25	2025/26	2026/27	
£000	£000	£000	
Estimated timescales for the bid:			
Start Date: April 2024		Completion Date: July 2024	

Project Risks (outline any risks to delivery of the project and how these will be mitigated)		
Risk	Impact	Mitigating Action
Works not compliant with Planning Regulations.	Design and development disputes. Alterations not in keeping with heritage value.	Ongoing consultation with Planning Development Manager.
Invasive works to existing infrastructure.	Damage to bowling pavilion, bowling greens and surrounding park infrastructure.	Contract works specification and work method statements to be formally agreed in advance. Designated project Clerk of Works.
Project not delivered to specification.	Unsafe and incorrect surfacing.	Detailed specification provided in tender and in-house project management by experienced officers.

Budget overspend.	Additional cost incurred.	Tender documents will state all project costs
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Endorsement of bid by Chief Executive

Signature  **Position** Chief Executive

Date 29th January 2024

Scheme Title: Rawstorne Centre Roof Project, Freckleton

Description of Scheme:

This project has been requested by Freckleton Parish Council, which was initiated by an electrical issue at the Rawstorne Sports Centre, caused due to a leak in the roof. An emergency repair was undertaken to solve the problem. After an inspection of the roof, it was discovered that the tiles and felt weren't waterproof and therefore in need of replacing. In addition, the roofing battens were found to be rotten. As a result, the electrics have been compromised in the building.

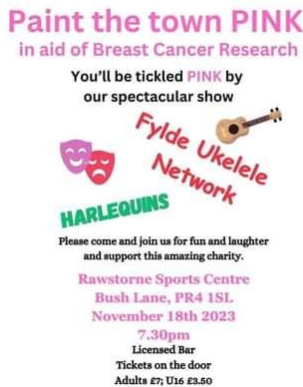
The outcome is that the roof needs replacing on the Rawstorne Centre, which is still leaking in certain areas and causing the Centre not to be used to its full capacity.

This is an emergency project which needs to be undertaken at the earliest opportunity to mitigate further damage. The Centre is used by local residents including 2 Cricket teams; 4 Football teams (including seniors, teens, and juniors): a Netball team; Youth Club, support for local Organisations (e.g., NHS seminars) and for social events such as birthday parties and Christenings.

Recently the venue was used for a charity event in aid of Breast Cancer Research as detailed on the poster below.

The venue is also the location for various events on Club Day, including the travelling fairground and the sports day.

The Centre is the local communal hotspot to host local events and bring the community together. Some more events are shown below.



A detailed breakdown of the funding strategy is detailed below –

Capital cost plan:

Cost Heading	Description	Total £
Funding For Re-Roof	External Roofing Works and Scaffolding Costs	37,580
	Internal Insulation Costs	1,200
	Building Regulations	400
Total Cost of Project		£39,180

Freckleton Parish Council are in the process of obtaining a grant for this project from George’s Garage Trust for £5,000.

The outcome of this will be known after 15th January 2024.

The Parish Council are requesting £30,000 from Fylde Council towards the upgrade of the roof.

Any additional funds required will come from the Parish Council.

The Parish Council has very limited funds to support the project so is unable to fund the full value of the works required and therefore require Fylde Council support.

Outputs (i.e., details of what the investment will specifically deliver):

Currently, areas of the centre are not available to use due to the leaking roof. This project will deliver a watertight roof, fit for purpose, with upgraded insulation to meet current regulations and therefore providing a more cost effective and environmentally friendly building.

Contribution to corporate objectives (how does the proposal achieve or help deliver priorities within the Corporate Plan and other key corporate strategies?)

Environment – Provide high-quality parks and open spaces.

Tourism – Provide high quality leisure, tourism, arts, sports, and recreation facilities. Deliver and support a diverse programme of events across the Fylde coast and countryside.

Budget Resource Requirements - Breakdown of initial capital costs and future revenue implications

Estimated Total Capital costs of bid (£000’s):	£39,180
Funded by; Fylde Council	£30,000
Freckleton Parish Council	£ 4,180
George’s Garage Trust	£ 5,000

Value and phasing of bid (amend dates as necessary):

2023/24 £000	2024/25 £30,000	2025/26 £000	2026/27 £000	Total £30,000

Existing resources in the Capital Programme relating to this scheme (as applicable):

2023/24 £000	2024/25 £000	2026/27 £000	2027/28 £000	Total £000

Estimated timescales for the bid:

Project Start Date: April 2024

Project Completion Date: June 2024

Project Risks (outline any risks to delivery of the project and how these will be mitigated)

Risk	Impact	Mitigating Action
a) Inclement weather b) Health & Safety	Work delayed due to poor weather conditions. Ill Health, Injuries and Death	Appropriate Risk Contingency. Work carried out during Spring/Summer. Appropriate Control Measures Applied By Contractor. Site Visits by FBC.

Endorsement of bid by Chief Executive

Signature



Position

Chief Executive

Date

29th January 2024

Capital Strategy 2024/25 to 2027/28

1. Background

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

The CIPFA Prudential Code 2021 requires the Council to produce a Capital Strategy. The format of the Capital Strategy incorporates the current Capital Programme (along with any new proposed capital expenditure for the period 2024/25 to 2027/28), and what was previously termed the Annual Treasury Management Strategy Report. These elements are now brought together thus linking investment decisions in terms of financial assets (e.g. loans and deposits) together with those relating to physical assets (e.g. land and buildings purchased to achieve an investment yield), with a particular emphasis on how all capital and investments are financed.

Furthermore, the Capital Strategy sets out how the investment of capital resources contributes to the delivery of the Council's key objectives and priorities and describes the long-term context in which capital expenditure and investment decisions are made. The new reporting format aims to ensure that due consideration is given to both the risk and reward of all investment decisions and the impact of such decisions on the delivery of the Corporate Plan.

2. Format of the Reporting Requirements

The reporting arrangements under the CIPFA Prudential Code 2021 requires the Council to prepare and present for approval a number of documents relating to treasury management and capital expenditure. These are:

The Treasury Management Policy

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

The Capital Strategy

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

The **Capital Strategy** is comprised of a number of component parts addressing particular aspects of the overall strategic approach. These are as follows:

Part A. The Capital Programme

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

Part B. The Treasury Management Strategy

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

Part C. The Investment Strategy

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

Part D. The Minimum Revenue Provision Statement

The Council must put aside resources where the Council finances capital expenditure by debt (internal or external borrowing), to repay that debt in later years. This cost is charged to the revenue account annually, and forms part of the Council Tax cost to taxpayers and is known as Minimum Revenue Provision (MRP). The annual MRP statement for 2024/25 is included in this part of the report. The statement aims to show how the Council is behaving in a prudent manner with regard to capital expenditure.

Treasury Management Policy

Fylde Borough Council defines its treasury management activities as:

1. The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
3. The Council acknowledges that effective treasury management will provide support towards the achievement of its corporate and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Policy on Borrowing

The Council currently holds no external debt. The last Public Works Loans Board (PWL) loan of £1m, relating to historic borrowing to finance an element of previous years' capital expenditure, was repaid during 2019/20. It is not anticipated that any new borrowing will be necessary during 2024/25, nor is any planned further into the future. The Council's Capital Financing Requirement (a measurement of the "underlying need to borrow" for capital purposes), is currently being financed by "internal borrowing", a common practice whereby a local authority utilises its internal resources which are not required in the short to medium-term (comprising working capital and reserves), rather than external borrowing, to finance expenditure. Currently the use of internal borrowing continues to be the most cost-effective means of funding capital expenditure not financed from another source as it allows the council to lower the overall treasury risk by reducing both external debt and temporary investments, and to minimise interest costs. It is expected that internal borrowing will continue to be used for the rest of the financial year, and in the medium term, in line with advice from the Council's treasury advisers. However, this position may not be sustainable over the longer term.

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

Policy on Investments

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

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

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

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

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

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

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

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

The Capital Strategy

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

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

1. Capital Expenditure and Financing

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

In 2024/25, the Council is planning capital expenditure of £11.13m. A summary of planned capital expenditure for the period 2023/24 to 2026/27 is shown in table 1 below.

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Total Capital Expenditure	12.881	11.130	2.638	1.746

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

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

[Corporate Plan 2020-24](#)

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

A key element of the prioritisation process is the consideration of capital bids by the Council's Committees. Growth bid business cases for spending plans are reviewed by Management Team before passing through to the Leadership Board for review prior to consideration by the Executive Committee and the scrutiny process. Budget decisions are ultimately made at Full Council in line with the Constitution and Financial Regulations as part of an updated Medium Term Financial Strategy (MTFS) report on a proposed budget package, which will include capital budget proposals. Full details of the Council's capital programme for 2023/24 to 2027/28 are shown within Part A of this Capital Strategy document.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council’s own resources (revenue, reserves and capital receipts) or debt (borrowing or leasing). The planned financing of the programmed expenditure for the period 2023/24 to 2026/27 is shown in table 2 below.

Table 2: Capital financing

	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
External sources	11.306	5.814	1.317	1.317
Own resources	1.575	3.125	0.070	0.070
Borrowing (see note below)	0.000	2.191	1.251	0.359
TOTAL	12.881	11.130	2.638	1.746

In the above table, borrowing refers to that element of the capital financing which is not currently planned to be met by external grants, capital receipts, the council’s own reserves, other external finance or direct revenue financing. The Council currently meets all its prudential borrowing needs through Internal Borrowing which is when the Authority uses its own cash resources to finance capital expenditure rather than new external borrowing, as detailed in the Councils Policy on Borrowing shown earlier in this report.

It is expected that internal borrowing will continue to be used for the rest of the financial year, and in the medium term, in line with advice from the Council’s treasury advisers. However, this position may not be sustainable over the longer term.

The forecast therefore currently assumes that no external borrowing will be required during the life of the financial forecast, that internal borrowing will continue to be utilised to fund capital expenditure not financed from another source, and that the council remains debt-free. This means that the base forecast contains no provision for any external borrowing costs.

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

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

Table 3: Minimum Revenue Provision

	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Minimum Revenue Provision	0.638	0.685	0.681	0.725

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

The Council's underlying need to borrow is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts. The CFR is expected to decrease by £0.638m by the end of 2023/24. Based on the above figures for expenditure and financing, the Council's estimated CFR is shown in table 4 below.

Table 4: Prudential Indicator Estimates of Capital Financing Requirement

	31.3.2024 Estimate £m	31.3.2025 Estimate £m	31.3.2026 Estimate £m	31.3.2027 Estimate £m
Total Estimated CFR	4.288	4.393	4.962	4.596

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council expects to receive a total of £0.659m of capital receipts in the financial years 2023/24 to 2026/27 as shown in table 5 below.

Table 5: Capital Receipts

	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Estimated Capital Receipts	0.449	0.070	0.070	0.070

2. Treasury Management

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

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

The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Board, should the need to borrow arise.

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

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

	31.3.2024 Estimate £m	31.3.2025 Estimate £m	31.3.2026 Estimate £m	31.3.2027 Estimate £m
Estimated Long Term Borrowing	0	0	0	0
Capital Financing Requirement	4.288	4.393	4.962	4.596

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

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

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

	2023/24 limit £m	2024/25 limit £m	2025/26 limit £m	2026/27 limit £m
Authorised limit – total external debt	8.0	8.0	8.0	8.0
Operational boundary – total external debt	2.0	2.0	2.0	2.0

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

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

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

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

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

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

3. Commercial Activities

With central government financial support for local public services subject to continuous review, the Council has developed a Commercial Strategy as a framework to explore ways in which the authority can become more financially self-reliant by adopting a more commercial outlook. Among the areas covered by the Commercial Strategy is the potential investment in property assets as a means to generate additional revenue income. The strategy was first adopted in 2018 and updated in 2022 (Finance and Democracy Committee 28th March 2022) and is accessible at the link below:

[Fylde Council Commercial Strategy](#)

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

Governance: Decisions relating to capital expenditure for all purposes, including for the acquisition of property assets, are made in accordance with the Financial Regulations of the Council, this requiring the approval of either the Executive Committee) or of the full Council.

4. Liabilities

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

The Council has also set aside £1.612m (as at 31st March 2023) in a Business Rates Appeal Provision to cover risks arising from the costs of Business Rates appeals as a consequence of the transfer of such risks under the localisation of business rates arrangements introduced in 2013.

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

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

Governance: Decisions on incurring new discretionary liabilities are made in accordance with the Financial Regulations of the Council, this requiring the approval of either the Executive Committee or by a meeting of the full Council.

Revenue Budget Implications

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

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

	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Financing costs (£m)	0.638	0.685	0.681	0.725
Proportion of net revenue stream	5.3%	5.5%	5.5%	5.9%

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

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

5. Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Chief Financial Officer is a qualified accountant with 40 years of Local Government finance experience. The Council supports accountancy staff to study towards relevant professional accountancy qualifications and the staff within the treasury team attend treasury seminars and workshops provided by CIPFA and other external service providers.

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

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

Part A. The Capital Programme

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

The Council has a current underlying need to borrow for capital schemes for the years 2023/24 to 2027/28 as set out in the Capital Programme of £4.429m (Total of estimated Prudential Borrowing for all years as shown in table 2). Budget Proposals have been put forward to be approved for inclusion in the programme with a cost to the Council of £0.278m as shown at Appendix F of the Medium Term Financial Strategy. These have also been highlighted within table 1 below. **Each of the proposed new schemes will be fully financed from the Capital Investment Reserve and consequently no borrowing is required for these schemes.**

Table 1 shows the updated 5 year Capital Programme 2023/24 to 2026/27 by scheme, including the schemes proposed as part of the 2024/25 budget.

Table 2 shows the Financing of the updated 5 year Capital Programme 2023/24 to 2027/28.

Table 3 shows a summary of the updated 5 year Capital Programme 2023/24 to 2027/28 by Portfolio, including how the programme is to be financed.

Capital Programme: Table 1

UPDATED 5 YEAR CAPITAL PROGRAMME 2023/24 TO 2027/28 - BY SCHEME

	Estimate 2023/24 £000	Estimate 2024/25 £000	Estimate 2025/26 £000	Estimate 2026/27 £000	Estimate 2027/28 £000
TOURISM, LEISURE & CULTURE PORTFOLIO					
Fairhaven Lake & Promenade Gardens Restoration	240				
Fairhaven Lake H&S Fencing - <i>BUDGET PROPOSAL</i>	0	68			
Improvements to Ashton Gardens Parks Footpaths - <i>BUDGET PROPOSAL</i>	0	63			
Freckleton PC Community Centre Roof - <i>BUDGET PROPOSAL</i>	0	30			
Promenade Footways	0	235	40	40	40
Staining Playing Fields Development Scheme	13				
Coastal Signage Improvements	54				
Outdoor Digital Signage	20				
Blackpool Road North Playing Fields drainage	0	26			
Park View Drainage Improvement Scheme	0	15			
Fairhaven Boathouse - Remodelling and Refurbishment Scheme	5	212			
Fairhaven Kiosk / Ice Cream Bar Project	38	300			
Boating Pool Safety Improvements	25				
Petanque Court - Budget Council March 2022	7				
Improvements to Children's Play Areas - Budget Council March 2022	100				
Lytham St Annes Art Collection Display Options	65				
St Annes Paddling Pool Water Quality Improvements	35				
Improvements To Children's Play Areas - Budget Proposal March 2023	120				
St Annes Beach Hub Facility	10	61			
Lytham Hall - Drainage & Green Car Parking	0	75			
Sub total	732	1,085	40	40	40
CUSTOMER & OPERATIONAL SERVICES PORTFOLIO					
Replacement Vehicles	349	1,944	1,251	359	628
Depot Heat Management System - <i>BUDGET PROPOSAL</i>	0	117			
Car Park Improvements	0	120	30	30	30
North Beach Car Park Public Conveniences	17				
Stanner Bank Public Conveniences Refurbishment	38				
Changing Places	127				
Kirkham Toilet Block Internal Refurbishment	0	43			
Sub total	531	2,224	1,281	389	658
ENVIRONMENT PORTFOLIO					
St Annes Sea Wall	950	0			
Carbon Neutral Vehicles	61				
Hydration points	44				
Staining Drainage Improvement Scheme	65				
Fylde Sand Dunes Improvement Scheme	11				
Tree Planting Scheme	36				
Replacement ICT System for Environmental Health and Housing Services	85				
Sub total	1,252	0	0	0	0

Capital Programme: Table 1 (Continued)

UPDATED 5 YEAR CAPITAL PROGRAMME 2023/24 TO 2027/28 - BY SCHEME

	Estimate 2023/24 £000	Estimate 2024/25 £000	Estimate 2025/26 £000	Estimate 2026/27 £000	Estimate 2027/28 £000
SOCIAL WELLBEING PORTFOLIO					
Disabled Facilities Programme	1,638	1,317	1,317	1,317	1,317
Affordable Warmth Scheme - Housing	77				
Housing Needs Grant	51				
Fylde Affordable Housing Delivery Programme	0				
Empty Homes Strategy	75	100			
Local Authority Housing Fund - Phase 2	2,784				
Replacement of Town Centre CCTV Systems	105				
Cremator Engineering Repairs	55				
Cemetery Lodge Refurbishment	55				
Sub total	4,840	1,417	1,317	1,317	1,317
CORPORATE AND ECONOMIC DEVELOPMENT PORTFOLIO					
Purchase of Land Adjacent to Squires Gate Station	6				
Public Transport Improvements	90				
Charging Infrastructure for Electric Taxis	8				
St Annes Regeneration Schemes	0				
St Annes Road West – Square to Pier link and Gateway	0				
St Annes Event Square	100	1,400			
UK Shared Prosperity Fund	0	981			
Lytham Regeneration Schemes	27	800			
Kirkham Public Realm Improvements	2				
Future High Street Fund: Kirkham	3,372	2,823			
Kirkham Heritage Action Zone	1,785				
Public Transport Facilities, Clifton Drive	36				
St Annes Levelling Up Round 3 Funding Application	100	400			
Sub total	5,526	6,404	0	0	0
Total Expenditure	12,881	11,130	2,638	1,746	2,015

Capital Programme: Table 2

UPDATED 5 YEAR CAPITAL PROGRAMME 2023/24 TO 2027/28 - FINANCING

	Estimate 2023/24 £000	Estimate 2024/25 £000	Estimate 2025/26 £000	Estimate 2026/27 £000	Estimate 2027/28 £000
FINANCING:					
Capital Receipts - General Asset Sales	404	45	45	45	45
Capital Receipts - Right to Buy Receipts	45	25	25	25	25
Better Care Fund / Disabled Facilities Grant	1,558	1,237	1,237	1,237	1,237
Disabled Facilities Grant Repayments - 'Housing Needs Grants'	51				
Section 106 Monies - St Annes	20	53			
Section 106 Monies - Lytham	0	130			
Section 106 Monies - Public Transport Improvements	90				
Section 106 Monies - Kirkham Heritage Action Zone	431				
Section 106 Monies - Fylde Affordable Housing Delivery Programme	0				
Section 106 Monies - Newton Community Park Improvement Scheme	37				
Section 106 Monies - Transport / Public Transport Facilities, Clifton Drive	36				
Section 106 Monies - Empty Homes Strategy	75	100			
Section 106 Monies - Local Authority Housing Fund - Phase 2	1,526				
Capital Investment Reserve	1,071	2,755			
ICT Investment Reserve	17				
Funding Volatility Reserve - Fairhaven Kiosk / Ice Cream Bar Project	38	300			
Funding Volatility Reserve - St Annes Sea Wall	0				
Other External Finance (see analysis below)	7,482	4,294	80	80	80
Prudential Borrowing	0	2,191	1,251	359	628
Total Financing	12,881	11,130	2,638	1,746	2,015
Total surplus (-) / shortfall in year	0	0	0	0	0
Cumulative surplus (-) / shortfall	0	0	0	0	0

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

Other External Finance: Analysis					
LSP Performance Reward Grant Reserve	1				
Environment Agency - St Anne's Sea Wall	950	0			
Central Government Grant - Future High Street Fund: Kirkham	2,527	2,823			
New Fylde Housing - DFG Contribution	80	80	80	80	80
Lancashire Environmental Fund - Fylde Sand Dunes Imp't Scheme	11				
Heritage Lottery Fund - Fairhaven Restoration Project (Remainder of £1.476m)	240				
External Grants - Historic England (Kirkham Heritage Action Zone)	595				
External Grants - Historic England - Additional Grant (Kirkham HAZ)	39				
Private Sector / Other (Kirkham Heritage Action Zone)	720				
Changing Places - Department for LevellingUp, Housing and Communities	87				
Lancashire County Council - Affordable Warmth Scheme	77				
Police & Crime Commissioners Community Safety Fund	25				
DLUHC - Local Authority Housing Fund - Phase 2	1,258				
Lancashire County Council - Kirkham Futures	845				
Lancashire County Council - St Annes Event Space		250			
UK Shared Prosperity Fund	27	1,141			
	7,482	4,294	80	80	80

Capital Programme: Table 3

UPDATED 5 YEAR CAPITAL PROGRAMME 2023/24 TO 2027/28 - SUMMARY

	Estimate 2023/24 £000	Estimate 2024/25 £000	Estimate 2025/26 £000	Estimate 2026/27 £000	Estimate 2027/28 £000
Portfolio:					
Finance & Resources Portfolio	0	0	0	0	0
Tourism, Leisure & Culture Portfolio	732	1,085	40	40	40
Customer & Operational Services Portfolio	531	2,224	1,281	389	658
Environment Portfolio	1,252	0	0	0	0
Social Wellbeing Portfolio	4,840	1,417	1,317	1,317	1,317
Corporate & Economic Development Portfolio	5,526	6,404	0	0	0
Total Expenditure	12,881	11,130	2,638	1,746	2,015
Financing:					
Capital Receipts - General Asset Sales	404	45	45	45	45
Capital Receipts - Right to Buy Receipts	45	25	25	25	25
Better Care Fund / Disabled Facilities Grant	1,558	1,237	1,237	1,237	1,237
Disabled Facilities Grant Repayments - 'Housing Needs Grants'	51				
Section 106 Monies - St Annes	20	53			
Section 106 Monies - Lytham	0	130			
Section 106 Monies - Public Transport Improvements	90				
Section 106 Monies - Kirkham Heritage Action Zone	431				
Section 106 Monies - Fylde Affordable Housing Delivery Programme	0				
Section 106 Monies - Newton Community Park Improvement Scheme	37				
Section 106 Monies - Transport / Public Transport Facilities, Clifton Drive	36				
Section 106 Monies - Empty Homes Strategy	75	100			
Section 106 Monies - Local Authority Housing Fund - Phase 2	1,526				
Capital Investment Reserve	1,071	2,755			
ICT Investment Reserve	17				
Funding Volatility Reserve - Fairhaven Kiosk / Ice Cream Bar Project	38	300			
Funding Volatility Reserve - St Annes Sea Wall	0				
Other External Finance (see analysis below)	7,482	4,294	80	80	80
Prudential Borrowing	0	2,191	1,251	359	628
Total Financing	12,881	11,130	2,638	1,746	2,015
Total surplus (-) / shortfall in year	0	0	0	0	0
Cumulative surplus (-) / shortfall	0	0	0	0	0
<i>See note below for external funding available to finance the above schemes:</i>					
Other External Finance: Analysis					
LSP Performance Reward Grant Reserve	1				
Environment Agency - St Anne's Sea Wall	950	0			
Central Government Grant - Future High Street Fund: Kirkham	2,527	2,823			
New Fylde Housing - DFG Contribution	80	80	80	80	80
Lancashire Environmental Fund - Fylde Sand Dunes Imp't Scheme	11				
Heritage Lottery Fund - Fairhaven Restoration Project (Remainder of £1.476m)	240				
External Grants - Historic England (Kirkham Heritage Action Zone)	595				
External Grants - Historic England - Additional Grant (Kirkham HAZ)	39				
Private Sector / Other (Kirkham Heritage Action Zone)	720				
Changing Places - Department for Levelling Up, Housing and Communities	87				
Lancashire County Council - Affordable Warmth Scheme	77				
Police & Crime Commissioners Community Safety Fund	25				
DLUHC - Local Authority Housing Fund - Phase 2	1,258				
Lancashire County Council - Kirkham Futures	845				
Lancashire County Council - St Annes Event Space		250			
UK Shared Prosperity Fund	27	1,141			
	7,482	4,294	80	80	80

Part B. The Treasury Management Strategy

1. Introduction

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

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

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

2. Economic background

The financial year 2023/24 to date has been shaped by a number of the key themes. The economic backdrop during the period continued to be characterised by high oil, gas and commodity prices, ongoing high, though reducing, inflation, and its impact on consumer's cost of living, and no imminent end in sight to the conflict in Ukraine, along with the additional conflict in the Middle East. Inflation eased during the second half of 2023 but remains significantly above the Bank of England target of below 2%. Consequently, the economic outlook for UK and world growth remains weak. The ongoing impact on the UK of significant international events, together with continuing inflationary pressures, relatively high interest rates, uncertain government policy, and a depressed economic outlook, will be major influences on the Authority's treasury management strategy for 2024/25.

Whilst the rate of increase of CPI may have slowed during the year to date, prices continue to rise month by month. Price increases represent a significant cost pressure to the council and increase the risk that existing budget provision is insufficient to cover the cost of service delivery. This is particularly pertinent with respect to the financial risks associated with the delivery of the capital programme with building costs and materials continuing to rise.

Interest rate forecast: the Bank Rate is forecast to decrease during 2024/25. Longer term investment yields and borrowing rates are forecast to reduce accordingly over the medium term although there may be continued volatility across shorter time periods, especially as a result of international events.

Table 1: Arlingclose Interest Rate Forecast

Quarter Ending	Bank Rate %	Investment Rates		Borrowing Rates		
		3 month %	5 year %	5 year %	20 year %	50 year %
Dec 2023	5.25	5.40	3.75	4.55	5.00	4.60
Mar 2024	5.25	5.40	3.75	4.55	5.00	4.65
Jun 2024	5.25	5.30	3.75	4.55	5.00	4.70
Sep 2024	5.00	5.15	3.70	4.50	5.00	4.70
Dec 2024	4.75	4.80	3.60	4.40	5.00	4.70
Mar 2025	4.25	4.30	3.50	4.30	5.00	4.70
Jun 2025	4.00	4.10	3.50	4.30	5.00	4.70
Sep 2025	3.75	3.8	3.40	4.20	5.00	4.70
Dec 2025	3.50	3.5	3.30	4.10	5.00	4.70
Mar 2026	3.25	3.25	3.30	4.10	5.00	4.70
Jun 2026	3.00	3.05	3.30	4.10	5.00	4.75
Sep 2026	3.00	3.05	3.35	4.15	5.00	4.75

3. Treasury Balances Forecast

On 31st December 2023 the Authority had no external debt and £29m of investments. This is summarised in Table 2 below. The revised forecast of treasury balances is shown in Table 3.

Table 2: Existing Investment & Debt Portfolio Position at 31.12.23

	31.12.23 Actual Portfolio £m
External Borrowing:	
Public Works Loan Board	0.0
Total External Borrowing	0.0
Treasury investments:	
<u>Short Term</u>	
Banks	0.0
Local Authorities	21.0
Debt Management Office	3.0
Money Market Funds	5.0
Total Treasury Investments	29.0
Net Lending / (Borrowing)	29.0

Table 3: Treasury Balances Forecast

	31.03.24 Estimate £m	31.03.25 Forecast £m	31.03.26 Forecast £m	31.03.27 Forecast £m	Notes
Capital Financing Requirement (CFR)	4.3	4.4	5.0	4.6	1
Less: Long Term Borrowing already taken	-	-	-	-	2
Cumulative Borrowing Requirement	4.3	4.4	5.0	4.6	3
Usable Reserves and Provisions as at 31 st March	15.2	15.1	14.8	13.8	4
Working Capital	5.8	5.0	5.0	5.0	5
Less: Internal Borrowing	(4.3)	(4.4)	(5.0)	(4.6)	6
Forecast cash available for Investment	16.7	15.7	14.8	14.2	7

Notes to Table 3

1. The CFR is the amount the Authority needs to borrow for a capital purpose. The CFR increases when Prudential Borrowing is used to finance the capital programme. The Authority's capital expenditure plans are the key driver of treasury management activity and are summarised within the Capital Programme.
2. This is the amount of debt that the Authority has already borrowed. The Council repaid the last £1m of Public Works Loan Board debt in December 2019 and has since been debt free.
3. This is the cumulative amount of new borrowing that is required to finance the Capital Programme. The timing of any new borrowing will be determined by the profile of capital expenditure and the availability of Internal Borrowing (Note 6), the expectation being that no additional external borrowing will be required in the short term.
4. This is the estimated amount of usable reserves, balances and provisions which are available funds. These estimates are assessed taking into account the budgeted drawdown of reserves, balances and provisions as estimated in the Financial Forecast Update 2023/24 to 2027/28 and the Capital Programme.
5. Working Capital is a temporary surplus in day to day cash. The current balance represents an estimate of cash held at 31st March 2024.
6. Internal Borrowing occurs when the Authority uses its own cash resources to finance capital expenditure rather than new external borrowing. The amounts shown are the cumulative amount of borrowing required at the end of each year.
7. This is the forecast amount of cash available for investment after allowing for the funding of Internal Borrowing.

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

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

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 3 shows that the Authority expects to comply with this recommendation during 2024/25.

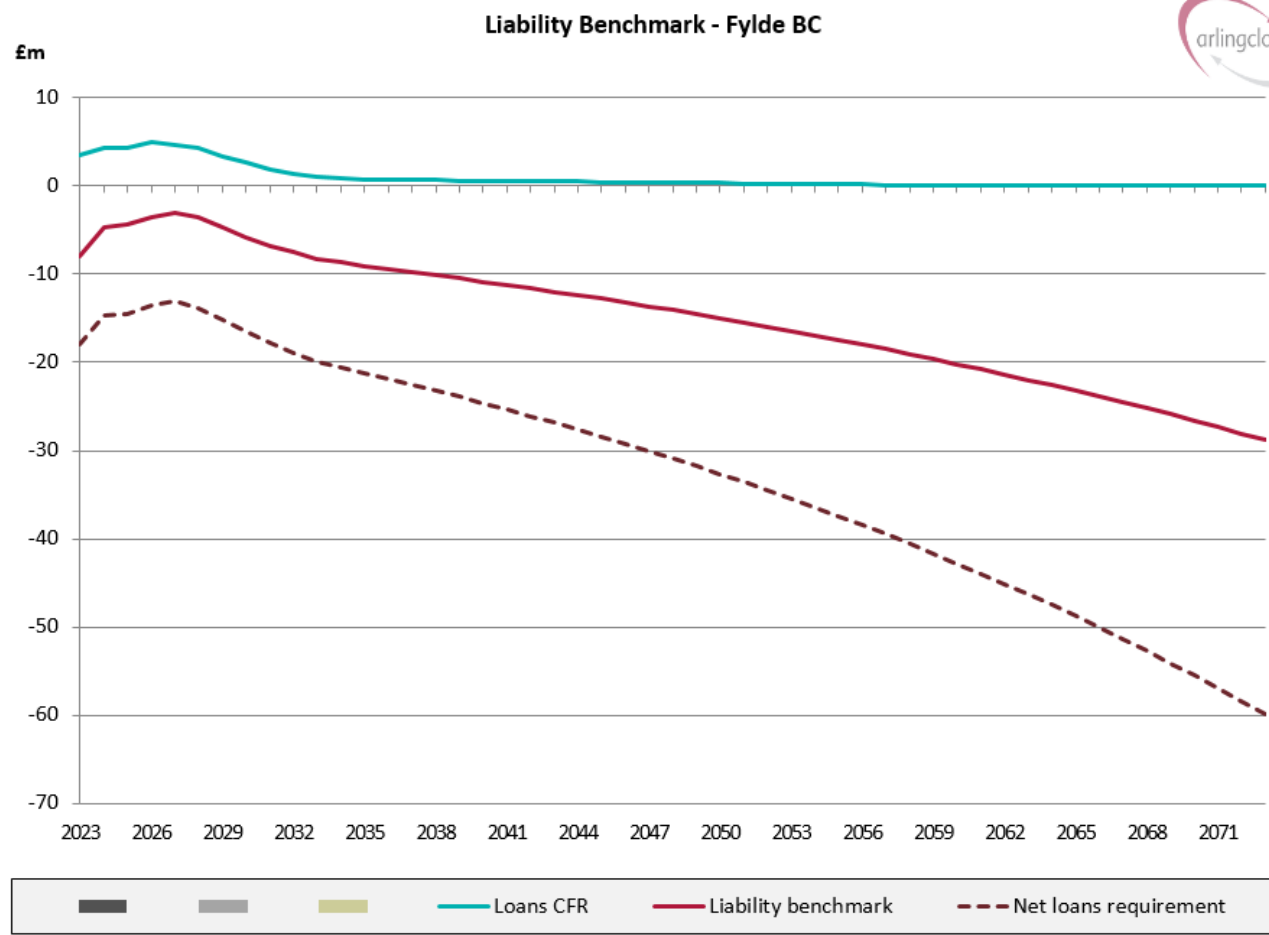
The CIPFA Prudential and Treasury Management Codes have introduced a new Prudential Indicator known as the **Liability Benchmark**. The liability benchmark is a measure of how well the existing loans portfolio matches the Authority's planned borrowing needs. It tells the Authority how much it needs to borrow, when, and the maturity of investments needed to match the planned borrowing needs. It is made up of four balances:

- Existing borrowing, which for Fylde is nil
- CFR – projected into the future
- Net loans requirement – a forecast of the Authority's net loan debt (net of investments for treasury management purposes)
- Liability benchmark – a forecast of the Council's gross loan debt

Table 4: Prudential Indicator Liability/Asset Benchmark

	31.03.23 Actual £m	31.03.24 Estimate £m	31.03.25 Estimate £m	31.03.26 Estimate £m	31.03.27 Estimate £m
CFR	3.5	4.3	4.4	5.0	4.6
External borrowing	0	0	0	0	0
Internal (over) borrowing	3.5	4.3	4.4	5.0	4.6
Less: Usable Reserves & Provisions / Balance Sheet Resources	(21.5)	(18.9)	(18.8)	(18.5)	(17.6)
Net loans requirement / (Balance of Resources)	(18.0)	(14.7)	(14.4)	(13.5)	(13.0)
Plus: Liquidity allowance requirement	10.0	10.0	10.0	10.0	10.0
Asset Benchmark	(8.0)	(4.7)	(4.4)	(3.5)	(3.0)

Using the forecasts in Table 4 above, the long-term liability/asset benchmark includes capital expenditure that is required to be funded by borrowing, the minimum revenue provision on capital expenditure, and includes expenditure and reserves (all increasing by inflation of 2.5% in the longer term from 2028). This is shown in the Arlingclose chart below over a 50 year period.



The benchmark suggests that in the short to medium term there is sufficient cash resources to fund the existing capital programme by internal borrowing. There is no requirement for external borrowing in the forecast if the Council’s spending proceeds as planned.

4. Borrowing Strategy

The Authority currently holds no external debt. The balance sheet forecast in table 3 shows that the Authority does not expect to need to borrow in 2024/25. The Authority may however decide to take external borrowing to pre-fund future years’ requirements, providing this does not exceed the authorised limit for borrowing of £8.0 million. There are currently no plans in place to take external borrowing during 2024/25.

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

Strategy: Given the pressures on public finances and in particular to local government funding, the Authority’s borrowing strategy continues to address the key issue of affordability. The key element of this has been to repay historic debt and to avoid external borrowing, for so long as that is possible, by the use of internal borrowing. By doing so, the Council is able to avoid external borrowing costs and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly, and this strategy will be reviewed if the outlook for borrowing rates indicates a significant risk of a rise in borrowing rates, with the outcome being that external loans may be taken whilst borrowing rates are relatively cheap.

The Authority has previously raised all of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities in order to lower interest costs. PWLB loans are no longer available to local authorities to fund the purchase of investment assets primarily for yield.

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

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

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- UK Infrastructure Bank Ltd
- Any other UK public sector body
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body
- UK public and private sector pension funds (except Lancashire County Pension Fund as it is the Council's own pension fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

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

- Leasing
- Hire purchase
- Private Finance Initiatives
- Sale and leaseback

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

5. Investment Strategy

The Council holds significant invested funds, representing income received in advance of expenditure, monies held on behalf of the Collection Fund (Lancashire County Council, the Police and Crime Commissioner for Lancashire and Lancashire Combined Fire Authority) plus balances and reserves held. At 31st December 2023 the Authority had treasury investments of £29m but these are expected to diminish in the forthcoming years as funds is required to fund the Capital Programme.

Objectives: The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

Strategy: The Council will continue to adopt a prudent approach to investment management to ensure that cash balances are readily available to fund capital projects and meet revenue needs.

ESG Policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Investment.

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

Table 4: Approved investment counterparties and limits

Investment Type / Minimum Credit Rating (Note 1)	Banks Unsecured (Note 2)	Banks Secured (Note 3)	Government (Note 4)
UK Government (Gilts & Debt Management Office)	n/a	n/a	£ Unlimited for up to 50 years
National Governments Rated A-	n/a	n/a	£2m each for up to 5 years
UK Treasury Bills	n/a	n/a	£ Unlimited for up to 1 year
UK Local Authorities	n/a	n/a	£5m each for up to 5 years Lancashire County Council call account - £8m
Institutions Rated A- (or above)	£1.5m each for up to 6 months	£2m each for up to 1 year	N/A
UK Unrated Building Societies (Note 2)	£1m each (maximum of £2m in total) for up to 3 months		
Money Market Funds (Note 5)	£3m per Fund		
Pooled Funds (Note 5)	£2m per Fund (£5m in total)		
Real Estate Investment Trusts (6)	£2m in Total		
Registered Housing Providers (Note 7)	£2m in total for up to 5 years		
Any other organization (Note 8)	£100k each for up to 5 years		

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

Notes to Table 4

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

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

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

4. Government: Includes loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is

generally a lower risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts as a contingency in the event of a financial crisis.

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

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

7. Registered providers: These are longer term Loans or bonds that are secured or guaranteed on the assets of Registered Providers of Social Housing. These bodies are highly regulated by the Homes and Communities Agency and are likely to receive government support if needed.

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

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

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

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

12. Reputational Considerations: The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

13. Other information on the security of investments: Credit ratings are not the only predictors of investment default. Other information is also used to assess the credit quality of counterparties. This information includes credit default swap prices, financial statements, potential government support and reports in the financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with

an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

To minimise counterparty risk, the Chief Financial Officer (Section 151 Officer) may implement additional internal treasury instructions from time-to-time, over and above the approved investment strategy cash limits and time limits, as and when the economic or market conditions require that more prudent approach is adopted.

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

Liquidity management: The Council uses a detailed daily cash flow forecast to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast. The council spreads its liquid cash over a number of providers (e.g. Bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Indicators

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

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

Credit risk indicator	Target
Portfolio average credit rating	A-

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

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

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

Table 5: Maturity Structure of Debt

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

No lower limit is set in order to allow flexibility when managing the debt portfolio in the current economic conditions. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The Council does not hold any debt or plan to borrow, however, if funding is required for cash flow purposes this is all likely to have a maturity date of less than one year.

Long-term Treasury Management Investments: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury investments will be:

Table 6: Price Risk Indicator

	2024/25	2025/26	2026/27
Limit on principal invested beyond year end	£4.0m	£4.0m	£2.0m

Table 7: Interest Rate Risk Indicator

Interest rate exposures: Currently all of the Councils investments are at fixed rates of interest. However, as these investments mature the investments to be arranged to replace them are expected to be at lower yield levels as interest rates are predicted to reduce during 2024/25. The following indicator shows the sensitivity of future investments and borrowing to a change in interest rates at the current levels of investment/borrowing:

Interest rate risk indicator	Values subject to interest rate exposure:	Impact of a 1% rate rise (Increase in interest receivable)			Impact of a 1% rate fall Reduction in interest receivable		
		2024/25	2025/26	2026/27	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m	£m	£m
Investments	14.0	(0.071)	(0.126)	(0.140)	0.071	0.126	0.140
Borrowing	0.0	No external borrowing					

Related Matters

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

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

Financial Implications

The latest budget for investment income in 2024/25 is £980k, based on an average investment portfolio of £20m through the year at an estimated *average* interest rate of 4.9%. If actual levels of investments and borrowing, or actual interest rates, differ from those as forecast, performance against budget will be correspondingly different.

Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer (who is also the Section 151 officer) believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults and reduced liquidity
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain

Part C. The Investment Strategy

Introduction

The Authority invests its money for three broad purposes:

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

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

The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

Treasury Management Investments

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

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

Further details: Full details of the Authority’s policies and its plan for 2024/25 for treasury management investments are covered in the Treasury Management Strategy at Part B.

Commercial Investments: Property

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

The Council holds a number of assets which generate rental returns that contribute to the general revenue resource available to be spent on local public services. These have all been held for a number of years and have been acquired over time for various reasons, including the improvement of the general economic development position of the borough, and are largely tourism and leisure related, reflecting one of the key economic forces within the area. The Council has not acquired commercial property of a speculative nature nor acquired commercial property solely for the economic return to be derived from that property. The main revenue generating investments held by the Council include the Pleasure Island site in St Annes, Carr Bridge Caravan Park in Westby-with-Plumpton, a commercial lease of part of the former public offices building and a number of café concessions in the borough.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the authority's most recent Statement of Accounts as at 31st March 2023 as shown below:

	2021/22	2022/23
	£'000	£'000
Rental Income from Investment Property	(422)	(565)
Direct operating expenses arising from investment	133	174
	(289)	(391)
Changes in Fair Value of Investment Properties	1,314	(656)
Net (Gain) / Loss	1,025	(1,047)

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

The Council is not dependent upon profit generating activities to achieve a balanced revenue budget, this representing less than 1% of Gross Service Expenditure for 2022/23.

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

	2021/22	2022/23
	£'000	£'000
Value at start of year	3,688	4,133
Additions	1,040	533
Net gains /(losses) from fair value adjustments	(1,314)	656
Reclassification of Assets	719	3
Value at end of year	4,133	5,325

Investment Properties – Classification

The categories of investment properties held by the Council are used are summarised in the table below:

	Value as at 01/04/2022	Value as at 01/04/2023	Gain / (Loss)
Property type	£'000	£'000	£'000
Ground Leases	606	602	(4)
Retail/Leisure Land & Buildings	2,873	4,070	1,197
Other Land & Buildings	654	653	(1)
Total	4,133	5,325	1,192

Security: In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. A fair value assessment of the Authority’s investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment.

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

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

Governance: Any decisions on commercial investments are made in line with the criteria and limits approved by Full Council or it’s committees in line with Financial Regulations, the Constitution and the Commercial Strategy which was first adopted in 2018 and updated in 2022 (Finance and Democracy Committee 28th March 2022) and is accessible at the link below:

[Fylde Council Commercial Strategy](#)

Investment Indicators

The Council has set the following quantitative indicators to allow elected members and the public to assess the Councils total risk exposure as a result of its investment decisions.

Total Risk exposure: The first indicator in the table below shows the Council’s total exposure to potential investment losses. The valuation of property assets takes place at the end of the financial year and future year valuations are not forecast in advance. Therefore the future year valuation of property is the same as that for 31st March 2023.

Table 1: Total Investment Exposure

Investment Exposure	31.03.2023 Actual £m	31.03.2024 Forecast £m	31.03.2025 Forecast £m
Treasury management investments	18.0	16.7	15.7
Commercial investments: Property Asset Values	5.3	5.3	5.3

How investments are funded: Government Guidance is that the following indicator shows how investments are funded. The Council has not, and does not intend to, undertake any borrowing to fund its treasury management or commercial property investments as shown in the table below.

Table 2: Investments Funded by Borrowing

Investments funded by borrowing	31.03.2023 Actual £m	31.03.2024 Forecast £m	31.03.2025 Forecast £m
Treasury management investments	Nil	Nil	Nil
Commercial investments: Property	Nil	Nil	Nil

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the fair value of those property assets at the start of the financial year.

Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 3: Investment Rate of Return (net of all assets)

Investments net rate of return	2022/23 Actual %	2023/24 Forecast %	2024/25 Forecast %
Treasury management investments	3.35%	4.8%	4.9%
Commercial investments: Property	7.3%	7.0%	7.0%

Capacity, Skills and Culture

Elected members and statutory officers:

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Chief Financial Officer is a qualified accountant with over 40 years of Local Government finance experience, and is supported by the Deputy Chief Financial Officer who is also a qualified accountant, with 26 years of Local Government finance experience. The Council supports accountancy staff in the wider team to study towards relevant professional accountancy qualifications and the staff within the treasury team attend treasury seminars and workshops provided by CIPFA and other external service providers. Training is provided to Councillors as part of the Member training and development programme and more detailed treasury management training is offered to Councillors who serve on the Audit and Governance Committee by treasury management advisors Arlingclose Limited.

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

Part D. The Minimum Revenue Provision Statement

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

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

- I. For capital expenditure incurred **before** 1 April 2008 – the MRP is based on 4% of the adjusted CFR. This option provides for a 4% reduction in the borrowing need (CFR) each year.
- II. For capital expenditure incurred **after** 1 April - the MRP policy for all unsupported capital expenditure (i.e. Prudential Borrowing) will be the estimated life of the assets in accordance with the Regulations.

Fylde Borough Council

Useable Reserves and
Balances
Policy

Policy on Useable Reserves and Balances

1 The Useable Reserves and Balances Policy

- 1.1 Setting the level of useable reserves and balances is just one of several related decisions in the formulation of the Council's Medium Term Financial Strategy.
- 1.2 In establishing and approving the Medium Term Financial Strategy, "the Council will ensure that it maintains a prudent level of reserves in line with best practice and relevant guidelines".
- 1.3 Any surplus balances will be considered in the light of the budget forecast and the risks associated with that forecast. Any changes to this Policy will require approval by Members.

2 Integrated Financial Planning

- 2.1 Under section 114 of the Local Government Finance Act 1988 the Chief Financial Officer is required to report to all Councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year.
- 2.2 There are no statutory minimum levels of general reserves but in line with best practice and CIPFA advice it is suggested that 5% of the total net budget requirement is set as the minimum for the reserve balances. For Fylde this equates to approximately £600k based on a net budget requirement for 2024/25 of approximately £12m.

However, during 2008/09, due to the downturn in the economy, the Council had to take urgent in year action to make further service cuts in order to maintain minimum balances at that time. In order to remain financially robust over the medium term, Budget Council in February 2009, based on the advice of the Chief Financial Officer, agreed to increase the minimum level of balances to £750k.
- 2.3 Due to the range and scale of the risks that are presently facing the Council, as set out in Sections 10 and 13 of this report, and in particular the uncertainty surrounding the Council's main source of funding as a consequence of planned reform to local government financing, it is now considered appropriate to raise the minimum level of General Fund balances to £1m.

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

- The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates, etc.)
 - The authority's track record in budget and financial management including the robustness of the Council's Medium Term Financial Strategy
 - The authority's capacity to manage in-year budget pressures
 - The strength of the financial information and reporting arrangements
 - The authority's virement and end of year procedures in relation to revised budget and cash limit under/over-spends at authority and departmental level
 - The adequacy of the authority's insurance arrangements to cover major unforeseen risks.
- 2.4 The level of earmarked reserves will be reviewed in the preparation of each update to the Medium Term Financial Strategy and annually as part of the closure of accounts process. The creation of any new Earmarked Reserves will be subject to Member approval.
 - 2.5 The Council's General Fund Reserve balance as at 31st March 2023 was £5.006m.

3 Reporting Framework

- 3.1 Any recommended changes to the level of useable reserves held will be reported within the Medium Term Financial Strategy or in the consideration of the Annual Accounts and will take account of the strategic, operational and financial risks facing the authority at that time.
- 3.2 In making any recommendation the Chief Financial Officer will provide Members, (in line with the requirements of the Local Government Act 2003) with an opinion on the robustness of the budget estimates and on the adequacy of the Council's useable reserves.

4 Earmarked General Fund Reserves

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

In approving any new earmarked reserves the Council needs to identify the purpose of the reserve, the protocol for its use and the procedures for its management and control. The earmarked reserves as at 31st March 2023 and expected at 31st March 2024 are set out in a note at the end of this Appendix. The note identifies any earmarked reserves that can be released to revenue if required.

5 Presentation of the Reserves & Balances

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

6 Earmarked Reserves – Proposals for 2024/25

- 6.1 Having reviewed the current useable reserves and balances it is now proposed that in order to minimise the need for additional borrowing in the future, transfers be made to the Capital Investment Reserve in 2023/24 and 2024/25 equivalent to the balance of the revenue surplus for those years, after allowing for all approved transfers to other reserves, currently estimated at £0.595m in 2023/24 and £0.375m in 2024/25 to provide sufficient resource for further capital projects.
- 6.2 The capital schemes that remain to be funded from the Capital Investment Reserve and the forecast balance at the end of each year throughout the forecast are set out in the table below.

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

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Opening balance at start of year	5,458	4,982	2,602	2,602	2,602
<u>Schemes approved at Budget Council 5th March 2018</u>					
Kirkham Town Centre - Public Realm scheme	- 2				
Wood Steet St Annes - Public Realm scheme	- 27	- 23			
Staining Playing Fields Development Scheme	- 13				
<u>Schemes approved at Budget Council 5th March 2019</u>					
Coastal Signage Improvements	- 17				
Lytham Regeneration Scheme		- 670			
St Annes Road West – Square to Pier link and Gateway Improvements		- 110			
Purchase of Land Adjacent to Squires Gate Station	- 5				
<u>Schemes approved at Budget Council 4th March 2020</u>					
Outdoor Digital Signage	- 20				
Hydration points	- 44				
Beach Safety Sign Improvements	- 37				
<u>Schemes approved at Budget Council 4th March 2021</u>					
Fairhaven Boathouse - Remodelling and Refurbishment Scheme	- 5	- 212			
Play Area Improvements					
Friends of Newton Community Park Improvement Scheme - Fylde Council Contribution					
Staining Drainage Improvement Scheme					
Tree Planting Scheme					
South Fylde Line Study					
Purchase of Land Adjacent to Squires Gate Station	- 1				
Blackpool Road North Playing Fields Drainage		- 26			
St Annes Paddling Pool (boating lake) - health and safety improvements - F&D January 2022	- 25				
<u>Schemes proposed for Approval by Council 3rd March 2022</u>					
Replacement of Town Centre CCTV Systems	- 79				
North Beach Car Park Public Conveniences	- 17				
Stanner Bank Public Conveniences Refurbishment	- 18				
Carbon Neutral Vehicles	- 61				
Petanque Court	- 7				
Improvements to Children's Play Areas	- 100				
<u>Changes since Budget Council March 2022</u>					
Lytham St Annes Art Collection Display Options - F&D June 2022	- 65				
Stanner Bank Public Conveniences Refurbishment - F&D June 2022	- 20				
Kirkham Futures - Special Council July 2022 - FBC underwriting of FHSF Funding	- 943				
Kirkham Futures - Special Council July 2022 - Reversal of underwriting	943				
St Annes Paddling Pool: Water Quality Improvements - F&D Jan 2023	- 35				
Budgeted forecast transfers for 2023/24 & 2024/25 - Budget Council March 2024	595	375			
<u>Budget Council March 2023 Proposals</u>					
Children's Play Areas - Budget Proposal - T&L - 1	- 120				
St Annes Beach Hub Facility - Budget Proposal - T&L - 2	- 10	- 61			
Lytham Hall Drainage and Green Car Parking - Budget Proposal - T&L - 3		- 75			
Kirkham Toilet Block Internal Refurbishment - OM - 1		- 43			
Cemetery Lodge Refurbishment - OM - 2	- 55				
Tree Planting Programme - EH&H	- 25				
<u>Changes since Budget Council March 2023</u>					
Changing Places - Executive Committee - 04/07/23	- 40				
St Annes Event Space - Council - 17/07/23		- 857			
Replacement ICT System - Environmental Health & Housing - Executive Committee - 19/09/23	- 68				
St Annes Levelling Up Round 3 Funding Application - Council - 02/10/23	- 100	- 400			
Cremator Engineering Repairs	- 55				
<u>Budget Council March 2024 Proposals</u>					
Fairhaven Lake H&S Fencing		- 68			
Depot Heat Management System		- 117			
Improvements to Ashton Gardens Parks Footpaths		- 63			
Freckleton PC Community Centre Roof		- 30			
Forecast balance at end of year	4,982	2,602	2,602	2,602	2,602

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

Funding Volatility Reserve - Analysis of Contributions & forecast balances

	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000		£000	£000
Opening balance at start of year	4,711	4,445	4,145	4,145	4,145
Approved Commitments					
- Additional resource to support Town Centres/Blackpool Enterprise Zone	- 170				
ADDITIONAL COMMITMENTS 2021-22					
- Stanner Bank Kiosk	- 38	- 300			
- St Anne's foreshore sand extraction development studies and regulatory applications	- 46				
- St Annes Sea Wall - FBC contribution	- 2,300				
- St Annes Sea Wall - FBC contribution no longer required - Exec Cttee 17/10/2023	2,300				
- Town Centre and Island Masterplans	- 12				
REQUIRED CONTRIBUTION TO REVENUE TO MAINTAIN MINIMUM GF RESERVES					
Forecast balance at end of year	4,445	4,145	4,145	4,145	4,145

Useable Reserves and Balances Position

Earmarked Reserves

Reserve	Purpose	How and When Used	Balance 31/03/23 £000	Budgeted Transfers in for 2023/24 £000	Budgeted Use/ Transfers out 2023/24 £000	Estimated Balance 31/03/24 £000	Comments
ICT Investment Reserve	Voluntary set aside for the funding of new IT initiatives and development of IT systems - this fund was established from savings in revenue ICT expenditure .	To be used to fully fund ICT developments and investment in moving this important support function forward.	40		-40	0	Part-used in 2017/18 to provide equipment for the new Council chamber. The balance is committed to fund the replacement Environmental Health IT system.
Performance Reward Grant Reserve	Created in 2009/10, this is a voluntary set aside of performance reward grant (PRG). Although Fylde Borough Council is the Accountable Body for the Fylde PRG, The Fylde Local Strategic Partnership (LSP) are the appointed decision making body in relation to the allocation of the PRG.	Used to set aside Performance Reward Grant funding in order to support LSP approved projects.	1			1	The LSP approved some legacy funding for projects prior to it's wind-up in March 2013. The remaining balance of funds is earmarked for the replacement of CCTV equipment.
MMI Insurance Reserve	Created in 2011/12, this is a set aside to cover the likely liability in respect of the MMI scheme of arrangement.	Used to meet the cost of future scheme run off.	80			80	Not available for release as to be fully utilised to fund the scheme run-off.
Capital Investment Reserve	Created in 2012/13, this is a voluntary revenue set aside established to fund capital expenditure and thus minimise the future need to borrow.	As required to meet the cost of capital expenditure.	5,458	595	-1,071	4,982	Whilst the balance at 31/03/24 is projected to be £4.982m, after taking account of the previously approved schemes scheduled to be delivered in later years that are to be funded from this reserve (£2.477m), along with the capital bids that form part of the 2024/25 budget proposals (£0.278m), the un-committed balance on this reserve is reduced to £2.227m prior to any further transfers into the reserve in later years.
Community Right to Bid/Challenge Reserve	Created in 2012/13, this is a set aside of grant awarded to fund costs involved in potential future community right to bid.	Used to meet any potential costs arising from the community right to bid/challenge initiatives.	46			46	Not available for release as the monies are ear-marked for meeting community right to potential bid/challenge costs.
Funding Volatility Reserve	Created in 2013/14 from additional Business Rates received under the Business Rate Retention Scheme, this is a voluntary set-aside established to provide a degree of protection to the Council's finances against future volatility in central government funding allocations and to fund investment in activity to stimulate Economic Development in the Borough.	To be used to cushion the impact of future funding reductions and to fund investment in activity to stimulate Economic Development in the Borough.	4,711		-266	4,445	For release to support the revenue budget as and when necessary to cushion the impact of future funding reductions and to fund investment in activity to stimulate Economic Development in the Borough. A number of schemes have been approved that are to be funded from this reserve. The Budget Council meeting of March 2020 approved that a further priority call upon the reserve would be in respect of the regeneration of St Annes town centre. After taking account of previously committed funding from the reserve for both revenue and capital expenditure (£0.566m) the un-committed balance of this reserve is £4.145m.

Reserve	Purpose	How and When Used	Balance 31/03/23 £000	Budgeted Transfers in for 2023/24 £000	Budgeted Use/ Transfers out 2023/24 £000	Estimated Balance 31/03/24 £000	Comments
EU Exit Funding Reserve	Created in 2018/19, this is a voluntary set-aside of government grant received to be used to enhance capacity and capability in making preparations for exiting the European Union.	To be used in line with the purpose of this government funding.	53			53	To be used in line with the purpose of this government funding.
Collection Fund Deficit Reserve	Created in 2013/14, this is a voluntary set-aside of funds to meet the Council's share of the collection fund deficit. The Reserve has been topped-up in 2020/21 and 2021/22 as a result of the Business Reliefs awarded in response to the Covid-19 pandemic.	To be used to meet the estimated deficit on the collection fund.	1,658	523	-1,445	736	Not available for release as the reserve is ear-marked for offsetting the estimated collection fund deficits in 2023/24 and future years.
Covid-19 Unringfenced Grant Reserve	Created in 2021/22, this is a voluntary set aside of unspent Covid-19 Unringfenced grant. This sum was subsequently transferred out of the reserve to be available to spend in 2022/23 as part of the MTFS Outturn Report considered by Finance and Democracy Committee in June 2022.	To be used in line with the purpose of this government funding.	141		-141	0	To be used in line with the purpose of this government funding.
Homes for Ukraine Reserve	Created in 2022/23, this is a set aside of unspent Government grant, relating to the scheme which provides funding to residents who have sponsored a Ukrainian national or family to come to live in the UK with them, to allow the funds to be spent in subsequent years.	To be used in line with the purpose of this government funding.	425		-130	295	To be used in line with the purpose of this government funding.
UK Shared Prosperity Fund Reserve	Created in 2022/23, this is a set aside of unspent Government grant, relating to the new investment programme which replaced the previous EU structural funding programme, to allow the funds to be spent in subsequent years.	To be used in line with the purpose of this government funding.	174		-174	0	To be used in line with the purpose of this government funding.
Biodiversity Net Gain Reserve	Created 2022/23, this reserve relates to the unspent element of the Government grant provided to assist local authorities with the preparation for the introduction of Biodiversity Net Gain (BNG) legislation in November 2023.	To be used in line with the purpose of this government funding.	37		-37	0	To be used in line with the purpose of this government funding.
Total Earmarked Reserves			12,824	1,118	-3,304	10,638	

2. General Fund Reserve

General Fund	An unallocated general working balance reserve fund to help cushion the impact of uneven costs of running council's day to day services or the impact of unexpected events or emergencies.	In line with the annual budget and medium term forecast as approved by Council, taking in to account strategic, operational and financial risks facing the council over the medium term.	5,006		-435	4,571	This is the position in line with the Council's current financial forecast.
Total General Fund Reserves			5,006	0	-435	4,571	

Total

17,830	1,118	-3,739	15,209
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SPECIAL EXPENSES POLICY

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

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

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

For 2023/24 a 0.14% decrease was applied to each of the individual elements of the Council Tax charge i.e. the borough-wide charge and the special expense charge. This equated to a zero change for 2023/24 in respect of each of the individual elements of the Council Tax charge.

For 2024/25 an average Band D Council Tax of £225.43 is proposed (that being an increase of £6.54 or 2.99% as compared to the 2023/24 charge). This equates to a proposed increase of 3.06% for 2024/25 in respect of each of the individual elements of the Council Tax charge.

Therefore, the special expenses policy for 2024/25 shall be:

- the annual special expense charge per property will be set for 2024/25 with a 3.06% increase on the 2023/24 level, that being £83.39 per band D property;
- the annual borough wide charge per property will be set for 2024/25 with a 3.06% increase on the 2023/24 level, that being £177.75 per band D property; and
- the budget resource to be allocated to delivering concurrent services and chargeable as special expenses for 2024/25 will be set at a sum equivalent to the annual special expense charge per property (band D equivalent) multiplied by the tax base for the special expense area.

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