



## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
CHIEF FINANCIAL OFFICER	COUNCIL	18 DECEMBER 2023	7
<b>MEDIUM TERM FINANCIAL STRATEGY - FINANCIAL FORECAST UPDATE (INCLUDING REVENUE, CAPITAL &amp; TREASURY MANAGEMENT) 2023/24 TO 2027/28</b>			

### PUBLIC ITEM

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

### RELEVANT LEAD MEMBER

This item is within the remit of Lead Member for Finance and Resources (Councillor Ellie Gaunt).

### PURPOSE OF THE REPORT

The report provides Members with an update of the Council's Medium Term Financial Strategy and financial forecast for the five years 2023/24 to 2027/28. It includes changes arising since the Budget was set by Council in March 2023. This report was also considered by the Executive Committee at its meeting of 5<sup>th</sup> December 2023.

### RECOVERABILITY

This decision is not recoverable because it relates to a recommendation to the council.

### RECOMMENDATION

**Council is recommended:** to note and approve the implications of this updated financial forecast.

### REPORT

#### 1. PURPOSE OF THE FINANCIAL FORECAST UPDATE

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

1.2 This latest financial forecast update is designed to:

- Present an updated five-year financial forecast for revenue and capital spending based upon the latest information available;

- Review and update the currently identified risks and opportunities;
- Alert Members to any new specific risks and opportunities;
- Inform Members of any changes required to budgets due to external factors outside the Council's control; and,
- Provide a basis on which Members can begin to make future spending decisions.

## 2. BACKGROUND TO THE FORECAST

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

(i) Original Budget 2023/24

At the Council meeting on the 2<sup>nd</sup> 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 amounts 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 MTFS 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.

(iii) Budget Right-sizing Exercise

During the autumn each year officers undertake a budget right-sizing exercise to identify any in-year budget variances identified by ongoing budget monitoring 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 for the period to 30<sup>th</sup> September 2023 have been presented to the Internal Affairs Scrutiny Committee at the November meeting. 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.

### **3. THE GENERAL FUND REVENUE FORECAST**

3.1 Appendix A of this report sets out the original revenue budget forecast as agreed at the Budget Council meeting on 2<sup>nd</sup> March 2023.

3.2 Appendix B shows the general assumptions underpinning the base forecast, whilst Appendix C shows the financial impact of changes to general assumptions and the impact of other significant changes that have been identified since the budget was approved, including the impact of outturn 2022/23 and the budget right-sizing exercise. Appendix D sets out the narrative which explain the significant changes made to the forecast.

**The impact of these changes is summarised in Appendix E which presents the latest updated financial forecast for the council.** The forecast needs to be considered carefully in the light of the identified risks which cannot be fully quantified at this time but may have an impact on the forecast at some future point.

#### **The following items have been considered as part of this update:**

### 3.3 Estimates of Government Funding Beyond 2023/24

The local government finance settlement for 2023/24 was once again a holding position, designed for short-term stability and certainty for planning purposes and to promote financial sustainability within available resources nationwide - this time based on proposed detailed allocations for 2023/24 and a fairly full set of policy principles for 2024/25. The broad approach was 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, for outlying councils. Finance reform was deferred, once again, at least until 2025/26 and possibly even later.

The detailed settlement followed a Policy Statement on the future of Local Government Finance published on 12th December 2022, covering 2023/24 and 2024/25, which are the remaining years of the 2021 Spending Review period. The statement, which can be viewed by [clicking here](#), gave councils a good indication of Ministers' intentions in terms of the principles they will follow when they come to lay the annual settlement for 2024/25 before Parliament in late December 2023. Although there are no indicative allocations for councils for 2024/25, the outlining of principles is helpful, and represents more information than has been provided in recent years.

As part of the 2022/23 settlement for councils was an announcement that the government was providing councils with £1.6 billion of new grant funding in each of the 3 years from 2022/23 to 2024/25 for social care and other services. This funding ensures that "Core Spending Power" for local authorities is estimated to increase by an average of 3% in real terms each year over the 3 year Spending Review period for the sector as a whole. It should

be noted that the “Core Spending Power” measure assumes that councils maximise council tax increases up to the referendum requirement point to take the full benefit of the increased spending power.

Whilst the headlines from the Spending Review were encouraging for the overall level of funding for the local government sector as a whole, it is possible that the detailed settlements for each of the 3 years, which are usually announced in December each year, include a re-assessment of relative need and the re-distribution of funding between upper-tier and lower-tier authorities within the local government family, or that key funding streams are reformed in a way that adversely affects individual authorities.

Estimating the level of funding for local authorities beyond 2023/24 is therefore problematic in light of short-term settlements, national pressures on public finances as a whole and continuing delays to the reform of local government funding mechanisms. That said, the focus by the Department for Levelling Up, Housing and Communities (DLUHC) on Spending Power as a key measure for local authority funding and the introduction of the Funding Guarantee Grant, albeit as a “one-off” for 2023/24, do give some comfort that government are mindful of providing some stability, at least in the short term.

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 this report. These estimates are subject to change, in particular when the Local Government Finance Settlement is announced in late December 2023. Once full details of individual council funding allocations are announced an updated financial forecast will be prepared and presented to Members at the next available opportunity.

#### 3.4 Economic Outlook

High inflation has been a dominant factor over the last year. To try and bring inflation down to its 2% target level, the Bank of England began raising interest rates from the historically low level of 0.1% in December 2021 by incremental increases in the intervening period to the current level of 5.25%. Further increases are possible but are reportedly becoming less likely following the latest inflation report for October 2023, which detailed a fall in the annual rate of increase in the Consumer Price Index (CPI) of 4.6%, down from 6.7% for both August and September 2023.

Despite the recent decrease in the rate of annual inflation the squeeze on household incomes from high inflation and raised interest rates has led to steep falls in consumer confidence. The prospects for consumer spending, a key driver of economic growth, are therefore weak.

#### 3.5 Business Rates: Membership of the Lancashire Business Rates Pool 2023/24 and Future Year Income Estimates

Fylde Council has been part of the Lancashire Business Rate Pool since 2017/18 and remains a member. This is an arrangement whereby participant authorities are able to retain locally a larger share of business rate growth above a pre-determined ‘baseline’ rather than pay 50% of the growth to central government as a ‘levy’. The downside of a pooling arrangement such as this is the loss of safety net protection should business rate income fall significantly below the baseline. Membership of the pool has been financially beneficial to the council every year that we have been a participant.

Although there remains a degree of uncertainty at this stage, it is currently anticipated that the business rate regime that operates for 2024/25 will be a continuation of the arrangements for the current year. Consequently, each of the existing Lancashire pool members have indicated their support for a continuation of the pool for 2024/25.

However, as the nature of the Business Rate regime for 2024/25 is uncertain, it may be that following the announcement of the provisional Local Government Finance Settlement, due to be announced in late 2023, a pool member may find themselves disadvantaged by the proposed 2024/25 Business Rate arrangements. It is open to each pool member to decide to withdraw from the pool within 28 days of the provisional Settlement. If any Lancashire pool member were to decide to withdraw from the pool for 2024/25 the pool would effectively be dissolved, and pooling would not be possible for Lancashire for 2024/25.

Based upon the assumption that the business rate regime that operates for 2024/25 will be a continuation of the arrangements for the current year, the latest in-year monitoring and future years modelling suggests that continued participation in a Lancashire Business Rate Pool for 2024/25 would be financially beneficial to Fylde Council, and as such we have indicated our intention to remain in the pool alongside all other pool members. The Financial Forecast has therefore been updated to reflect the estimated pooling benefit for 2024/25, albeit that this is subject to change depending on the outcome of the Local Government Finance settlement.

### 3.6 Reform of Retained Business Rates

The government had previously announced a reform to the Business Rates system due to be implemented for all authorities in 2020/21 as part of a Fair Funding Review into overall funding arrangements for Local Government. This was delayed from 2019/20 due to Brexit, and again from 2020/21 due to the Covid-19 pandemic. However as part of the 2023/24 settlement the government confirmed that the planned Review of Relative Needs and Resources (the 'Fair Funding Review') and the planned reset to business rates growth will not now be implemented in the next two years.

As detailed in paragraph 3.5 above, the financial forecast has been updated for 2024/25 to reflect an expected benefit from the continuation of pooling into 2024/25, albeit at a reduced level of total business rate income from 2025/26 onwards at a level that is closer to the existing baseline level in anticipation of a potential reduction. This will be reviewed as part of the next Financial Forecast update and future estimates of business rate income will be updated when more information is known.

### 3.7 New Homes Bonus Scheme (NHB)

During 2021/22 the [government consulted on the future of the national New Homes Bonus scheme](#) with the consultation indicating the possibility of changes to the existing arrangements. The 2023/24 settlement confirmed that the review of the scheme was ongoing and indicated that the outcome would be announced during 2023. The allocation for 2023/24 was for one year only and the outcome of the consultation is yet to be published. It is conceivable that NHB funding for 2024/25 will be restricted to the legacy payments in respect of previous years; or that there will be no NHB funding whatsoever to local authorities in 2024/25; or that there will be a further single-year allocation for 2024/25.

In the absence of any other information, the financial forecast summary at Appendix E assumes a continuation of the level of New Homes Bonus for 2024/25 onwards based upon the confirmed allocation for the current year.

Continuing allocation of New Homes Bonus grant to town and parish councils for 2024/25 onwards has been assumed in this update based upon the policy agreed by the Finance and Democracy Committee at the November 2022 meeting of the committee.

If and when the outcome of the consultation and any updated scheme design is announced the estimated grant receipts from the scheme will be updated accordingly in future updates of the financial forecast.

### 3.8 Pay and Price Increase Pressures

There are a number of cost pressures which impact on the cost base of the council, including:

**Pay award:** The employee pay award for the current year has recently been agreed. The budget forecast that was approved by Council in March 2023 included an estimate for the current year pay award of 4%. The pay award has been settled at £1,925 per pay point which equates in total to c6.75% on the pay-bill. Appendix C details the proposed adjustments to the employee budgets from 2023/24 onwards to reflect the actual pay award for 2023/24 and updated estimates of pay award levels for future years that are substantially higher than the estimated levels included in the March financial forecast. In total these represent significant adjustments to the base budget.

**General Price Inflation:** Provision for inflation has been included within the forecast where it is considered to be a contractual obligation and where known inflationary pressures exist, for example utility costs. Wherever possible inflationary pressures are sought to be contained within existing budget provision. Further details on inflation are included in section 4.

### 3.9 Estimated Transfers to Earmarked Reserves

The MTFS report presented at the Budget Council meeting of 2<sup>nd</sup> March 2023 estimated transfers into the Capital Investment Reserve in 2022/23 and 2023/24 equivalent to the balance of the revenue surplus for those years (after allowing for all approved transfers to other reserves), estimated at that time to be £0.400m for 2022/23 and £0.186m for 2023/24.

Following a favourable outturn position for 2022/23 and a review of the budget position for 2023/24 as part of the preparation of this financial forecast update, including the identification of additional income and expenditure for the year and the outcome of the budget right-sizing exercise, the revised forecast revenue surplus for 2023/24, currently stands at £0.273m as detailed at Appendix E. The budgeted transfer into the Capital Investment Reserve has been amended to reflect this latest position, including the previously approved transfer from the Funding Volatility Reserve into revenue in 2023/24.

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

4.1 In considering this forecast update Members should note that there are a number of significant risks which could have an impact on the financial position of the council. In assessing each risk, the following broad principles have been considered:

### High Level Financial Impact Risk

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

- Probable need for change to the forecast if it materialises

#### Medium Level Financial Impact Risk

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

#### Low Level Financial Impact Risk

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

### 4.2 **High Level Financial Impact Risks – Revenue Budget**

#### (i) Future Central Government Funding

As detailed in paragraph 3.3 above there is a clear risk that the actual levels of central government funding beyond the current year may differ from the amounts for those years that are reflected within the updated financial forecast contained in this report.

Given that both retained Business Rates and New Homes Bonus are major sources of funding for the Council and that both are subject to change represents a significant risk to the overall level of future central government funding. In addition to this, the Funding Guarantee Grant which was announced last year for 2023/24 has also been assumed to re-occur in future years. This is another income stream which is subject to potential change and as such it represents a significant risk to council's income stream.

Currently we await the funding settlement for 2024/25 which is expected to be announced later in December 2023. It is likely that again the settlement for 2024/25 will be for a single year only. Any amendments to the levels of estimated central government funding will be reflected in future updates to the financial forecast.

#### (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 policy statement that was announced in the autumn of 2022 confirmed that the planned Review of Relative Needs and Resources (the 'Fair Funding Review') and the planned reset to business rates growth will not be implemented in the next two years.

The recent history of proposed reform goes back some years. In 2012, before the introduction of business rates retention, the Government promised a reset of accumulated business rates growth in 2020. In 2016, they promised a review of the needs assessment formula which would be used in re-allocating the accumulated growth between councils. In 2018, they published major consultation documents on all this, for implementation in 2020/21. Since then, implementation has been successively delayed. At the earliest, implementation will not now be until 2025/26 or realistically, depending on the timing 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.

4.3 **Medium Level Financial Impact Risks – Revenue Budget**

i) Price Inflation

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 from 10.1% for March 2023 to 4.6% for October 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 2022/23, 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 2022/23 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.

Provision is made within the budget is limited to areas where the council has no choice but to pay increased prices, e.g. due to contractual terms. The position will be kept under continuous review by Management Team.

(ii) Employee Costs - Pay Award

As described at section 3.8 above, the employee pay award for the current year has recently been agreed. The budget forecast that was approved by Council in March 2023 included an estimate for the current year pay award of 4%. The pay award has been settled at £1,925 per pay point which equates to c6.75% on the pay-bill. Appendix C details the proposed adjustments to the employee budgets from 2023/24 onwards to reflect the actual pay award for 2023/24 and in anticipation of agreed pay award levels for future years that are substantially higher than the current budget levels. In total these represent significant adjustments to the base budget.

Each additional 1% increase in pay equates to an estimated £100k additional cost on the pay bill of the council per annum.

(iii) 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 £4.1m 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.

(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) 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.

#### 4.4 **Low Level Financial Impact Risks – Revenue Budget**

(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 new hourly rate of £11.44 from April 2024 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 22<sup>nd</sup> 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](#). It is currently unclear what the potential cost implications of this announcement are and whether financial support will be provided to councils to fund implementation, and as such this is considered to be a financial risk to the council.

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

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

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

5.2 The Council's General Fund Reserve Balance as at 1<sup>st</sup> April 2023 was £4.571m after taking account of revenue slippage items totalling £0.435m.

5.3 The Council has a Useable Reserves and Balances Policy in place, which is reviewed and approved annually as part of the budget setting process. The review includes consideration of whether any reserves can be released or re-purposed. The policy approved in March 2023 recommended that a minimum balance of £0.750m is held in the General Fund Reserve to provide a contingency to cushion the impact of unexpected events or emergencies. Given that there remains significant uncertainty around future funding settlements for the council it is proposed that the policy update to be presented to Budget Council in March 2024 increases the recommended minimum balance to £1.0m.

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

- 6.1 The overall position on the Council's financial forecast, as summarised in Appendix E of this report, shows a forecast surplus of resources for 2023/24 and 2024/25, followed by budgeted deficits in the following years as central funding arrangements remain unclear. There are a number of risks associated with the financial forecast which are set out in section 4 of the report. It should be noted that in the final year of the current forecast (2027/28) the estimated minimum level of General Fund Reserves at the year-end of £1m is achieved only by the transfer of £0.579m from the Funding Volatility Reserve in that year. Further commentary on the overall financial position of the council is provided within the conclusions of this report at section 15.

## **7. COLLECTION FUND**

- 7.1 As a Council Tax and Non-Domestic Business Rates 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.
- 7.2 **For Council Tax only**, there was a surplus on the fund as at 31st March 2023 of £276k. This will be shared between Fylde Council, the County Council, the Police Authority and the Fire & Rescue Authority in 2023/24. Fylde Council's share of the surplus is £34k, the impact of which has been reflected in the Council Tax income forecast within Appendix E.
- 7.3 **For Non-Domestic Business Rates only**, 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, initially due to the impact of Covid-19, to increase business rate reliefs commencing in 2020/21 and continuing into the current financial year in order to support businesses during the pandemic. This has the impact of reducing business rates collectable by the council, thus creating a shortfall in income and a deficit on the collection fund. The deficit will be shared between Central Government, Fylde Council, the County Council, and the Fire & Rescue Authority in 2023/24. Fylde Council's share of the deficit is £1.170m, 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 2022/23. The remaining balance on the Collection Fund Deficit Reserve is likely to be required to offset collection fund deficits in 2023/24 and later years. The Autumn Statement announced on 22<sup>nd</sup> November 2023 extended the 75% relief for Retail, Hospitality and Leisure properties into 2024/25, with councils again being compensated for lost income by way of specific government grant allocated for this purpose.

## **8. THE CAPITAL PROGRAMME**

- 8.1 The Capital Programme is updated continually for approved changes and reported to Members during the financial year on a periodic basis. The latest position on monitoring of the current year's programme on a scheme-by-scheme basis was set out in a report which was presented to the Internal Affairs Scrutiny Committee on the 21<sup>st</sup> November 2023. The

report is available here: [Capital-Programme-Monitoring-Report](#). The report includes details of the full five year programme including financing.

- 8.2 The latest updated Capital Programme for the years 2023/24 to 2027/28, including financing, is set out in summary in Table 1 below. The Programme has been updated for all approved changes to the end of September 2023.

**TABLE 1 - SUMMARY CAPITAL PROGRAMME**

	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26	Estimate 2026/27	Estimate 2027/28
	£000	£000	£000	£000	£000
<b>EXPENDITURE:</b>					
<b>Portfolio:</b>					
Tourism, Leisure & Culture Portfolio	1,616	40	40	40	40
Customer & Operational Services Portfolio	1,817	821	1,281	389	658
Environment Portfolio	1,252	0	0	0	0
Social Wellbeing Portfolio	1,926	1,317	1,317	1,317	1,317
Corporate and Economic Development Portfolio	9,916	2,014	0	0	0
<b>Total Capital Scheme Budgets</b>	<b>16,527</b>	<b>4,192</b>	<b>2,638</b>	<b>1,746</b>	<b>2,015</b>

**Financing:**

Total Financing - see below for details

<b>Total surplus (-) / shortfall in year</b>	0	0	0	0	0
<b>Cumulative surplus (-) / shortfall</b>	0	0	0	0	0

	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26	Estimate 2026/27	Estimate 2027/28
	£000	£000	£000	£000	£000
<b>FINANCING:</b>					
Capital Receipts - General Asset Sales	45	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	73				
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 Prograr	0				
Section 106 Monies - Newton Community Park Improvement Scf	37				
Section 106 Monies - Transport / Public Transport Facilities, Clif	36				
Capital Investment Reserve	2,573	920			
ICT Investment Reserve	17				
Funding Volatility Reserve - Fairhaven Kiosk / Ice Cream Bar Prc	338				
Funding Volatility Reserve - St Annes Sea Wall	0				
Other External Finance (see analysis below )	9,833	1,044	80	80	80
Prudential Borrowing	1,400	791	1,251	359	628
<b>Total Financing</b>	<b>16,527</b>	<b>4,192</b>	<b>2,638</b>	<b>1,746</b>	<b>2,015</b>

**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	5,350				
New Fylde Housing - DFG Contribution	323	80	80	80	80
Lancashire Environmental Fund - Fylde Sand Dunes Imp't Schem	11				
Heritage Lottery Fund - Fairhaven Restoration Project (Remaind	356				
External Grants - Historic England (Kirkham Heritage Action Zor	595				
External Grants - Historic England - Additional Grant (Kirkham H	39				
Private Sector / Other (Kirkham Heritage Action Zone)	720				
Changing Places - Department for LevellingUp, Housing and Co	87				
Lancashire County Council - Affordable Warmth Scheme	77				
Police & Crime Commissioners Community Safety Fund	25				
Lancashire County Council - Kirkham Futures	845				
Lancashire County Council - St Annes Event Space		250			
UK Shared Prosperity Fund	454	714			
	9,833	1,044	80	80	80

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

#### 8.4 Financing the Capital Programme

The Council finances the Capital Programme from a variety of sources as detailed in Table 1 above. These include:

- (i) Specific Capital Grant Allocations;
- (ii) Disabled Facilities Grant;
- (iii) Capital Receipts;
- (iv) External Funding (such as Heritage Lottery Funding and the Environment Agency);
- (v) Prudential Borrowing;
- (vi) Revenue Funding; and
- (vii) Capital Investment and Funding Volatility Reserves

8.5 Members are asked to note the current balanced position on the Capital Programme and the sources of financing included in Table 1.

### 9. VEHICLE PURCHASES

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

### 10. KEY AREAS OF FINANCIAL RISK TO THE CAPITAL PROGRAMME

There are a number of risks within the Capital Programme for Members to be aware of: these include the risk that the council does not deliver any specific scheme within the required deadlines where external funding is provided, and as a result the scheme is not delivered as expected, and the risk that the costs of any specific scheme exceed the available funding and the council is required to pick up additional un-budgeted costs as a result.

#### 10.1 High Level Financial Impact Risks – Capital Programme

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

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

A further bid for £9.1m was also submitted under the main body of the Future High Street Fund during 2020 and proposed to deliver a number of schemes across the whole of the town centre including the re-purposing of buildings, traffic management measures, building reuse and enhancement and public realm projects. This was once again a competitive process. The bid was well founded, and the economic case was very strong. In April 2021 an award of £6.29m for the Kirkham scheme was announced from the Ministry of Housing, Communities and Local Government (MHCLG) which was approved at Council on the 5<sup>th</sup> 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 December 2023.

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 programme extension application window closed on 17<sup>th</sup> November. Officers have been advised that many Local Authorities are requesting extensions to their respective Future High Street Fund and Town Deal programmes/projects, and it is highly likely that the government will accept Fylde's programme extension to September 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.

## **10.2 Medium Level Financial Impact Risks – Capital Programme**

### **i) Price Inflation**

As explained in section 4.3 of this report, UK CPI currently stands at 4.6% year on year to October. 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 are combining to put increased risks on the delivery of capital programme schemes. This is likely to be a continuing issue for the council during 2023/24 and this has resulted in current scheme delays and reviews on scheme costings. The position will be kept under continuous review by Management Team.

### **ii) 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. These

sums are included within the Customer and Operational Services Portfolio total as summarised in Table 1 above.

It is important to note that there is currently significant upward pressure on purchase prices for replacement vehicles and technological/legislative changes 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 financial risk.

iii) 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 4.3(iii) 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.

iv) 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 is ongoing, all work is expected to be completed by Spring 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.

v) St Annes Event Square Scheme

The St Annes Event Space project is the first project to be taken forward from the Town Centre and Island 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 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.

vi) UK Shared Prosperity Fund (UKSPF)

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

### **10.3 Low Level Financial Impact Risks – Capital Programme**

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, "General Asset Sale" capital receipts of £45k per annum. Future receipts are dependent on prevailing market conditions and values cannot be predicted with certainty. This will be monitored and reviewed during the year and adjusted accordingly in future quarterly monitoring reports, along with the impact this may have on the financing of the programme.

iii) 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.

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

- 11.1 The current Capital Programme as updated is showing a balanced position for 2023/24 onwards based upon the various elements of financing summarised in Table 1 above.
- 11.2 The programme and its associated financing will be subject to discussion with members during the coming months as part of the annual budget setting process for 2024/25.
- 11.3 Increasing inflation is exerting significant upward pressure on prices for utilities and on supplies and services across all sectors of the economy, which in turn increases the base costs for both revenue and capital budget items, as explained in section 4 of this report. The situation is particularly acute in the construction sector where supply chain issues and price increases are combining to put increased risks on the delivery of capital programme schemes. This is likely to be a continuing issue for the council during 2023/24 and this has resulted in current scheme delays and reviews on scheme costings.
- 11.4 Any additional expenditure which is not fully funded by external grants and contributions, from earmarked reserves, or from capital receipts will increase the council's underlying need to borrow (the latter placing further pressure on the revenue budget from the consequent repayment costs). Budget Council on 4<sup>th</sup> March 2013 approved the creation of a Capital Investment Reserve to finance future capital expenditure. The balance of this reserve at 31<sup>st</sup> March 2023 was £5.458m. Of this £3.493m is already committed to deliver existing approved capital schemes leaving an uncommitted balance at 31<sup>st</sup> March 2023 of £1.965m before any future possible transfers in to the reserve.

An updated position in respect of the Capital Investment Reserve will be included within future updates of the financial forecast presented to the Executive Committee and to Council. Additional future projects will be subject to further consideration as part of the budget setting process for 2024/25. Whilst it remains the case that this reserve is the preferred source of finance for any further additions to the Capital Programme, continuing contributions to the reserve are required in order to maintain a sustainable funding source for future years.

## **12. TREASURY MANAGEMENT**

- 12.1 The Treasury Management Strategy and Prudential Indicators for the current financial year were approved by Council on 2<sup>nd</sup> March 2023.
- 12.2 The regulatory framework for treasury management requires Councils to receive a mid-year Treasury Management report. Such a report, which includes details of the economic background and outlook, interest rate forecast, and details of investment activity undertaken by the Council was presented to the Audit and Governance Committee for scrutiny on 30<sup>th</sup> November 2023 and will subsequently be presented to Council on 18<sup>th</sup> December 2023. The report is available [here](#).

Included in the report are details of the additional interest earned from treasury management activities during the year, the beneficial impact of which is included in Appendices C and E of this report.

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

- 13.1 There are a number of potential areas of risk associated with Treasury Management activities, the most significant of which are:
- (i) Differences between the actual interest rate and interest rates used in the forecast;
  - (ii) Unexpected movements in cash flow; and
  - (iii) The security of monies invested with counterparties.

#### **14. SUMMARY POSITION – TREASURY MANAGEMENT**

- 14.1 The economic backdrop during the April to October period continued to be characterised by high oil, gas and commodity prices, ongoing high inflation and its impact on consumer's cost of living and no imminent end in sight to the conflict in Ukraine, along with the recent additional conflict in the Middle East. Consequently, the economic outlook for UK and world growth remains weak.

The Bank of England has incrementally increased the official Bank Base Rate from 4.25% in March 2023 to its current level 5.25%. As a result, the council has benefited from increased investment yields which are reflected in the updated financial forecast within this report. That said, the council's Treasury Management Strategy prioritises the security of any investment over the return achieved. The council has complied with all aspects of the 2023/24 Treasury Management Strategy and Prudential Indicators as approved by Council in March and will continue to conduct all treasury management activities prudently and in line with those approvals.

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

- 15.1 The overall position on the Council's financial forecast, as summarised in Appendix E of this report, shows an estimated surplus of resources for 2023/24 and 2024/25, followed by budgeted deficits in the following years as central government funding arrangements remain unclear. It should be noted that in the final year of the current forecast (2027/28) the estimated minimum level of General Fund Reserves at the year-end of £1m is achieved only by the transfer of £0.579m from the Funding Volatility Reserve in that year. As set out in the report, this position will no doubt change in the intervening period due to ongoing uncertainty regarding future events, particularly in respect of central government funding, and it is possible that such a transfer will not be necessary. The forecast will be updated accordingly after the local government finance settlement has been announced and there is more clarity.
- 15.2 The Council continues to approve and fund capital expenditure in a measured way, the approved capital programme is fully financed as summarised in section 11 of this report, and the council currently remains debt-free.
- 15.3 Since the council set its budget in March 2023 there has been significant turbulence and uncertainty in the national financial and economic outlook which has been dominated by high inflation and interest rate rises. As a result, the possibility of funding reductions for local government in future years remains real.
- 15.4 As a result of this future funding uncertainty the Council needs to continue with the approach to delivering savings and efficiencies which have helped deliver balanced budgets and contributed to reserves over recent years which has enabled continuing delivery of the priorities set out in the council's Corporate Plan. Through continued focus on the importance of financial stability the Council has delivered a significant savings and efficiencies programme over the last decade and has continued to reduce overheads. Ongoing modernisation work and business improvement will continue to make Council services more efficient, save money and maintain high quality frontline services to customers. This work has yielded ongoing savings to help improve the Council's overall financial position over that period. For Fylde Council to continue to successfully meet the new challenges that it faces it is vital that this approach is re-doubled and that all reasonable opportunities for further cost-reduction measures and for the generation of additional income are seriously considered. Prudent financial management in previous years has provided a level of reserves which allows the necessary time to determine how this council can best respond to future challenges.

- 15.5 Although challenges may be encountered in the future the reserves and balances of the council are currently at reasonably healthy levels as compared to earlier periods. The outcome of the long-awaited Fair Funding Review into Local Government Financing is eagerly awaited and may provide a degree of greater clarity regarding the future financial landscape. Furthermore, Fylde Council has a past record of taking actions in order to meet and overcome financial challenges. The Council will continue to take pro-active measures to maintain a robust financial position in the face of a challenging and ever-hanging 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.
- 15.6 The assumptions set out in this forecast are the latest best estimates and will be updated as and when further information becomes available. External pressures outside the Council's control are being experienced by all local authorities, and instructions remain in place that officers should not commit to any unnecessary expenditure. Budget planning work for 2024/25 is well underway and further updates of the financial forecast will be brought before members in due course.
- 15.7 **The financial position of the Council as set out in this report remains robust. Members should, however, continue to be cognisant of the risks that are detailed within the report in order to maintain a sustainable financial position for the Council.**

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	√

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

**SUMMARY OF PREVIOUS DECISIONS** - The Council set its budget for 2023/24 at its meeting of 2<sup>nd</sup> March 2023. This report provides Members with an update of the financial position of the Council, including changes since that date.

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul O'Donoghue Chief Financial Officer	01253 658566	November 2023

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 <sup>nd</sup> March 2023	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
MTFS – Outturn Position For 2022/23 (Including General Fund, Capital Programme & Treasury Management)	Executive Committee meeting 25 <sup>th</sup> May 2023	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Revenue Budget Monitoring Report 2023/24 – to 30 <sup>th</sup> September 2023	Internal Affairs Scrutiny Committee meeting 21 <sup>st</sup> November 2023	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Capital Programme Monitoring Report 2023/24 – to 30 <sup>th</sup> September 2023	Internal Affairs Scrutiny Committee meeting 21 <sup>st</sup> November 2023	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>

**Appendices:**

1. Appendix A – Forecast approved at Council on 2<sup>nd</sup> March 2023
2. Appendix B – Schedule of general assumptions underpinning the forecast
3. Appendix C – Schedule of changes to the forecast
4. Appendix D – Explanation of changes to the forecast
5. Appendix E – Updated latest financial forecast position

**Latest General Fund Budget Forecast 2022/23 to 2026/27 - as at March 2023**

**Appendix A**

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Adverse / Favourable
<b>Forecast approved at Council on 3rd March 2022</b>	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	<b>Adverse</b>
Revenue Budget Growth Items - per Appendix F of March 2023 MTFS		38	39	40	42	<b>Adverse</b>
<b>Forecast Budget Requirement: TOTAL</b>	<b>11,457</b>	<b>11,832</b>	<b>12,103</b>	<b>12,575</b>	<b>13,225</b>	
<b>Financed by:</b>						
<b>Council Tax Funding:</b>						
Council Tax - Precept	6,881	7,002	7,231	7,466	7,707	
<b>Sub Total - Council Tax Income</b>	<b>6,881</b>	<b>7,002</b>	<b>7,231</b>	<b>7,466</b>	<b>7,707</b>	
<b>Business Rates Funding:</b>						
Retained Business Rates	3,580	3,580	3,401	3,231	3,069	
<b>Sub Total - Business Rates Income</b>	<b>3,580</b>	<b>3,580</b>	<b>3,401</b>	<b>3,231</b>	<b>3,069</b>	
<b>Other Funding:</b>						
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	
<b>Sub Total - Other Income</b>	<b>1,396</b>	<b>1,436</b>	<b>1,386</b>	<b>1,321</b>	<b>1,242</b>	
<b>Forecast Financing: TOTAL</b>	<b>11,857</b>	<b>12,018</b>	<b>12,018</b>	<b>12,018</b>	<b>12,018</b>	
<b>Forecast surplus (-) / deficit for year</b>	<b>- 400</b>	<b>- 186</b>	<b>85</b>	<b>557</b>	<b>1,207</b>	
<b>Reserves</b>						
Forecast surplus/deficit (-) for year from above:	400	186	- 85	- 557	- 1,207	
Less: Proposed Transfer to Capital Investment Reserve	- 400	- 186				
<b>Balance of surplus/deficit(-) remaining:</b>			<b>- 85</b>	<b>- 557</b>	<b>- 1,207</b>	
<b>Balance of General Fund Reserves b/f</b>	<b>5,056</b>	<b>4,571</b>	<b>4,571</b>	<b>4,486</b>	<b>3,929</b>	
Less in year transfer to fund slippage from 2021/22	- 485					
Less estimated transfer from (-) General Fund Reserves in year			- 85	- 557	- 1,207	
<b>Forecast Reserves at Year End</b>	<b>4,571</b>	<b>4,571</b>	<b>4,486</b>	<b>3,929</b>	<b>2,722</b>	
<b>Band D Council Tax (Excl Parish Precepts)</b>	<b>£219.19</b>	<b>£218.89</b>	<b>£223.25</b>	<b>£227.69</b>	<b>£232.22</b>	
<b>Indicative Band D Average Council Tax Increase</b>	<b>£4.28</b>	<b>-£0.30</b>	<b>£4.36</b>	<b>£4.44</b>	<b>£4.53</b>	
<b>Band D Average Council Tax Increase</b>	<b>1.99%</b>	<b>-0.14%</b>	<b>1.99%</b>	<b>1.99%</b>	<b>1.99%</b>	

### General Base Budget Assumptions

The forecast has been prepared on the basis of the following underlying 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 2023/24 level of New Homes Bonus. Section 3.7 of the report provides full details. These figures will be updated as and when national allocations to local authorities are announced each year under the national scheme;
- 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 Executive Committee;
- 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.

## 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>
<b>1 CHANGES AS A RESULT OF MEMBER APPROVALS:</b>						
MTFS Outturn Report - Slippage from 2022/23 - (Exec Committee 25/05/23)	435	0	0	0	0	ADVERSE
MTFS Outturn Report - Use of monies transferred into GF reserves to fund slippage - (Exec Committee 25/05/23)	-435	0	0	0	0	FAVOURABLE
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
<b>2 BUDGET RIGHTSIZING EXERCISE:</b>						
Revenue impact of budget right-sizing across all budget areas of the Council	-68	-15	-15	-115	-19	FAVOURABLE
<b>3 STAFFING COSTS:</b>						NEUTRAL
Updated pay award estimates: £1,925 for 23/24; 4% for 24/25 and 25/26, and 2.75% for 26/27 and 27/28	204	374	521	545	861	ADVERSE
Agency labour cost increases	137	142	147	152	157	ADVERSE
<b>4 UPDATED ESTIMATES OF INCOME BUDGETS:</b>						
Updated estimates of Treasury Management investment interest receipts	-745	-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 only	-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
Windsports Centre/Beachcomber Café: Rent-free period - budget originally assumed income during 2023/24	11	0	0	0	0	ADVERSE
<b>5 OTHER FORECAST CHANGES</b>						
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
Finance Settlement 2023/24 announced 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 repairs and maintenance 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
<b>TOTAL</b>	<b>11</b>	<b>-25</b>	<b>232</b>	<b>308</b>	<b>933</b>	<b>ADVERSE</b>



## Explanation of Forecast Changes set out in Appendices C

## Appendix D

The following notes relate to specific adjustments made to the Forecast set out in Appendices 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 agreed pay award for 2023/24 has been reflected in this update. The budget forecast that was approved by Council in March 2023 included an estimate for the current year pay award of 4%. The pay award has been settled at £1,925 per pay point which equates to c6.75% on the pay-bill. The forecast has also been updated to revised estimates of future pay awards of 4% for 2024/25 and 2025/26. The previous estimates of pay awards of 2.75% per annum thereafter have been retained in each future year of the forecast. The final year of the forecast, 2027/28 is included for the first time as part of this update. The forecast has also been updated to reflect the on-going effect of the 2022 Triennial Pension Review.

(4) Updated Estimate 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.
- Revised Estimate of investment interest 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.

(5) Other Forecast Changes:

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

**Latest General Fund Budget Forecast 2023/24 to 2027/28 - as at December 2023**

**Appendix E**

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Adverse / Favourable
<b>Forecast approved at Council on 2nd March 2023</b>	11,832	12,103	12,575	13,225	13,225	
Forecast Changes since March 2023 - per Appendix C	11	- 25	232	308	933	<b>Adverse</b>
<b>Forecast Budget Requirement: TOTAL</b>	<b>11,843</b>	<b>12,078</b>	<b>12,807</b>	<b>13,533</b>	<b>14,158</b>	
<b>Financed by:</b>						
<b>Council Tax Funding:</b>						
Council Tax - Precept	7,002	7,301	7,613	7,936	8,272	
<b>Sub Total - Council Tax Income</b>	<b>7,002</b>	<b>7,301</b>	<b>7,613</b>	<b>7,936</b>	<b>8,272</b>	
<b>Business Rates Funding:</b>						
Retained Business Rates	3,580	3,401	3,231	3,069	2,916	
<b>Sub Total - Business Rates Income</b>	<b>3,580</b>	<b>3,401</b>	<b>3,231</b>	<b>3,069</b>	<b>2,916</b>	
<b>Other Funding:</b>						
Lower Tier Services Grant						
Services Grant	75	75	75	75	75	
Revenue Support Grant	98	98	98	98	98	
New Homes Bonus (NHB)	516	516	516	516	516	
Less - NHB distribution to Town & Parish Councils	- 26	- 26	- 26	- 26	- 26	
Funding Guarantee Grant - one-off 2023/24 only	871					
Assumed "other" government funding to maintain "Core Spending Power"		751	609	448	265	
<b>Sub Total - Other Income</b>	<b>1,534</b>	<b>1,414</b>	<b>1,272</b>	<b>1,111</b>	<b>928</b>	
<b>Forecast Financing: TOTAL</b>	<b>12,116</b>	<b>12,116</b>	<b>12,116</b>	<b>12,116</b>	<b>12,116</b>	
<b>Forecast surplus (-) / deficit for year</b>	<b>- 273</b>	<b>- 38</b>	<b>691</b>	<b>1,417</b>	<b>2,042</b>	
<b>Reserves</b>						
Forecast surplus/deficit(-) for year from above:	273	38	- 691	- 1,417	- 2,042	
Contribution to revenue from Funding Volatility Reserve	170				579	
Less: Proposed Transfer to Capital Investment Reserve	- 443	- 38				
<b>Balance of surplus/deficit(-) remaining:</b>			- 691	- 1,417	- 1,463	
<b>Balance of General Fund Reserves b/f</b>	5,006	4,571	4,571	3,880	2,463	
Less in year transfer to fund slippage from 2022/23	- 435					
Less estimated transfer from (-) General Fund Reserves in year			- 691	- 1,417	- 1,463	
<b>Forecast Reserves at Year End</b>	<b>4,571</b>	<b>4,571</b>	<b>3,880</b>	<b>2,463</b>	<b>1,000</b>	
<b>Band D Council Tax (Excl Parish Precepts)</b>	<b>£218.89</b>	<b>£225.43</b>	<b>£232.17</b>	<b>£239.11</b>	<b>£246.26</b>	
<b>Indicative Band D Average Council Tax Increase</b>	<b>-£0.30</b>	<b>£6.54</b>	<b>£6.74</b>	<b>£6.94</b>	<b>£7.15</b>	
<b>Band D Average Council Tax Increase</b>	<b>-0.14%</b>	<b>2.99%</b>	<b>2.99%</b>	<b>2.99%</b>	<b>2.99%</b>	