



DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	FINANCE AND DEMOCRACY COMMITTEE	25 JANUARY 2021	4
FINANCIAL FORECAST UPDATE 2020/21 TO 2024/25 (POSITION AS AT JANUARY 2021)			

PUBLIC ITEM

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

SUMMARY

This report provides Members with an update of the financial forecast for the five years 2020/21 to 2024/25. The main purpose of this update is to reflect the impact of the provisional 2021/22 Local Government Finance Settlement, details of which were announced on 17th December 2020.

Earlier this year, the government announced that it would delay the implementation of the Fair Funding Review from the revised scheduled implementation date of April 2021. Similarly, the planned reform of the Business Rates system from April 2021 will also now be delayed. Consequently, the finance settlement for 2021/22 is a single-year only settlement.

The continuation of the option for a Lancashire-wide Business Rates Pool was confirmed for 2021/22 as part of the Settlement announcement, with all existing pool members in Lancashire opting to remain in the pool for 2021/22.

As part of the settlement it was confirmed that the government will consult on reforms to the New Homes Bonus scheme, with a view to implementing reform in 2022/23. Given that New Homes Bonus is a major source of funding for the Council this represents a significant risk to the overall level of future central government funding. For 2021/22 the settlement confirmed a single year New Homes Bonus grant allocation for 2021/22, along with the legacy payments from earlier years. The updated provisional New Homes Bonus grant for 2021/22 is shown within the summary at Appendix E to this report.

Estimations of central government funding beyond 2021/22 are therefore extremely difficult to make until the outcome of the funding reviews are known. The Financial Forecast will be updated for 2022/23 onwards as and when there is greater clarity regarding the central government funding regime.

Additional grants were also announced for 2021/22 as part of the Settlement which for Fylde Council were in the sums of £378,808 (Lower Tier Services Grant - a one off un-ringfenced grant to maintain the current assumed level of Core Spending Power); £392,070 (a further un-ringfenced Covid support grant to manage immediate and long term aspects of the pandemic); £130,482 (an un-ringfenced grant to meet the anticipated additional costs of providing Local Council Tax support in 2021/22); and, in addition to these specific grants, it was announced that there would also be an extension of the Sales, Fees and Charges Compensation Scheme to include the first quarter of 2021/22.

The settlement also included a guarantee from central government to compensate local authorities for 75% of irrecoverable business rates and council tax lost income for 2020/21.

These grants and compensation schemes are in addition to the various Covid 19 support grants that were detailed in the update to the Financial Forecast presented to this committee in November 2020 and to Council in December 2020.

Furthermore, in late November 2020 the Council was notified of a further grant allocation in the sum of £888,580 from the Contain Outbreak Management Fund which provides funding to local authorities in England to help reduce the spread of coronavirus and support local public health. There are a range of types of activity that may be undertaken using this funding including test, trace and contain activity in order to reduce the spread of coronavirus in your area, support for the local economy and public health. Some of this funding has already been directed towards activities such as supporting delivery of the track and trace scheme and options as to the use of the remaining funds are being considered.

The full impact of the income losses and additional costs that the Council will have suffered as a consequence of the covid pandemic, together with the extent to which the various grant and compensation schemes have gone in off-setting those losses and additional costs, will not be known until the conclusion of the 2020/21 financial year or until the current situation has passed.

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

RECOMMENDATION

The Committee is recommended:

1. To note the implications of this updated financial forecast, and to also note that this update report will be presented to the Council meeting on 15th February 2021; and
2. To note that following the confirmation of the amount of New Homes Bonus grant to be received for 2021/22, allocations of a proportion of this grant to town and parish councils have been calculated in the total sum of £58,049 in accordance with the decision of the Finance and Democracy Committee on this matter at the meeting of 23rd November 2020.

SUMMARY OF PREVIOUS DECISIONS

The Council set its budget for 2020/21 at the meeting of 4th March 2020. This report provides Members with a further update to the financial forecast following the position that was considered by this Committee in November 2020.

CORPORATE PRIORITIES

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

REPORT

1. PURPOSE OF THE FINANCIAL FORECAST UPDATE

- 1.1 This report updates the financial forecast which was considered by this Committee in November 2020. Attached at Appendix A is the financial forecast position reported to Members at that time. Appendix B shows the general assumptions underpinning the base forecast, whilst Appendix C sets out the latest changes and Appendix D sets out the supporting narrative to the latest changes. **Appendix E details the latest updated forecast position.**
- 1.2 The forecast has been updated to reflect the impact of the 2021/22 Local Government Finance Settlement, announced on 17th December 2020.
- 1.3 This latest financial forecast update is designed to:
- Present an updated five-year financial forecast for revenue and capital spending following the announcement of the Local Government Finance Settlement in December 2020;
 - 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. THE CAPITAL PROGRAMME

- 2.1 The in-year position on the Capital Programme, along with the associated financial risks, was reported at the November cycle of programme committee meetings.
- 2.2 Any future capital financing issues facing the Council will be addressed as part of the Council's budget proposals for 2021/22 which will be published in mid-February 2021.

3. KEY CHANGES TO THE GENERAL FUND REVENUE BUDGET FORECAST

- 3.1 Many of the financial risks as set out in the Financial Forecast update considered by this Committee in November 2020 and Council in December 2020 remain. The changes to the General Fund Revenue Forecast are those arising from the Local Government Finance Settlement, together with some further in-year revenue budget changes. These are detailed below:

The 2021/22 Local Government Finance Settlement

The main document detailing the Local Government Finance Settlement is entitled 'Provisional local government finance settlement: England, 2021 to 2022'. Full details of the settlement can be found at the following link:

[Provisional-local-government-finance-settlement-england-2021-to-2022](#)

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

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

Earlier this year, the government announced that it would delay the implementation of the Fair Funding Review from the revised scheduled implementation date of April 2021. Similarly the planned reform of the Business Rates system from April 2021 will also now be delayed. Consequently the finance settlement for 2021/22 is a single-year only settlement.

b) Confirmation of acceptance of the bid by Lancashire authorities to continue to operate a Business Rate Pooling arrangement for 2021/22

The continuation of a Lancashire-wide Business Rates Pool was confirmed for 2021/22, 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 2021/22. The latest in-year monitoring and future modelling suggest that continued participation in a Lancashire Business Rate Pool for 2021/22 would be of financial benefit to Fylde Council, as it has been since participation in the pool commenced.

c) Confirmation of a single year New Homes Bonus allocation in 2021/22 and a future review of the scheme

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

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 2021/22 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 2022/23 onwards are in line with the forecast as approved by Council in March 2020.

d) Confirmation of further Government Grants for 2021/22

Additional grants were also announced for 2021/22 as part of the settlement which for Fylde Council were in the sums of £378,808 (Lower Tier Services Grant - a one off un-ringfenced grant to maintain the current assumed level of Core Spending Power); £392,070 (a further un-ringfenced Covid support grant to manage immediate and long term aspects of the pandemic); £130,482 (an un ringfenced grant to meet the anticipated additional costs of providing Local Council Tax support in 2021/22); and, in addition to these specific grants, it was announced that there would also be an extension of the Sales, Fees and Charges Compensation Scheme to include the first quarter of 2021/22.

These additional grants have been reflected in the summary at Appendix E to this report.

In relation to the Lower Tier Services Grant, the term 'Core Spending Power' is the measure used by the government of the total financial resources available to local authorities to fund service delivery. The purpose of this grant is to ensure that a local authority does not suffer a reduction in resources for 2021/22, as compared to 2020/21, on the assumption that Council Tax is increased to the maximum level for 2021/22 without the requirement for a local referendum (for 2021/22 that being an increase for Fylde of a maximum of £5.00 for a Band D property, equivalent to 2.5%).

The settlement also included a guarantee from central government to compensate local authorities for 75% of irrecoverable business rates and council tax lost income for 2020/21.

These grants and compensation schemes are in addition to the various covid 19 support grants that were detailed in the update to the Financial Forecast presented to this committee in November 2020 and to Council in December 2020.

Furthermore, in late November 2020 the Council was notified of a further grant allocation in the sum of £888,580 from the Contain Outbreak Management Fund which provides funding to local authorities in England to help reduce the spread of coronavirus and support local public health. There are a range of types of activity that may be undertaken using this funding including test, trace and contain activity in order to reduce the spread of coronavirus in your area support for the local economy and public health. Some of this funding has already been directed towards activities such as supporting delivery of the track and trace scheme and options as to the use of the remaining funds are being considered.

The full impact of the income losses and additional costs that the council will have suffered as a consequence of the covid pandemic, together with the extent to which the various grant and compensation schemes have gone in off-setting those losses and additional costs, will not be known until the conclusion of the 2020/21 financial year or until the current situation has passed.

e) Confirmation of the 2021/22 General Council Tax Referendum Principles

As part of the 2021/22 Finance Settlement the government announced the general council tax referendum principles (the upper limit on the year-on-year increase that can be applied without the requirement for prior approval through a local referendum) as the higher of a 1.99% increase or an increase of £5.00 (as was the case for 2020/21).

(An increase of £5.00 for a Band D property in Fylde for 2021/22 would equate to a percentage increase of around 2.5%).

Referendum principles will not be extended to town and parish councils for 2021/22 but could be applied to these councils in future years.

f) Employee Costs

The majority of the total employee costs of the council are driven by the national pay agreement for Local Government and the agreed 2020/21 pay award is reflected in the updated Financial Forecast.

As part of the Spending Review it was announced that public sector pay would not be increased in 2021/22. However, as the pay award will need to be approved by the national pay awarding bodies prior to being decided for 2021/22, a pay freeze has not been reflected in the revised Financial Forecast at this stage, pending the outcome of those negotiations which will take place during 2021.

Other Revenue Budget Adjustments

g) New Homes Bonus Distribution to Town and Parish Councils

The Finance and Democracy Committee meeting of 23rd November 2020 approved the provisional continuation of the scheme for the distribution of a portion of the New Homes Bonus Grant income to town and parish Councils, dependent upon confirmation of the level of New Homes Bonus grant to be received by Fylde council for 2021/22. Following the confirmation of the amount of New Homes Bonus grant as part of the 2021/22 financial Settlement, allocations of a proportion of this grant to town and parish councils have been calculated in the total sum of £58,049 in line with the recommendation from the committee. The financial consequence of this decision is contained within the summary Financial Forecast at Appendix E to this report and individual allocations to Town and Parish Councils are shown at Appendix F.

h) Other budget adjustments

A limited number of further budget adjustments have been made to this updated financial forecast following 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. Council Tax income projections have also been updated from the November financial forecast to reflect the actual Council Tax base information for 2021/22 which was finalised in December 2020.

3.2 Other Continuing Financial Risks

Many of the other financial risks that were detailed within the previous Financial Forecast Update that was presented to the Finance and Democracy Committee meeting of 23rd November and Council on 7th December 2020 remain. These are:

- **Future Central Government Funding Reductions**
- **Announcement of a 'Fair Funding Review'**
- **Retained Business Rates**
- **Borrowing Costs Assumptions**
- **Reduction in Housing Benefit Administration Grant**
- **Universal Credit**
- **Grounds Maintenance (External Contracts)**
- **The Living Wage**
- **Community Infrastructure Levy (CIL)**

Full details of each of these can be found within the November 2020 Financial Forecast report via the following link: www.fylde.gov.uk/

4. CONCLUSIONS

- 4.1 The 2021/22 Local Government Financial Settlement has not fundamentally changed the general financial standing of Fylde Council. The additional grants detailed in paragraph 3.1 (d) are to be welcomed as they improve the financial position of the Council and its ability to deal with the impacts of the pandemic. There remains (as reported in the November 2020 Financial Forecast update to this committee) a projected surplus for 2020/21 and 2021/22 followed by a period of uncertainty as the national framework for the financing of local government will be subject to review.
- 4.2 The confirmation of the continuation of a Business Rates Pool amongst Lancashire authorities is welcomed. Developments with regard to future proposals (the implementation of a 'Fair Funding Review' encompassing a possible re-assessment of relative need within local government generally) will be followed closely and any implications reported within future Financial Forecast updates when known.
- 4.3 The impact of the Covid-19 restriction measures on the financial position of the Council for 2020/21, and possibly beyond 2020/21, were detailed within the Financial Forecast Update presented to this committee in November and to the Council in December 2020. These impacts, together with the potential for future reductions in central government funding and uncertainties around the level of retained business rates from 2021/22 onwards, require that in order to maintain the current financial position and be able to deliver on the Corporate Plan priorities the Council needs to continue with the approach to delivering savings and efficiencies and maximising income which have helped deliver balanced budgets over recent years. Ongoing modernisation work and business improvement will continue to make Council

services more efficient, save money and maintain frontline services to customers. This work has yielded ongoing savings to help improve the Council's overall financial position over that period.

- 4.4 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.
- 4.5 The assumptions set out in this forecast are the latest best estimates and will be updated as and when further information becomes available.

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

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul O'Donoghue Chief Financial Officer	01253 658566	January 2021

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 2019/20 – 2023/24	Budget Council meeting 4 th March 2020	www.fylde.gov.uk
MTFS – Outturn Position For 2019/20 (Including General Fund, Capital Programme & Treasury Management)	Finance and Democracy Committee meeting 28 th July 2020	www.fylde.gov.uk
Revenue Budget Monitoring Report 2020/21 – to 30 th September 2020	Finance and Democracy Committee meeting 23 rd November 2020	www.fylde.gov.uk
Capital Programme Monitoring Report 2020/21 – to 30 th September 2020	Finance and Democracy Committee meeting 23 rd November 2020	www.fylde.gov.uk
Medium Term Financial Strategy (MTFS) Update, Including General Fund, Capital Programme and Treasury Management for 2020/21 – 2024/25	Finance and Democracy Committee meeting 23 rd November 2020	www.fylde.gov.uk

Attached documents

1. Appendix A - Forecast approved at Council on 4th March 2020
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 forecast position
6. Appendix F - New Homes Bonus Grant Allocations to Town & Parish Councils 2021/22

General Assumptions

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

- General Prices Inflation – a freeze or cash-limiting of all general revenue expenditure budgets with the exception of payroll budgets;
- Slippage - underspend items from 2019/20 agreed by the Finance and Democracy Committee in July 2020 have been slipped into 2020/21;
- Pay award - assumed to be 2.75% per annum for 2020/21 and each year thereafter;
- Employers Pension Contributions – the Council’s contribution to the Lancashire pension fund scheme is set in accordance with the estimated outcome of the 2016 Triennial Pension Review at 15.2% plus 9% deficit recovery lump sum payment for the period to 2019/20; any amendments resulting from the final review will be reflected in later updates to the Financial Forecast;
- Employer’s National Insurance contributions – the forecast reflects the statutory contribution rates currently in place, including a reduced contribution rate as a result of the Council being part of the pension scheme;
- Council tax increases – assumed at 1.99% increase per annum from 2021/22 onwards;
- New Homes Bonus Grant – the forecast for 2021/22 currently assumes a reduced level of New Homes Bonus based upon a further single year allocation for 2021/22, together with the legacy payments from earlier year as previously notified.
- Fees and Charges – The forecast takes account of the revised fee levels as approved by Budget Council in March 2020. 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 2021 following consideration by the appropriate programme committee;
- Vacancy Savings – the forecast assumes vacancy savings of £300k per annum from 2020/21 onwards;
- Localisation of Council Tax Benefit Scheme – the forecast assumes a fully funded scheme with no cost to the Council from 2020/21 onwards.

Appendix C

Forecast changes since December 2020 Council meeting

	2020/21	2021/22	2022/23	2023/24	2024/25	
	£000	£000	£000	£000	£000	<u>ADVERSE /</u> <u>FAVOURABLE /</u> <u>NEUTRAL</u>
1 CHANGES AS A RESULT OF MEMBER APPROVALS:						
St.Annes Town Centre commissioning of vision/strategy funded by Funding Volatility Reserve - F&D Committee - 28/09/20	150	0	0	0	0	ADVERSE
Additional resource to support Town Centes/Blackpool Enterprize Zone funded by the Funding Volatility Reserve - F&D Committee - 23/11/20	30	121	97	73	0	ADVERSE
St.Annes Foreshore sand extraction development studies & regulatory applications funded by the Funding Volatility Reserve - F&D Committee - 23/11/20	70	162	0	0	0	ADVERSE
COVID-19 Council Tax Hardship Fund - F&D Committee - 23/11/20	50	0	0	0	0	ADVERSE
2 BUDGET RIGHTSIZING EXERCISE:						
Revenue impact of budget right-sizing across all budget areas of the Council	-89	-103	-113	-12	-103	FAVOURABLE
3 UPDATED ESTIMATES OF INCOME BUDGETS:						
Planning applications - reduction in fee income	75	0	0	0	0	ADVERSE
Fairhaven Game site - reduction in fee income	12	0	0	0	0	ADVERSE
Car Parking - reduction in fee income	75	0	0	0	0	ADVERSE
Car Parking Enforcement - reduction in fee income	5	0	0	0	0	ADVERSE
Cemetery & Crematorium - reduction in fee income (interment & cremations)	55	0	0	0	0	ADVERSE
Land Charges - additional fee income	-10	0	0	0	0	FAVOURABLE
Public Conveniences - additional fee income	-8	0	0	0	0	FAVOURABLE
Government Compensatory Grant for Sales, Fees and Charges Income (Estimated)	-145	0	0	0	0	FAVOURABLE
Disabled Facilities Grant - additional fee income	-20	0	0	0	0	FAVOURABLE
Rental Income - Adjustment based on Actuals and Lockdown 2 & 3 Subsidies / Relief	24	0	0	0	0	ADVERSE
Covid-19 Grant Income - Additional New Burdens - Grant Administration Funding	-58	0	0	0	0	FAVOURABLE
Covid-19 Grant Income - Support & Recovery Grant	0	-392	0	0	0	FAVOURABLE
4 OTHER FORECAST CHANGES						
Housing Benefits - Additional Subsidy income	-50	0	0	0	0	FAVOURABLE
Housing Benefits - Additional Discretionary Housing Payments Grant income	-100	0	0	0	0	FAVOURABLE
Cemetery & Crematorium - implementation of covid safety measures	52	0	0	0	0	ADVERSE
Neighbourhood Plan re-phasing of referendum costs to 2021.22	-26	26	0	0	0	NEUTRAL
TOTAL	92	-186	-16	61	-103	

Explanations of Forecast Changes set out in Appendix C

Appendix D

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

(1) Changes as a Result of Member Approvals

The forecast that was approved at the Council meeting in March 2020 has been updated to reflect the financial impact of Member decisions made since then.

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

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

(3) Updated income forecasts

The forecast has been updated to reflect revised income expectations arising from a number of budget areas following a review of income budgets in consultation with budget-holders. The main reason for a number of the variances is the impact of the covid restriction measures, which have resulted in a reduction in the level of fee income across numerous service areas including planning application fee income, games site income and car park fee income. The losses are partially offset by a compensatory grant from central government which equates to 71.25% of losses suffered.

Further government covid grants have been announced in the form of an additional New Burdens Grant for 2020/21 relating to the costs of administration of the various Business Support Grant schemes, and a covid-19 'Support & Recovery Grant' 2021/22. Plans as to the most effective use of the remaining covid grants are being developed and will be reflected in future updates to the Financial Forecast.

(4) Other Forecast Changes:

Housing Benefits - Additional Subsidy and Additional Discretionary Housing Payments Grant income

An updated assessment as to the estimated full year net cost of the provision of Housing benefits, together with an increase in the level of government grant for discretionary housing payments, have led to these favourable variances and the budgets will be amended accordingly.

Cemetery & Crematorium - implementation of covid safety measures

These additional costs arise due to the safety and social distancing measures that have been introduced at the cemetery and crematorium for visitors and in relation to the conduct of services under the covid restriction measures.

Neighbourhood Plan re-phasing of referendum costs to 2021/22

This budget relates to the legal challenge to the St Annes Neighbourhood Plan. It is now unlikely that a Neighbourhood Planning referendum will be required in 2020/21 and consequently this funding has been rescheduled into 2021/22.

New Homes Bonus - allocations to Town & Parish Councils 2021.22

Parish/Town Council	NHB Allocation 2021.22 - £
St.Annes	13,723
Bryning-with-Warton	13,586
Newton-with-Clifton	7,273
Medlar-with-Wesham	5,489
Kirkham	4,392
Westby-with-Plumpton	5,078
Ribby-with Wrea	3,980
Freckleton	2,333
Little Eccleston-with-Larbreck	1,784
Singleton	137
Treales, Roseacre & Wharles	137
Greenhalgh-with-Thistleton	137
Total Allocation 2021.22	58,049
Elswick	Nil growth in excess of baseline
Weeton-with-Preese	Nil growth in excess of baseline
Staining	Nil growth in excess of baseline