DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
MANAGEMENT TEAM	COUNCIL	14 DECEMBER 2015	10

FINANCIAL FORECAST UPDATE (INCLUDING REVENUE, CAPITAL & TREASURY MANAGEMENT) 2015/16 TO 2019/20

PUBLIC ITEM

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

SUMMARY

The report provides Members with an update of the financial forecast for the five years 2015/16 to 2019/20. It includes changes arising since the Budget was set by Council in March 2015.

RECOMMENDATION

The Council is recommended :

1. To note the implications of this updated financial forecast; and

2. With regards to the Accommodation Project, to note that the Finance and Democracy Committee considered the financing of the project at its meeting of 30th November 2015 and recommends to Council:

   a) To approve the establishment of an Accommodation Project Reserve to ensure continued delivery of the accommodation project;

   b) To approve a transfer into the Accommodation Project Reserve in the sum of £504k to be funded from favourable in-year revenue budget variances in 2015/16;

   c) To approve of capital virements in the total sum of £310,000 from Phase 7 of the Accommodation Project capital scheme to fund Phases 4 and 5 of the works (£280k to be vired into Phase 4 and £30k into Phase 5); and

   d) To note that a further report will be presented to a later meeting of the Finance and Democracy Committee which will provide full details of the proposed works in relation to the next phases of the scheme, and which will request approval to enter into contractual agreements to deliver those works.

CORPORATE PRIORITIES			
To Promote the Enhancement of The Natural & Built Environment (**Place**)	√	To Encourage Cohesive Communities (**People**)	√
To Promote a Thriving Economy (**Prosperity**)	√	To Meet Expectations of our Customers (**Performance**)	√

SUMMARY OF PREVIOUS DECISIONS
The Council set its budget for 2015/16 at its meeting of 3rd March 2015. This report provides Members with an update of the financial position of the Council, including changes since that date.

REPORT

1. PURPOSE OF THE FINANCIAL FORECAST UPDATE

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

1.2 This latest financial forecast update is designed to:

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

2. BACKGROUND TO THE FORECAST

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

(i) Original Budget 2015/16

At the Council meeting on the 3rd March 2015 the budget for 2015/16 and the medium term financial forecast were agreed. The resolution included a 0.06% reduction in Council Tax and a total net budget requirement of £9.991m for 2015/16. Future reserve balances at that time were forecast at the end of 2018/19 to be £4.017m. In agreeing the Original Budget for 2015/16 a number of key high level financial risks and assumptions were highlighted.

(ii) General Fund Revenue Outturn Position 2014/15

The revenue outturn position for 2014/15 was reported to Members in June. The impact of the outturn position, including additional contributions to earmarked reserves totalling £0.560m, has been reflected in this updated forecast.

(iii) Budget Right-sizing Exercise

In 2012 the Councils Management Team committed to carrying out a budget right-sizing exercise to analyse underspends which have occurred over the last 3 financial years. This exercise in reviewing outturn variances and adjusting future budgets accordingly 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 2014/15

The latest approved expenditure budget in the capital programme for 2014/15 was £1.235m. After adjusting for slippage of £0.211m, the overall outturn position for 2014/15 was an in-year balanced position against the latest updated estimate. The capital receipts surplus for the year, after taking into account of slippage, totals £39k which left a total underlying favourable variance of £39k.

(v) General Fund Revenue Quarterly Budget Monitoring 2015/16

Revenue budget monitoring reports for the period to 31st July 2015 have been presented to each of the Programme Committees during the September cycle of meetings. These reports identified a number of budget areas for further consideration. As a result a number of changes have already been included in this latest forecast. These include revised fee income estimates, updated employee cost assumptions, and the latest estimate of borrowing costs.

3. THE GENERAL FUND REVENUE FORECAST

3.1 Appendix A sets out the original base budget forecast, agreed at the Budget Council meeting on 3rd March 2015.

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 2014/15 and the budget right-sizing exercise. Appendix D sets out the narrative which explain the significant changes made to the forecast. Included in the changes are a number of items arising from the Capital Programme which are explained in the 'Capital' section of this report.

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

3.4 **The Establishment of an Accommodation Project Reserve**

In August 2015 the Finance and Democracy Committee approved virements of £230k from phases 7 and 8 of the Accommodation Project capital scheme to fund the phase 3 works and approved the commencement of the phase 3 works during 2015/16. The report also noted that the cost limiting approach to providing satisfactory accommodation will not be possible from within the funding realised from the sale of surplus assets.

Members also requested that a further report be prepared to include recommendations as to the possible sources of funding to ensure the delivery of the accommodation project up to phase 5 of the overall scheme. In order to achieve such a position would require the identification of additional resources in the sum of £504k.

Following a review of the budget position for 2015/16 as part of the preparation of this Financial Forecast update, including the identification of fortuitous additional income for the year, costs-savings and the outcome of the budget right-sizing exercise, the forecast revenue surplus for 2015/16 is £777k, as detailed at Appendix E.

It is proposed that of this revenue budget surplus a sum of £504k is transferred to an Accommodation Project Reserve to provide a source of funding for the delivery of the Accommodation Project up to phase 5 of the total scheme.

This would leave a remaining estimated surplus for 2015/16 of £273k which, at this point, would increase the General Fund Revenue Reserve such that the current estimate of the General Fund Revenue Reserve at 31st March 2016 is revised to £5.716m.

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

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

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

High Level Financial Impact Risk

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

Medium Level Financial Impact Risk

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

Low Level Financial Impact Risk

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

4.2 **High Level Financial Impact Risks**

Background – the Spending Review 2015

In July 2015 the Government published the document '**A country that lives within its means - Spending Review 2015'**. The main focus of the document was to set out the government's intention of identifying the further savings in government expenditure that are necessary to achieve the stated objective of eliminating the national budget deficit by the end of the current parliament i.e. by 2019/20. To achieve this goal the government will be required to reduce annual public spending by around £37bn.

The 2015 Summer Budget commenced this process, setting out £17bn of measures to reduce the deficit, including £12bn by 2019/20 from welfare reform and £5bn by 2019/20 from tackling tax avoidance and tax planning, evasion and non-compliance. The 2015 Spending Review, the outcome of which will be announced on 25th November, will confirm how the Government plans to deliver the remaining £20bn of savings. Within the document is included the following intention: **'As part of the Spending Review, the government will look at transforming the approach to local government financing...'**

In a major announcement made to the Conservative Party Conference in October 2015, the Chancellor of the Exchequer, George Osborne, set out plans for local government to retain 100% of business rates revenues by 2020. Entitled 'devolution revolution' the stated aim of this reform is to ensure all income from local taxes goes on funding local services, so helping fix the current 'broken' system of financing local government. As a further incentive, local areas would be allowed to keep the full benefit from growing their business rates yield as a reward for promoting growth. The announcement is, therefore, effectively about 100% retention of growth in business rates by local authorities. The clear intention behind this policy is to incentivise local councils to attract, retain and support the growth of businesses in order to deliver economic growth.

However, in return for full business rates retention 'Core Grant' would be phased out and local government will also be asked to take on new, as yet unnamed responsibilities, but which are thought to be centred on economic growth, to ensure the reforms are fiscally neutral.

At the time of writing there is no clarity beyond the current year regarding future central government funding arrangements.

(i) Revenue Support Grant

The Government have provided Revenue Support Grant allocations in respect of 2015/16 but have given no indication of the level of grant receivable thereafter. Future year's forecasts are based upon annual reductions of 28% per annum from 2016/17 onwards in line with the trajectory of grant reductions over the last few years. If future year's grant reductions are greater than this assumed level this may have a significant impact upon the forecast.

Any additional information arising from the Spending Review which provides greater clarity regarding future Revenue Support Grant allocations will be reflected in subsequent updates to this Financial Forecast.

(ii) New Homes Bonus

The budget forecast that was approved by Council on 3rd March 2015 included an assumed future level of New Homes Bonus (NHB) of a further £300k per annum in each year. This calculation was based upon an estimated growth in total property numbers and incorporated the grant calculations as they have been in operation since the inception of the NHB scheme in 2011. However the latest estimate of the likely level of New Homes Bonus to be received for 2016/17 indicates that this level of income is unlikely to be achieved (the additional property numbers used for calculating New Homes Bonus is based upon completed dwellings and not dwellings under construction). Consequently the estimated additional New Homes Bonus amount for 2016/17 has been revised to £200k. As each annual allocation is receivable for six years, this reduced level will be receivable for 2016/17 and the five subsequent years.

It is expected that for 2017/18 and later years the level of New Homes Bonus will revert to an additional £300k per annum. This is based upon the known level of properties currently under construction and historic levels of annual house completion. The table below shows annual allocations of NHB for Fylde Council since 2011/12 and future estimates of the amounts to be received, together with the years in which the annual allocations will be received throughout the period of this forecast:

Annual New Homes Bonus allocations since the introduction of the scheme:

	2011/12 (actual) £000	2012/13 (actual) £000	2013/14 (actual) £000	2014/15 (actual) £000	2015/16 (actual) £000	2016/17 (est'd) £000	2017/18 (est'd) £000	2018/19 (est'd) £000	2019/20 (est'd) £000	Total £000
Receivable in:										
2015/16	279	306	308	382	385					**1,660**
2016/17	279	306	308	376	385	200				**1,854**
2017/18		306	308	376	385	200	300			**1,875**
2018/19			308	376	385	200	300	300		**1,869**
2019/20				376	385	200	300	300	300	**1,861**

Note: for 2014/15 the Council received an additional allocation of £6k for one year only.

New Homes Bonus is un-ringfenced funding, and Fylde Council use the funding in its entirety to support the ongoing revenue expenditure of the Council. It is worth noting that NHB is becoming an increasing proportion of the total financing receivable by the Council. The table below shows that actual/forecast income from NHB since 2014/15, together with the total forecast income receivable by the Council, and the proportion which NHB comprises of the total:

FBC New Homes Bonus income as a proportion of total forecast income

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
FBC Forecast funding from New Homes Bonus (£000)	1,269	1,660	1,854	1,875	1,869	1,861
FBC Forecast total financing (including NHB) (£000)	10,096	9,966	9,877	9,787	9,755	9,786
NHB as a % of total forecast financing	12.6%	16.6%	18.9%	19.2%	19.2%	19.0%

The table illustrates that New Homes Bonus income is an increasingly significant source of funding to the Council, and as central government Revenue Support Grant is forecast to decrease year on year, NHB as a proportion of the Council's forecast total financing is estimated to increase from 12.6% in 2014/15 to 19.2% by 2017/18.

The reliance upon New Homes Bonus to support ongoing revenue expenditure of the Council is one of the most significant financial risks facing the Council.

(iii) Localisation of Business Rates

The current year is only the third year of the operation of the localised business rate scheme. These new arrangements can have a significant effect on councils, as any changes to the Business Rates yield now directly impact on council funding levels, with both the risks and rewards of Business Rate growth being shared between Central Government, Precepting Authorities and Billing Authorities.

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

However any single change, such as that which occurred in 2014/15 with the announcement of the cessation of commercial operations at Blackpool Airport (actually located largely within the borough of Fylde), can have a significant and sudden impact of the finances of the Authority that is affected.

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

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

Consequently the financial forecast which was approved by Council in March 2015 assumes that for 2015/16 and for future years business rate income will be at the 'Safety Net' level. This is considered to be a prudent approach to business rate income planning as business rates income cannot fall below this level. This approach is continued in this current financial forecast. If business rates income were to exceed the Safety Net level this will result in a favourable outturn variance.

Any additional information arising from the Spending Review which provides greater clarity regarding arrangements in respect of retained Business Rate income will be reflected in subsequent updates to this Financial Forecast.

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

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

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

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

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

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

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

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

Following dialogue between Lancashire districts and LCC on this matter, LCC have commissioned a Lancashire wide review of waste collection arrangements, with the aim of providing "a comprehensive evaluation of the fundamental aspects of waste collection with a view to reducing the cost of provision of collection services across Lancashire". Fylde Council is participating in that review which is currently underway and expected to report its findings in spring 2016.

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

4.3 **Medium Level Financial Impact Risks**

(i) Planning Appeal and Judicial Review Costs

During 2013/14 a significant cost claim against the Council was finalised which exceeded the then budgetary provision and at its January 2014 meeting the Council was required to approve an unfunded budget increase to provide for these costs. Consequently the budgets for 2014/15 and subsequent years were also increased in response to anticipated further planning appeal costs

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

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

(ii) Reduction in Housing Benefit Administration Grant

The Council receives an annual grant to support the cost of the administration of Housing Benefit and Council Tax. The grant that the Council receives for these purposes has reduced in recent years, particularly in respect of the Housing Benefit element, as the government moves away from a system of Housing Benefit payments and towards a Universal Credit Scheme. This financial forecast reflects the latest estimates of reduced grant levels for 2015/16 and for subsequent years.

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

(iii) Universal Credit

The Government has commenced the consolidation of a number of welfare benefit allowances into a revised Universal Credit Scheme. One of these is Housing Benefit which is currently administered by the Council through the shared service with Blackpool Council. The intention is that the new Universal Credit Scheme will be provided on-line and will be administered by Department of Work and Pensions. The roll-out of the new arrangements are gradual and began in Fylde in respect of a small number of the less-complex cases in November 2014. The timing and financial implications of future developments of the scheme remain uncertain.

(iv) 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.

(v) Changes in Council Tax, and Capping Regulations

This forecast includes a freeze in the level of Council Tax in respect of the current year, other than a minor technical reduction from £185.90 to £185.79 as the average annual Fylde band D Council Tax charge. This will be the fifth year in a row that Council Tax has not increased. For each of the years when Council Tax was frozen the Council has received short term compensatory grants from central government. This forecast assumes increases in Council Tax charges of 2.0% per annum from 2016/17 onwards (per Appendix E).

In the Autumn Statement of December 2014 the Chancellor announced that funding would be available to Councils that freeze Council Tax for 2015/16. This freeze grant is also shown within this financial forecast for 2015/16. There is currently no information regarding the availability of Council Tax Freeze Grant for future years.

The Localism Act 2011 replaced the previous power of the Secretary of State to cap council tax increases with a system of mandatory referendums triggered by “excessive” increases. Any local authority (including police and fire authorities) setting an increase above a ceiling set by the Secretary of State and approved by the House of Commons will trigger a referendum of all registered electors in their area. The Government believe this will make local authorities much more transparent and much more accountable to local people. If Councils want to increase Council Tax beyond the specified level in any given year, they will have to make the case to the local electorate and receive approval via a referendum. The impact on the Council will depend on the ceiling set by the Secretary of State compared to any future proposed Council Tax rises. Although the ceiling is set for 2015/16 at 2.0% it is apparent that the government has previously considered a lower threshold.

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

4.4 **Low Level Financial Impact Risks**

(i) The Living Wage

In March 2015 the Council agreed a policy to adopt the Living Wage Foundation rate of £7.85 per hour for all employees, excluding apprentices, for 2015/16 such that the Council became a 'Living Wage Employer'. The cost of this includes the resultant impact on agency labour costs after 12 weeks employment as a result of the Agency Worker Directive.

The level of the Living Wage hourly rate is set by the Living Wage Foundation in the autumn of each year. The Council's revenue estimates includes annual amounts for the anticipated 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.

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 at an initial hourly rate of £7.20, rising to £9.00 per hour by 2020. As this rate of pay is significantly higher than the current statutory Minimum Wage this will adversely affect agency labour costs in respect of periods of employment of up to 12 weeks (after which the Living Wage Foundation rate applies). The impact of this is currently being calculated and will be reflected in future updates to the Financial Forecast.

Both the introduction of a statutory National Living Wage and the rate of the increase in the Foundation Living Wage will adversely affect both the total employee costs of the Council and those of external partners for whom Fylde Council provides financial support. Any additional costs which may arise in this regard will also be reflected in future updates to the Financial Forecast.

(ii) Community Infrastructure Levy (CIL)

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

(iii) Lowther Gardens Trust

The Council's revenue budget currently contains budget provision for a subsidy payable to Lowther Trust for the operation of Lowther Pavilion, as detailed in the service level agreement. The budget stands at £39k in 2015/16 and reduces to £32k in 2016/17, that being the final year of the five-year subsidy period as agreed with Lowther Trust. It is not known at this stage whether a subsidy from Fylde Council will be requested by Lowther Trust beyond 2016/17, nor the likely value of any such request.

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

5. GENERAL FUND RESERVE AND OTHER EARMARKED RESERVES & PROVISIONS

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

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

5.2 The Council's General Fund Reserve Balance at 31st March 2015 was £5.4m.

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

6. CONCLUSIONS – GENERAL FUND REVENUE FORECAST

6.1 The Council faces a number of uncertainties in the future in respect of its finances, particularly from the Spending Review, the outcome of which is due to be announced in November 2015. As part of that announcement further reductions in the level of central government funding may become apparent. The current forecast has a number of high risk financial assumptions which are outside the Council's control.

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

6.3 The financial situation the Council faces continues to be challenging and uncertain, and the gap between in-year income and expenditure in later years of the forecast will need to be addressed.

6.4 Budget planning work for 2016/17 is well underway and further updates of the financial forecast will be brought before Members in due course.

7. COLLECTION FUND

7.1 The Council is required to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non Domestic Rates (NNDR). The deficit on the collection fund for Council Tax as at 31st March was £183k. This deficit will be shared in accordance with regulations and will form part of the 2016/17 Council Tax Calculation. The Council's share of the deficit is £25k.

7.2 Prior to 2013/14, the Council collected Business Rates on behalf of Central Government. All the Business Rates income was paid directly into a central pool which was re-distributed to individual councils according to a needs-based formula. Under the new regulations the Council notionally retains a 40% share of its business rates, after which a tariff in the form of a further payment to central government is applied. As at 31st March 2015 the actual collection of NNDR was lower than originally forecast, largely as a result of the extension of the small business rate relief scheme. As a consequence, the Council's share of the Collection Fund deficit for the year was £506k which was offset by additional Government grant to recompense local authorities for the extension of the small business rate relief scheme.

8. THE CAPITAL PROGRAMME

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

8.2 The latest updated Capital Programme Summary for the years 2015/16 to 2019/20 is set out in Table 1 below. The Programme has been updated for changes to the end of September 2015. A prudent approach is taken in preparing the programme to ensure that financing resources are only recognised when there is reasonable certainty that they will be received.

TABLE 1 - SUMMARY CAPITAL PROGRAMME

	Estimate 2015/16 £000	Estimate 2016/17 £000	Estimate 2017/18 £000	Estimate 2018/19 £000	Estimate 2019/20 £000
Estimated Expenditure:					
Finance & Democracy Committee	1,028	954	0	0	0
Tourism & Leisure Committee	1,127	358	40	40	40
Operational Management Committee	957	3,698	8,817	6,310	870
Environment, Health & Housing Committee	715	468	762	468	468
Development Management Committee	389	274	0	0	0
Total Capital Payments	**4,216**	**5,752**	**9,619**	**6,818**	**1,378**
Financing:					
Availability of Resources	**4,216**	**5,752**	**9,619**	**6,818**	**1,378**
Total surplus (-) / shortfall in year	0	0	0	0	0
Cumulative surplus (-) / shortfall	0	0	0	0	0

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

8.4 Financing the Capital Programme

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

(i) Specific Capital Grant Allocations;
(ii) Disabled Facilities Grant;
(iii) Capital Receipts;
(iv) External Funding (such as Heritage Lottery Funding);
(v) Prudential Borrowing/Leasing;
(vi) Revenue Funding; and
(vii) Capital Investment Reserve

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

9. VEHICLE PURCHASES

9.1 The Council has adopted a Service Modernisation Strategy for Operational Services which includes a rolling programme of vehicle replacement that assumes the replacement of vehicles on a like-for-like basis at the end of their useful economic life. The approved capital programme includes significant capital expenditure for scheduled operational vehicle replacements in 2017/2018.

Cabinet on the 24th September 2014 RESOLVED to approve the continuation of in-house service delivery of all Operational Services until the outcomes of the independent review of waste collection services across Lancashire are known and have been fully assessed and the County Council's statutory obligations under the Environmental Protection Act 2010 (EPA) have been clarified, and in any event before the commitment of significant capital expenditure in relation to fleet replacement.

The outcome of that review is scheduled for the spring of 2016. Following that the longer term plan for future vehicle replacement will be reviewed and any changes arising will be reflected in future updates to the Capital Programme.

10. KEY AREAS OF FINANCIAL RISK TO THE CAPITAL PROGRAMME

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

10.1 Medium Level Financial Impact Risks

(i) Accommodation Project

The accommodation project was originally included in the capital programme on the basis that the scheme would be self-financing from capital receipts from the sale of 3 sites (St David's Road Depot, Derby Road, Wesham and the Public Offices). Actual asset sales and receipts are dependent on market conditions and cannot be predicted with certainty. St David's Road depot was sold in 2012/13, and the site at Derby Road, Wesham was sold in

2013/14. The Public Offices was re-marketed during 2014/15 and the Accommodation Working Group have reviewed a number of further expressions of interest. Disposals of this nature where external agencies, planning decisions, external legal specialists and property developers are involved often take some time to bring to a conclusion.

In August 2015 the Finance and Democracy Committee approved virements of £230k from phases 7 and 8 of the scheme to fund the phase 3 works and approved the commencement of the phase 3 works during 2015/16, funded from residual capital receipts from the asset sales.

The proposed establishment of an Accommodation Project Reserve, to provide a source of funding for the delivery of further phases of the Accommodation Project is detailed within Section 3.4 of this report. This report also recommends the transfer of monies into that reserve and that capital virements be approved in the total sum of £310,000 from Phase 7 of the Accommodation Project capital scheme. This would provide sufficient resource for the funding of Phases 4 and 5 of the works.

Completion of the accommodation project is dependent upon the receipt of income from the disposal of the public offices asset. The cross-party Accommodation Working Group continues to monitor and manage this project and regular update reports on the project will continue to be provided to Members.

(ii) Coast Protection Scheme

The Strategic Appraisal Report (StAR) for the Fylde Shoreline Strategy was approved by the Environment Agency's Large Project Review Group (LRPG) in January 2014 and included the replacement of sea defences at Fairhaven and Church Scar. Following this approval further funding was released by DEFRA and Cabinet approved spend for a Coastal Headland Study Project Appraisal Report (PAR) in the sum of £175k, fully funded from DEFRA resources. This report has now been completed and was submitted for approval by the Environment Agency's LRPG on the 6th August 2015. Once the Project Appraisal Report is approved, further funding from DEFRA is then required to complete the next stage. This is the detailed, customer led design of the new sea walls and involves gaining the necessary approval for the work to progress, involving preparation of an environmental impact assessment and appropriate assessment with regards to the potential to disturb overwintering birds during construction leading to planning permission, and a Marine Management Organisation licence.. Once these approvals are obtained it will unlock funding for both Fairhaven Lake and Church Scar sea defence construction schemes.

The Council's capital programme includes an estimate of £16,500,000 over the years 2016 to 2019 which was a figure originally derived from the approved StAR. The project as now defined by the PAR report is estimated at £19,830,000 (including risk contingencies) and is to be funded by a combination of grant from the Environment Agency which is estimated at £19,430,000 and a Fylde Council capital programme contribution of £400,000 which is currently shown in 2016/17, with the FBC contribution being funded from the capital investment reserve. Further updates and any future changes to the scheme will be reported to members and the Capital Programme will be updated accordingly.

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

(iii) Disabled Facilities Grants (DFGs)

As local housing authority, the Council has a statutory duty to provide disabled adaptations within the Borough. In order to fund these works the Council receives grant support which previously was provided by the Department for Communities and Local Government (DCLG).

As part of the 2013 Spending Round review the Government established the 'Better Care Fund', with the intention of "providing an opportunity to transform local services so that people are provided with better integrated care and support". Under these new arrangements from 2015/16 onwards the funding for Disabled Facilities Grants (DFGs) transferred to the Department of Health, with funding being distributed to all Councils via the upper-tier authority for that area. As such, in Lancashire the fund will be administered by Lancashire County Council. Each upper-tier authority then allocates the funding to their respective housing authorities (i.e. district councils within their area) to enable them to continue to meet this statutory responsibility.

In order to monitor the level of demand upon this resource the number of applications on the various categories of waiting lists and the periods of waiting time for DFG's are closely monitored and are reported to Members as appropriate.

The Capital Programme includes annual provision for DFG's at the level of the 2015/16 grant allocation. However this is the only year for which the allocation has been confirmed and for 2016/17 onwards the figures in the programme are estimates and will only be confirmed in the year they are due. For as long as DFG works remains a statutory obligation the grant is unlikely to be withdrawn by the Government but could be reduced.

Any future reduction in DFG grant funding income received by the Council will have a direct impact on the level of works that can be undertaken. There is also a direct revenue implication on DFG fees which would also have to be adjusted. For these reasons DFG's have been highlighted as a potential future risk.

A detailed report on the current position for DFG's will be presented to the January meeting of the Environment, Health and Housing Committee.

(iv) Vehicle Replacement Programme

The estimated vehicle replacement profile, to replace existing fleet at the end of its useful economic life from 2015/16 to 2019/20 within the Capital Programme totals £3.9m. Within the forecast it is assumed that the majority of this will be financed from borrowing. It is within the delegations of the Chief Financial Officer to determine how the replacement programme is best financed and if leasing becomes a more economically advantageous method then future forecast updates will be updated to reflect such decisions.

It is important to note that purchase prices will fluctuate with new models and technological/legislative changes and it is therefore necessary to reality check the costs associated with new vehicles on an annual basis and make any necessary adjustments to the capital programme to ensure that ongoing fleet replacement is accurately budgeted for in future years. The Euro VII engine will be introduced in future years in line with stringent environmental regulations. There is no current timeline for this at present however it may fall within the next 5 years. This will have significant financial consequences for future fleet procurement the extent of which is currently unknown.

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

10.2 Low Level Financial Impact Risks

(i) Project Slippage

It is important that the Council monitors capital scheme slippage to ensure that no loss of external grant is imposed due to conditions associated within specified timescales.

(ii) Other Capital Receipts

The approved programme for 2015/16 onwards assumes "Right to Buy" receipts of £25k per annum and "General Asset Sales" of £45k per annum. Future receipts are dependent on prevailing market conditions and values cannot be predicted with certainty. This will be monitored and reviewed during the year and adjusted accordingly in future quarterly monitoring reports, along with the impact this may have on the financing of the programme.

(iii) Capital Investment in St. Annes Pool

As part of the arrangement with the YMCA for the operation of the pool, the Council undertook to provide Capital support in the event of major works, repair or breakdown and a provision of £153k was included in the programme for this eventuality. There is now a remaining capital resource of £93k in 2015/16. There is a risk that this remaining resource is insufficient to meet future capital expenditure needs for the facility.

11. CONCLUSIONS – CAPITAL PROGRAMME

11.1 The current Capital Programme as updated is showing a balanced position for 2015/16 onwards.

11.2 The capital programme and the associated financing will be subject to discussion with Members during the coming months as part of the annual budget setting process for 2016/17.

11.3 Any additional expenditure which is not fully funded by external finance would normally require the generation of capital receipts or further borrowing (the latter placing further pressure on the Revenue Budget from the consequent repayment costs). However Budget Council on 4th March 2013 approved the creation of a Capital Investment Reserve to finance future capital expenditure. The balance of this reserve at 31st March 2015 was £2.775m after an additional contribution at outturn for 2014/15 of £247k. Commitments to date of £2.434m leave a current uncommitted balance on the reserve of £341k. It is anticipated that this reserve would offer the preferred source of finance for any further additions to the Capital Programme in future years.

12. TREASURY MANAGEMENT

12.1 The Treasury Management Strategy and Prudential Indicators were approved by Council on 3rd March 2015.

12.2 The regulatory framework for treasury management requires Councils to receive a mid-year Treasury Review report. This report will be presented to the Audit and Standards Committee for scrutiny on 26th November 2015 and subsequently will be presented to Council on 14th December 2015.

13. KEY AREAS OF FINANCIAL RISKS FOR TREASURY MANAGEMENT

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

(i) Unexpected movements in cash flow;

(ii) Differences between the actual interest rate and interest rates used in the forecast; and,

(iii) The security of monies invested with counterparties

14. CONCLUSIONS - TREASURY

14.1 Investment rates available in the market have continued at historically low levels and are expected to remain low for some time. Also there remains uncertainty in economic forecasts and financial markets. The Council will continue to aim to achieve the optimum return on investments commensurate with proper levels of security and liquidity that have been approved by Members.

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

15.1 The Government have made it clear that it continues to be committed to a deficit reduction programme with the aim of significantly accelerating the reduction in the structural budget deficit of the Country. In July 2015 the Government published the document 'A country that lives within its means - Spending Review 2015'. The outcome of the review is due to be announced in November 2015 and is expected to set out the means by which the deficit reduction will be achieved. Included in the spending review announcement is expected to be a revision to the funding arrangements for Local Government, largely relating to Revenue Support Grant and the retained element of Business Rates income.

15.2 The assumptions set out in this forecast are the latest best estimates and will be updated as and when further information, including the outcome of the Spending Review, is 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 and this may result in an under spend this year.

15.3 Much work has been done over the last 6 years to ensure that the Council's finances remain robust. This current version of the MTFS shows an in-year contribution to reserves for 2015/16 and 2016/17, followed by a deteriorating picture during the remainder of the forecast period with an increasing reliance upon drawings from the General Fund Reserve to achieve a balanced budget position. This arises largely as a result of external factors which adversely impact upon the Council's financial position, in particular the ceasing of the Lancashire Waste Cost Sharing Agreement after 2017/18. The implementation of Public Sector Deficit Reduction measures promoted by central Government includes both immediate and medium term spending reductions on public services. Like all councils Fylde is also dealing with ongoing cost pressures.

15.4 The Council has delivered a significant savings programme since 2007 and has continued to significantly reduce senior management costs and other overheads. Ongoing modernisation work and business improvement will continue to make Council services more efficient, save money and maintain frontline services to customers. This work has yielded ongoing savings to help improve the Council's overall financial position. The Council continues to examine the balance between charges and tax levels looking closely at new opportunities for income generation.

15.5 The Council began a budget right-sizing programme during the summer of 2012 in preparation for the ongoing Government funding reductions anticipated in future years. Following presentation of the 2012/13 outturn report to both Cabinet and Scrutiny Committee, Management Team again committed to carrying out a budget rightsizing exercise to analyse underspends which have occurred over the last 3 financial years. As a result a number of budget adjustments are included within Appendix C of this report under the heading 'Budget Rightsizing'. This programme will continue year-on-year in order to contribute to addressing the ongoing financial challenges faced by the Council, but it should be noted that there is a limit to the efficiencies and savings that can be achieved through this approach. Members and Management Team have carried out further work to address the broader challenges posed by the reduction in Government grant funding and work continues to investigate shared service options and the implementation of modernisation and business process improvement that will make Council services more cost-effective. This programme will yield efficiency improvements to help improve the Council's overall financial position.

15.6 The Council's priorities for improvement remain and the Council needs to continue with the overall strategy making any changes it feels are relevant whilst recognising the future uncertainties that exist.

15.7 Given the significant uncertainty around potential Government spending cuts in future years further revisions to the figures and assumptions in this update will be necessary over the coming months.

15.8 **At this point the finances of the Council remain robust. Members must, however, remain cognisant of the risks that are detailed within this report and note that the gap between in-year income and expenditure in later years of the forecast will need to be addressed.**

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

REPORT AUTHOR	TEL	DATE	DOC ID
Paul O'Donoghue Chief Financial Officer	(01253) 658566	December 2015	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Medium Term Financial Strategy (MTFS) Update, Including General Fund, Capital Programme and Treasury Management for 2014/15 – 2018/19	Budget Council meeting 3rd March 2015	www.fylde.gov.uk
MTFS – Outturn Position For 2014/15 (Including General Fund, Capital Programme & Treasury Management)	Cabinet meeting 22nd June 2015	www.fylde.gov.uk
Revenue Budget Monitoring Report 2015/16 – to 31st July 2015	Finance and Democracy Committee meeting 28th September 2015	www.fylde.gov.uk
Capital Programme Monitoring Report 2015/16 – to 31st July 2015	Finance and Democracy Committee meeting 28th September 2015	www.fylde.gov.uk

Attached documents

1. Appendix A – Forecast approved at Council on 3rd March 2015
2. Appendix B – Schedule of general assumptions underpinning the forecast
3. Appendix C – Schedule of unavoidable changes to the forecast
4. Appendix D – Narrative on unavoidable changes to the forecast and specific assumptions to support Appendix C
5. Appendix E – Updated latest forecast position

Appendix A

General Fund Budget Forecast 2014/15 to 2018/19 - Approved at Budget Council March 2015

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	Adverse / Favourable
Forecast approved at Budget Council on 3rd March 2014	**9,869**	**9,936**	**9,993**	**10,243**	**10,243**	
Forecast changes - per Appendix C of March 2015 report	- 939	57	34	- 183	839	Favourable
Cabinet Budget Proposals - per Appendix F of March 2015 report		- 2	- 48	- 53	- 53	Favourable
Forecast Budget Requirement	**8,930**	**9,991**	**9,979**	**10,007**	**11,029**	
Financed by:						
Revenue Support Grant	1,991	1,443	1,039	748	538	
Business Rates Funding - Safety Net Level	1,594	1,625	1,657	1,690	1,724	
Council Tax Freeze Grant relating to 2014/15 freeze	57					
Council Tax Freeze Grant relating to 2015/16 freeze		59				
Less - Parish Element of Council Tax Support Funding	- 72	- 69	- 69	- 69	- 69	
Sub Total	3,570	3,058	2,627	2,369	2,193	
Council Tax (including Collection Fund Surplus/Deficit)	5,257	5,248	5,396	5,543	5,693	
Other grants						
New Homes Bonus	1,269	1,654	1,954	1,975	1,969	
Forecast Financing	**10,096**	**9,960**	**9,977**	**9,887**	**9,855**	
Forecast surplus(-)/deficit for year	**- 1,166**	**31**	**2**	**120**	**1,174**	
Reserves						
Forecast surplus/deficit(-) for year from above:	1,166	- 31	- 2	- 120	- 1,174	
Less: Contribution to Capital Investment Reserve (CIR)	- 850					
Less: Contribution to CIR from addnl sandwinning income	- 20					
Less: Contribution to CIR from addnl crem income	- 41					
Balance remaining:	255	- 31	- 2	- 120	- 1,174	
Balance of General Fund Reserves b/f	5,089	5,344	5,313	5,311	5,191	
Less transfer to/from(-) General Fund Reserves in year	255	- 31	- 2	- 120	- 1,174	
Forecast Reserves at Year End	**5,344**	**5,313**	**5,311**	**5,191**	**4,017**	
Band D Council Tax (Excl Parish Precepts)	**£185.90**	**£185.79**	**£189.51**	**£193.30**	**£197.17**	
Council Tax Increase	**0.0%**	**0.0%**	**2.0%**	**2.0%**	**2.0%**	

Appendix B

General Assumptions

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

- General Prices Inflation – a freeze or cash-limiting of all general revenue expenditure budgets with the exception of pay, fuel & utility budgets;
- Slippage - underspend items from 2014/15 agreed by Cabinet in June 2015 have been slipped into 2015/16;
- Pay award - assumed to be 1% per annum from 2016/17 onwards throughout the forecast;
- Employers Pension Contributions – the Council's contribution to the Lancashire pension fund scheme is set in accordance with the outcome of the recent Triennial Pension Review at 12.5% plus 9% deficit recovery lump sum payment for the period to 2016/17; any amendments resulting from the next review will be reflected in later updates to the Financial Forecast;
- Employer's National Insurance contributions – the forecast reflects the statutory contribution rates currently in place, including a reduced contribution rate as a result of the Council being part of the pension scheme. This reduced rate will increase due to the introduction of a Single Tier Flat Rate State Pension from April 2016, and the impact of this has been reflected in the forecast;
- Council tax increases – 2% increase per annum from 2016/17 onwards in line with latest government announcement on the threshold for referendums;
- Government Grant Support – the forecast assumes a 28 % annual grant reduction from 2016/17 onwards in line with the trajectory of the last few years;
- New Homes Bonus – the forecast assumes the receipt of grant in line with current legislation, with future year's forecast based upon historical tax base increase data;
- Fees and Charges – 0% increase in all years, budget holders to review in line with policy and any changes to fees & charges to be agreed at Budget Council in March 2016;
- Vacancy Savings – the forecast assumes £200k savings target for 2015/16, and £100k per annum from 2016/17 onwards;
- Localisation of Council Tax Benefit Scheme – the forecast assumes a fully funded scheme with no cost to the Council from 2015/16 onwards pending a Council decision on the 2016/17 scheme to be agreed in December 2015 following the completion of consultation.

Appendix C

Forecast changes since Budget Council March 2015:

		15/16 £000	16/17 £000	17/18 £000	18/19 £000	19/20 £000	ADVERSE / FAVOURABLE / NEUTRAL
1	**CHANGES AS A RESULT OF MEMBER APPROVALS:**						
	Shared Fraud Service - approved by Cabinet 25th March 2015	-72	-24	-24	-24	-24	**FAVOURABLE**
	Slippage of items from 2014/15 approved at Finance & Democracy Cttee 22nd June 2015	99					**ADVERSE**
	Members Allowances - Council 6th July 2015	8	8	8	8	8	**ADVERSE**
2	**BUDGET RIGHTSIZING EXERCISE:**						
	Revenue impact of budget right-sizing exercise across all budget areas of the Council	-132	-56	-41	-41	-3	**FAVOURABLE**
3	**UPDATED ESTIMATES OF INCOME BUDGETS:**						
	Increase in Crematorium Income forecasts	-157	-93	-93	-93	-93	**FAVOURABLE**
	Reduction in income from CAMEO scheme	41	20	20	20	20	**ADVERSE**
	Increase in Planning Application Fee Income forecasts	-275	-125	-50	-50	-50	**FAVOURABLE**
	Reduction in trade waste income forecasts	24	44	44	44	44	**ADVERSE**
	Increase in sandwinning income forecasts	-25	-50	-25			**FAVOURABLE**
	Reduction in Fairhaven Lake boat income	19					**ADVERSE**
4	**STAFFING COSTS:**						
	Updated estimate for future years pay award and on-costs					124	**ADVERSE**
	Updated estimate for employee/agency labour costs - increases to the Living Wage hourly rates		13	31	50	72	**ADVERSE**
	Additional in-year vacancy savings target	-125	-25	-25	-25	-25	**FAVOURABLE**
5	**OTHER FORECAST CHANGES**						
	Reinstatement of budgets for public offices running costs		46				**ADVERSE**
	Borough Elections					80	**ADVERSE**
	Neighbourhood plan referendum - St Annes and Warton		36				**ADVERSE**
	Net savings from revised borrowing assumptions and interest rate forecasts	-207	-20	-33	-132	122	**FAVOURABLE**
	Estimated reduction in housing benefit admin grant					10	**ADVERSE**
	TOTAL	**-802**	**-226**	**-188**	**-243**	**285**	**FAVOURABLE**

Appendix D

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

(1) Changes as a Result of Member Approvals

The forecast that was approved by Budget Council in March 2015 has been updated to reflect the financial impact of Member decisions made since then.

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

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

(3) Revised Crematorium Income forecasts

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

(4) Increase in Planning Application Fee Income

Planning application fee income is dependent on the number and nature of applications received. A number of significant applications have been received towards the end of the last financial year and during the early part of this year. The income estimate has been reviewed and adjustments to have been made for both the current year and for future years of the forecast.

(5) Trade Waste – Reduction in income Assumptions

The loss of a number of bulk bin customers of Lytham has resulted in a reduction in income for the current year. The budget has been reviewed as part of the right-sizing exercise and adjustments to income estimates have been made for both the current year and for future years of the forecast to reflect a continuation of this trend.

(6) Increase in Sand-winning Income forecasts

Income from the sale of sand in the year to date has been higher than the forecast amount and consequently this income budget has been reviewed as part of the budget right-sizing exercise, resulting in increases to the income budgets. The increase may be a consequence of greater levels of activity in the construction industry, and the consequential demand for sand as a building material, possibly reflecting an upturn in the house-building market.

(7) Fairhaven Lake – Reduction in Boat Hire Income

The forecast has been updated to reflect the impact of reduced boat hire income at Fairhaven Lake during 2015/16 which is due to a combination of the relatively poor weather during the main summer period and difficulties in acquiring replacement boats as scheduled.

(8) Staffing Costs

The forecast assumes an estimated 1% pay award per annum from 2016/17. Salary estimates are based upon a revised assessment of the base level of salary costs to reflect any staffing changes that have occurred since the last point of calculation.

The adoption of the Living Wage Foundation hourly rate and the announcement of a National Living Wage from April 2016 will have implications for some grades of Council employees and for agency labour costs in future years. The forecast has been updated to reflect those estimated additional costs.

The forecast that was approved by Council in March 2015 has an assumed level of 'turnover savings' (delays in the recruitment to vacant posts) of £75,000 per annum from 2015/16 onwards. Actual savings to date are already in excess of this target. Accordingly, the turnover savings targets for the current year and for the remainder of the forecast period have been updated to reflect a revised estimate of the level of savings.

(9) Reinstatement of budgets for Public Offices

The forecast has been updated to reinstate the budgets for the running costs of the Public Offices building in 2016/17 to reflect the Council's anticipated continued ownership of the building into 2016/17.

(10) Borough Election Costs

Fylde Borough is next due to hold a Council election in 2019/20. The estimated costs of this have been added to the Financial Forecast.

(11) Neighbourhood Plan Referenda

The estimated cost of holding a referendum on the proposed Neighbourhood Plans in St Annes and in Warton in 2016/17 have been added to the Financial Forecast.

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

The forecast has been updated to reflect both:

- the latest estimated cost of borrowing required in order to fund expenditure approved within the capital programme. The one-off saving in 2015/16 is as a result of the decision to delay borrowing in the short term and to use internal cash balances to fund capital expenditure; and
- the latest estimate of investment interest estimated to be received on cash balances and reserves which the Council invests as part of daily treasury management activities.

(13) Reduction in Housing Benefit Admin Subsidy Grant receivable from Central Government

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

Appendix E

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

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Adverse / Favourable
Forecast approved at Budget Council on 3rd March 2015	**9,991**	**9,979**	**10,007**	**11,029**	**11,029**	
Forecast changes - per Appendix C	- 802	- 226	- 188	- 243	285	**Favourable**
Forecast Budget Requirement	**9,189**	**9,753**	**9,819**	**10,786**	**11,314**	
Financed by:						
Revenue Support Grant	1,443	1,039	748	538	388	
Business Rates Funding - Safety Net Level	1,625	1,657	1,690	1,724	1,759	
Council Tax Freeze Grant relating to 2015/16 freeze	59					
Estimated Council Tax Freeze Grants						
Less - Parish Element of Council Tax Support Funding	- 69	- 69	- 69	- 69	- 69	
Sub Total	3,058	2,627	2,369	2,193	2,078	
Council Tax (including Collection Fund Surplus/Deficit)	5,248	5,396	5,543	5,693	5,847	
Other grants						
New Homes Bonus	1,660	1,854	1,875	1,869	1,861	
Forecast Financing	**9,966**	**9,877**	**9,787**	**9,755**	**9,786**	
Forecast surplus(-)/deficit for year	**- 777**	**- 124**	**32**	**1,031**	**1,528**	
Reserves						
Forecast surplus/deficit(-) for year from above:	777	124	- 32	- 1,031	- 1,528	
Less: Contribution to Accommodation Project Reserve	- 504					
Balance of surplus/deficit(-) remaining:	273	124	- 32	- 1,031	- 1,528	
Balance of General Fund Reserves b/f	5,443	5,716	5,840	5,808	4,777	
Less transfer to/from(-) General Fund Reserves in year	273	124	- 32	- 1,031	- 1,528	
Forecast Reserves at Year End	**5,716**	**5,840**	**5,808**	**4,777**	**3,249**	
Band D Council Tax (Excl Parish Precepts)	**£185.79**	**£189.51**	**£193.30**	**£197.17**	**£201.11**	
Council Tax Increase	**0.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**	