



## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	COUNCIL	10 FEBRUARY 2020	13
<b>FINANCIAL FORECAST UPDATE 2019/20 TO 2023/24 (POSITION AS AT JANUARY 2020)</b>			

### 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 2019/20 to 2023/24.

The main purpose of this update to the Financial Forecast is to reflect the impact of the provisional 2020/21 Local Government Finance Settlement, details of which were announced on 20th December 2019.

The government has confirmed that it is looking to undertake the delayed Fair Funding Review during 2020 with implementation scheduled to be from April 2021. Consequently the finance settlement for 2020/21 is a single-year only settlement.

The continuation of a Lancashire-wide Business Rates Pool was confirmed for 2020/21 (though with amended membership arrangements). However none of the '75% Business Rate Retention Pilot' schemes that are in operation for 2019/20 (including the Lancashire scheme) will continue into 2020/21. Despite this, the latest in-year monitoring and future modelling strongly suggest that continued participation in a Lancashire Business Rate Pool for 2020/21, albeit not the 75% retention scheme, would still be of significant financial benefit to Fylde Council.

The provisional settlement confirms that a review of the New Homes Bonus scheme will be undertaken during the next financial year and that the 2020/21 grant allocation is for one year only and not an annual allocation for a four year period as was the case for 2018/19 and 2019/20.

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 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 Finance and Democracy Committee has considered updates to the Financial Forecast at the meetings of 25<sup>th</sup> November 2019 and 27<sup>th</sup> January 2020.

In accordance with those deliberations it is recommended:

1. That the Council approves this updated financial forecast.

## SUMMARY OF PREVIOUS DECISIONS

The Council set its budget for 2019/20 at the meeting of 5<sup>th</sup> March 2019. This report provides Members with an update to the financial forecast.

CORPORATE PRIORITIES	
Spending your money in the most efficient way to achieve excellent services ( <b>Value for Money</b> )	√
Delivering the services that customers expect of an excellent council ( <b>Clean and Green</b> )	√
Working with all partners ( <b>Vibrant Economy</b> )	√
To make sure Fylde continues to be one of the most desirable places to live ( <b>A Great Place to Live</b> )	√
Promoting Fylde as a great destination to visit ( <b>A Great Place to Visit</b> )	√

## REPORT

### 1. PURPOSE OF THE FINANCIAL FORECAST UPDATE

- 1.1 This report updates the financial forecast which was considered by this Committee in November 2019. 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 2020/21 Local Government Finance Settlement, announced on 20<sup>th</sup> December 2019.
- 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 2019;
  - 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.

## 1. THE CAPITAL PROGRAMME

- 2.1 The latest in-year position on the Capital Programme, along with the associated financial risks, is contained within a separate report for consideration at this meeting and has also been reported to each of the Programme Committees as part of the January cycle of meetings.
- 2.2 Any future capital financing issues facing the Council will be addressed as part of the Council's budget proposals for 2020/21 which will be published in mid-February 2020.

## 2. 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 2019 still 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:

### i) **The 2020/21 Local Government Finance Settlement**

The main document detailing the Local Government Finance Settlement is entitled 'Provisional local government finance settlement: England, 2019 to 2020'. Full details of the settlement can be found at the following link: [Finance-settlement-2020-to-2021](#)

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

#### **a) Confirmation of acceptance of the bid by Lancashire authorities to continue to operate a re-constituted Business Rate Pooling arrangement for 2020/21**

The continuation of a Lancashire-wide Business Rates Pool was confirmed for 2020/21 (though with amended membership arrangements). However none of the '75% Business Rate Retention Pilot' schemes that are in operation for 2019/20 (including the Lancashire scheme) will continue into 2020/21. Despite this, the latest in-year monitoring and future modelling strongly suggest that continued participation in a Lancashire Business Rate Pool for 2020/21, albeit not the 75% retention scheme, would still be of significant financial benefit to Fylde Council.

During 2020/21 the government will announce the reforms due to be implemented in 2021/22, following the completion of the 'Fair Funding' review. At this stage the forecast assumes a reduced level of business rate income closer to the current baseline level until details of the outcome of this review are known.

#### **b) Confirmation of the 2020/21 General Council Tax Referendum Principles**

As part of the 2020/21 Finance Settlement the government announced the general council tax referendum principle (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 (the upper limit was 2.99% for 2018/19 and 2019/20). (An increase of £5.00 for a Band D property in Fylde for 2020/21 would equate to a percentage increase of around 2.5%).

Referendum principles will not be extended to town and parish councils for 2020/21, but could be applied to these councils in future years.

**c) Confirmation of a 2020/21 review of the New Homes Bonus 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 2020/21 grant allocation is for one year only and not an annual allocation for a four year period as was the case for 2018/19 and 2019/20.

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 future forecast of New Homes Bonus income has been reviewed in the light of the latest available information on property numbers and an updated forecast amount for 2020/21 is shown within the revised summary Financial Forecast at Appendix E to this report. In respect of all other years, due to the uncertainty surrounding future funding levels the estimated amounts for 2021/22 onwards are in line with the forecast as approved by Council in March 2019.

**d) Confirmation of the 2020/21 'Fair Funding Review'.**

The government has confirmed that it is looking to undertake the delayed Fair Funding Review during the next financial year with implementation scheduled to be from April 2021.

This review consultation states the aims of the exercise as being designed to:

- propose to simplify the assessment of local authorities' relative needs;
- consider the type of adjustment that will be made to an authority's relative needs assessment to take account of the relative resources available to them to fund local services; and
- propose a set of principles that will be used to design potential transitional arrangements and examines how the baseline for the purposes of transition should be established.

Although no details are known at this stage it is possible that, given the financial pressures on upper-tier and unitary councils with responsibility for services with escalating costs such as adult social care, that the review could result in shire district councils being regarded as requiring a reduced share of national resources. Any implications arising from the Fair Funding Review will be reported within future updates to the financial forecast once they are known.

ii) **Other Revenue Budget Adjustments**

**a) New Homes Bonus Distribution to Town and Parish Councils**

The Finance and Democracy Committee meeting of 25<sup>th</sup> November 2019 approved the continuation of the scheme for the distribution of a portion of the New Homes Bonus Grant income to town and parish Councils. The financial consequence of this decision is contained within the summary Financial Forecast at Appendix E to this report.

**b) Other budget adjustments**

A limited number of further budget adjustments have been made to this updated financial forecast update following a further budget-rightsizing review undertaken in recent months. 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 2020/21 which was finalised in December 2019.

### 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 25th November 2019 still 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 2019 Financial Forecast report via the following link: [www.fylde.gov.uk/](http://www.fylde.gov.uk/)

## 4. **CONCLUSIONS**

- 4.1 The 2020/21 Local Government Financial Settlement has not fundamentally changed the general financial standing of Fylde Council. There remains (as reported in the November 2019 Financial Forecast update) a projected surplus for 2019/20 and 2020/21 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, albeit without the additional benefit of the '75% Retention Pilot Scheme' that is in place for 2019/20. 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 In order to maintain the current financial position, the Council needs to continue with the approach to delivering savings and efficiencies and maximising income which have helped deliver balanced budgets and contribute to reserves over recent years. Through continued focus on the importance of financial stability the Council has delivered a significant savings programme in recent years and has continued to 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 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
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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 2018/19 – 2022/2023	Budget Council meeting 5 <sup>th</sup> March 2019	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
MTFS – Outturn Position For 2018/19 (Including General Fund, Capital Programme & Treasury Management)	Finance and Democracy Committee meeting 24 <sup>th</sup> June 2019	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Revenue Budget Monitoring Report 2019/20 – to 30 <sup>th</sup> November 2019	Finance and Democracy Committee meeting 27 <sup>th</sup> January 2020	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Capital Programme Monitoring Report 2019/20 – to 30 <sup>th</sup> November 2019	Finance and Democracy Committee meeting 27 <sup>th</sup> January 2020	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Medium Term Financial Strategy (MTFS) Update, Including General Fund, Capital Programme and Treasury Management for 2019/20 – 2023/24	Finance and Democracy Committee meeting 27 <sup>th</sup> January 2020	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>

#### Attached documents

1. Appendix A – Forecast approved at Council on 5th March 2019
2. Appendix B – Schedule of general assumptions underpinning the forecast
3. Appendix Ci and Cii – Schedules of changes to the forecast
4. Appendix Di and Dii – Explanation of changes to the forecast
5. Appendix E – Updated latest forecast position

**General Fund Budget Forecast 2018/19 to 2022/23 - Approved at Budget Council March 2019**

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Adverse / Favourable
<b>Forecast approved at Council on 5th March 2018</b>	9,675	10,149	10,420	10,547	10,547	
Forecast Changes - per Appendix C of March 2019 MTFS report	- 193	26	- 320	- 180	45	Favourable
Budget Proposals - per Appendix F of March 2019 MTFS report		66	66	66	66	Adverse
<b>Forecast Budget Requirement</b>	<b>9,482</b>	<b>10,241</b>	<b>10,166</b>	<b>10,433</b>	<b>10,658</b>	
<b>Financed by:</b>						
<b>Council Tax Funding:</b>						
Council Tax - Precept	5,998	6,212	6,472	6,742	7,023	
Council Tax - Share of Previous Years Surplus/(Deficit)	- 35					
<b>Sub Total - Council Tax Income</b>	<b>5,963</b>	<b>6,212</b>	<b>6,472</b>	<b>6,742</b>	<b>7,023</b>	
<b>Business Rates Funding:</b>						
Retained Rates (including pooling benefit 2018/19 & pilot impact 2019/20)	3,591	3,641	2,200	2,200	2,200	
<b>Other Funding:</b>						
New Homes Bonus	1,349	1,412	1,508	1,431	1,380	
Less - NHB distribution to Town & Parish Councils	- 65	- 69				
Revenue Support Grant	47					
Less - Parish Element of Council Tax Support Funding	- 4					
<b>Sub Total - Other Income</b>	<b>1,327</b>	<b>1,343</b>	<b>1,508</b>	<b>1,431</b>	<b>1,380</b>	
<b>Forecast Financing</b>	<b>10,881</b>	<b>11,196</b>	<b>10,180</b>	<b>10,373</b>	<b>10,603</b>	
<b>Forecast surplus/deficit (-) for year from above:</b>	<b>1,399</b>	<b>955</b>	<b>14</b>	<b>- 60</b>	<b>- 55</b>	
Forecast surplus/deficit (-) for year from above:	1,399	955	14	- 60	- 55	
Less: Proposed Transfer to Capital Investment Reserve	- 1,399	- 955				
<b>Balance of surplus/deficit(-) remaining:</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>- 60</b>	<b>- 55</b>	
<b>Balance of General Fund Reserves b/f</b>	<b>3,685</b>	<b>3,685</b>	<b>3,685</b>	<b>3,699</b>	<b>3,639</b>	
Less transfer to/from(-) General Fund Reserves in year			14	- 60	- 55	
<b>Forecast Reserves at Year End</b>	<b>3,685</b>	<b>3,685</b>	<b>3,699</b>	<b>3,639</b>	<b>3,584</b>	
<b>Band D Council Tax (Excl Parish Precepts)</b>	<b>£201.61</b>	<b>£206.60</b>	<b>£212.77</b>	<b>£219.13</b>	<b>£225.68</b>	
<b>Band D Average Council Tax Increase</b>	<b>£5.85</b>	<b>£4.99</b>	<b>£6.17</b>	<b>£6.36</b>	<b>£6.55</b>	
<b>Band D Average Council Tax Increase</b>	<b>2.99%</b>	<b>2.48%</b>	<b>2.99%</b>	<b>2.99%</b>	<b>2.99%</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 budgets;
- Slippage - underspend items from 2018/19 agreed by the Finance and Democracy Committee in June 2019 have been slipped into 2019/20;
- Pay award - assumed to be 2% per annum for 2019/20 onwards;
- Employers Pension Contributions – the Council's contribution to the Lancashire pension fund scheme is set in accordance with the estimated outcome of the 2019 Triennial Pension Review at 17.9%, plus deficit recovery lump sum payments for the period to 2022/23; 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 to be at 1.99% per annum from 2020/21;
- Government Grant Support – the forecast for 2020/21 assumes central government funding is as notified in the provisional 2020/21 funding settlement announced in December 2019;
- Fees and Charges – The forecast takes account of the revised fee levels as approved by Budget Council in March 2019. 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 2020 following consideration by the appropriate programme committee;
- Vacancy Savings – the forecast assumes vacancy savings of £300k per annum from 2019/20 onwards;
- Localisation of Council Tax Benefit Scheme – the forecast assumes a fully funded scheme with no cost to the Council from 2019/20 onwards.



## Forecast changes - November 2019

	2019/20	2020/21	2021/22	2022/23	2023/24	
	£000	£000	£000	£000	£000	<u>ADVERSE / FAVOURABLE</u> <u>/ NEUTRAL</u>
<b>1 CHANGES AS A RESULT OF MEMBER APPROVALS:</b>						
Council - 25/03/19 - BBQ PSPO's	38	38	38	38	38	ADVERSE
F&D Committee - 24/06/19 - Slippage from 2018/19	242	0	0	0	0	ADVERSE
Council - 14/10/2019 - Increase in Members Allowances	0	16	16	16	16	ADVERSE
<b>2 BUDGET RIGHTSIZING EXERCISE:</b>						
Revenue impact of budget right-sizing across all budget areas of the Council	-35	-101	-165	-183	-117	FAVOURABLE
<b>3 UPDATED ESTIMATES OF INCOME BUDGETS:</b>						
Reduction in budgeted income from sandwinning	200	375	350	350	350	ADVERSE
Reduction in planning application revenue fee income	25	75	75	75	75	ADVERSE
Revised investment interest income	-91	-25	-17	-13	-11	FAVOURABLE
Reduction in Game Site Fee Income at Fairhaven - Coast protection Works	11	0	0	0	0	ADVERSE
Additional Income - green waste subscription service	-9	-10	-10	-10	-10	FAVOURABLE
Additional Income - Fylde Waste	-5	-5	-5	-5	-5	FAVOURABLE
Additional Income - Trade Waste service	-20	-20	-20	-20	-20	FAVOURABLE
Additional Income - Assets & Leases	-51	-53	-54	-54	-54	FAVOURABLE
Additional Income - Car Parking	-50	-50	-50	-50	-50	FAVOURABLE
Additional Income - Public Offices Car Park	-5	0	0	0	0	FAVOURABLE
<b>4 STAFFING COSTS:</b>						
Estimated 2% pay award for 2023/24	0	0	0	0	200	ADVERSE
<b>5 OTHER FORECAST CHANGES</b>						
Elections costs - Borough Council Election costs 2023/24	0	0	0	0	114	ADVERSE
Members Technology Allowance 2023/24	0	0	0	0	14	ADVERSE
Business Rates - FBC Sites	8	8	8	8	8	ADVERSE
Increase in insurance premiums	20	20	20	20	20	ADVERSE
Reduction in Housing Benefit and Council Tax Admin grants	0	4	8	12	31	ADVERSE
Additional Legal Fees budget requirement	40	0	0	0	0	ADVERSE
Additional Costs for Public Offices - delay in disposal	32	0	0	0	0	ADVERSE
Removal of contribution from Lancashire County Council for Lytham Institute	0	20	20	20	20	ADVERSE
Parks External Contracts - Cypress Point Contract Removal - 20/21 onwards	0	5	5	5	5	ADVERSE
<b>TOTAL</b>	<b>350</b>	<b>297</b>	<b>219</b>	<b>209</b>	<b>624</b>	

## Appendix Cii

### Forecast changes - January 2020

	2019/20	2020/21	2021/22	2022/23	2023/24	
	£000	£000	£000	£000	£000	<u>ADVERSE / FAVOURABLE</u> <u>/ NEUTRAL</u>
<b>1 CHANGES AS A RESULT OF MEMBER APPROVALS:</b>						
Finance & Democracy Cttee - 17/12/2019 - Fairhaven and Church Scar Public Realm Works - use of revenue budgets	50	-50	0	0	0	NEUTRAL
<b>2 BUDGET RIGHTSIZING EXERCISE:</b>						
Revenue impact of budget right-sizing across all budget areas of the Council	-4	9	-16	-13	-16	FAVOURABLE
<b>3 UPDATED ESTIMATES OF INCOME BUDGETS:</b>						
Sandwinning - remaining debtor invoices finalised and raised	-24	0	0	0	0	FAVOURABLE
Reduction in estimated Planning Fee Income	50	50	50	50	50	ADVERSE
Fylde Waste - increased income from bin sales	-25	0	0	0	0	FAVOURABLE
<b>4 STAFFING COSTS:</b>						
Employee costs: in-year additional savings and review of future years salary costs	-50	0	0	0	12	FAVOURABLE
Employee cost savings: impact of latest triennial review of pension costs	0	-99	-95	-100	0	FAVOURABLE
<b>5 OTHER FORECAST CHANGES</b>						
Public Offices - 6 months budgets 2020/21	0	29	0	0	0	ADVERSE
Lowther - saving on subsidy budget following settlement of legal dispute	-100	0	0	0	0	FAVOURABLE
Slippage of St Annes Neighbourhood Plan Referendum budget	-26	26	0	0	0	NEUTRAL
Fleet Cost Savings	-50	0	0	0	0	FAVOURABLE
<b>TOTAL</b>	<b>-179</b>	<b>-35</b>	<b>-61</b>	<b>-63</b>	<b>46</b>	

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

**(1) Changes as a Result of Member Approvals**

The forecast that was approved at the Council meeting in March 2019 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 budget right-sizing exercise focussing on a review of budget variations across all budget areas. This 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 as detailed in Appendix C following a review of income budgets in consultation with budget-holders. The main change is the loss of income from sand-winning which is detailed within the body of the report. Additionally, planning fee income levels are expected to reduce following a decline in the number of planning applications being received during the first part of the year.

**(4) Staffing Costs – Pay Awards**

The assumed 2% per annum pay award has been reflected in the final year of the forecast, 2023/24, in line with other years. This year is shown within the forecast for the first time as part of this November 2019 update.

**(5) Other Forecast Changes:**

**Election Costs / Members Technology Allowance**

The costs of holding the planned borough-wide Council elections in May 2023, along with the accompanying payment of technology allowances to Members, have been brought into the final year of the forecast (the financial year 2023/24 forms part of the financial forecast for the first time at the November update).

### Business Rates

The Valuation Office Agency issued a revised rating list in 2017 that amended the rates payable for most properties, including a number of properties that are owned by the Council. This adjustment is necessary to ensure that there is sufficient budget resource for the revised level of rates payable across the Council's property holdings.

### Insurance Premium Increase

A key determinant of the cost of the Council's numerous insurance policies is the annual payroll cost, which increases each year due to the annual pay award. This factor, together with a general increase in the cost of insurance across the industry, has led to a need to review and increase the insurance budget to ensure that the Council can continue to secure adequate levels of insurance cover.

### Housing Benefit Administration Grant reduction

The level of grant that the Council receives from Central Government to administer the Housing Benefit system has been reducing year-on-year on the assumption that the phased introduction of Universal Credit will reduce caseload and consequently a lower level of reimbursement is required. Although only limited actual reduction in workload has yet been experienced within the Benefits Shared Service the level of government grant received for this purpose remains on a downward trajectory.

### Additional Legal Fees

Additional legal costs have been incurred in meeting counsel's fees to defend the council's position in a claim for reimbursement of a significant amount of business rates monies previously paid to Fylde Council. A further element relates to counsel's fees in the 'Neighbourhood Plan Challenge case', which the Council has won at all stages so far, but which may yet be taken to the Supreme Court. It has been necessary to increase the budget for legal fees to address this additional financial requirement.

### Former Public Offices building – Additional Costs

It was previously anticipated that the disposal of the former public offices building would have occurred during the 2019/20 financial year. Accordingly only a proportion of the annual maintenance costs for the empty building (business rates, security, insurance, etc.) were provided for in the original budget for 2019/20. Disposal is not now anticipated until towards the end of the financial year and it has been necessary, therefore, to increase the budget to provide for these costs.

### Removal of Lancashire County Council (LCC) contribution – Lytham Institute

Under the previous user rights agreement with Lancashire County Council (LCC) for the use of part of the building as a public library, LCC were required to reimburse Fylde Council for a proportion of the costs for the running of the building. LCC have now terminated the agreement and as such will no longer be required to meet a proportion of the running costs of the building.

#### Cypress Pont Grounds Maintenance contract removal

After the current financial year the Council will no longer be delivering the Grounds Maintenance contract for the Cypress Point development. Consequently the contribution to overheads that previously arose from the contract have been removed from the budget from that point onwards.

## **Explanations of Forecast Changes set out in Appendix Cii**

## **Appendix Dii**

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

### **(1) Changes as a Result of Member Approvals**

The forecast that was approved at the Council meeting in March 2019 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 changes are: further income from additional billing for sand-winning; and additional income from the sale of waste bins to developers in respect of new properties. Additionally, forecast levels of planning fee income for future years have been amended on the assumption of a continuation of the reduced level of planning applications that have been received during the current year.

### **(4) Employee Cost Savings**

The budget forecast which was approved by Council in March 2019 assumes Employee Cost Savings (including vacancy savings arising from delays in the recruitment to vacant posts) of £300,000 per annum from 2019/20 onwards. The actual level of savings achieved in relation to direct employee costs for the current year to date shows a level of savings in excess of this, which has been reflected in this current update to the Financial Forecast. A review of future years estimated salary costs has required an adjustment to the salary cost estimate for the final year of the forecast.

Additionally, the latest triennial review of pension costs has provided a reduced employers pension contribution requirement from the Council for the years 2020/21 to 2022/23, which has also been reflected within this latest update to the Financial Forecast.

## **(5) Other Forecast Changes:**

### Former Public Offices building – Additional Costs

It was previously anticipated that the disposal of the former public offices building could have been concluded during the 2019/20 financial year. Disposal is not now anticipated until 2020/21 and it has been necessary, therefore, to include a part-year budget provision in 2020/21 to provide for these costs.

The costs of holding the planned borough-wide Council elections in May 2023, along with the accompanying payment of technology allowances to Members, have been brought into the final year of the forecast (the financial year 2023/24 forms part of the financial forecast for the first time at the November update).

### Lowther Trust – Reduction in Subsidy Costs for 2019/20

Following the conclusion of the legal dispute in respect of the Lowther Trust it is possible to reduce the estimate of the level of required subsidy that the Council will provide to the Lowther Trust for 2019/20.

### St Annes Neighbourhood Plan

The Council is currently waiting to see if permission to appeal to the Supreme Court is granted against an earlier Court of Appeal decision which challenged the St Annes Neighbourhood Plan. However, it is now extremely unlikely that a consequential Neighbourhood Planning referendum will be required to be held in 2019/20 and therefore this funding has now been re-phased into 2020/21.

### Fleet Cost Savings

During 2019/20 there have been a number of favourable variances in respect of vehicle costs. Some are due to the fact that a number of vehicles have been acquired in the past 18 months, replacing older and more expensive to maintain vehicles. Additionally, fuel costs during 2019/20 have, to date, been lower than anticipated. It is therefore appropriate to reflect these cost-reductions within this latest update to the Financial Forecast.

**Latest General Fund Budget Forecast 2019/20 to 2023/24**

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Adverse / Favourable
<b>Forecast approved at Council on 5th March 2019</b>	10,241	10,166	10,433	10,658	10,658	<b>Adverse Favourable</b>
Forecast Changes November 2019 - per Appendix Ci	350	297	219	209	624	
Forecast Changes January 2020 - per Appendix Cii	-179	-35	-61	-63	46	
<b>Forecast Budget Requirement</b>	<b>10,412</b>	<b>10,428</b>	<b>10,591</b>	<b>10,804</b>	<b>11,328</b>	
<b>Financed by:</b>						
<b>Council Tax Funding:</b>						
Council Tax - Precept	6,212	6,456	6,660	6,869	7,084	
<b>Sub Total - Council Tax Income</b>	<b>6,212</b>	<b>6,456</b>	<b>6,660</b>	<b>6,869</b>	<b>7,084</b>	
<b>Business Rates Funding:</b>						
Retained Rates (including pooling benefit & pilot impact 2019/20)	3,757	3,427	2,200	2,244	2,289	
<b>Sub Total - Business Rates Income</b>	<b>3,757</b>	<b>3,427</b>	<b>2,200</b>	<b>2,244</b>	<b>2,289</b>	
New Homes Bonus	1,412	1,822	1,431	1,380	1,380	<b>Adverse Favourable</b>
Less - NHB distribution to Town & Parish Councils	- 69	- 76				
<b>Sub Total - Other Income</b>	<b>1,343</b>	<b>1,746</b>	<b>1,431</b>	<b>1,380</b>	<b>1,380</b>	
<b>Forecast Financing</b>	<b>11,312</b>	<b>11,629</b>	<b>10,291</b>	<b>10,493</b>	<b>10,753</b>	
<b>Forecast surplus(-)/deficit for year</b>	<b>- 900</b>	<b>- 1,201</b>	<b>300</b>	<b>311</b>	<b>575</b>	
<b>Reserves</b>						
Forecast surplus/deficit (-) for year from above:	900	1,201	- 300	- 311	- 575	
Less: Proposed Transfer to Capital Investment Reserve	- 900	- 1,201				
<b>Balance of surplus/deficit(-) remaining:</b>	<b>0</b>	<b>0</b>	<b>- 300</b>	<b>- 311</b>	<b>- 575</b>	
<b>Balance of General Fund Reserves b/f</b>	<b>3,927</b>	<b>3,927</b>	<b>3,927</b>	<b>3,627</b>	<b>3,316</b>	
Less transfer to/from(-) General Fund Reserves in year			- 300	- 311	- 575	
<b>Forecast Reserves at Year End</b>	<b>3,927</b>	<b>3,927</b>	<b>3,627</b>	<b>3,316</b>	<b>2,741</b>	
<b>Band D Council Tax (Excl Parish Precepts)</b>	<b>£206.60</b>	<b>£210.71</b>	<b>£214.91</b>	<b>£219.19</b>	<b>£223.56</b>	<b>Adverse Favourable</b>
<b>Band D Average Council Tax Increase</b>	<b>£4.99</b>	<b>£4.11</b>	<b>£4.20</b>	<b>£4.28</b>	<b>£4.37</b>	
<b>Band D Average Council Tax Increase</b>	<b>2.48%</b>	<b>1.99%</b>	<b>1.99%</b>	<b>1.99%</b>	<b>1.99%</b>	