

# DECISION ITEM



REPORT OF		DATE	ITEM NO
FINANCE	FINANCE AND DEMOCRACY COMMITTEE	22 NOVEMBER 2021	4
<b>MEDIUM TERM FINANCIAL STRATEGY - FINANCIAL FORECAST UPDATE (INCLUDING REVENUE, CAPITAL &amp; TREASURY MANAGEMENT) 2021/22 TO 2025/26</b>			

## PUBLIC ITEM

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

### SUMMARY

The report provides Members with an update of the Council's Medium Term Financial Strategy and financial forecast for the five years 2021/22 to 2025/26. It includes changes arising since the Budget was set by Council in March 2021.

### RECOMMENDATIONS

**The Committee is recommended:** to note the implications of this updated financial forecast, and to also note that this report will be presented to the Council meeting on 6<sup>th</sup> December 2021.

### SUMMARY OF PREVIOUS DECISIONS

The Council set its budget for 2021/22 at its meeting of 4<sup>th</sup> March 2021. This report provides Members with an update of the financial position of the Council, including changes since that date.

### CORPORATE PRIORITIES

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

## REPORT

### 1. PURPOSE OF THE FINANCIAL FORECAST UPDATE

- 1.1 This report 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 2021/22

At the Council meeting on the 4<sup>th</sup> March 2021 the budget for 2021/22 and the medium term financial forecast were agreed. The resolution included a 1.99% increase in the average Council Tax amounts and a total net budget requirement of £10.934m for 2021/22. The General Fund balance at that time was forecast at the end of 2024/25 to be £2.123m. In agreeing the Original Budget for 2021/22 a number of key high level financial risks and assumptions were highlighted.

### (ii) General Fund Revenue Outturn Position 2020/21

The revenue outturn position for 2020/21 was reported to Members in July 2021. The impact of the outturn position, including slippage items in the total sum of £0.299m, has been reflected in this updated forecast.

The favourable outturn position for revenue allowed for a contribution to be made into the Funding Volatility Reserve for that year in the sum of £1.148m after a budgeted transfer into the Capital Investment Reserve of £1.813m and a required transfer of £5.577m into the Collection Fund Deficit Reserve. Appendix E includes the latest estimate in this regard.

### (iii) Covid-19 Impact

In the weeks following the setting of the budget for 2020/21 the impact of the Covid-19 outbreak became increasingly apparent and resulted in a series of both national and local lockdowns which were unprecedented and had a substantial impact on both the national and the local economy. Consequently, 2020/21 was dominated by the impacts of the ongoing pandemic. In response the Council continues to play a significant role in delivering a range of support measures to the community which since the start of the pandemic have included: the provision of a substantial package of support grants to businesses; support for clinically extremely vulnerable residents; support for Council Tax-payers (including the processing of payments to those required to self-isolate); the inspection of premises to ensure compliance with covid restriction measure; support to the Community Hub (including the provision and delivery of food parcels to residents forced to self-isolate or 'shield'); supporting the programme of track and trace; and

support in the delivery of the vaccination programme. The majority of this work has been delivered by existing Council employees who have necessarily been diverted from the “day job” to prioritise the response to the pandemic, and as a result there has been consequential impacts on some of the planned work which would otherwise have been carried out.

In acknowledgement of the significant impacts the pandemic has had on the local government sector, central government introduced a range of national funding measures that assist in off-setting some of those negative financial effects to support councils in continuing to deliver services and support the national response. Fylde Council was allocated general covid support grant funding for 2020/21 totalling £1.151m and £0.392m for 2021/22, and a range of further grant allocations for specific purposes. In addition, a scheme to compensate councils for reduced sales, fees and charges income was introduced for the whole of 2020/21 and was subsequently extended to the first quarter of 2021/22.

The financial impact of the pandemic, in terms of reduced levels of income and the cost of providing services, together with the financial support provided by the government continues to be carefully monitored and reflected in the updated financial forecast included within Appendix E of this report.

(iv) Budget Right-sizing Exercise

During the autumn each year officers undertake a budget right-sizing exercise to identify any in-year budget variances and any future budget adjustments that might be appropriate. The exercise includes an analysis of underspends which have occurred over the last 3 financial years in order to identify structural variances and trends in income and expenditure levels. This has become part of the annual budget process. As a result a number of budget adjustments are included within Appendix Ci 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.

(v) Capital Outturn Position 2020/21

The latest approved expenditure budget in the capital programme for 2020/21 was £6.505m. After adjusting for slippage of £1.546m, the overall outturn position for 2020/21 was an in-year favourable variance of £0.066m against the latest updated estimate. The capital programme has been updated to reflect scheme re-phasing approved as part of the outturn report.

(vi) General Fund Revenue Quarterly Budget Monitoring 2021/22

Revenue budget monitoring reports for the period to 30<sup>th</sup> September 2021 have been presented to each of the Programme Committees during the November cycle of meetings and are included later on the agenda for this meeting as information items. These reports identified a number of budget areas for further consideration. As a result, a number of changes have already been included in this latest forecast update report. These include revised fee income estimates and the latest estimate of employee costs.

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

- 3.1 Appendix A of this report sets out the original revenue budget forecast as agreed at the Budget Council meeting on 4<sup>th</sup> March 2021.

3.2 Appendix B shows the general assumptions underpinning the base forecast, whilst Appendices Ci 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 2020/21 and the budget right-sizing exercise. Appendix D sets out the narrative which explain the significant changes made to the forecast.

3.3 Business Rates: Membership of the Lancashire Business Rates Pool 2022/23 and Future Year Income Estimates

Fylde Council has been part of the Lancashire Business Rate Pool since 2017/18. This is an arrangement whereby participant authorities are able to retain locally a larger share of business rate growth above a pre-determined 'baseline' rather than pay 50% of the growth to central government as a 'levy'.

In 2018 the government announced plans to introduce '75% Business Rate Retention' for all authorities with effect from 2020/21 (as opposed to the existing '50% Business Rate retention' arrangements). As part of the development of these revised arrangements the government invited bids from existing Business Rate Pools to act as 'pilots' for the proposed scheme. An analysis of the impact of the 'pilot' scheme arrangements for the Lancashire Business Rates Pool indicated that a significant net beneficial impact would result across Lancashire authorities. Consequently, the Lancashire pool applied for inclusion in the pilot scheme and was subsequently accepted as a participant for 2019/20.

The implementation of the '75% Business Rate Retention' scheme is closely linked to the Fair Funding Review which has now been delayed from 2019/20 first to 2020/21 and now to 2022/23 at the earliest as a consequence of the covid-19 outbreak (see section 4 below).

As a result of the delay to the review, there has been a reversion to the arrangements that were in place prior to the 'pilot' scheme i.e. that the Lancashire Business Rate Pool continued to operate but without the benefit of the '75% pilot' arrangements.

Although there remains a degree of uncertainty at this stage, it is currently anticipated that the business rate regime that operates for 2022/23 will be a continuation of the arrangements for the current year. Consequently, each of the existing Lancashire pool members have indicated their support for a continuation of the pool for 2022/23.

However, as the nature of the Business Rate regime for 2022/23 is uncertain, it may be that following the announcement of the provisional Local Government Finance Settlement, due to be announced in late 2021, a pool member may find themselves disadvantaged by the proposed 2022/23 Business Rate arrangements. It is open to each pool member to decide to withdraw from the pool within 28 days of the provisional Settlement. If any Lancashire pool member were to decide to withdraw from the pool for 2022/23 the pool would effectively be dissolved, and pooling would not be possible for Lancashire for 2022/23.

Based upon the assumption that the business rate regime that operates for 2022/23 will be a continuation of the arrangements for the current year, the latest in-year monitoring and future modelling suggests that continued participation in a Lancashire Business Rate Pool for 2022/23 would be financially beneficial to Fylde Council, and as such we have indicated our intention to remain in the pool alongside all other pool members. The Financial Forecast has therefore been updated to reflect the estimated pooling benefit for 2022/23, albeit that this is subject to change depending on the outcome of the Local Government Finance settlement.

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

### 3.5 Pay and Price Increase Pressures

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

**Pay award:** The employee pay award for the current year is yet to be agreed, with recent negotiations leading to both sides reaffirming their respective positions: the employer's offer is full and final; the unions will be conducting ballots for strike action. Budget provision for 2.75% pay award is included each year throughout the forecast based upon last year's agreed pay award.

**Health and Social Care NI contribution:** Following the government's announcement in September regarding an additional health and social care NI contributions of 1.25% from April 2022, indications are that this increase in costs will be funded for the public sector, and as such this has not been built into the forecast at this stage as we await further information which is anticipated as part of the local government finance settlement.

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

### 3.6 Estimated Transfers to Earmarked Reserves

The MTFS report presented at the Budget Council meeting of 4th March 2021 estimated transfers to the Capital Investment Reserve in 2020/21 and 2021/22 equivalent to the balance of the revenue surplus for those years (after allowing for all approved transfers to other reserves), estimated at that time to be £1.813m for 2020/21 and £1.706m for 2021/22.

Following a favourable outturn position for 2020/21 and a review of the budget position for 2021/22 as part of the preparation of this Financial Forecast update, including the identification of additional income and expenditure for the year and the outcome of the budget right-sizing exercise, the revised forecast revenue surplus for 2021/22, currently stands at £1.090m and the revised forecast revenue surplus for 2022/23 is currently forecast at £0.516m as detailed at Appendix E. The budgeted transfer into the Capital Investment Reserve has been amended to reflect this latest position.

## 4. **CENTRAL GOVERNMENT FUNDING AND THE LOCAL GOVERNMENT SPENDING REVIEW**

### 4.1 **Autumn Budget and Spending Review**

On 27<sup>th</sup> October 2021 the Chancellor, Rishi Sunak, delivered the Autumn Budget and Spending Review which outlined the Government's spending plans for the next three years by setting budgets for each central government department. [The full set of documents is available on the Treasury website.](#)

Included in the announcement was the headline that the government is providing councils with £1.6 billion of new grant funding in each of the 3 years from 2022/23 to 2024/25 for social care and other services. This funding ensures that "Core Spending Power" for local authorities is estimated to increase by an average of 3% in real terms each year over the 3 year Spending Review period. It should be noted that the "Core Spending Power" measure assumes that councils maximise council tax increases to take the full benefit of the increased spending power.

Whilst the headlines from the Spending Review are encouraging for the overall level of funding for the local government sector as a whole, it is possible that the detailed Local Government Finance Settlement, which is due to be announced in December 2021, includes a re-assessment of relative need and the re-distribution of funding between upper-tier and lower-tier authorities within the local government family, or that key funding streams mechanisms are reformed in a way that adversely affects individual authorities. Integral to the settlement are the following key income streams which provide a significant element of Fylde Council's core funding:

#### 4.2 Retained Business Rates

The government had previously announced a reform to the Business Rates system due to be implemented for all authorities in 2020/21 as part of a Fair Funding Review into overall funding arrangements for Local Government. This was delayed from 2019/20 as a consequence of uncertainties surrounding the departure of the United Kingdom from the European Union, and again from 2020/21 due to the Covid-19 pandemic. It is currently uncertain when this Review and the reform to the Business Rates system will take place. A fundamental element of the proposed reforms is a "reset" of the business rate "baseline" for each local authority against which any growth and business rate retention can be measured. Fylde council has benefitted significantly from retained growth against the existing baseline, and there is a risk that the amount of Business Rate income retained by Fylde Council in future years will be at a lower level. As detailed in paragraph 3.3 above, the financial forecast has been updated for 2022/23 to reflect an expected benefit from the continuation of pooling into 2022/23, followed by an assumed reduced level of business rate income from 2023/24 onwards at a level that is closer to the existing baseline level in anticipation of such a reset. This will be reviewed as part of the next Financial Forecast update and future estimates of business rate income will be updated when more information is known as necessary.

#### 4.3 New Homes Bonus (NHB)

Earlier this year the [government consulted on the future of the national New Homes Bonus scheme](#) with the consultation indicating the possibility of changes to the existing arrangements. The outcome of the consultation is yet to be published. It is conceivable that NHB funding for 2022/23 will be restricted to the legacy payments in respect of previous years; or that there will be no NHB funding whatsoever to local authorities in 2022/23; or that there will be a further single-year allocation for 2022/23.

The Financial Forecast summary at Appendix E assumes a reduced level of New Homes Bonus for 2021/22 onwards based upon the confirmed allocation for the current year and continuation at a similar level in future years.

Once the outcome of the consultation and an updated scheme design is announced the estimated grant receipts from the scheme will be updated in the financial forecast.

No allocation of New Homes Bonus grant to town and parish councils for 2022/23 has been assumed in this update. Following consideration of this issue by the Finance and Democracy Committee at the November meeting of the committee, any changes necessary to the forecast will be reflected in future updates.

#### 4.4 Once full details of council-by-council funding allocations are announced as part of the Local Government Finance Settlement an updated financial forecast will be prepared and presented to Members.

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

5.1 In considering this forecast Members should note that there are a number of significant risks. In assessing each risk, the following broad principles have been considered:

### High Level Financial Impact Risk

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

### Medium Level Financial Impact Risk

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

### Low Level Financial Impact Risk

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

## 5.2 High Level Financial Impact Risks – Revenue Budget

### (i) Future Central Government Funding

As detailed in Section 4 above there is a clear risk that the actual levels of central government funding beyond the current year may differ from the amounts for those years that are reflected within the updated financial forecast contained in this report.

Given that both retained Business Rates and New Homes Bonus are major sources of funding for the Council and that both are subject to ongoing review represents a significant risk to the overall level of future central government funding.

Currently we await the funding settlement for 2022/23, which is expected to be announced in December 2021. It is likely that this will again be a single year settlement for 2022/23 and we may not have any certainty regarding funding for future years until next year.

Any amendments to the levels of central government funding levels within the Financial Forecast will be made as and when any revised allocations are provided and will be reflected in future updates to the Financial Forecast.

### (ii) Announcement of a 'Fair Funding Review'

Intrinsically linked to the risks as described above relating to future Central Government funding levels, the long awaited Fair Funding Review has been further delayed with implementation of a revised funding mechanism being postponed until at least 2022/23 (delayed initially from the intended review during 2019/20 and again from the planned review in 2020/21 due to the Covid-19 outbreak).

The Government has previously issued a consultation document which focussed specifically on potential approaches that have been identified to measure the relative needs of local authorities. In particular, it:

- presents the idea of using a simple foundation formula to measure the relative needs of local authorities, based on a small number of common cost-drivers;
- considers a number of service areas where in addition, a more sophisticated approach to measuring relative needs may potentially be required; and
- outlines the statistical techniques that could be used to construct relative needs.

The consultation did not cover the relative resources adjustment, transition or other technical matters but noted that these will be the subject of a later series of discussion papers.

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 this review will be reported within future updates to the financial Forecast when they are known.

(iii) Retained Business Rates – Business Rates Pooling

The decision to continue membership of the Lancashire Business Rates Pool for 2022/23, should that prove to be a viable option for that year following the announcement of the provisional Finance Settlement for 2022/23, would provide for additional retained Business Rate income for 2022/23 as compared to the financial forecast approved by Budget Council in March this year.

Currently the Financial Forecast has been updated to reflect the potential beneficial impact of pooling in 2022/23 but there is a risk that the business rate regime is changed as part of the financial settlement and the pooling benefit is diminished.

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

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

(i) Borrowing Cost Assumptions

In light of the current level of reserves and balances held by the Council, the forecast currently assumes that no external borrowing will be required during the life of the Financial Forecast, that internal cash balances will be utilised to fund capital expenditure, and that the council remains debt-free. This means that the base forecast contains no provision for any external borrowing costs.

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

(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 2021/22 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.

5.4 **Low Level Financial Impact Risks – Revenue Budget**

(i) The Living Wage

In March 2015 the Council agreed a policy to adopt the Living Wage Foundation pay rates for all employees, excluding apprentices, with effect from 2015/16, such that the Council became a 'Living Wage Employer' from that point forward. Additionally, in the autumn of 2015, the government announced the introduction of a statutory National Living Wage to apply from April 2016 for all employees over the age of 25.

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

(ii) Community Infrastructure Levy (CIL)

The Community Infrastructure Levy (CIL), which came into operation nationally in April 2011, was intended to assume the role of the traditional Section 106 Agreement. A review of the operation of the CIL Regulations considered that the CIL process was too complex and uncertain and was acting as a barrier to the delivery of housing. Accordingly, on 1 September 2019, the Regulations that govern the introduction of CIL and its operation alongside Section 106 agreements were revised. Under the new arrangements, Section 106 Agreements will continue to have a role to play in securing essential infrastructure.

Fylde Council commenced work on the introduction of a CIL but as CIL needs to have regard to the economic viability of an up to date local plan, this was placed on hold pending the

adoption of the local plan, the publication of the updated CIL Regulations and ultimately the adoption of the Partial Review of the Fylde Local Plan to 2032.

As it has been some time since the Council resolved to introduce CIL, it is proposed to present a further report to the Planning Committee to allow further consideration of the merits of introducing CIL having regard to the changes in legislation and policy that have occurred since that decision. This will follow on from the adoption of the Partial Review of the Fylde Local Plan.

Until a CIL is adopted, the financial implications of which remain uncertain, Fylde will continue to utilise section 106 agreements as part of the planning process in order to secure essential infrastructure.

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

6.1 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.

6.2 The Council's General Fund Reserve Balance as at 31st March 2021 was £4.571m.

6.3 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.

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

7.1 The overall position on the Council's financial forecast, as summarised in Appendix E of this report, shows a forecast surplus of resources for 2021/22 and 2022/23, followed by budgeted deficits in the following years as central funding arrangements remain unclear. The improved financial forecast position for 2022/23 is due largely to the estimated increase in business rate income based upon the assumptions around continuation of the Lancashire Business Rate pooling arrangements as set out in paragraph 3.3 of this report.

7.2 Further commentary on the overall financial position of the council is provided within the conclusions of this report at section 16.

## **8. COLLECTION FUND**

8.1 As a Council Tax and National Non-Domestic Rates (NNDR) Billing Authority, the Council is required by legislation to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and NNDR, and to calculate the surplus or deficit for each financial year on the Collection Fund by comparing estimated collection levels with actual levels on a rolling basis. Prior to 2013/14 the requirement was to maintain this for Council Tax only, however, as part of the Local Government Finance Act 2012 the Government implemented a Business Rates Retention Scheme from April 2013, whereby the collection and distribution of NNDR is also collected and distributed via the Collection Fund

(the distribution of NNDR had previously been managed nationally).

- 8.2 **For Council Tax only**, there was a deficit on the fund as at 31st March 2021 of £119k. This will be shared between Fylde Council, the County Council, the Police Authority and the Fire & Rescue Authority in 2021/22 to 2023/24. Fylde Council's share of the deficit is £15k, the impact of which has been reflected in the Council Tax income forecast within Appendix E.
- 8.3 **For Non-Domestic Rates only**, there was a deficit on the fund as at 31st March 2021 of £11.156m. A large proportion of this arises from the decision from Government due to the impact of Covid-19 to increase business rate reliefs during 2020/21 to support businesses during the pandemic which as a consequence means a reduction in the amount of NNDR collectable by the council. The deficit will be shared between Central Government, Fylde Council, the County Council, and the Fire & Rescue Authority in 2021/22 to 2023/24. Fylde Council's share of the deficit is £3.907m, the negative impact of which will be funded in 2021/22 from the specific government grant allocated for this purpose and set aside into the Collection Fund Deficit Reserve during 2020/21. The remaining balance on the Collection Fund Deficit Reserve will be required to offset similar collection fund deficits in 2021/22 and later years as business rate reliefs are extended and compensatory government grants are awarded. It will again be necessary to set aside this specific grant during 2021/22 in order to offset the Fylde Council share of the deficit, which will impact the Council in 2022/23. The net impact of these movements is reflected within the business rate income forecasts within Appendix E.

## 9. THE CAPITAL PROGRAMME

- 9.1 The Capital Programme is updated continually for agreed changes and reported to Members during the financial year on a periodic basis. The latest position on monitoring of the current year's programme on a scheme by scheme basis is set out in an information item report which has been before each of the programme committees during the current cycle of meetings and is included on the agenda of this meeting.
- 9.2 The latest updated Capital Programme Summary for the years 2021/22 to 2025/26 is set out in Table 1 below. The Programme has been updated for changes to the end of September 2021. 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 2021/22 £000	Estimate 2022/23 £000	Estimate 2023/24 £000	Estimate 2024/25 £000	Estimate 2025/26 £000
<b>Committee:</b>					
Finance & Democracy Committee	6	0	0	0	0
Tourism & Leisure Committee	2,375	380	40	40	40
Operational Management Committee	2,151	2,236	8,481	2,691	1,281
Environment, Health & Housing Committee	1,728	1,130	1,130	1,130	1,130
Planning Committee	7,756	4,085	1,305	0	0
<b>Total Capital Payments</b>	<b>14,016</b>	<b>7,831</b>	<b>10,956</b>	<b>3,861</b>	<b>2,451</b>
<b>Financing:</b>					
Availability of Resources	<b>14,016</b>	<b>7,831</b>	<b>10,956</b>	<b>3,861</b>	<b>2,451</b>
<b>Total surplus (-) / shortfall in year</b>	0	0	0	0	0
<b>Cumulative surplus (-) / shortfall</b>	0	0	0	0	0

9.3 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.

#### 9.4 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 and the Environment Agency);
- (v) Prudential Borrowing/Leasing;
- (vi) Revenue Funding; and
- (vii) Capital Investment and Funding Volatility Reserves

9.5 Members are asked to note the current balanced position on the Capital Programme.

## 10. VEHICLE PURCHASES

10.1 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 during the life of the forecast. This expenditure has been reviewed and re-phased to reflect the currently expected profile of vehicle replacements.

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

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

the council is required to pick up additional un-budgeted costs as a result.

### **11.1 High Level Financial Impact Risks – Capital Programme**

#### **i) Town Centre Regeneration Kirkham**

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

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

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

The Kirkham Futures Regeneration Programme, which encompasses the funding streams identified above is a complex multi-stranded programme with strict delivery timeframes. As such the Programme has been added to the Council's Strategic Risk Register in order that the identified risks can be managed.

Due to the complexities of the scheme, its high value, the strict delivery timescales, and the potential for additional costs beyond those in the approved budget the scheme is classified as a high level risk.

#### **ii) St Annes Sea Wall**

St Annes Seawall is 660m long and was constructed in 1935. It reduces the risk of coastal erosion and flooding to over 400 properties. The seawall surrounds The Island, which is one of three strategic headlands which are critical to maintaining healthy beaches, dunes and reducing the risk of coastal erosion along Fylde Council's frontage. St Annes Seawall is at the end of its design life and is in poor condition; it is cracking and crumbling and is subject to ongoing repairs and maintenance. Voids have previously been identified resulting in settlement of the promenade. The crest level is low and overtopping during storms results in damage to the promenade and flooding of the car park, swimming pool and fitness centre plant room, and flooding up to the thresholds of the cinema, casino, amusement, and restaurant complex.

In 2020 the council were awarded £300k Pipeline acceleration funding to develop the St Annes Seawall Outline Business Case. Following this a bid has now been submitted to the Environment Agency (EA) formally for their appraisal and consideration and if EA funding is approved the planning phase will commence consisting of technical surveys including topographical, geotechnical, detailed design, ecological and bird surveys and an environmental impact assessment. It will include securing all the necessary licenses, consents and approvals including: Marine License, Planning Permission and Environment Agency Flood Risk Activity Permit (FRAP) licence. Initial estimates were that the scheme would be in the sum of £11.8m funded by Environment Agency grant of £9.5m and the council's contribution of £2.3m towards the total project cost which was approved at Council on the 5<sup>th</sup> July 2021. The EA have subsequently approved the scheme and the final award is a total scheme cost of £12.1m funded by EA Grant of £9.7m and the council's contribution of £2.4m. These updated costs have now been reflected within the updated capital programme. Following the planning phase it is proposed to start the construction phase early in 2023.

Due to the complexities of the scheme with multiple businesses and other stakeholders affected in the locality during delivery, and its high value, the scheme is classified as a high level risk.

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

#### **i) Fairhaven Lake and Gardens Heritage Lottery Scheme**

In December 2018, the council was notified that it had been successful in securing the second round capital grant from the Heritage Lottery Fund in the sum of £1.4m for the restoration of Fairhaven Lake & Gardens, with further match funding provided by Fylde Council and other external financial contributions. Works have progressed throughout 2020/21 albeit at a reduced pace as a result of the pandemic and the Adventure Golf is now complete and open to the public and the restoration works are due to be completed during 2021. Fairhaven Café reopened in October 2021.

Until the scheme is fully delivered there remains the possibility of additional contract costs beyond those in the approved budget this scheme is considered a medium level risk.

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

#### **i) St Annes Regeneration Schemes**

The next section of works has been agreed along St. Annes Road West between The Pier and The Square (known as the Square-Pier Link). A scheme designed to the available budget was presented and approved by Planning Committee, but the Regeneration Manager was asked to look at extending the scheme, potentially widening pavements to provide an enhanced pedestrian ambience and increased paving space capacity to absorb high levels of footfall that is encountered at peak times. As matters stand, the potential for achieving these enhancements to the scheme is being discussed with Lancashire County Council as any further amendments would have to be agreed, since there would be changes to the highway configuration. It is now proposed to pursue the scheme as part of a wider programme of works in the town centre following the preparation of a masterplan which has recently been commissioned.

#### **ii) Lytham Regeneration Schemes**

In respect of the large capital scheme for Lytham town centre, a number of suggestions have been made by the Lytham Business Group and other parties, some of which require careful consideration along with agencies such as Lancashire County Council. Options are being

considered involving local members and a draft plan is being drawn together. This will have a phased programme of works to be considered in due course by the Planning Committee. It is envisaged that the first phase of work, the improvements to lighting on East, Central and West Beaches will be completed during the current financial year in line with the scheme agreed by Planning Committee in March 2021. The Lytham Beach Lighting Scheme is programmed for delivery during the current financial year and the proposed improvements to Clifton Street are now timetabled for Q2 2022/23 in line with the Corporate Plan. Plans have been prepared and will be presented to the Town Centre Working Group at the earliest opportunity. This will enable detailed schemes to be prepared and consulted upon.

iii) Vehicle Replacement Programme

The estimated vehicle replacement profile, to replace existing fleet at the end of its useful economic life from 2021/22 to 2025/26 within the Capital Programme totals £3.8m.

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.

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 potential future risk.

iv) 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.

v) Other Capital Receipts

The approved programme for 2022/23 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.

vi) Better Care Fund (Formerly Disabled Facilities Grants)

As the local housing authority, the Council has a statutory duty to provide disabled adaptations within the Borough. In order to fund these works the Council receives grant support which previously was provided by the Department for Communities and Local Government (DCLG). From 2015/16 the Government established the 'Better Care Fund', and under these new arrangements the funding for Disabled Facilities Grants transferred to the Department of Health, with funding being distributed to all Councils via the upper-tier authority for that area. As such, in Lancashire the fund is administered by Lancashire County Council. Each upper-tier authority then allocates the funding to their respective housing authorities (i.e. district councils within their area) to enable them to continue to meet this statutory responsibility. The level of government funding has increased significantly under the 'Better Care Fund' arrangements and the budget for 2021/22 of £1.236m provides for the delivery of disabled adaptations to similar levels as 2020/21. It is anticipated that for 2021/22 all identified need for disabled adaptations can be met from the existing resource.

**12. CONCLUSIONS – CAPITAL PROGRAMME**

- 12.1 The current Capital Programme as updated is showing a balanced position for 2021/22 onwards.

- 12.2 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 2022/23.
- 12.3 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 31<sup>st</sup> March 2021 was £5.224m. Of this £2.441m is already committed to deliver existing approved capital schemes in the capital programme, the estimated budgeted transfer into the reserve for 2021/22 is £1.090m and 2022/23 is £0.516m leaving an estimated forecast unallocated balance on the reserve at 31<sup>st</sup> March 2023 of £4.389m. The estimated transfers in are of course subject to change as costs and income will undoubtedly fluctuate over the next 2 financial years.

### **13. TREASURY MANAGEMENT**

- 13.1 The Treasury Management Strategy and Prudential Indicators for the current financial year were approved by Council on 4<sup>th</sup> March 2021.
- 13.2 The regulatory framework for treasury management requires Councils to receive a mid-year Treasury Review report. This report was presented to the Audit and Standards Committee for scrutiny on 11<sup>th</sup> November 2021 and subsequently will be presented to Council on 6<sup>th</sup> December 2021.

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

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

### **15. CONCLUSIONS – TREASURY MANAGEMENT**

- 15.1 The Covid-19 pandemic has caused a downturn in both the domestic and global economy, the long-term effects of which are yet to be fully understood. For the UK this is exacerbated by the consequences of Brexit on the 31<sup>st</sup> December 2020, the outcome of which remains uncertain.

Fylde Council's Treasury Management Strategy prioritises the security of any investment over the return achieved. Investment yields remain low and some financial institutions are offering only negative interest rates to investors, which results in a reduced rate of return on investments. The Council has complied with all aspects of the 2021/22 Treasury Management Strategy and Prudential Indicators as approved by Council in March and will continue to conduct all treasury management activities prudently and in line with those approvals.

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

- 16.1 The overall position on the Council's financial forecast, as summarised in Appendix E of this report, shows an estimated surplus of resources for 2021/22 and 2022/23, followed by budgeted deficits in the following years as central government funding arrangements remain unclear. The improved financial forecast position for 2022/23 is due largely to the estimated increase in business rate income based upon the assumptions around continuation of the



Lancashire Business Rate pooling arrangements as set out in paragraph 3.3 of this report. The Council continues to approve and finance capital investment in a measured way, the approved capital programme is fully financed, and the council remains debt-free.

- 16.2 As a result of the future funding uncertainty the Council needs to continue with the approach to delivering savings and efficiencies which have helped deliver balanced budgets and contributed to reserves over recent years which has enabled continuing delivery of the priorities set out in the council’s Corporate Plan. Through continued focus on the importance of financial stability the Council has delivered a significant savings programme over the last decade 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 high quality frontline services to customers. This work has yielded ongoing savings to help improve the Council’s overall financial position over that period. For Fylde Council to continue to successfully meet the new challenges that it faces it is vital that this approach is re-doubled and that all reasonable opportunities for further cost-reduction measures and for the generation of additional income are seriously considered. Prudent financial management in previous years has provided a level of reserves which allows the necessary time to determine how this council can best respond to future challenges.
- 16.3 Although challenges may be encountered in the future the reserves and balances are at healthy levels as compared to earlier periods. The outcome of the long-awaited Fair Funding Review into Local Government Financing is eagerly awaited and may provide a degree of greater clarity regarding the future financial landscape. Furthermore, Fylde Council has a past record of taking actions in order to meet and overcome any financial challenges; the recent introduction of a chargeable green waste collection service being a prime example of such action, as was the decision to join the Lancashire Business Rates pool from 2017/18. Fylde Council will continue to seek other such opportunities to maintain a robust financial position in the face of a challenging and 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.
- 16.4 The assumptions set out in this forecast are the latest best estimates and will be updated as and when further information becomes available. External pressures outside the Council’s control are being experienced by all local authorities, and instructions remain in place that officers should not commit to any unnecessary expenditure.
- 16.5 Budget planning work for 2022/23 is well underway and further updates of the financial forecast will be brought before Members in due course.
- 16.6 **The financial position of the Council as set out in this report remains robust. Members should, however, continue to be cognisant of the risks that are detailed within the report in order to maintain a sustainable financial position for the Council.**

IMPLICATIONS	
Finance	The financial implications are contained within the body of the report.
Legal	None arising from this report
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report

Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	None arising from this report

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

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Medium Term Financial Strategy (MTFS) Update, Including General Fund, Capital Programme and Treasury Management for 2020/21 – 2024/25	Budget Council meeting 4 <sup>th</sup> March 2021	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
MTFS – Outturn Position For 2020/21 (Including General Fund, Capital Programme & Treasury Management)	Finance and Democracy Committee meeting 29 <sup>th</sup> July 2021	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Revenue Budget Monitoring Report 2021/22 – to 30 <sup>th</sup> September 2021	Finance and Democracy Committee meeting 22 <sup>nd</sup> November 2021	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Capital Programme Monitoring Report 2021/22 – to 30 <sup>th</sup> September 2021	Finance and Democracy Committee meeting 22 <sup>nd</sup> November 2021	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>

Appendices:

1. Appendix A – Forecast approved at Council on 4<sup>th</sup> March 2021
2. Appendix B – Schedule of general assumptions underpinning the forecast
3. Appendices Ci – Schedule of changes to the forecast
4. Appendix D – Explanation of changes to the forecast
5. Appendix E – Updated latest forecast position



### General Base Budget Assumptions

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

- General Prices Inflation – a freeze or cash-limiting of all general revenue expenditure budgets with the exception of payroll budgets and where contractual commitments require increases;
- Slippage – approved underspend items from 2020/21 agreed by the Finance and Democracy Committee in July 2021 have been slipped into 2021/22;
- Pay award - assumed to be 2.75% per annum for 2021/22 and each year thereafter;
- Employers Pension Contributions – the Council’s contribution to the Lancashire pension fund scheme is set in accordance with the outcome of the 2019 Triennial Pension Review at 17.8% plus deficit recovery lump sum payment for the period to 2022/23; with future years estimates provided on a continuation basis;
- Employer’s National Insurance contributions – the forecast reflects the statutory contribution rates currently in place, including a reduced contribution rate as a result of the Council being part of the pension scheme;
- Council tax increases – assumed at 1.99% increase per annum from 2022/23 onwards;
- New Homes Bonus Grant – the forecast for 2022/23 onwards assumes a reduced level of New Homes Bonus based broadly upon the current year’s allocation. No allocation of New Homes Bonus grant to town and parish councils has been assumed beyond the current year at this point pending the outcome of the recent consultation exercise;
- Fees and Charges – The forecast takes account of the revised fee levels as approved by Budget Council in March 2021. 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 2022 following consideration by the appropriate programme committee;
- Vacancy Savings – the forecast assumes vacancy savings of £300k per annum from 2021/22 onwards; and
- Localisation of Council Tax Benefit Scheme – the forecast assumes a fully funded scheme with no additional cost to the Council from 2021/22 onwards.

## General forecast changes since Budget Council March 2021

	2021/22	2022/23	2023/24	2024/25	2025/26	
	£000	£000	£000	£000	£000	<u>ADVERSE /</u> <u>FAVOURABLE /</u> <u>NEUTRAL</u>
<b>1 CHANGES AS A RESULT OF MEMBER APPROVALS:</b>						
F&D Committee - 29/03/21 - Public Offices Site - Revenue (Exempt Item)	0	0	-30	-30	-30	FAVOURABLE
F&D Committee - 29/07/21 - Slippage from 2020/21 as part of Financial Outturn Report	299	0	0	0	0	ADVERSE
O.M. Committee 16/06/21 - Changes to Overnight Motorhome Parking	17	15	15	15	15	ADVERSE
F&D Committee - 28/06/21 - Fee for the Fit and Proper Person Test Application	-4	-4	-4	-4	-4	FAVOURABLE
F&D Committee - 28/06/21 - Welcome Back Fund Grant	-243	0	0	0	0	FAVOURABLE
F&D Committee - 28/06/21 - Welcome Back Fund Expenditure	243	0	0	0	0	ADVERSE
F&D Committee - 28/06/21 - Rough Sleeper Initiative Funding MHCLG 2021-22	-52	0	0	0	0	FAVOURABLE
F&D Committee - 28/06/21 - Rough Sleeper Initiative External Support 2021-22	27	0	0	0	0	ADVERSE
F&D Committee - 28/06/21 - Next Steps Funding Programme	25	0	0	0	0	ADVERSE
F&D Committee - 28/06/21 - Holiday, Activity and Food Programme Grant	-123	0	0	0	0	FAVOURABLE
F&D Committee - 28/06/21 - Holiday, Activity and Food Programme Expenditure	123	0	0	0	0	ADVERSE
F&D Committee - 28/06/21 - Contain Outbreak Management Fund Grant	-101	0	0	0	0	FAVOURABLE
F&D Committee - 28/06/21 - Contain Outbreak Management Fund Expenditure	101	0	0	0	0	ADVERSE
F&D Committee - 28/06/21 - Sand Extraction St Annes Foreshore - additional costs	76	0	0	0	0	ADVERSE
F&D Committee - 28/06/21 - Sand Extraction St Annes Foreshore - funding from Funding Volatility Reserve	-76	0	0	0	0	FAVOURABLE
F&D Committee - 29/07/21 - ARG grant income - Fully Funded Budget Increase	-583	0	0	0	0	FAVOURABLE
F&D Committee - 29/07/21 - ARG expenditure budgets - Fully Funded Budget Increase	583	0	0	0	0	ADVERSE
F&D Committee - 29/07/21 - The Island Regeneration - Fully Funded Budget Increase - Expenditure	120	0	0	0	0	ADVERSE
F&D Committee - 29/07/21 - The Island Regeneration - Fully Funded Budget Increase - Grant	-108	0	0	0	0	FAVOURABLE
F&D Committee - 29/07/21 - The Island Regeneration - Fully Funded Budget Increase - FBC Contribution	-12	0	0	0	0	FAVOURABLE
F&D Committee - 07/10/21 - Fully Funded Budget Increase - PRS HMO Inspection Programme - Expendit	28	79	0	0	0	ADVERSE
F&D Committee - 07/10/21 - Fully Funded Budget Increase - PRS HMO Inspection Programme - Grant	-28	-79	0	0	0	FAVOURABLE
F&D Committee - 07/10/21 - Fully Funded Budget Increase - Domestic Abuse Act 2021 - Expenditure	16	17	0	0	0	ADVERSE
F&D Committee - 07/10/21 - Fully Funded Budget Increase - Domestic Abuse Act 2021 - Grant	-16	-17	0	0	0	FAVOURABLE
Council - 05/07/21 - Deputy Mayors Allowance	1	1	1	1	1	ADVERSE
Council - 05/07/21 - Unfunded Revenue Budget Increase - Economic Development Team Resourcing	16	32	33	34	34	ADVERSE
Council - 05/07/21 - Education Contribution Section 106 Contribution	-393	0	0	0	0	FAVOURABLE
Council - 05/07/21 - Education Contribution Section 106 Expenditure	393	0	0	0	0	ADVERSE
Council - 18/10/21 - Unfunded Revenue Budget Increase - Communication Resources	33	69	69	69	69	ADVERSE
<b>2 BUDGET RIGHTSIZING EXERCISE:</b>						
Revenue impact of budget right-sizing across all budget areas of the Council	-3	-8	-10	-8	-11	FAVOURABLE
<b>3 STAFFING COSTS:</b>						
Estimated 2.75% pay award for 2025/26	0	0	0	0	275	ADVERSE
<b>4 UPDATED ESTIMATES OF INCOME BUDGETS:</b>						
Green waste subscription service - updated income estimates from additional subscriptions	-47	-50	-50	-50	-50	FAVOURABLE
Council Tax Court Costs Recovered - loss of income due to court closure	50	0	0	0	0	ADVERSE
Government Compensatory Grant for Sales, Fees and Charges Income - Council Tax Court Costs Recove	-36	0	0	0	0	FAVOURABLE
Lytham Festival Income - loss of income due to cancellation of event	64	0	0	0	0	ADVERSE
Kite Festival - loss of net income due to scaled down event	4	0	0	0	0	ADVERSE
Cemetery & Crematorium - updated income estimates based upon most recent income levels	67	70	70	70	70	ADVERSE
Updated estimates of investment interest receipts	22	18	18	18	18	ADVERSE
Pre-Planning Application advice fee income	-15	-15	-15	-15	-15	FAVOURABLE
<b>5 OTHER FORECAST CHANGES</b>						
1940's Lytham Wartime Festival - Reduced Net Expenditure due to cancellation of event	-17	0	0	0	0	FAVOURABLE
Publishing of press notices in the local paper required by statute	5	5	5	5	5	ADVERSE
Ashton Gardens Café - Floor Replacement	14	0	0	0	0	ADVERSE
Increase in car parking cash collection and enforcement costs from LCC	15	15	15	15	15	ADVERSE
Housing benefits - updated estimate of cost net of housing benefit subsidy	10	34	58	58	58	ADVERSE
Contribution from Coast Protection Revenue Budget to St Annes Sea Wall capital scheme	0	-50	-50	-20	0	FAVOURABLE
Direct Revenue Financing - St Annes Sea Wall	120	0	0	0	0	ADVERSE
<b>TOTAL</b>	<b>615</b>	<b>132</b>	<b>125</b>	<b>158</b>	<b>450</b>	

## Explanations of Forecast Changes set out in Appendices Ci

## Appendix D

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

### **Ci - General forecast changes since Budget Council March 2021**

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

The forecast that was approved at the Council meeting in March 2021 has been updated to reflect the financial impact of Member decisions made since then. The significant decisions in terms of their financial effect are detailed within the body of the report.

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

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

#### (3) Staffing Costs

The agreed 2.75% per annum pay award for 2021/22 has been assumed in each future year of the forecast. The final year of the forecast, 2025/26 is included for the first time as part of this November 2021 update.

#### (4) Updated Estimate of Income Budgets, including:

- Green Waste Subscription service:

Income on green waste has increased during 2021/22 and these increased levels have been updated throughout the life of the forecast.

- Revised Estimate of investment interest receipts:

In response to the global outbreak of coronavirus the UK Government reduced the base rate 0.10% from 0.25%. Consequently, investment yields have remained low during 2021/22, with some financial institutions offering only negative interest rates to investors. This has had the effect of reducing the level of investment interest income for the year, and a reduced level of investment income is also assumed for future years.

#### (5) Other Forecast Changes:

A number of other changes have been made to the forecast as itemised in the appendix, including the re-phasing of the coast defence revenue budget to support the estimated increase in the council's contribution to the St Annes Sea Wall capital scheme from existing resources.

