



DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
FINANCE	COUNCIL	7 DECEMBER 2020	10
FINANCIAL FORECAST UPDATE (INCLUDING REVENUE, CAPITAL & TREASURY MANAGEMENT) 2020/21 TO 2024/25			

PUBLIC ITEM

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

SUMMARY

The report provides Members with an update of the financial forecast for the Council for the five years 2020/21 to 2024/25. It includes changes arising since the Budget was set by Council in March 2020.

The Finance and Democracy Committee has considered the Financial Forecast Update report at the meeting of 23rd November 2020.

In accordance with those deliberations it is recommended:

1. That the Council approves this updated financial forecast; and
2. That the Council approve that the sum of £0.692m be transferred from the Funding Volatility Reserve into the M55 Link Road Reserve, ahead of the accumulation of further Business Rate growth receipts arising from the Blackpool Airport Enterprise Zone, in order to confirm the availability of the full £2m contribution from Fylde Council to the scheme at this point, with an equivalent sum arising from business rates growth at the Enterprise Zone in future years being transferred into the Funding Volatility Reserve as and when such are growth is realised.

SUMMARY OF PREVIOUS DECISIONS

The Council set its budget for 2020/21 at its meeting of 4th March 2020. 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 2020/21

At the Council meeting on the 4th March 2020 the budget for 2020/21 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 £10.450m for 2020/21. The General Fund balance at that time was forecast at the end of 2023/24 to be £2.549m. In agreeing the Original Budget for 2020/21 a number of key high level financial risks and assumptions were highlighted.

(ii) General Fund Revenue Outturn Position 2019/20

The revenue outturn position for 2019/20 was reported to Members in July 2020. The impact of the outturn position, including slippage items in the total sum of £0.345m, has been reflected in this updated forecast.

The favourable outturn position for revenue allowed for a further contribution to be made into the Capital investment Reserve for that year in the sum of £0.924m. 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, and the revised budget for 2019/20, the impact of the covid outbreak became increasingly apparent. The national 'lock-down' that was implemented in late March was unprecedented and had a substantial impact on both the national and the local economy. However, due to the timing of the commencement of the lock-down (24th March 2020) the effects of that situation for the 2019/20 financial year were limited.

The impact of the covid restriction measures on a number of service areas, and consequently on the Council's financial position for 2020/21, has been much more apparent, although a range of national funding measures have also been introduced that assist in off-setting some of those negative financial effects.

Under the funding package for councils in respect of reduced sales, fees and charges income announced in July, the government will reimburse a proportion of lost income. Where losses are more than 5% of the budgeted income from sales, fees and charges, the government will cover them for 75p in every pound lost for the remainder i.e. the council will stand the first 5% of the loss and will be reimbursed for 75% of the remaining 95% of the shortfall. An initial assessment of the losses for the first four months of 2020/21 has recently been submitted with an anticipated initial receipt of grant in the sum of £0.426m. Further assessment of losses will be submitted later in 2020/21 and the position will be monitored carefully and reflected in future updates to the Financial Forecast.

The financial impact of the restriction measures for the current year, in terms of reduced levels of income and the cost of providing financial assistance to specific local businesses, continues to be carefully monitored. The pandemic has led to significant volatility in both income and expenditure levels across a number of service areas, and number of budget variations resulting from the impact of the covid restriction measures are included within this report, with details of the most significant variations being included within Appendix Cii.

In addition to the reimbursement for lost income, the government has announced funding allocations of both a general and specific nature to help local authorities manage the spending pressures caused by the covid restrictions. The specific and general grants notified to date are:

Covid Grant Allocation	£000
Employment costs of covid marshals	36
Funding to support vulnerable people (food and essential supplies)	74
Funding for the prevention of outbreaks of infectious diseases	109
Council Tax Reduction Scheme – reliefs awarded (£150 per claimant) plus other discretionary relief awards	586
Prevention of rough sleeping	5
Self Isolation (support payment low income families)	72
General / non-specific funding	1,151
Total	2,033

All Local Authorities are required to complete monthly government returns estimating the overall financial impact of the covid situation on their finances. Alongside all of the adverse financial impacts noted within the analysis at Appendix C, the single most significant anticipated consequence that is included within the Fylde Council return is the reduction in the collection of Council Tax and Business Rates for the year. Collection rates for 2020/21 are lower for the year to date than at this point in previous years and are being carefully monitored. It is possible that collection rates may improve through the remainder of the year. Similarly it is not clear at this stage

how much of the council tax and business rate debt will prove to be uncollectable and will ultimately be written off at a cost to the council and the other major preceptors.

(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 2019/20

The latest approved expenditure budget in the capital programme for 2019/20 was £14.299m. After adjusting for slippage of £2.131m, the overall outturn position for 2019/20 was an in-year favourable variance of £0.002m against the latest updated estimate.

(vi) General Fund Revenue Quarterly Budget Monitoring 2020/21

Revenue budget monitoring reports for the period to 30th September 2020 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. These include revised fee income estimates, updated employee cost assumptions, 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 4th March 2020.
- 3.2 Appendix B shows the general assumptions underpinning the base forecast, whilst Appendices Ci and Cii show 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 2019/20 and the budget right-sizing exercise. Appendix D sets out the narrative which explain the significant changes made to the forecast.
- 3.3 The impact of all these changes are summarised in Appendix E which details the latest updated forecast. The forecast needs to be considered carefully in the light of the identified risks which cannot be fully quantified at this time but may have an impact on the forecast at some future point.

The following decisions have also been made since the Budget Council meeting on 4th March 2020 and may have a significant impact of the financial position of the Council:

3.4 Further Contribution to the M55 Link Road

The construction of a new purpose-built link road from Lytham St Anne's to the M55 (junction 4) has been a transport priority for Fylde Council and Lancashire County Council

since the 1990's and has been included in a number of corporate plans and strategic transport plans. It is a key infrastructure project in the adopted Fylde Local Plan and is seen as essential to the delivery of planned sustainable growth for the borough. In July 2016, the Council committed to providing funding in the initial sum of £1m to assist in the delivery of the link road. Since then the design and delivery plans and funding packages have moved on considerably and the overall cost of the scheme has been refined.

At the Council meeting of 18th March 2020 the Council approved the transfer into the M55 Link Road Reserve of current and future Business Rate growth receipts arising from the Blackpool Airport Enterprise Zone to a maximum sum of an additional £1m and that in the event that less than £1m of Business Rate growth has accumulated by the time that the funds are required by Lancashire County Council to deliver the road, that any shortfall would be met from the Funding Volatility Reserve.

The balance of the M55 Link Road Reserve currently stands at £1.308m. In order to expedite delivery of the road, by confirming the availability of the total £2m contribution from Fylde Council to the scheme, it is now proposed that the shortfall in the sum of £0.692m be transferred from the Funding Volatility Reserve into the M55 Link Road Reserve, ahead of the accumulation of further Business Rate growth receipts arising from the Blackpool Airport Enterprise Zone. It is further proposed that an equivalent sum arising from business rates growth at the Enterprise Zone in future years be transferred into the Funding Volatility Reserve as and when such growth is realised.

3.5 Business Rates: Membership of the Lancashire Business Rates Pool 2020/21 and Future Year Income Estimates

In 2018/19 the government announced plans to introduce '75% Business Rate Retention' for all authorities with effect from 2020/21. 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 2021/22 as a consequence of the covid-19 outbreak (see section 4 below).

As a result of the initial delay to the review, for 2020/21 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 increasingly likely that the business rate regime that operates for 2021/22 will be a continuation of the arrangements for the current year, including the option of a pooling arrangement across local authority areas.

Consequently each of the existing Lancashire pool members have indicated their support to the submitting of a proposal for a continuation of the pool for 2021/22. However, as the nature of the Business Rate regime for 2021/22 is uncertain, it may be that following the announcement of the provisional Local Government Finance Settlement, due to be announced in late 2020, a pool member may find themselves disadvantaged by the proposed 2021/22 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 2021/22 the pool would effectively be dissolved and pooling would not be possible for Lancashire for 2021/22.

The latest in-year monitoring and future modelling suggests that continued participation in a Lancashire Business Rate Pool for 2021/22 would be financially beneficial to Fylde Council. Currently the Financial Forecast assumes that Fylde Council will participate in a Lancashire-wide pooling arrangement up to and including 2020/21 only, until such time as there is certainty that a pool will be in operation for 2021/22.

Following a re-assessment of the appropriate level of provision for Business Rate appeal losses in 2019/20, the updated Financial Forecast shows the impact of the release of a proportion of that provision, in part as a result of the settlement of a long-standing legal case against the local government sector by NHS Trusts which was ultimately settled in favour of local councils. This one-off beneficial impact takes effect during 2021/22 due to the timing of transactions relating to the business rate element of the Collection Fund. (See also Section 8 of the report). This has had the effect of significantly increasing the level of business rates income in 2021/22 as shown at Appendix E.

However, given the impact of covid restrictions on many businesses during the current year, it may be necessary to increase the provision for Business Rate appeal losses in 2020/21 and/or 2021/22 as many businesses will undoubtedly appeal the rateable values at which business properties have been assessed, particularly in instances where such assessments are based upon the revenues of the business during the year

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

3.6 The Budget Right-sizing Exercise and further Transfers to Ear-marked Reserves

The Council meeting of 4th March 2020 approved transfers to the Capital Investment Reserve in 2019/20 and 2020/21 equivalent to the balance of the revenue surplus for those years (after allowing for all approved transfers to other reserves), estimated at that time to be £0.832m for 2019/20 and £1.288m for 2020/21.

Following a favourable outturn position for 2019/20 and a review of the budget position for 2020/21 as part of the preparation of this Financial Forecast update, including the identification of fortuitous additional income for the year, costs-savings and the outcome of the budget right-sizing exercise, the revised forecast revenue surplus for 2020/21, currently stands at £1.375m as detailed at Appendix E, and the revised forecast revenue surplus for 2021/22 is currently £1.311m.

4. CENTRAL GOVERNMENT FUNDING AND THE LOCAL GOVERNMENT SPENDING REVIEW

4.1 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. This Review and the reform to the Business Rates system is now expected to take place during 2021/22 with implementation anticipated from 2022/23. 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. The financial forecast approved by Budget Council in March 2020 assumed a reduced level of business rate income from 2022/23 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.

4.2 New Homes Bonus

In October 2019 the government published the 'Local Government Finance Settlement 2020-21: Technical Consultation'. Amongst a number of proposals, the settlement consultation proposed a review of the New Homes Bonus scheme and for 2020/21 the New Homes Bonus allocations were for one year only and not annual allocations for a longer period as had previously been the case. The outcome of that review has been delayed due to the Covid-19 outbreak and the situation for 2021/22 in respect of New Homes Bonus is unknown at this point. The scheme may continue to operate in its current, or in an amended form, or may be replaced by an entirely different mechanism by which central government funding is calculated and distributed to local authorities. Or it may not be replaced at all.

The Financial Forecast summary at Appendix E assumes a reduced level of New Homes Bonus for 2021/22 onwards based upon an estimate of a further single year allocation for 2021/22, together with the legacy payments from earlier year as previously notified.

Until further details are known in this regard, future year income estimates for New Homes Bonus have been assumed at this same level. These will be amended in future updates to the Financial Forecast as and when the future of the New Homes Bonus scheme is more clearly known.

No allocation of New Homes Bonus grant to town and parish councils for 2021/22 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.

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 has been taken into account:-

High Level Financial Impact Risk

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

Medium Level Financial Impact Risk

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

Low Level Financial Impact Risk

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

5.2 **High Level Financial Impact Risks**

(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 (i.e. for 2021/22 onwards) may differ from the amounts for those years that are reflected within this update.

Given that both retained Business Rates and New Homes Bonus are a major source of funding for the Council and that both will be subject to review during 2021/22, this represents a significant risk to the overall level of future central government funding.

Currently we await the funding settlement for 2021/22, which is expected to be announced in December 2020. It is likely that this will again be a single year settlement for 2021/22 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 Government has also confirmed that it is now proposing to undertake the long awaited Fair Funding Review during 2021, with implementation of a revised funding mechanism being planned for 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 2021/22, should that prove to be a viable option for that year following the announcement of the provisional Finance Settlement for 2021/22, would provide for additional retained Business Rate income for 2021/22 as compared to the financial forecast approved by Council in March 2020.

Currently the Financial Forecast assumes that Fylde Council will participate in a Lancashire-wide pooling arrangement up to and including 2020/21 only, until such time as there is certainty that a pool will be in operation for 2021/22.

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

(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 and that internal cash balances will be utilised to fund capital expenditure. 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 further 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 2020/21 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**

(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 has commenced work on the introduction of a CIL, but this was placed on hold pending the adoption of the local plan and the publication of the updated Regulations. Now the revised Regulations have been published, work on a CIL for Fylde can recommence. However, this will have to await the partial revision of the local plan as a CIL will need to have regard to any revisions to, and a revised viability assessment of, the local plan. Until a CIL is adopted, Fylde will continue to utilise Sn 106 agreements in order to secure essential infrastructure.

Until the review of the Fylde Local Plan is completed, the financial implications are unknown.

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 at 31st March 2020 was £4.272m.

- 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, is an improvement in the short-term since Budget Council in March 2020, with increased surpluses now forecast for 2020/21 and 2021/22. The improved financial forecast position for 2021/22 is due largely to the release of a proportion of the Business Rates appeal provision as described at 3.5 above.
- 7.2 However, in light of the impact of the Covid-19 restriction measures on the financial position of the Council for 2020/21, and possibly beyond 2020/21, together with the potential for future reductions in central government funding and uncertainties around the level of retained business rates from 2021/22 onwards, the Council needs to continue with the approach to delivering savings and efficiencies 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 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 the increased challenges.
- 7.3 The assumptions that are contained within the Forecast Update are the latest best estimates and will be updated as and when further information is available. External pressures outside the Council's control are being experienced by all local authorities, in particular the impacts of the ongoing pandemic which is causing significant volatility. Instructions remain in place that budget-holders should remain prudent and not commit to any unnecessary expenditure. This approach saves money and may result in an under-spend for the 2020/21 financial year.
- 7.4 Budget planning work for 2021/22 is well underway and further updates of the financial forecast will be brought before Members in due course.

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 surplus on the fund as at 31st March 2020 of £861k. This will be shared between Fylde Council, the County Council, the Police Authority and the Fire & Rescue Authority in 2020/21 & 2021/22. Fylde Council's share of the surplus is £111k, the beneficial impact of which is reflected within Appendix E.
- 8.3 For Non-Domestic Rates only, there was a surplus on the fund as at 31st March 2020 of £3.869m. A large proportion of this arises from the release in 2019/20 of a provision for business rate appeals on behalf of NHS Trusts for mandatory charitable rate relief which has been defended successfully at a national level. The surplus will be shared between Central Government, Fylde Council, the County Council and the Fire & Rescue Authority in 2020/21 & 2021/22. Fylde Council's share of the surplus is £2.120m, the beneficial impact of which is reflected within the Business rate income forecasts within Appendix E.
- 8.4 As a consequence of the mechanism by which central government have compensated local authorities for the provision of national rate relief schemes for a large number of businesses in 2020/21 due to the covid situation, the Collection Fund will show a significant deficit at the end of 2020/21 as a result of lost income due to the awarding of those reliefs. These will be met by specific government grant to compensate for this loss of income which will be a General Fund item rather than Collection Fund. It will be necessary to set aside this specific grant during 2020/21 in order to offset the Fylde Council share of the deficit, which will impact the Council in 2021/22.

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 2020/21 to 2024/25 is set out in Table 1 below. The Programme has been updated for changes to the end of October 2020. 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 2020/21 £000	Estimate 2021/22 £000	Estimate 2022/23 £000	Estimate 2023/24 £000	Estimate 2024/25 £000
Committee:					
Finance & Democracy Committee	57	0	0	0	0
Tourism & Leisure Committee	3,055	165	40	40	40
Operational Management Committee	2,864	197	366	1,001	821
Environment, Health & Housing Committee	1,679	1,290	1,130	1,130	1,130
Planning Committee	3,079	1,107	1,032	612	0
Total Capital Payments	10,734	2,759	2,568	2,783	1,991
Financing:					
Availability of Resources	10,734	2,759	2,568	2,783	1,991
Total surplus (-) / shortfall in year	0	0	0	0	0
Cumulative surplus (-) / shortfall	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 Reserve

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 financial risk areas within the Capital Programme for Members to be aware of:

11.1 Medium Level Financial Impact Risks

i) Coast Protection Scheme

The Fairhaven and Church Scar Coast Protection Scheme budget is £22.1m, being funded by Flood Defence Grant-in-Aid (which is an Environment Agency eligible cost reimbursable grant) of up to £21.4m; alongside a contribution from Fylde Council of £670k.

Work started on site in December 2017 and was completed in July 2020, a completion some 5 months ahead of the original schedule, and with an underspend currently estimated at around £0.375m. There is a 12 months defects liability on the contract and the Council will have to keep a project manager on the project to administer any defects during this period. A final grant claim will be submitted to the Environment Agency and the retentions will be released in August 2021. Any unspent grant will be returned to the Environment Agency.

In addition to the core sea defence works the re-modelled car park entrance public realm enhancement at Stanner Bank has been added to the contract. Whilst the scheme is nearing completion on site, there remains the possibility of additional contract costs beyond those in the approved budget until such time that the scheme is finally completed.

Due to the significant value of scheme it is classified as a medium level financial risk

ii) Fairhaven Lake and Gardens Heritage Lottery Scheme

The Council meeting of 16th July 2018 approved the underwriting of external grant funding bids in respect of the Fairhaven Lake and Gardens Heritage Lottery Scheme in the maximum sum of £343k in the event that not all of the funding bids would be successful, this to be met from the Capital Investment Reserve. The underwriting by the Council allowed the Heritage Lottery Fund bid to progress, that bid subsequently being successful. In addition, the Council has approved funding for the scheme in the sum of £400k to be met from the Funding Volatility Reserve.

Additionally, delays in the procurement process has caused the commencement of the works to be delayed as the initial bids for the works that were received exceeded the available funding to a significant degree and a full re-tendering exercise was required to be undertaken. Contracts for the building and landscape works have now been let within budget and are scheduled to be completed by May 2021. The lake works project will be undertaken in financial year 2021/22.

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

iii) Town Centre Regeneration Kirkham

Following the Government's Future High Street funding initiative (FHSF), the Planning Committee resolved, in the autumn of 2019, to choose 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 commuted Section 106 payments associated with public realm contributions 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, is in the process of being agreed with Historic England (as at early October 2020). Some revenue spending will commence this year with the larger capital programmes from April 2021. A Project Board is in the process of being brought together, this being essential given the large portfolio of schemes and the number of external partners engaged in the projects.

A bid has also been submitted under the main body of the Future High Street Fund totalling £8.6m and proposes to deliver a number of schemes across the whole of the town centre including the repurposing of buildings, traffic management measures, building reuse and enhancement and public realm projects. This is once again a competitive process and the outcome will not be known until later in the year, but the bid is well founded and the economic case very strong. The governments measures for assessing economic benefits and value of money (known as the Cost Benefit Ratio) have been exceeded. It is known that the fund may well be oversubscribed and so it is not known how allocations will be made i.e. whether the most imaginative and value for money projects may prove to be more successful, requests made for authorities to prioritise schemes thereby reducing their 'ask', or some scheme not being successful at all. The outcome of this assessment is awaited.

It is now known that a second round of the Future High Street Fund will be launched in 2021.

Given the overall value of the scheme and current uncertainty regarding funding sources this scheme is considered a medium level risk.

11.2 Low Level Financial Impact Risks

i) St Annes Regeneration Schemes

Following the completion of the upgrading scheme for St. Andrews Road South, Planning Committee agreed that the next phase for regeneration activity should be Wood Street – Phase 3. Unfortunately, difficulties arose in negotiating the design proposals for the easterly side due to one owner being reluctant to participate in the scheme, primarily because the property was up for sale. It is understood that the new owner would wish to participate should the opportunity arise in the future. The scheme commenced in February but was placed on hold due to the Covid 19 Pandemic. Work resumed in June and is now complete (apart from the placing of the 5 trees) with the car park reopening. The trees will be planted shortly. The scheme has been completed to budget, absorbing extra costs due to delays whilst the work was suspended.

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 hoped that a revised scheme, in principle, can be produced over the next few weeks with a detailed plan prepared and costed for presentation to the appropriate committees of the Council. Work could commence in the early part of Spring 2021 subject to agreement as regards additional funding being made available for the scheme. This would mean that the scheme would be delivered across the financial years 2020/21 and 2021/22.

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 will be commenced in 2021/22. 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. The proposed lighting replacement scheme for West/East Beach is at an advanced stage of planning and has been supported by the Working Group. It is hoped that subject to approval by Planning Committee, the scheme could be completed by the end of 2020/21. The lighting scheme is estimated to cost around £75k although contributions are being sought from Lancashire County Council.

iii) Vehicle Replacement Programme

The estimated vehicle replacement profile, to replace existing fleet at the end of its useful economic life from 2020/21 to 2024/25 within the Capital Programme totals £3.0m.

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 2021/22 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 budget for 2020/21 of £1.130m provides for the delivery of disabled adaptations to similar levels as 2019/20. It is anticipated that for 2020/21 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 2020/21 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 2021/22.
- 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 31st March 2020 was £6.455m including the budgeted transfer into the reserve of £1.288m in respect of 2020/21. Of this £3.522m is already committed to deliver existing approved capital schemes in the years 2020/21 to 2021/22, leaving a forecast unallocated balance on the reserve at 31st March 2020 of £2.933m. The estimated transfers in are of course subject to change as costs and income 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 4th March 2020.
- 13.2 The regulatory framework for treasury management requires Councils to receive a mid-year Treasury Review report. This report will be presented to the Audit and Standards Committee for scrutiny on 26th November 2020 and subsequently will be presented to Council on 7th December 2020.

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) Unexpected movements in cash flow;
 - (ii) Differences between the actual interest rate and interest rates used in the forecast; and,
 - (iii) The security of monies invested with counterparties

15. CONCLUSIONS – TREASURY

- 15.1 The Covid-19 crisis has caused a major 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, the outcome of which remains uncertain even at this late stage with Brexit due on 31st December 2020. Investment yields remain low and some financial institutions are offering only negative interest rates to investors.

The Council has complied with all aspects of the 2020/21 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, is an improvement in the short-term since Budget Council in March 2020, with increased surpluses now forecast for 2020/21 and 2021/22, with a much more challenging forecast position for the years thereafter. The improved financial forecast position for 2021/22 is due largely to the release of a proportion of the Business Rates appeal provision as described in section 3.5 of this report.
- 16.2 The impact of the Covid-19 restriction measures on the financial position of the Council for 2020/21, and possibly beyond 2020/21, together with the potential for future general reductions in central government funding from 2021/22 onwards, requires that the Council continue the approach to continually seek opportunities to achieve savings and efficiencies to enable a balanced budget position to continue into the future and to provide on-going contributions to reserves.
- 16.3 In light of the uncertainties surrounding future national funding arrangements 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.
- 16.4 Although further 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 those challenges; the recent introduction of a chargeable green waste collection service being a prime example of such action, as was the decision to join a 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.
- 16.5 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.

- 16.6 **The financial position of the Council remains robust. Members should, however, continue to be cognisant of the risks that are detailed within this 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 2020

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

Appendices:

1. Appendix A – Forecast approved at Council on 4th March 2020
2. Appendix B – Schedule of general assumptions underpinning the forecast
3. Appendices Ci & Cii – Schedules of changes to the forecast
4. Appendix D – Explanation of changes to the forecast
5. Appendix E – Updated latest forecast position

General Fund Budget Forecast 2019/20 to 2023/24 - Approved at Budget Council March 2020

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Adverse / Favourable
Forecast approved at Council on 5th March 2019	10,241	10,166	10,433	10,658	10,658	
Forecast Changes - per Appendix C of March 2020 MTFS Report	231	238	170	159	683	Adverse
Revenue Budget Growth Items - per Appendix F of March 2020 MTFS Report		46	49	52	53	Adverse
Forecast Budget Requirement	10,472	10,450	10,652	10,869	11,394	
Financed by:						
<i>Council Tax Funding:</i>						
Council Tax - Precept	6,212	6,456	6,660	6,869	7,084	
Council Tax - Share of Previous Years Surplus/(Deficit)	- 8	109				
<i>Sub Total - Council Tax Income</i>	6,204	6,565	6,660	6,869	7,084	
<i>Business Rates Funding:</i>						
Retained Rates (including pooling benefit & pilot impact 2019/20)	3,757	3,427	2,200	2,244	2,289	
<i>Sub Total - Business Rates Income</i>	3,757	3,427	2,200	2,244	2,289	
New Homes Bonus	1,412	1,822	1,431	1,380	1,380	
Less - NHB distribution to Town & Parish Councils	- 69	- 76				
<i>Sub Total - Other Income</i>	1,343	1,746	1,431	1,380	1,380	
Forecast Financing	11,304	11,738	10,291	10,493	10,753	
Forecast surplus(-)/deficit for year	- 832	- 1,288	361	376	641	
<u>Reserves</u>						
Forecast surplus/deficit (-) for year from above:	832	1,288	- 361	- 376	- 641	
Less: Proposed Transfer to Capital Investment Reserve	- 832	- 1,288				
Balance of surplus/deficit(-) remaining:			- 361	- 376	- 641	
Balance of General Fund Reserves b/f	3,927	3,927	3,927	3,566	3,190	
Less transfer to/from(-) General Fund Reserves in year			- 361	- 376	- 641	
Forecast Reserves at Year End	3,927	3,927	3,566	3,190	2,549	
Band D Council Tax (Excl Parish Precepts)	£206.60	£210.71	£214.91	£219.19	£223.56	
Band D Average Council Tax Increase	£4.99	£4.11	£4.20	£4.28	£4.37	
Band D Average Council Tax Increase	2.48%	1.99%	1.99%	1.99%	1.99%	

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

Appendix Ci

General forecast changes since Budget Council March 2020

	2020/21	2021/22	2022/23	2023/24	2024/25	
	£000	£000	£000	£000	£000	<u>ADVERSE /</u> <u>FAVOURABLE /</u> <u>NEUTRAL</u>
1 <u>CHANGES AS A RESULT OF MEMBER APPROVALS:</u>						
F&D Committee - 28/07/20 - Slippage from 2019/20	345	0	0	0	0	ADVERSE
2 <u>BUDGET RIGHTSIZING EXERCISE:</u>						
Revenue impact of budget right-sizing across all budget areas of the Council	8	-9	-16	-20	8	FAVOURABLE
3 <u>STAFFING COSTS:</u>						
Update estimated pay award from 2020/21 to 2.75% per annum	75	150	225	300	300	ADVERSE
Estimated 2.75% pay award for 2024/25	0	0	0	0	275	ADVERSE
Employee costs: in-year additional savings	-100	0	0	0	0	FAVOURABLE
4 <u>OTHER FORECAST CHANGES</u>						
Additional Costs for Public Offices - delay in disposal	29	0	0	0	0	ADVERSE
Additional Income - Public Offices Car Park - delay in disposal	-4	0	0	0	0	FAVOURABLE
Revised Estimate of investment interest receipts	43	49	33	31	31	ADVERSE
TOTAL	396	190	242	311	614	

Covid Related Forecast changes since Budget Council March 2020

	2020/21	2021/22	2022/23	2023/24	2024/25	
	£000	£000	£000	£000	£000	<u>ADVERSE /</u> <u>FAVOURABLE /</u> <u>NEUTRAL</u>
1 CHANGES AS A RESULT OF MEMBER APPROVALS:						
F&D Committee - 22/06/20 - COVID 19 Local Authority Grants to Town Centres	15	0	0	0	0	ADVERSE
F&D Committee - 22/06/20 - Fylde Coast YMCA	100	0	0	0	0	ADVERSE
T&L Committee - 23/09/20 - Exempt Item - Rent Subsidies due to Covid-19	127	0	0	0	0	ADVERSE
2 UPDATED ESTIMATES OF INCOME BUDGETS:						
Green waste subscription service - Additional subscription income	-28	0	0	0	0	FAVOURABLE
Council Tax Court Costs Recovered - loss of income due to court closure	200	0	0	0	0	ADVERSE
Disabled Facilities Grant Fees - income reduction due to reduced level of grant awards	62	0	0	0	0	ADVERSE
Ashton Pavilion Café - rent reduction/subsidies due to closure	22	0	0	0	0	ADVERSE
Pleasure Island/Salters Wharf - rent reduction/subsidies due to closure	69	0	0	0	0	ADVERSE
Carr Bridge Wood Caravan site - rent reduction/subsidies due to closure	28	0	0	0	0	ADVERSE
Kirkham Offices/Rent of Rooms - rent reduction/subsidies due to closure	11	0	0	0	0	ADVERSE
Miscellaneous Properties -rent reduction/subsidies due to closure	64	0	0	0	0	ADVERSE
Land Charges - reduction in fee income	34	0	0	0	0	ADVERSE
Games Site Fees - reduction in fee income due to closure	58	0	0	0	0	ADVERSE
Lytham Wartime Festival - loss of income due to cancellation of event	18	0	0	0	0	ADVERSE
Kite Festival- loss of income due to cancellation of event	20	0	0	0	0	ADVERSE
Cemetery & Crematorium - reduction in memorial Income	25	0	0	0	0	ADVERSE
Taxi Licensing - reduction in income from issue/renewal of licences	10	0	0	0	0	ADVERSE
Public Conveniences - reduction in income due to closure	10	0	0	0	0	ADVERSE
Trade Waste - reduction in income due to closure of premises	61	0	0	0	0	ADVERSE
Household Refuse Special Collection - income reduction due to reduced demand	40	0	0	0	0	ADVERSE
Building Control Fees - income reduction due to reduced demand	81	0	0	0	0	ADVERSE
Planning Application Fees - income reduction due to reduced demand	270	0	0	0	0	ADVERSE
Car Parking Fees - reduction in usage due to covid restriction measures	170	0	0	0	0	ADVERSE
Car Parks Parking Fees - income reduction due to reduced usage of car parks	10	0	0	0	0	ADVERSE
Waste Services Recycling Project - loss of income from suspension of project	10	0	0	0	0	ADVERSE
Fleet Services MOT Test Fees - income reduction due to reduced demand	12	0	0	0	0	ADVERSE
Housing Benefit Overpayment Recovery - reduction in recovery activity in early 2020/21	250	0	0	0	0	ADVERSE
Government Compensatory Grant for Sales, Fees and Charges Income (Estimated)	-768	0	0	0	0	FAVOURABLE
3 UPDATED ESTIMATES OF EXPENDITURE BUDGETS:						
Mayoralty - Reduced Expenditure due to cancellation of events	-15	0	0	0	0	FAVOURABLE
Festival Support/Club Days - Reduced Expenditure due to cancellation of events	-10	0	0	0	0	FAVOURABLE
1940's Lytham Wartime Festival - Reduced Expenditure due to cancellation of event	-35	0	0	0	0	FAVOURABLE
Kite Festival - Reduced Expenditure due to cancellation of events	-30	0	0	0	0	FAVOURABLE
Bulky Waste Collection costs - Reduced Expenditure due to reduced demand	-35	0	0	0	0	FAVOURABLE
LCC-Landfill Levy/Tipping Charges - Reduced usage of facility	-60	0	0	0	0	FAVOURABLE
Recycling Project - Reduced Expenditure due to suspension of project	-10	0	0	0	0	FAVOURABLE
Parks Services - Purchase of additional Personal Protective Equipment (PPE)	7	0	0	0	0	ADVERSE
Waste Services - Purchase of additional PPE	13	0	0	0	0	ADVERSE
Cemetery & Crematorium - Additional IT costs for live streaming of services	2	2	2	2	2	ADVERSE
Waste Services - Additional agency staff costs to cover absences	50	0	0	0	0	ADVERSE
Increase in provision for bad debts - sundry debtors/Housing Benefit overpayments	200	0	0	0	0	ADVERSE
Housing - Additional Expenditure on bed & breakfast services to avoid homelessness	80	0	0	0	0	ADVERSE
General Government Grant to support Covid related costs	-1,151	0	0	0	0	FAVOURABLE
Specific Government Grant to meet costs of the Business Support Grant Schemes	-130	0	0	0	0	FAVOURABLE
TOTAL	-143	2	2	2	2	

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

Ci - General forecast changes since Budget Council March 2020

(1) Changes as a Result of Member Approvals

The forecast that was approved at the Council meeting in March 2020 has been updated to reflect the financial impact of Member decisions made since then. The significant decisions in financial terms of their 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. For the current year, due to the effect of covid restrictions on a range of services areas, the majority of the budget amendments are shown within Appendix Cii and there are only a modest number of non-covid related budget changes within this section.

(3) Staffing Costs

The agreed 2.75% per annum pay award for 2020/21 has been assumed in each future year of the forecast. The final year of the forecast, 2024/25 is included for the first time as part of this November 2020 update.

Additionally further in-year savings in employee costs for 2020/21 in the sum of £100k have been assumed in line with the budget-monitoring assessment as at 30th September 2020.

(4) Other Forecast Changes:

Public Offices - Additional Costs

As a result of delays in the sale and lease of the public offices site it is appropriate to now assume the requirement for full year budgets for the site in 2020/21, offset in part by additional car park income arising from the continued operation of the car park beyond the date previously assumed.

Revised Estimate of investment interest receipts

In response to the global outbreak of coronavirus the UK Government reduced the base rate 0.1% from 0.25%. Consequently investment yields have remained low during 2020/21, 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.

Cii - Covid Related Forecast changes since Budget Council March 2020

Details are provided within Appendix Cii, classified as either:

- Changes as a Result of Member Approvals;
- Updated Estimates of Income Budgets; or
- Updated Estimates of Expenditure Budgets.

Latest General Fund Budget Forecast 2020/21 to 2024/25

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Adverse / Favourable
Forecast approved at Council on 4th March 2020	10,450	10,652	10,869	11,394	11,394	Adverse Favourable
Forecast Changes - per Appendix C I - General	396	190	242	311	614	
Forecast Changes - per Appendix C ii - Covid Related	- 143	2	2	2	2	
Forecast Budget Requirement	10,703	10,844	11,113	11,707	12,010	
Financed by:						
Council Tax Funding:						
Council Tax - Precept	6,456	6,660	6,869	7,084	7,306	
Council Tax - Share of Previous Years Surplus/(Deficit)	109					
Sub Total - Council Tax Income	6,565	6,660	6,869	7,084	7,306	
Business Rates Funding:						
Retained Rates (including pooling benefit)	3,767	4,359	2,600	2,600	2,600	
Sub Total - Business Rates Income	3,767	4,359	2,600	2,600	2,600	
New Homes Bonus	1,822	1,136	1,136	1,136	1,136	
Less - NHB distribution to Town & Parish Councils	- 76					
Sub Total - Other Income	1,746	1,136	1,136	1,136	1,136	
Forecast Financing	12,078	12,155	10,605	10,820	11,042	
Forecast surplus(-)/deficit for year	- 1,375	- 1,311	508	887	968	
Reserves						
Forecast surplus/deficit (-) for year from above:	1,375	1,311	- 508	- 887	- 968	
Less: Proposed Transfer to Capital Investment Reserve	- 1,375	- 1,311				
Balance of surplus/deficit(-) remaining:	0	0	- 508	- 887	- 968	
Balance of General Fund Reserves b/f	4,272	4,272	4,272	3,764	2,877	
Less transfer to/from(-) General Fund Reserves in year			- 508	- 887	- 968	
Forecast Reserves at Year End	4,272	4,272	3,764	2,877	1,909	
Band D Council Tax (Excl Parish Precepts)	£210.71	£214.91	£219.19	£223.56	£228.02	
Band D Average Council Tax Increase	£4.11	£4.20	£4.28	£4.37	£4.46	
Band D Average Council Tax Increase	1.99%	1.99%	1.99%	1.99%	1.99%	