



## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
MANAGEMENT TEAM	COUNCIL	4 <sup>th</sup> MARCH 2026	
<b>MEDIUM TERM FINANCIAL STRATEGY UPDATE, INCLUDING GENERAL FUND, CAPITAL PROGRAMME AND TREASURY MANAGEMENT FOR 2025/26 TO 2029/30</b>			

### PUBLIC ITEM

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

#### RELEVANT LEAD MEMBER

This item is within the remit of Lead Member for Finance and Resources, Councillor Vince Settle.

#### PURPOSE OF THE REPORT

This report provides Members with an update of the financial forecast for the council for the five years 2025/26 to 2029/30. The MTFS is designed to provide a strategic link between available financial resources and the Council's corporate policy priorities, and to ensure that the Council sets a budget which is robust and sustainable in order that it can deliver its strategic objectives.

The report details the estimated financial resources available to the Council and identifies how they will be utilised to support the achievement of the Council's priorities. The report also identifies the key financial risks facing the Council over the life of the forecast. The Council's Revenue Budget, Expenditure Forecast, Capital Programme, Treasury Management Strategy and Useable Reserves and Balances Policy are also set out in the report.

The update includes the impact of the 2026/27 Local Government Finance Settlement, provisional details of which were first announced on 17<sup>th</sup> December 2025. Subsequently on 9<sup>th</sup> February the Ministry of Housing, Communities and Local Government (MHCLG) issued the Final Local Government Finance Settlement which reduced the level of funding for councils which had benefitted from Business Rates Pooling gains under the previous methodology for the redistribution of Business Rates income, including Fylde Council. As a consequence of the revised funding allocations Fylde Council receives £373k less under the revised settlement from 2027/28 onwards when compared to the provisional settlement figures. For 2026/27 income has been protected (i.e. remains at the level as announced in the provisional settlement) by the introduction of a one-off Adjustment Support Grant for that year.

It is important to note that such significant changes in sums allocated to councils between the provisional settlement and the final settlement is unprecedented.

As part of the consideration of the matter by the Executive Committee on 10<sup>th</sup> February 2026 and the Internal Affairs Scrutiny Committee on 12<sup>th</sup> February 2026, the published agenda item at which point included the provisional settlement information, an updated version of the recommendations relating to item 1(a) was circulated at the meetings. An updated version of Appendix E was also provided. These

revisions reflected matters arising from both the provisional financial settlement and the impact of the Fair Funding Review on the final Local Government Finance Settlement.

The Council's MTFS and a summary of the budget proposals therein have been made available for consultation via the Council's website and have also been provided directly to a range of stakeholders during February 2026. A verbal update will be provided at the meeting as appropriate.

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

The detailed draft 2026/27 revenue budget allocations form part of this report, and a link to the draft budget book for 2026/27 is included within the report. The budget book provides the detailed resource allocations for services provided by the Council for the coming year.

The proposed budget growth items for 2026/27 are shown at Appendix F to this report for consideration and comment.

#### **RECOVERABILITY**

This decision is not recoverable because it relates to a recommendation to the Council.

## RECOMMENDATIONS

### The Council is recommended to:

1. Approve and adopt:
  - (a) The revised estimates for 2025/26 and the revenue budget for 2026/27 as set out in Appendix E, which includes recommended transfers to the Fleet Replacement Reserve of £0.861m in 2025/26 and to the Capital Investment Reserve in 2025/26 to 2027/28 equivalent to the balance of the revenue surplus for those years, currently estimated to be £0.947m in 2025/26, £0.462m in 2026/27, and £0.002m in 2027/28;
  - (b) The budget proposals as set out in Appendix F and the changes to Reserves and Balances as set out in Appendices H;
  - (c) The Capital Strategy 2026-30, including Prudential Indicators and Limits, set out in Appendix G; which incorporates the Treasury Management Policy, the Capital Programme, the Treasury Management Strategy, the Investment Strategy and the Minimum Revenue Provision Statement;
  - (d) The updated Useable Reserves & Balances Policy as detailed in Appendix H;
  - (e) An average Band D Council Tax of £239.11 for 2026/27 (excluding Town and Parish precepts), which is a 2.99% increase from the 2025/26 average Band D charge; and
  - (f) The Special Expenses policy as set out in Appendix I; which includes that:
    - for the purposes of charging special expenses, both the special expense costs and the tax bases relating to the areas of Ansdell, Lytham, and St Annes will each be aggregated and the Council Tax charge per property at each band level will be the same across the whole area; and
    - the annual special expense charge per property will be set for 2026/27 with a 3.00% increase on the 2025/26 level, that being £88.52 per band D property; and
    - the annual borough wide charge per property will be set for 2026/27 with a 3.00% increase on the 2025/26 level, that being £188.68 per band D property; and
    - the budget resource to be allocated to delivering concurrent services and chargeable as special expenses for 2026/27 will be set at a sum equivalent to the annual special expense charge per property (band D equivalent) multiplied by the tax base for the special expense area.
  - (g) The detailed 2026/27 revenue budget which can be found on the council website at the following link: [Draft Budget 2026/27 – Fylde Council](#)

## REPORT

1. In March 2025 the Council agreed a five-year financial strategy from 2024/25 to 2028/29.
2. The attached Medium Term Financial Strategy (MTFS) identifies the key financial risks for the Council moving forward. These are detailed in Section 10 (Revenue) and Section 13 (Capital) of the report. The Council acknowledges the need to continuously reduce costs and to seek efficiencies in order to meet the challenge of reduced public sector funding, whilst providing high quality services to residents and delivering the ambitions set out in the Corporate Plan. The Council has delivered a balanced budget in 2025/26 and is forecast to do so again in 2026/27 and has delivered significant savings from its budget rightsizing programme across all years of the forecast. This leaves the Council well placed to address further pressures on funding and income.

3. On 17 December 2025, the Minister of State for Local Government and Homelessness at the Ministry for Housing, Communities and Local Government (MHCLG) Alison McGovern MP, delivered a Written Ministerial Statement to Parliament on the provisional local government finance settlement 2026/27. The papers can be viewed by [clicking here](#). As earlier described, on 9th February MHCLG issued the Final Local Government Finance Settlement which reduced the level of funding for councils which had benefitted from Business Rates Pooling gains under the previous methodology for the redistribution of Business Rates income, which includes Fylde Council. Further details of this and the implications for Fylde Council are contained within the attached MTFs.
4. The Council's MTFs and a summary of the budget proposals therein have been made available for consultation via the Council's website and have also been provided directly to a range of stakeholders during February 2026. A verbal update will be provided at the meeting as appropriate.

<b>CORPORATE COMMITMENTS</b>	
This report aligns to the following corporate commitments.	
1) Quality services	✓
2) Clean and green environment	✓
3) Vibrant and healthy economy	✓
4) Safe and caring community	✓
5) A great place to visit	✓

<b>IMPLICATIONS</b>	
Finance	Detailed financial implications are contained in the body of the attached Medium Term Financial Strategy. Specific advice from the Council's Chief Financial Officer is contained within the overall conclusions in Section 17 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, biodiversity and environmental impact	None arising from this report.
Health and safety	None arising from this report.
Risk management	Key financial risks affecting the council's finances are set out in the body of the report.

#### **SUMMARY OF PREVIOUS DECISIONS**

This report forms part of the Budget and Council Tax setting process considered annually by Members.

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 2024/25 – 2028/29	Budget Council meeting - 3 <sup>rd</sup> March 2025	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
MTFS – Outturn Position For 2024/25 (Including General Fund, Capital Programme & Treasury Management)	Executive Committee meeting - 26 <sup>th</sup> June 2025	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Revenue Budget Monitoring Reports 2025/26	Internal Affairs Scrutiny Committee meeting - 13 <sup>th</sup> November 2025 - 12 <sup>th</sup> February 2026	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Capital Programme Monitoring Reports 2025/26	Internal Affairs Scrutiny Committee meeting - 13 <sup>th</sup> November 2025 - 12 <sup>th</sup> February 2026	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Medium Term Financial Strategy (MTFS) Update, Including General Fund, Capital Programme and Treasury Management for 2025/26 – 2029/30	Council meeting – 25 <sup>th</sup> November 2025	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Medium Term Financial Strategy (MTFS) Update, Including General Fund, Capital Programme and Treasury Management for 2025/26 – 2029/30	Council meeting – 27 <sup>th</sup> January 2026	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul O'Donoghue Chief Financial Officer	01253 658658	February 2026

#### Attached documents

1. Medium Term Financial Strategy 2025/26 to 2029/30

# **MEDIUM TERM FINANCIAL STRATEGY: 2025/26 – 2029/30**



## Section 1: FOREWORD

- 1.1 A significant amount of work has been carried out in recent years to ensure that the Council's finances, as detailed in the Medium Term Financial Strategy (MTFS), remain robust. The revenue budget financial forecast contained at Appendix E of this MTFS shows projected revenue surpluses for 2025/26 to 2027/28, with a more uncertain period following afterwards. However, central government funding allocations beyond 2026/27 are subject to annual confirmation as part of the Local Government Finance Settlement.
- 1.2 The financial year 2025/26 to date has been shaped by a number of the key themes. The economic backdrop during the year to date has been characterised by reduced inflation, as compared to the previous few years, but with significant pressures remaining on the public finances, along with further uncertainties arising from the conflicts in Ukraine and for much of the year in the Middle East. Meanwhile, policy announcements from the new United States administration on trade and tariffs have been numerous and often unclear, followed by subsequent suspensions and reversals as the country attempts to redress supposed trade imbalances and negotiate new trading agreements, or seeks to utilise the threat of tariffs to achieve foreign policy objectives. The result has been a series of shockwaves amongst the financial markets across the world and the long-term future arrangements remain unclear. Consequently, the economic outlook for UK and world growth remains uncertain.
- 1.3 This MTFS includes the impact of the 2026/27 Local Government Finance Settlement, details of which were confirmed in February 2026. This followed the announcement by the government in November 2025 of its final response to the consultation on the Fair Funding Review 2.0 and the publication of a finance policy statement outlining the key decisions that will determine budget allocations for the next financial year and the whole three-year spending review period. The Statement may be accessed [here](#).
- 1.4 The provisional settlement marked the first time in this decade that the Government has illustrated multiple years' worth of funding allocations, covering 2026/27 to 2028/29. However, it should be noted that the settlement remains an annual event and figures for future years are subject to change until they are confirmed annually for the upcoming financial year. Fluctuations could include the impact of growth or reductions in business rate income each year.
- 1.5 It was extremely disappointing to receive a final Local Government Finance Settlement on 9<sup>th</sup> February 2026, when important expenditure decisions had already been taken, that significantly reduced the level of funding for 2027/28 onwards.
- 1.6 The settlement for 2026/27 confirmed a major change in the funding formula for local authorities, including a reset to the methodology for the distribution of business rates income, the consolidation of a number of individual grants and the discontinuation of New Homes Bonus grants. The reset to the business rates system led to the discontinuation of the Lancashire-wide Business Rates Pool for 2026/27. Further details are provided at section 8 to this report.
- 1.7 On Monday 16th December 2024, the Government published its English Devolution White Paper. This includes significant announcements relating to existing and future devolution agreements, and about the Government's drive for local government reorganisation in district areas. In November 2025 Lancashire authorities submitted business case proposals to establish the best unitary structure for Lancashire. The proposals will be considered by the

minister with consultation on the preferred options beginning in the first quarter of 2026. The government will decide upon which proposal for unitary councils will be implemented through parliamentary approval. This is currently scheduled to happen in Summer 2026. This is detailed further at section 10.2, below.

- 1.8 In order to maintain the current financial position, the Council needs to continue with the approach to delivering savings and efficiencies and maximising income which have helped deliver balanced budgets and contribute to reserves over recent years. Through continued focus on the importance of financial stability the Council has delivered a savings programme in recent years and has continued to reduce overheads wherever possible. 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.
- 1.9 The Council has a past record of taking actions in order to meet and overcome financial challenges as they arise. The Council will continue to seek opportunities to maintain a robust financial position in the face of a changing financial environment. This approach will ensure that the Council continues to achieve and sustain a balanced budget position on an ongoing basis and is able to deliver the priorities set out in the Corporate Plan.
- 1.10 The assumptions that are contained within this MTFS are the latest best estimates and will be updated as and when further information becomes available.

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### Section 3: THE PURPOSE OF THE MEDIUM TERM FINANCIAL STRATEGY

3.1 The purpose of the Medium Term Financial Strategy (MTFS) is to:

- (i) Provide the framework for the development of a budget which is robust and sustainable;
- (ii) Assist the Council in the delivery of the aspirations within its strategic plans, and to align resources accordingly;
- (iii) Ensure the Council delivers essential services by the efficient and effective use of its financial resources; and,
- (iv) Demonstrate commitment to transparency in its financial affairs by setting out what the Council is trying to achieve in an understandable format.

3.2 The MTFS is one of the Council's key enabling strategies. It sets out how the Council intends to manage its finances to help achieve the agreed objectives and priorities. The MTFS looks at the current year and ahead over the next four years to identify the resources likely to be required by the Council to finance service priorities and to meet spending pressures. It aims to:

- Ensure the sustainability of the Council's budget;
- Facilitate pro-active strategic management of the budget to ensure service investments and dis-investments flow from the Council's corporate and service planning frameworks;
- Be responsive to a changing and uncertain financial climate in which existing funding streams cease and new opportunities arise; and,
- Demonstrate clearly to stakeholders, both internal and external, what the Council's plans are for the use of its resources.

The need for a longer-term view of the Council's financial position has always been important but as central government funding continues to be the subject of significant uncertainty in the coming years this is increasingly so.

3.3 The Council has adopted a pro-active approach to financial management and a commitment to sound corporate governance, safeguarding public monies and ensuring accountability. Over recent years the Council has been recognised by its external auditors as making good progress with ongoing achievements and successes in priority service areas. It is recognised that whilst there continue to be challenges ahead, arrangements have been put in place to ensure that the priorities as set out in the Council's Corporate Plan are supported by a robust financial framework. The council's Audit and Governance Committee considered a report in February 2024 on a review of compliance with the CIPFA Financial Management code, which concluded that the Council is fundamentally compliant in all significant respects with the code requirements. More details are provided in section 6 of this report.

3.4 In formulating this financial strategy the Council has ensured that, within the resources available, it has taken account of:

- National priorities for public service investment and delivery;
- Government efficiency targets and the priority given to the reduction of the national deficit;
- Corporate priorities that reflect local circumstances and are in tune with the priorities of partner organisations, including Health, Police, local businesses, voluntary and community organisations; and,
- Feedback from all public consultation that has taken place.

#### Section 4: VISION FOR THE BOROUGH

- 4.1 The Council produces a Corporate Plan which outlines the key priorities, targets and outcomes for the Authority and the wider community. The latest Corporate Plan covers the period 2024 to 2028 and has been developed through consultation and feedback with stakeholders based on the key strategic responsibilities of the Council. The Plan takes into consideration emerging legislation, policy and changes in resources and responsibilities and is informed by partners, elected members and external organizations, including the Local Government Association, the Department for Communities and Local Government, the Department for Work and Pensions and the various professional associations that provide support on policy, governance, waste, planning, parks and environmental health.
- 4.2 The intention is to forecast the resources required to address the strategic issues the Council will need to deliver against over the next four years. At Fylde Council we have worked closely with local people to establish our corporate priorities and objectives. These represent the things we want to achieve for the community.
- 4.3 The Council's vision is for "Fylde to be a place where people choose to live, work and raise a family, retire and feel safe, visit and want to return". To deliver this, five strategic commitments have been outlined:
- Quality Services
  - Clean and Green Environment
  - Vibrant and Healthy Economy
  - Safe and Caring Community
  - A Great Place to Visit
- 4.4 The 2024/28 Corporate Plan was approved at the July 2024 meeting of the Council, along with a review and closure of the 2020/24 plan.

The current Corporate Plan is accessible on the Council website at [Corporate Plan 2024-2028](#)

## Section 5: STRATEGIC PLANNING

- 5.1 The Council has in place a corporate planning and performance management framework that includes periodic reviews and progress updates on progress against priorities set out in the Corporate Plan. The plan is reviewed in consultation with staff and councillors, partners in other public services, the community and voluntary sector, the local business community and local residents and updates are provided to Internal Affairs Scrutiny Committee. The Council's [Performance Portal](#) tracks activities aligned to each of the key themes within the Corporate Plan.
- 5.2 The Council regularly reviews progress against longer term plans and Members receive regular updates of the financial forecast. It is recognised that despite robust action during recent financial years to produce a stable and sustainable financial position, the continuing uncertainties surrounding the future resources available to the public sector and to district councils in particular means that the Council needs to strive to continue to achieve a sustainable and robust budget.
- 5.3 The Medium Term Financial Strategy (MTFS) is one of the enabling strategies of the Council, aimed at improving transparency and accountability in the way that services and functions are delivered. The MTFS takes account of the resources the Council requires to deliver its priorities. Where resources are limited the overall objectives of the Council will be the same, but the pace of achievement may require adjustment.
- 5.4 **Fylde Corporate Peer Challenge**

The Council went through a Corporate Peer Challenge (CPC) in September 2024, funded by the government and provided at no cost to all English councils through the [Local Government Association \(LGA\)](#). The CPC process is an improvement-focused initiative designed to complement councils' existing performance framework. The process was not an inspection, but rather an opportunity for self-reflection and constructive challenge from sector experts, focusing on five core areas:

- How we set and achieve local priorities
- Our leadership at both organisational and community levels
- Our governance structures and workplace culture
- Our approach to financial planning and management
- Our capacity and willingness to improve

The CPC involved an LGA peer team spending three days on-site, meeting with a diverse range of staff, councillors, partners, and stakeholders. This comprehensive approach allowed the LGA peer team to gain a thorough understanding of the council, enabling them to provide robust, strategic, and credible challenges. In preparation, the council invited thoughts against each theme in advance from our position statement, which helped guide the LGA peer team's evaluation and discussions during their visit.

This initiative offered an opportunity for self-reflection and constructive feedback from sector experts, including both officers and elected members. The focus was on council performance, governance, and culture, considering the challenges in the local government sector at that time.

[The Peer Review Report and action plan can be found at this link.](#)

One of the themes from the review was a recommendation that the council revisits its approach to spending and borrowing, and risk and reward, to ensure ambitions and innovations are delivered, without losing focus on the delivery of core services. In line with this theme, the council reviewed how it finances its existing and future capital aspirations and subsequently re-financed the capital programme to optimise the balance between capital expenditure funded from the councils own earmarked reserves, and schemes financed from borrowing. More details are provided in Section 12 and in Appendix G of this report.

## 5.5 **External funding**

The borough has been successful in the past in attracting funding from a number of investment streams from external funds including Heritage Lottery Fund Grants, The Local Strategic Partnership (LSP), the Environment Agency, section 106 planning monies, the Future High Street Fund and the UK Shared Prosperity Fund. The Council will continue to explore external funding opportunities wherever possible to lever in resources to support Council investment to deliver further improvements in the borough.

## Section 6: DEVELOPING THE MEDIUM TERM FINANCIAL STRATEGY (MTFS)

- 6.1 The MTFS sets out the Council's revenue budget allocations, the programme for capital investment, efficiency targets and forecasts for the period covered by the strategy. The key influences on this strategy include:
- The impact of inflationary pressures on both pay and prices;
  - The continuing uncertainty around local government reorganisation and future central government funding for local government;
  - The consequent spending constraints resulting from potentially reduced resources in the medium term;
  - Ensuring a robust and sustainable budget through the prudent use of reserves and balances and ensuring externally funded projects are facilitated;
  - Developing new ways of delivering services using modernisation techniques to achieve higher levels of customer satisfaction, efficiency, value for money, strategic partnerships, service commissioning, and enterprise; and
  - The need to continuously review and maintain existing assets to a quality standard.
- 6.2 The MTFS looks at the current year and ahead over the next four years to identify the resources likely to be required by the Council to meet service priorities and to address spending pressures. It aims to:
- Ensure the sustainability of the Council's budget;
  - Facilitate pro-active strategic management of the budget to ensure service investments and dis-investments flow from the Council's corporate and service planning frameworks;
  - Be responsive to a changing and uncertain financial climate in which existing funding streams cease and new opportunities arise; and,
  - Demonstrate clearly to stakeholders, both internal and external, what the Council's plans are for the use of its resources.
- 6.3 The MTFS and financial forecast are supported by the following monitoring procedures:
- General Fund Revenue Budget Monitoring;
  - Capital Programme Monitoring;
  - Treasury Management Monitoring and Mid-Year Strategy Review, together with specialist external advice; and,
  - Annual Outturn reports on the Capital Programme, the General Fund and Treasury Management.
- 6.4 Any additional future spending reductions will require a further review of priorities and service delivery arrangements. Members will be engaged in this process as part of the service planning framework and through the Council's Scrutiny and Executive committees.

6.5 Central to the budget setting process is the work of the Leadership Board and the budget-focussed meetings of that group. In this regard the role of the group is:

***'To co-ordinate and oversee the budget setting process and to provide a strategic steer on key elements of budget setting including the level of growth or savings required in light of the overall financial position of the Council, capital bid expectations, Council Tax and fees and charges levels etc.'***

The Leadership Group has met a number of times during the financial year specifically in relation to its role in the budget-setting process for 2026/27 and has carefully considered all budget proposals. This report has previously been considered by the Executive Committee at the meeting of 10th February 2026 and the Internal Affairs Scrutiny Committee at the meeting of 12th February 2026.

6.6 In December 2025 the Council received details of the provisional 2026/27 Local Government Financial Settlement along with details of the revised funding methodology that would apply from 2026/27 onwards. In February 2026 the Final Local Government Financial Settlement contained revised levels of funding from 2027/28 onwards. Further details of the impact of the financial settlement are provided within section 8 of this strategy document.

6.7 The positive impact of the financial settlement allows for a number of budget growth items for 2026/27 onwards. These are of such value to ensure that the Council continues to achieve a robust and sustainable revenue budget over the life of the forecast. In formulating the budget proposals, Members have been cognisant of the national economic context and the financial risks and uncertainties facing the Council. The budget proposals for 2026/27 are detailed in Appendix F of this report.

### **Value For Money (VFM)**

6.8 The council's external auditors KPMG have assessed the council's [arrangements for securing Value For Money \(VFM\)](#) and concluded in November 2025 that no significant risks have been identified regarding the measures the council has in place for each of the three relevant domains covered by the VFM assessment, namely Financial Sustainability, Governance, and Improving Economy, Efficiency and Effectiveness. The Council's service planning and performance management framework is designed to ensure the continuous drive for improvement and ensure that VFM continues to be achieved.

### **Balancing the MTFS**

6.9 The Council is primarily a service provider and employee costs are one of its largest areas of expenditure. The budget forecast that was approved by Council in March 2025 included an estimate for the current year pay award of 3%. The pay award has been settled at an increase of 3.2%. Appendix C details the adjustments to the employee budgets from 2026/27 onwards to reflect the actual pay award for 2025/26 and updated estimates of pay award levels for future years.

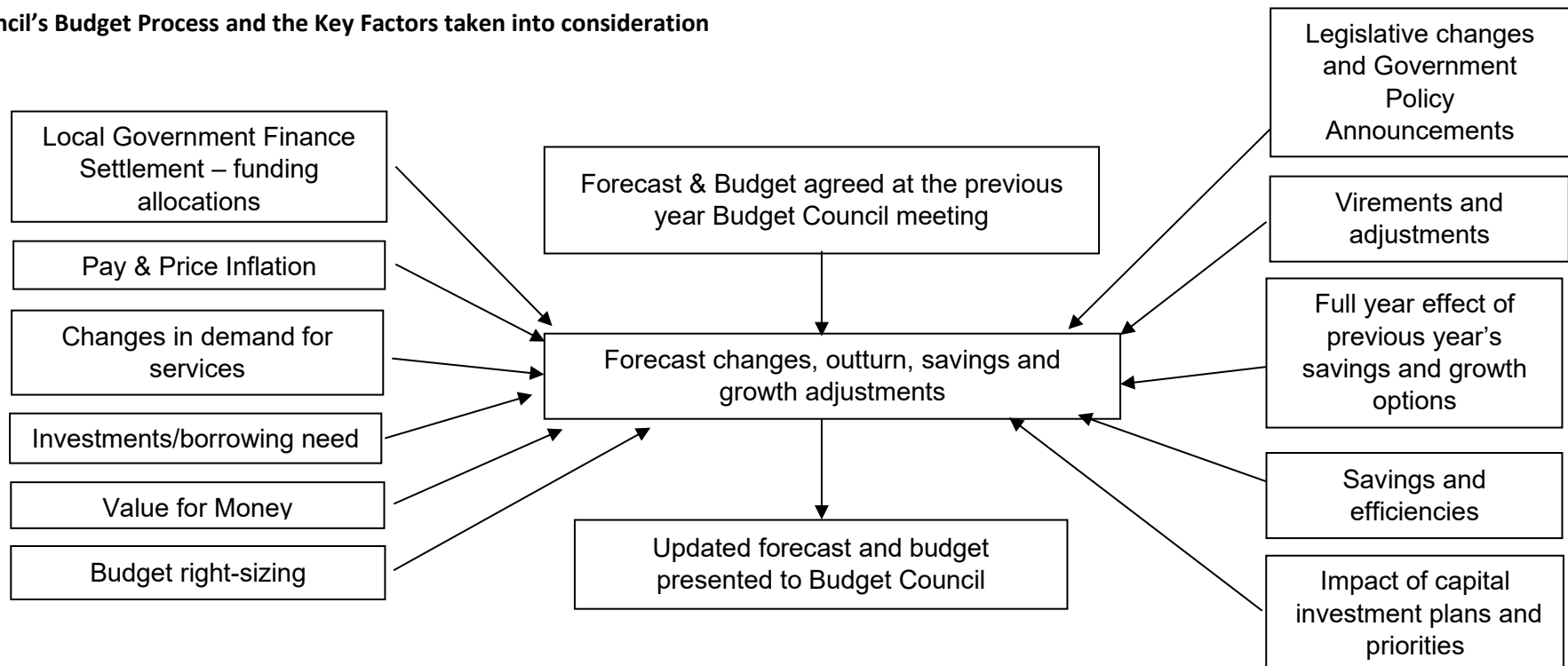
6.10 Each year officers review the financial outturn position for the previous year, with particular reference to budget underspend across services, to identify areas where budget adjustments might be appropriate. This exercise has also been carried out several times during 2025/26 following in-year budget monitoring reviews, resulting in a series of budget adjustments, the latest of which have been reflected in this revised forecast.

**Developing the Budget Forecast**

6.11 Fylde Council has a structured approach to financial management and corporate governance, safeguarding public monies and ensuring accountability. The starting point for developing the forecast for the forthcoming year is the forecast agreed by Full Council at the last Budget setting meeting. The forecast is reviewed in the light of the previous year’s outturn information. Changes and risks based on the latest available information such as the statutory annual Council Tax Base calculations and the most recent Local Government Finance Settlement are incorporated. Original assumptions are reviewed; new spending pressures are assessed and evaluated with any in-year budget decisions being taken into account. The need for spending and savings is assessed in the light of available resources.

The process is summarised in the following diagram:

**The Council’s Budget Process and the Key Factors taken into consideration**



Throughout the process, all risks are analysed, assessed and reported as necessary and appropriate.

### **Fees and Charges**

- 6.12 Each year, as part of the budget-setting process for the coming financial year, budget-holders are required to review the fees and charges that the Council applies to the range of services which it delivers.
- 6.13 There are different considerations for assessing changes to the level of fees and charges depending upon the nature of the service. This is explained below:
- For certain activities, for example some environmental health-related activities, fee levels are set by statute at a prescribed level. In respect of these types of activity the review of fees and charges is restricted to ensuring that the correct amount is approved by Council and is correctly applied for the forthcoming year;
  - For other types of charges in respect of services for which the Council has statutory responsibilities (for example in relation to licensing matters) fee levels must be set at an appropriate level such that only eligible costs are recovered. In respect of these types of activity the review of fees and charges comprises a review of costs and the adjustment of fees where necessary to avoid the under or over-recovery of costs. Where only minor discrepancies are found between costs and fee levels the charges may be left unchanged until the next review to avoid the costs associated with more regular leaflet re-printing etc.; and
  - For other activities which are not set by statute and for which the Council is not acting under statutory powers (e.g. games site fees) fee levels may be set at levels that are determined by the Council itself. In respect of these types of activity the review of fees and charges comprises a review of costs, a review of the fee levels of competitor providers and after a consideration of the likely effect on demand for the services and the total income that would be received at different fee levels.
- 6.14 Fee levels for all services have been reviewed according to the differing criteria as described above. The proposed fees and charges for 2025/26 have been discussed with Lead Members and at Leadership Board. A final schedule of fees and charges was approved at the Council meeting of November 2025.

### **Revenue Budget-setting**

- 6.15 The draft revenue budget for 2026/27 has been prepared and is available via the link shown below. As in previous years, the budget has been prepared broadly on a continuation basis and has been updated to reflect all Committee and Council decisions made to date, the outcome of the budget-rightsizing exercise and all virements.

[Draft Budget 2026/27 – Fylde Council](#)

- 6.16 The draft budget has been updated to reflect the estimated impact of approved changes to fees and charges for 2026/27, and the forecast assumes additional overall income from fees and charges increases of £100k per annum from 2026/27 onwards.

### **Capital Growth Items**

- 6.17 The Council has a duty to manage its assets and capital resources to best deliver its objectives as set out in the Corporate Plan.
- 6.18 The consideration of capital bids for inclusion or otherwise within the Council's approved Capital Programme is therefore a key component of the budget-setting process and contributes to the longer-term management of the Council's resources in an efficient and effective manner. This report includes the impact of all capital growth approved by members to date, including the significant investment in swimming pools in St Annes and Kirkham approved at the council meeting of 27<sup>th</sup> January 2026. Further details of the council's Capital Programme can be found in Appendix G of this report.

### **CIPFA Financial Management Code - supporting good practice in financial management**

- 6.19 The Local Government financial framework in the UK is governed by primary legislation, regulation and professional standards, as supported by statutory provision. The financial management of a local authority, has not however, until now, been supported by a professional code. The CIPFA Financial Management Code (FM Code) has been introduced because the exceptional financial circumstances faced by local authorities have revealed concerns about fundamental weaknesses in financial management, particularly in relation to some local authorities which may be unable to maintain services in the future.
- 6.20 Whilst there is much good practice across the sector, the failures of a small number of authorities has threatened stakeholders' confidence in local government as a whole. The FM Code is therefore designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability; for the first time, the FM Code sets the standard of financial management for local authorities. Although the FM Code does not have legislative backing, it applies to all local authorities, including police, fire, combined and other authorities.
- 6.21 The purpose of the FM Code itself is to establish the principles in a format that matches the financial management cycle and supports governance in local authorities. A series of FM standards set out the professional standards needed if a local authority is to meet the minimal standards of financial management acceptable to meet fiduciary duties to taxpayers, customers and lenders. Since these are minimum standards, CIPFA's judgement is that compliance with them is obligatory if a local authority is to meet its statutory responsibility for sound financial administration
- 6.22 The underlying principles that inform the FM Code have been designed to focus on an approach which will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable. The principles are as follows:
- **Organisational leadership** - demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture
  - **Accountability** - based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs

- **Financial management is undertaken with transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making
- **Adherence to professional Standards** is promoted by the leadership team and is evidenced
- **Sources of assurance are recognised** as an effective tool mainstreamed into financial management and includes political scrutiny and the results of external audit, internal audit and inspection
- **The long-term sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources

6.23 The Audit and Governance Committee considered a report in early February 2024 on Fylde Council's compliance with the FM code which concluded that the council is fundamentally compliant in all significant respects with the code requirements.

## Section 7: BACKGROUND TO THE FORECAST

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

(i) Original Budget 2025/26

At the Council meeting on the 3<sup>rd</sup> March 2025 the budget for 2025/26 and the medium term financial forecast were agreed. The resolution included a 2.99% increase in the average Council Tax amounts and a total net budget requirement of £11.994m for 2025/26. The General Fund balance at that time was forecast at the end of 2028/29 to be £2.969m. In agreeing the Original Budget for 2025/26 a number of key high level financial risks and assumptions were highlighted in the MTFS budget report.

(ii) General Fund Revenue Outturn Position 2024/25

The revenue outturn position for 2024/25 was reported to Members in June 2025. The impact of the outturn position, including slippage items in the total sum of £0.366m, has been reflected in this updated forecast.

The favourable outturn position for revenue allowed for a total contribution of £0.746m to be made into the Capital Investment Reserve.

(iii) Budget Right-sizing Exercise

During the autumn each year officers undertake a budget right-sizing exercise to identify any in-year budget variances identified by ongoing budget monitoring 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 C of this report under the heading 'Budget Rightsizing'. The efficiencies and savings captured by the right-sizing exercise are a combination of one-year-only and recurring savings. It is anticipated that in future years the level of efficiencies and savings that are achievable through the right-sizing exercise will be more limited.

(iv) Capital Outturn Position 2024/25

The latest approved expenditure budget in the capital programme for 2024/25 was £13.682m. Outturn Expenditure was £10.040m which resulted in an outturn underspend of £3.642m for the year. After adjusting for slippage of £3.621m, the overall outturn position for 2024/25 was an in-year favourable variance of £0.021m against the latest updated estimate. The capital programme has been updated to reflect scheme re-phasing approved as part of the outturn report.

(v) General Fund Revenue Budget Monitoring 2025/26

Revenue budget monitoring reports for the current financial year have been presented to the Internal Affairs Scrutiny Committee, details of which [can be found here](#). 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, including a number of variances as a result of inflationary pressures, revised fee income estimates and the latest estimate of employee costs.

## **Section 8: THE GENERAL FUND REVENUE FORECAST & NEW FORECAST CHANGES, INCLUDING THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2026/27**

- 8.1 Appendix A sets out the original base budget that was agreed at Budget Council in March 2025. In rolling forward the forecast the general assumptions that are included in the base budget are set out in Appendix B, with details of the changes since the last approved budget was set being detailed in Appendix C. Explanations in support of these budget changes are set out in Appendix D. A summary of the impact of these changes, including the proposals of the Leadership Group, and the updated summary forecast position for the Council, is set out in Appendix E.
- 8.2 The changes to the General Fund Revenue Forecast are those arising from the Local Government Finance Settlement, together with some further in-year revenue budget changes identified as a result of ongoing budget monitoring. The Finance Settlement was preceded by several earlier announcements on the likely changes to Local Authority funding from 2026/27 as summarised below.
- 8.3 **Local Government Funding: Fair Funding 2.0 Review Outcome and Finance Policy Statement 2026/27 to 2028/29**

On 20<sup>th</sup> November 2025 the Ministry of Housing, Communities and Local Government published its final response to the consultation on the Fair Funding Review 2.0 and a finance policy statement outlining the key decisions that will determine budget allocations for the next financial year and the whole three-year spending review period. The Statement may be accessed [here](#).

The **Policy Statement** confirms the government's broad intentions with regard to Local Authority funding, ahead of the 2026/27 Local Government Finance Settlement.

The policy statement contains specific information on:

- A summary of the Fair Funding Review 2.0 proposals;
- How the government plans to implementing the Fair Funding Review 2.0 through the Settlement and the Business Rates Retention System;
- The funding streams that will be simplified for 2026/27 onwards;
- The approach to supporting local authorities to adjust to their grant funding levels in the new system, including transitional arrangements, Recovery Grant Guarantee, Exceptional Financial Support, and our approach to council tax;
- The proposed reforms to adult social care and children's services;
- Details of wider reforms to local government funding, covering fire services funding, waste services funding;
- The key reforms beyond funding to support local government; and
- How the funding reforms would provide transitional funding, including a minimum funding floor, to protect councils from the full impact of the funding changes.

The **response to the consultation on the Fair Funding Review** confirms that the government will go ahead with most of the changes proposed in the original consultation, including:

- Major changes to the main funding formula with a stronger link to levels of deprivation and population. The current bespoke formulae and adjustments for flood defence, coastal protection and sparsity will be removed;
- Many new burdens funding streams will be rolled into the main funding formula instead of being provided as separate grants. This includes ongoing revenue funding for food waste new burdens;
- Reset of the baseline for retained business rates in full in 2026/27;
- Abolition of the New Homes Bonus;
- Simplification and consolidation of several grant pots, including for homelessness prevention, rough sleeping and temporary accommodation;
- Provision of transitional funding, including a minimum funding floor, to protect councils from the full impact of the funding changes.

In respect of changes to the funding formulae for local authorities MHCLG had previously indicated that councils with the largest gap between their current funding allocation and their target funding allocation under the new model would not qualify for the 0% floor. MHCLG has confirmed it will implement this approach:

- Councils whose current share of funding is 15% or more above their target funding allocation will fall into this group.
- They will be given a -5% cash floor (instead of 0%) over the full three-year period.
- This means that 95% of their current funding will be protected up to and including 2028/29 (it is not a cumulative -5% each year).

The baseline for determining the funding floor will include accumulated business rates income and income from business rates pooling, which is an important element of Fylde Council's current funding.

The statement also confirmed that Council tax referendum principles will continue at their 2025/26 levels for the three-year period (although note they will still be set annually due to legislative provisions). For Fylde Council this means an increase limit of 3% or £5, whichever is higher, without the need for a local referendum, and no referendum principles for town and parish councils.

#### 8.4 **The 2026/27 Local Government Finance Settlement**

On 17 December 2025, the Minister of State for Local Government and Homelessness at the Ministry for Housing, Communities and Local Government (MHCLG) Alison McGovern MP, delivered a Written Ministerial Statement to Parliament on the provisional local government finance settlement 2026/27. The papers can be viewed by [clicking here](#).

The provisional settlement marks the first time in this decade that the Government has illustrated multiple years' worth of funding allocations, covering 2026/27 to 2028/29. However, it should be noted that the settlement remains an annual event and figures for future years are subject to change until they are confirmed annually for the upcoming financial year. Fluctuations could include the impact of growth or reductions in business rate income each year.

The settlement confirmed many of the announcements that had been signalled in the November Policy Statement as detailed above but nonetheless marks a significant change in the funding mechanism for local authorities.

The key elements of the Finance Settlement are summarised below:

### **Fair Funding Assessment (FFA)**

MHCLG has published the provisional outcome of the Fair Funding Review which sets the underlying figures for the Fair Funding Assessment (i.e. the redistributed 2025/26 totals). This has been split to the Baseline Funding Level (BFL) and Revenue Support Grant (RSG).

### **The Funding Re-distribution Methodology**

The starting position for the re-distribution of funding from 2026/27 onwards has been determined by an estimation of the actual business rates income by local government in 2025/26 (through NNDR1 data) plus grants which were considered to be in the scope of the Fair Funding Review.

New funding 'target' amounts for 2026/27, 2027/28 and 2028/29 were determined for each authority by dividing the overall pot using the combination of an assessment of relative needs and relative strength of the local taxbase, as part of the Fair Funding Review.

No local authority will have a negative FFA target overall as far as redistribution of 2025/26 is concerned due to the introduction of transitional arrangements for 2026/27 and 2027/28, and the inclusion of Funding Floor amounts 2026/27 to 2028/29 i.e. minimum funding guarantee levels. In this way individual authorities will move to their new 'target' fundings levels over a number of years.

The funding through the Fair Funding Assessment is split across two funding streams:

- Business Rates Retention, and
- Revenue Support Grant

### **Reforms to the Business Rates System**

**System Reset** - A full reset of the Business Rates System will take place for 2026/27. This means authorities Business Rates Baseline (target amount) will be set at what is expected to be collected in 2026/27.

**New Multipliers** - There are to be two new lower multipliers for Retail, Hospitality & Leisure (RHL), to be funded by a new High-Value Multiplier (HVM) for certain other businesses.

**Pooling** - Due to the full reset of the business rates retention scheme and changes to the levy / safety net calculations, it was not expected business rate pools would be formed for 2026/27; with risks outweighing any potential rewards.

**New Homes Bonus** - The abolition of New Homes Bonus was confirmed with no allocation of funding for 2026/27.

### **Council Tax**

As previously announced, the council tax referendum limit in 2026/27 will continue to be 2.99% plus an additional 2% for social care authorities; the higher of 2.99% or £5 for shire district councils (including Fylde Council) and £5 for fire authorities. Police authorities will be able to increase council tax by up to £15.

### **Consolidated Grants in Core Spending Power**

The settlement brings together certain existing grants: Domestic Abuse Safe Accommodation new burdens, part of the Homelessness Prevention Grant, Rough Sleeping Prevention and Recovery Grant and the Rough Sleeping Accommodation Programme, along with other changes affecting authorities with responsibility for children's services and social care.

General grants that were received in earlier year up to and including 2025/26 such as the Funding Guarantee and the funding assumed in earlier forecasts to maintain Core Spending Power, as well as the New Homes Bonus Grant, have been discontinued after 2025/26 and subsumed within the allocations of Revenue Support Grant.

### **Local Government Reform**

The settlement confirms the approach MHCLG proposes to take in terms of distributing funding to newly formed authorities. Where there are no splits of authorities involved in LGR, the new authorities will receive all resources of predecessor councils.

### **Final Local Government Finance Settlement Announcement**

On 9th February MHCLG issued the Final Local Government Finance Settlement which reduced the level of funding for councils which had benefitted from Business Rates Pooling gains under the previous methodology for the redistribution of Business Rates income, which includes Fylde Council. As a consequence of the revised funding allocations Fylde Council receives £373k less under the revised settlement from 2027/28 onwards when compared to the provisional settlement figures. For 2026/27 income has been protected (i.e. remains at the level as announced in the provisional settlement) by the introduction of a one-off Adjustment Support Grant for that year.

It is important to note that such significant changes in sums allocated to councils between the provisional settlement and the final settlement are unprecedented.

## 8.5 Fylde Council's Funding Share 2026/27

Despite the reduction in funding announced as part of the revised Final Settlement allocations, the settlement represents an increase in the anticipated level of resources when compared to the estimates in the November MTFS update. It should, however, be noted that the total funding level for 2026/27 (£13.518m) is actually slightly lower than the 2025/26 total (£13.770m) so whilst the forecast now reflects increased income when compared to the earlier estimates, actual income will be lower next year than this year.

The current year income figure reflects the updated estimate of business rate income including the beneficial impact of the Lancashire Business Rate Pool in 2025/26 which will be the final year of the current arrangement. The consequence of the revised estimated funding levels produces a revised five-year forecast in which, prior to any future expenditure decisions, there is a surplus of resources in the first three years of the forecast including 2025/26.

## 8.6 Estimates of Government Funding Beyond 2026/27

Although the settlement for 2026/27 contains illustrations of funding allocations covering 2026/27 to 2028/29, the settlement remains an annual event and allocations beyond 2026/27 are subject to change until they are confirmed annually for the upcoming financial year.

Accordingly, the estimates of government funding for future years contained in the financial forecast at Appendix E of this report have been calculated based on the final 2026/27 settlement estimates. Income from business rates in particular will be subject to annual fluctuations against the revised baseline funding level.

## 8.7 Other Forecast Changes

The Financial Forecast has also been updated to reflect the following changes:

### **a) Other budget adjustments**

A number of further budget adjustments have been made to this updated financial forecast in light of the most recent budget monitoring as reported to the Internal Affairs Scrutiny Committee and a further budget-rightsizing review undertaken since the forecast was last updated. These are included within the variance analysis at **Appendix C** to this report and an explanation of each is provided at **Appendix D**.

### **b) Investment in Swimming Provision in the Borough**

At the meeting of 27<sup>th</sup> January 2026 the Council approved a significant capital scheme to redevelop the provision of swimming facilities within the borough. This included a substantial refurbishment of St Annes Pool, along with the inclusion of additional facilities, and the redevelopment and re-

opening of Kirkham Pool. The total capital cost in respect of both swimming pools is £9.340m. The schemes require additional capital expenditure of £6.951m after allowing for sums already contained within the existing capital programme, with £4.951m being funded from the council's Capital Investment Reserve and £2m from borrowing.

This is a scheme of significant scale and importance to the Council and the residents of the borough and has implications for the Council's Capital Financing Requirement and on income from treasury investments as detailed in those following sections of this report.

The full report can be found [here](#).

## **Section 9: SAVINGS & GROWTH PROPOSALS**

- 9.1 In order to ensure continued financial sustainability, a number of growth proposals have been identified and the Council continues to look for further efficiencies. In identifying the growth items now proposed (detailed in Appendix F) and exploring opportunities for future savings, the following criteria has been considered:
- The impact on the Council's corporate priorities;
  - The impact on front line service provision to residents;
  - The sustainability of proposed savings;
  - Value for Money and efficiency implications; and,
  - The potential for further cost reductions both in back-office and service delivery costs, in particular, to be achieved via a mix of more shared services and partnering arrangements whilst the future of local government reorganisation arrangements in Lancashire continue to be considered.
- 9.2 Although there are no proposed budget reductions as part of this MTFs, the impact of any such future proposed budget reductions would be assessed by way of an equality impact assessment. Any reduction in Council expenditure that leads to a reduction in services will inevitably have an impact on the wider community served. However, in carrying out a high-level equality impact assessment on savings options it is necessary to look at two specific issues:
- The effect on persons who share a protected characteristic in relation to the wider community; and,
  - If and how one group is disproportionately disadvantaged by the cuts in relation to other groups.
- 9.3 The Council has consulted with a wide range of stakeholders, including the general public, local business groups, Town and Parish Councils, business rate payers, partners, and other local authorities on the proposed budget for 2026/27.
- 9.4 In putting together the budget proposals due consideration is given to the consultation and feedback which is collated on an ongoing basis through the various service providers as well as bespoke research aimed at specific initiatives. This includes customer satisfaction surveys, suggested service delivery improvements obtained through feedback and an analysis of the complaint and service failure data collated by the Council each month.

## Section 10: KEY AREAS OF FINANCIAL RISK (REVENUE)

10.1 In considering this forecast Members should note that there are a number of significant risks. In the context of the Council's financial forecast a risk can be defined as a change with an unknown or uncertain impact on the financial position of the Council that can be favourable or adverse. 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

## 10.2 **High Level Financial Impact Risks**

### i) Future Central Government Funding Allocations

As detailed at 8.6 above, although the settlement for 2026/27 contains illustrations of funding allocations covering 2026/27 to 2028/29, the settlement remains an annual event and allocations beyond 2026/27 are subject to change until they are confirmed annually for the upcoming financial year. Income from business rates in particular will be subject to annual fluctuations against the revised baseline funding level.

Accordingly, the estimates of government funding for future years contained in the financial forecast at Appendix E of this report have been calculated based on the 2026/27 settlement estimates.

ii) Local Government Reorganisation (LGR)

On Monday 16th December 2024, the Government published its English Devolution White Paper. This includes significant announcements relating to existing and future devolution agreements, and about the Government's drive for local government reorganisation (LGR) in district areas. The extract from the White Paper below aims to give clarity on what is to be expected following the announcement:

"We will expect all two-tier areas and smaller or failing unitaries to develop proposals for reorganisation. We will take a phased approach to delivery, considering where reorganisation can unlock devolution, where areas are keen to proceed at pace or where it can help address wider failings. However, we are clear that reorganisation should not delay devolution and plans for both should be complementary. New unitary councils must be the right size to achieve efficiencies, improve capacity and withstand financial shocks. For most areas this will mean creating councils with a population of 500,000 or more, but there may be exceptions to ensure new structures make sense for an area, including for devolution, and decisions will be on a case-by-case basis. We expect all councils in an area to work together to develop unitary proposals that are in the best interests of the whole area, rather than developing competing proposals. We will also expect all councils in an area to work with us to bring about these changes as swiftly as possible"

In November 2025 Lancashire authorities submitted a number of business case proposals to establish revised arrangements for Lancashire ranging from 2 to 5 unitary councils replacing the existing 15 authorities. The proposals will be considered by the minister with consultation on the options due to start in early 2026. The minister will decide which proposal for unitary councils will be implemented through parliamentary approval. This is currently scheduled to happen in Summer 2026.

Lancashire Leaders are in the process of considering LGR implementation costs and it is likely that a significant contribution will be required from all 15 councils in the county to ensure smooth transition and integration so that service disruption is minimised. Fylde council currently has no specific budget provision for these costs and as such the LGR agenda presents a significant financial risk to the council as potential costs are uncertain and unbudgeted.

iii) New Food Waste Collection Requirement

In October 2023 the Department for Environment, Food & Rural Affairs (DEFRA) announced reforms of waste collection, including the introduction of weekly collections of food waste for most households across England by 2026. The government has given initial capital allocations to councils for fleet acquisition costs, with Fylde receiving £795k. Assurance was provided at that point that ongoing revenue costs would be met by DEFRA but no further information was provided at that time.

Consequently, from April 2026 onwards all councils in England are required to introduce weekly food waste collections as part of the UK Government's Simpler Recycling initiative, designed to make recycling more consistent and effective across the country. As the introduction of this requirement represents a new burden for local authorities it was anticipated that, as previously expressed, councils across the country would be allocated specific funding to enable them to implement this new service. However as part of the 2026/27 Funding Settlement it was announced that the funding stream

had been rolled into the main funding formula instead of being provided as separate grants to councils. There was no indication in the settlement as to how much was allegedly allocated for each council to introduce the service.

The financial forecast update in this MTFS includes the impact of a revenue budget growth item for the introduction of this service on a phased basis starting in 2026/27. The estimated costs and phasing are not certain and could change as the scheme is introduced, and as such the scheme costs presents a financial risk to the council.

### 10.3 **Medium Level Financial Impact Risks**

#### i) Price Inflation and the General Economic Outlook

The UK annual inflation rate, as measured by the Consumer Prices Index (CPI), was 3.4% in December 2025, up from 3.2% in November. Although much reduced from the high levels seen in 2022 and 2023, the rate of annual inflation has remained stubbornly above the Bank of England target rate of 2% throughout the year to date.

Whilst the rate of increase may have slowed during the year to date, prices continue to rise month by month. Price increases represent a significant cost pressure to the council and increase the risk that existing budget provision is insufficient to cover the cost of service delivery. This is particularly pertinent with respect to the financial risks associated with the delivery of the capital programme with building costs and materials continuing to rise.

Provision is made within the budget is limited to areas where the council has no choice but to pay increased prices, e.g. due to contractual terms. The position will be kept under continuous review by Management Team.

Policy announcements from the new United States administration on trade and tariffs have been numerous and often unclear, followed by subsequent suspensions and reversals as the country attempts to redress supposed trade imbalances and negotiate new trading agreements, or seeks to utilise the threat of tariffs to achieve foreign policy objectives. The result has been a series of shockwaves amongst the financial markets across the world and the long-term future arrangements remain unclear. Consequently, the economic outlook for UK and world growth remains uncertain.

#### ii) Borrowing Cost Assumptions

The Capital Financing Requirement (CFR) is a key component of an authority's capital strategy. It quantifies the amount of capital spending that has not been financed by any other source such as capital receipts, capital grants or contributions from revenue income or reserves. It measures the "underlying need to borrow" for a capital purpose, although this borrowing may not necessarily take place externally.

The council regularly reviews the financing of the capital programme in order to achieve the optimal balance between capital expenditure financed from earmarked reserves and expenditure financed from borrowing with regard to the level of available reserves and new investment decisions. As a consequence of the investment decision during 2025/26 relating to the provision of swimming facilities as described in section 8.7 above the council's borrowing requirement increases from £8.8m to £10.2m. Further information of the council's Capital Programme can be found in section 12 of this report.

The Council's Capital Financing Requirement is currently being financed by "internal borrowing", a common practice whereby a local authority utilises its internal resources which are not required in the short to medium-term (comprising working capital and reserves), rather than external borrowing, to finance expenditure. Currently the use of internal borrowing continues to be the most cost-effective means of funding capital expenditure not financed from another source as it allows the council to lower the overall treasury risk by reducing both external debt and temporary investments, and to minimise interest costs.

It is expected that internal borrowing will continue to be used for the rest of the financial year in line with advice from the Council's treasury advisers. However, this position is not expected to be sustainable over the longer term, particularly in light of the significant investment in the development of the swimming facilities in the upcoming financial years. Accordingly, capital financing costs for the scheme have been calculated based on borrowing for the scheme of £2m from 2027/28 and are shown within Appendix C to this report.

iii) Employee Costs - Pay Award

The budget forecast that was approved by Council in March 2025 included an estimate for the current year pay award of 3%. The pay award has been settled at an increase of 3.2%. Appendix C details the proposed adjustments to the employee budgets from 2026/27 onwards to reflect the actual pay award for 2025/26 and updated estimates of pay award levels for future years, currently budgeted at 3.0% for 2026/27 and 2.5% per annum thereafter.

Each additional 1% increase in pay equates to an estimated £100k additional cost on the pay bill of the council per annum.

iv) Treasury Management – Investment Income Receipts

The forecast has been updated to reflect the impact of reduced interest receipts from the council's treasury management investments as reserves are utilised in the coming years to finance the council's capital programme, particularly the swimming pools investment as previously described within this report. This is shown at Appendix C to this report. There is a risk that further reductions in the interest rate will reduce treasury investment returns below the level assumed within the forecast.

v) 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.

## 10.4 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 age for entitlement was reduced to those over the age of 23 with effect from April 2021, and in the October 2023 Autumn Statement the government announced that the new hourly rate would apply to 21 and 22-year-olds for the first time.

The October 2025 budget included an increase in the National Living Wage by 4.1% to £12.71 per hour from April 2026. The National Minimum Wage for 18-20 year olds will also increase by 8.5% to £10.85 per hour and for 16-17 year olds and apprentices by 6.0% to £8.00 per hour.

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.

## Section 11: CAPITAL STRATEGY AND ASSET MANAGEMENT PLAN

- 11.1 The Council owns a number of operational properties and assets and has developed a Capital Strategy and an Asset Management Plan to formalise the management process in respect of physical assets. Operational properties include office accommodation, depots, yards and venues such as the Town Hall and other offices, the crematorium, open space facilities, and various car parks. The Council has a five-year rolling programme of maintenance for its assets which is factored into the Medium Term Financial Strategy.
- 11.2 A small investment property portfolio is managed to generate income to support the revenue budget and maximise any opportunities for regeneration. This position is reviewed regularly in order that income can be maximised and timely decisions made on the disposal of under-performing or surplus assets.
- 11.3 The Asset Management Plan includes a stock condition survey to establish the rolling programme of repair and maintenance, which takes account of the need for efficiency and environmental impact.
- 11.4 Asset holdings are reviewed as part of the annual planning cycle. This could lead to the disposal of some assets to maintain the remaining estate to the desired standard.
- 11.5 A review and revaluation of all heritage assets including furniture and artwork was carried out during 2022. The next review and revaluation will take place in 2027, as required by the Council's adopted accounting policy, to ensure that valuations remain current.

## Section 12: THE CAPITAL PROGRAMME

- 12.1 Capital Expenditure is defined as expenditure on the acquisition of a fixed asset and/or expenditure which adds value to (not merely maintains) the value of an existing fixed asset. Examples of fixed assets are; land, building, plant and vehicles. Capital expenditure also includes the making of an advance, grant or other financial assistance towards expenditure which would, if incurred by the Council, be classed as capital expenditure.
- 12.2 The Capital Programme is updated continually for agreed changes and reported in periodic monitoring reports to the Internal Affairs Scrutiny Committee.
- 12.3 With effect from the financial year 2019/20 the revised CIPFA Prudential Code 2017 requires the Council to produce a Capital Strategy. This new reporting format brings together capital, treasury and investment strategies within a single framework. The latest updated Capital Programme is therefore contained within the **Capital Strategy shown at Appendix G** which has been updated to reflect the latest position. A prudent approach is taken in preparing the programme to ensure that financing resources are only recognised when there is relative certainty that they will be received.
- 12.4 Capital schemes are directly linked with the Council's priorities and delivered through a series of key programmes through detailed Service Delivery Plans. Major items of enhancement or renewal are identified through the Council's Asset Management Plan.
- 12.5 **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 / Better Care Fund (from central government);
  - (iii) Capital Receipts;
  - (iv) External Funding (such as Future High Street / Heritage Lottery / Environment Agency Funding);
  - (v) Prudential Borrowing / Leasing;
  - (vi) Revenue Funding; and
  - (vii) Earmarked reserves such as the Capital Investment Reserve, the Funding Volatility Reserve and the Fleet Replacement Reserve.
- 12.6 The latest updated detailed Capital Programme on a scheme-by-scheme basis is included within the **Capital Strategy shown at Appendix G** which reflects all schemes approved by members to date. The summary of the programme is shown below:

## SUMMARY CAPITAL PROGRAMME

	Estimate 2025/26 £000	Estimate 2026/27 £000	Estimate 2027/28 £000	Estimate 2028/29 £000	Estimate 2028/29 £000
<b>Portfolio:</b>					
Tourism, Leisure & Culture Portfolio	1,479	5,615	3,766	40	40
Customer & Operational Services Portfolio	2,976	647	812	267	412
Environment Portfolio	59	0	0	0	0
Social Wellbeing Portfolio	2,484	1,535	1,535	1,535	1,535
Corporate and Economic Development Portfolio	5,769	2,040	0	0	0
<b>Total Capital Payments</b>	<b>12,767</b>	<b>9,837</b>	<b>6,113</b>	<b>1,842</b>	<b>1,987</b>
<b>Financing:</b>					
Availability of Resources	<b>12,767</b>	<b>9,837</b>	<b>6,113</b>	<b>1,842</b>	<b>1,987</b>
<b>Total surplus (-) / shortfall in year</b>	0	0	0	0	0
<b>Cumulative surplus (-) / shortfall</b>	0	0	0	0	0

There are a number of specific and inherent risks relating to the capital programme which are set out in the section below.

## Section 13: KEY AREAS OF FINANCIAL RISK (CAPITAL)

13.1 Members should be aware that the following financial risk areas remain relevant on the Capital Programme:

### 13.2 High Level Financial Impact Risks – Capital Programme

#### i) Improvement Works to St Annes Swimming Pool & Kirkham Pool Refurbishment

Council approved significant investment in swimming pools in St Annes and Kirkham at the council meeting on the 27<sup>th</sup> January 2026, with capital scheme expenditure for both pools totalling £9.34m (£6.34m for St Annes Pool and a further £3m for Kirkham Pool). The programme of works spans multiple years.

The swimming pool investment and refurbishments will be a complex, multi-stranded initiative and will be included within the Council's Strategic Risk Register to manage the associated risks effectively. Until the scheme is fully delivered there will remain the possibility of additional contract costs beyond those in the approved budget.

The decision to redevelop and re-open Kirkham pool will require re-design and new/revised cost estimates which will take around 10 months, the current £3m estimate is several months old and was based on a design option without on-site intrusive survey and inspection to test assumptions on the current status of the asset and the extent of required works. As part of the decision to redevelop Kirkham Pool it was recommended that the decision would be cognisant of the probability that the £3m capital requirement would increase; the extent of any increase can only be established through the necessary on-site intrusive inspection and survey work.

The decision to progress with developing both pools will require significant officer time in supporting and monitoring the delivery of the project with the leisure end user as well as estates, legal, financial, and technical perspectives. A small project team will need to be mobilised and engaged throughout the project lifecycle. This could impact the capacity of the Council to progress other priorities in the lead up to LGR vesting day, which will need to be closely monitored.

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

### 13.3 Medium Level Financial Impact Risks – Capital Programme

#### i) Garden Street - St Annes & St Annes Pier Link - Public Realm Improvements

Garden Street - the programme reflects the aspiration for project delivery timescales. The project board has been informed of information regarding third party risks which could jeopardise the delivery of the scheme as envisaged and require it to be delivered in two distinct phases; the first phase

will follow the intended programme, but the second phase may need to be aborted or delivered in future financial years. £1m has been rephased into 2026/27.

St Annes Pier Link - the scheme should be delivered as per the original programme dates with commencement on site in the first quarter 2026. A portion of the funding will be required to be slipped into 2026/27 as part of the 2025/26 outturn to ensure completion of the scheme.

The project is classified as **medium-level risk** due to the high value and nature of the works involved, i.e. working in the ground, working adjacent to many stakeholders, public engagement and disruption to the high street.

ii) Price Inflation

As explained in section 10.3(i) of this report, UK annual inflation rate, as measured by the Consumer Prices Index (CPI), was 3.4% in December 2025, up from 3.2% in November. Although much reduced from the high levels seen in 2022 and 2023, the rate of annual inflation has remained stubbornly above the Bank of England target rate of 2% throughout the year to date.

Whilst the rate of increase may have slowed during the year to date, prices continue to rise month by month. Price increases represent a significant cost pressure to the council and increase the risk that existing budget provision is insufficient to cover the cost of service delivery. This is particularly pertinent with respect to the financial risks associated with the delivery of the capital programme with building costs and materials continuing to rise. The position will be kept under continuous review by Management Team.

iii) Vehicle Replacement Programme

The Capital Programme approved at Budget Council in March 2025 included estimates for replacement vehicles up to and including 2028/29. The Waste and Fleet team have updated the replacement vehicle schedule during 2025/26 to reflect the current estimated costs. The updated schedule includes re-profiling the timings of replacement vehicles based on operational requirements along with revenue repair and maintenance costs as vehicles age. The updated costings for replacing fleet on a like for like basis have therefore been fully reflected in the updated capital programme contained in this report with the total revised cost of £4.039m. This updated figure includes slippage from 2024/25 and the cost of fleet in the additional year 2029/30 that is now included within the programme. Previously, vehicle replacements have been financed from borrowing, but they are now financed from a specific 'Fleet Replacement Reserve'.

Due to the significant value of the vehicle replacement programme and the potential for changes in vehicle costs, specifications, and emissions regulations this scheme has been highlighted as a **medium level financial risk**.

iv) Borrowing Costs

The Financing section of Table 2 within Appendix G of 'The Capital Strategy' shows how the capital programme is to be funded. Within that section is the element that is to be funded from Prudential Borrowing. This refers to that element of the capital programme that is not funded by specific or general grants, from capital receipts, or from reserves such as the Capital Investment Reserve or the Fleet Replacement Reserve and which requires funding from borrowing. As described in detail at section 10.3(ii) this is currently being financed by "internal borrowing", the practice whereby a local

authority utilises its internal resources which are not required in the short to medium-term (comprising working capital and reserves), rather than external borrowing, to finance the expenditure. However, this position will not be sustainable over the longer-term and external borrowing will be required at some future point, which will incur interest costs which will impact the revenue budget. This is highlighted as a **medium level financial risk**.

#### **13.4 Low Level Financial Impact Risks**

i) Project Slippage

It is important that the Council monitors capital scheme slippage to ensure that there is no loss of external grant funding as a result of scheme delays and re-phasing into later years. This is classified as a low level financial risk.

ii) Other Capital Receipts

Capital Receipts to date total £195k against a total in year budgeted figure of £70k, made up of Right to Buy Receipts and general asset sales. Capital receipts are ringfenced to fund capital expenditure. Future receipts are dependent on prevailing market conditions and values cannot be predicted with certainty. This will be monitored and reviewed during the year and adjusted accordingly in future quarterly monitoring reports, along with the impact this may have on the financing of the programme.

iii) 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 Fylde for 2025/26 (including slippage) totals £1.890m which provides for the delivery of disabled adaptations. It is anticipated that for 2025/26 all identified need for disabled adaptations can be met from the existing resource.

## Section 14: RESERVES AND BALANCES PROVISION

- 14.1 The Council carries a number of reserves, balances and other provisions which are held for three main purposes:
- To maintain a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing. This forms part of what is commonly referred to as 'general fund balances';
  - A contingency to cushion the impact of unexpected events or emergencies; and
  - A means of building up funds to meet known or predicted liabilities or costs - commonly referred to as 'earmarked reserves'.
- 14.2 The Council's General Fund Reserve balance as at 31st March 2025 was £4.937m. The first call on this in 2025/26 was approved slippage items totalling £0.366m.
- 14.3 Within the existing statutory and regulatory framework, it is the responsibility of the Chief Financial Officer to advise local authorities about the level of reserves that they should hold and to ensure clear protocols for their establishment and use. Accordingly, an **updated Useable Reserves and Balances Policy is appended at Appendix H** and approval of this updated policy is sought as part of this report. In line with the policy the current level of useable reserves and balances has been reviewed.
- 14.4 The Council routinely reviews the level of earmarked reserves it holds, and as result of the settlement as outlined at section 8 above, the Council determined, at the January 2026 meeting, to transfer the remaining balance held in the Collection Fund Deficit Reserve in the sum of £1.398m into the Capital Investment Reserve.
- 14.5 The Financial Forecast summary at Appendix E includes proposed transfers to the Fleet Replacement Reserve and the Capital Investment Reserve in 2025/26, and transfers of the budgeted surpluses in the following two years into the Capital Investment Reserve.
- 14.6 To maintain a future stable financial environment for the Council, the Chief Financial Officer recommends that the level of General Fund reserves is maintained at a minimum of £1.0m throughout the period of the financial forecast.

## Section 15: THE COLLECTION FUND

- 15.1 As a Council Tax and Non-Domestic Business Rates Billing Authority, Fylde Council is required by legislation to collect council tax and business rates within the borough on behalf of central government, Town and Parish Councils and major preceptors (being Lancashire County Council, and the Fire and Police Authorities), and to account for that income through a 'Collection Fund'. Under the Collection Fund accounting arrangements any surplus or deficit on the fund each year, which occur as a result of actual income being higher or lower than that budgeted for, is split between the Government and the other precepting bodies in proportion to their shares.
- 15.2 **For Council Tax only**, there was a surplus on the fund as at 31st March 2025 of £190k. This will be shared between Fylde Council, the County Council, the Police Authority and the Fire & Rescue Authority in 2025/26. Fylde Council's share of the surplus is £22k, the impact of which has been reflected in the revised financial forecast at Appendix E.
- 15.3 **For Non-Domestic Rates only**, there was a surplus on the fund as at 31st March 2025 of £761k. This will be shared between Central Government, Fylde Council, the County Council, and the Fire & Rescue Authority in 2025/26. Fylde Council's share of the surplus is £304k. In order to provide sufficient resources to fund the council's capital programme, Full Council approved in 2025/26 that the balance of the Collection Fund Deficit Reserve is utilised and transferred in the sum of £1.398m to the Capital Investment Reserve.

The Collection Fund accounting processes mean that there are significant timing differences between when a deficit or surplus on the collection fund occurs and when the relevant payments or receipts are made to or from the relevant parties to the collection fund. The Council's Financial Forecast will be updated during 2026/27 to reflect the anticipated timing of cash flows to and from the collection fund.

## Section 16: TREASURY MANAGEMENT AND THE CAPITAL STRATEGY

- 16.1 Treasury Management is defined as the management of cash flow, banking monies, money market and capital market transactions and the control of the risks associated with these activities. Prudential Indicators provide the framework within which these transactions should be monitored.
- 16.2 From 2019/20 there was a significant change to the format and content of the reporting of treasury management and capital investment activities. The revised CIPFA Prudential Code 2018 required the Council to produce a 'Capital Strategy' in place of the former Treasury Management Strategy. The format of the Capital Strategy incorporates the current Capital Programme (along with any the new proposed capital expenditure for the period 2025/26 to 2029/30).

These elements are now brought together thus linking investment decisions in terms of financial assets (e.g. loans and deposits) together with those relating to physical assets (e.g. land and buildings), with a particular emphasis on how all capital and investments are financed. Furthermore, the Capital Strategy sets out how the investment of capital resources contributes to the delivery of the Council's key objectives and priorities and describes the long-term context in which capital expenditure and investment decisions are made. The new reporting format aims to ensure that due consideration is given to both the risk and reward of all investment decisions and the impact of such decisions on the delivery of the Corporate Plan.

- 16.3 The objective of the Prudential Code for Capital Finance in Local Authorities (the Code) is to provide a framework to ensure that the Council's Capital and Revenue Budget Plans are affordable, prudent and sustainable.
- 16.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management requires the Council to review and approve a Treasury Management Strategy. The Strategy covers the operation of the treasury function, its expected activities for the forthcoming year and also includes a number of mandatory Prudential Indicators covering the forthcoming three years. This is contained within the Capital Strategy at Appendix G.
- 16.5 There are a number of potential areas of significant risk associated with Treasury Management activities.

The main risks to the Medium Term Financial Strategy as a result of Treasury Management activity are:

- (i) Unexpected movement in cash flow;
- (ii) Difference between actual interest rates and rates used in the forecast; and
- (iii) The security of monies invested with counterparties.

These are referenced in more detail within the **Capital Strategy at Appendix G**.

## **Section 17: SUMMARY AND CONCLUSIONS**

### **The General Fund Revenue Forecast**

- 17.1 The Final Local Government Financial Settlement for 2026/27 has provided for an increased estimated level of funding for the council compared to earlier assumptions, albeit at a reduced level from the provisional settlement allocations as described within this report. The increase in central government funding as summarised in Appendix E is to be welcomed as this improves the financial position of the Council in the short term. It should be noted that the increase in forecast Council Tax income (the single element of the financing that is directly within the influence of this council) is of greater significance than the grant increases from central government over which the council has no control. Based on the assumptions and estimates as detailed in the report there is a projected surplus of resources for three years of the current five-year forecast, followed by a more uncertain position thereafter. Estimations of central government funding beyond 2026/27 are subject to annual review for the upcoming financial year and are therefore subject to possible change. Fluctuations could include the impact of growth or reductions in business rate income each year.
- 17.2 The financial forecast does not currently reflect any costs associated with Local Government Reorganisation and the transition from the existing structure of 15 councils in Lancashire to new unitary arrangements. It is likely that these costs will be significant and will need to be considered by the council once there is more certainty.
- 17.3 Although it is clear that further uncertainty lies ahead, the finances of the Council remain robust and reserves and balances are at reasonably healthy levels. Furthermore, Fylde Council has a past record of taking actions in order to meet and overcome financial challenges as they arise. The Council will continue to seek opportunities to maintain a robust financial position in the face of a changing financial environment. This approach will ensure that the Council continues to achieve and sustain a balanced budget position on an ongoing basis and is able to deliver the priorities set out in the Corporate Plan.
- 17.4 The assumptions set out in this forecast are the latest best estimates and will be updated as and when further information becomes available.

### **The Capital Programme**

- 17.5 The current Capital Programme as updated is showing a balanced position. There are a number of priority areas beginning to emerge across the Council's property asset portfolio that require further investment in the medium term.

Any additional expenditure which is not fully funded by either external finance, revenue contributions, or from existing earmarked reserves would require the generation of capital receipts or the requirement for further borrowing. The latter would place additional pressure on the Revenue Budget from the consequent financing costs.

Due to the ongoing risks faced by the Council, the Capital Programme will continue to be closely monitored and reviewed on a regular basis throughout each year.

## Overall Conclusions

- 17.6 The overall forecast financial position of the Council continues to be relatively stable, and the finances of the Council remain robust. Whilst challenges remain as detailed in this report, and will no doubt continue to be present given the uncertainty over central government funding for future years, prudent financial management has provided a relatively stable financial environment which allows the necessary time to determine how this Council can best respond to the challenges it faces and deliver its strategic priorities.
- 17.7 The Council has set out its response to the financial challenges within its Efficiency Plan, published in 2016. The actions that are contained within the Efficiency Plan remain valid and at the forefront of future service planning. The key elements of the Efficiency Plan which remain relevant are:
1. To redouble the challenges to existing expenditure budgets through the regular budget right-sizing exercises which have produced significant levels of savings in recent years in order to seek to further reduce total expenditure;
  2. To seek to maximise existing income streams and explore new sources of income generation and to review existing services for opportunities to generate new forms of income or increased levels of income; and
  3. To ensure that the Councils staffing structure is appropriate to the needs of the services that are delivered and to take advantage of opportunities to review establishment structures.
- 17.8 At a strategic level, activity and resources are focussed on the delivery of the key objectives of the Council as set out within the Council's approved Corporate Plan. Given the level of reserves that has been generated in recent years the budget deficits in the final years of the forecast appear to be at manageable levels. However, in an uncertain financial environment the position can change in unexpected ways. It is important that the Council continues to operate in a sound and prudent manner in order to maintain a stable financial position and to explore further means by which the financial position can be further strengthened, whilst continuing to provide high quality services to residents and to deliver the priorities set out in the Corporate Plan.
- 17.9 The financial forecast does not currently reflect any costs associated with Local Government Reorganisation and the transition from the existing structure of 15 councils in Lancashire to new unitary arrangements. It is likely that these costs will be significant and will need to be considered by the council once there is more certainty.

17.10 In accordance with Section 25 of the Local Government Act 2003, the Chief Financial Officer (as the officer designated under Section 151 of the Local Government Act 1972) is required to comment on the robustness of the Council's financial position and the proposed budget.

**Having considered the major items of expenditure and income and their sensitivity to change, together with the savings and growth proposals and their impact on the Council's future forecasts and level of reserves, it is the Chief Financial Officer's opinion:**

- **that the estimates have been prepared and reviewed utilising the most up to date and accurate information available;**
- **that the recommendations contained in this report provide the Council with a robust financial position at least for a number of years on the basis of the assumptions set out in this report, and is of the view that:**
  - **the Council has the processes and procedures in place to continue to develop further savings and income generation proposals as necessary to ensure that the minimum revenue balances are maintained over the medium term in light of the financial uncertainty regarding the future impact of the reforms to Local Government reform in future years; and,**
  - **the Council has the processes and procedures in place to monitor the strategy and its risks in order to take effective remedial action should the need arise.**

**In forming this view on the Council's financial position, the Chief Financial Officer would remind Members of the key revenue and capital financial risks outlined in sections 10 and 13 of the report and, in particular, the current uncertainties surrounding the assumptions upon which the forecast is based. These will be closely monitored, and advice provided to Members accordingly over the coming months by way of updates to the MTFS.**



### General Base Budget Assumptions

The forecast has been prepared on the basis of the following underlying 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 2024/25 agreed by the Executive Committee in June 2025 have been slipped into 2025/26;
- Pay award – the impact of the agreed 2025/26 pay award together with future pay awards estimated to be at 3.0% for 2026/27 and 2.5% per annum thereafter;
- Employers Pension Contributions – the Council’s current contributions to the Lancashire pension fund scheme are set in accordance with the outcome of the 2022 Triennial Pension Fund Review which was carried out by the scheme actuaries, Mercer. Estimates of contributions for 2026/27 onwards have been updated to reflect provisional figures provided by the pension fund to reflect the draft outcome of the ongoing 2025 Triennial Pension Fund Review. These figures are subject to potential future change as the review is finalised;
- Employer’s National Insurance contributions – the forecast reflects the statutory contribution rates currently in place, including the impact of increased employer’s contributions announced in the 2024 Autumn statement;
- Council tax increases – the forecast has been prepared to include annual council tax increases at the current referendum threshold of 2.99% per annum from 2026/27 onwards;
- New Homes Bonus Grant – the forecast for 2026/27 onwards assumes no New Homes Bonus will be received from 2026/27 onwards as announced in the December Financial Settlement;
- Fees and Charges – The forecast takes account of the revised fee levels as approved by Budget Council in March 2025. For future years budget-holders have reviewed fee levels as appropriate and any proposed changes to fees & charges and a report in this regard was approved at the Council meeting of November 2025. The forecast assumes additional income from fees and charges increases of £100k per annum from 2026/27 onwards;
- Vacancy Savings – the forecast assumes vacancy savings of £300k per annum from 2025/26 onwards; and
- Localisation of Council Tax Benefit Scheme – the forecast assumes a fully funded scheme with no additional cost to the Council from 2025/26 onwards.

Appendix C

General forecast changes since Budget Council March 2025

	2025/26	2026/27	2027/28	2028/29	2029/30	
	£000	£000	£000	£000	£000	<u>ADVERSE /</u> <u>FAVOURABLE /</u> <u>NEUTRAL</u>
<b>1 CHANGES AS A RESULT OF MEMBER APPROVALS:</b>						
Unfunded revenue budget increase in respect of Kirkham Pool - (Council 31/03/2025)	75	75	75	75	75	ADVERSE
MTFS Outturn Report - Slippage from 2024/25 - (Exec Committee 24/06/25)	366	0	0	0	0	ADVERSE
MTFS Outturn Report - Use of monies transferred into GF reserves to fund slippage - (Exec Committee 24/06/25)	-366	0	0	0	0	FAVOURABLE
Fylde Local Plan to 2042: Unfunded Revenue Budget Increase - (Council 08/07/2025)	131	0	0	0	0	ADVERSE
Estates and Building Maintenance Shared Service (Unfunded Revenue Budget Increase) - (Council 08/07/2025)	31	21	9	13	13	ADVERSE
Unfunded revenue budget increase in respect of St Annes Pool - (Executive 16/09/2025)	50	0	0	0	0	ADVERSE
Unfunded revenue budget increase in respect of LGR Survey Residents Letter - (Executive 16/09/2025)	34	0	0	0	0	ADVERSE
<b>Financial Implications of Swimming Provision Report - (Council 27/01/2026):</b>						
Removal of existing budget provision for swimming pools	0	-275	-275	-275	-275	FAVOURABLE
Replace with:						
- Contract Payments to Places Leisure for operation of St Annes Pool and Kirkham Pool	0	582	170	264	77	ADVERSE
- Assumed holding costs in respect of Kirkham Pool	0	125	0	0	0	ADVERSE
- Reduction in Treasury Management Income from use of Capital Investment Reserve	0	113	173	173	173	ADVERSE
- Borrowing costs including increased MRP charges	0	0	0	170	170	ADVERSE
<b>2 BUDGET RIGHTSIZING EXERCISE:</b>						
Revenue impact of budget right-sizing across all budget areas of the Council	-107	-272	-48	-51	-87	FAVOURABLE
<b>3 STAFFING COSTS:</b>						
Updated estimated costs of pay awards: 3.2% for 2025/26 and 2.5% pa from 2026/27 onwards	25	135	205	285	565	ADVERSE
Increase 2026/27 pay award to 3%	0	57	58	60	61	ADVERSE
Estimated reduction in employer pension contributions arising from the 2025 Triennial Review	0	-526	-529	-533	-539	FAVOURABLE
Updated estimate of agency labour costs including increases due to National Living Wage Increases 2026/27	50	20	20	20	20	ADVERSE
<b>4 UPDATED ESTIMATES OF INCOME BUDGETS:</b>						
Extended Producer Responsibility - reversal of original estimates of income	764	688	619	557	557	ADVERSE
Extended Producer Responsibility - updated estimates based on DEFRA correspondence	-1,047	-1,071	-1,071	-1,071	-1,071	FAVOURABLE
Updated estimates of Treasury Management investment interest receipts	-170	65	74	74	74	ADVERSE
Cremation Income - updated estimate of income	45	70	70	70	70	ADVERSE
Estimated additional Fairhaven Boat Service Income	-12	-5	-5	-5	-5	FAVOURABLE
Estimated shortfall in income from Splash facility	36	5	5	5	5	ADVERSE
Lytham Festival - reduced income estimate in respect of 2025/26 due to reduced number of night's performances	9	0	0	0	0	ADVERSE
<b>5 OTHER FORECAST CHANGES</b>						
Removal of Elections budget from 2027/28	0	0	-150	0	0	FAVOURABLE
Standards costs	18	0	0	0	0	ADVERSE
Increase in Temporary Accommodation budget to reflect current levels of demand	0	100	100	0	0	ADVERSE
Adjustment to Temporary Accommodation budget to reflect current levels of demand	0	0	-25	0	0	FAVOURABLE
Essential H&S - Cemetery memorial safety management	0	35	35	35	35	ADVERSE
Business Rates - additional annual costs of Fylde Council estate following VOA nationwide NNDR revaluation exercise	26	26	26	26	26	ADVERSE
Mandatory health and safety training requirements, in particular operational services	10	10	10	10	10	ADVERSE
<b>Adjustments as a result of the provisional local government finance settlement:</b>						NEUTRAL
Removal of original Homelessness Grant funding (updated figures below)	0	120	120	120	120	ADVERSE
Updated Homelessness, Rough Sleeping & Domestic Abuse ringfenced grant funding	0	-250	-286	-341	-341	FAVOURABLE
Increase in Homelessness Prevention expenditure to match settlement funding	0	94	130	185	185	ADVERSE
Increase in Domestic Abuse expenditure to match settlement funding	0	36	36	36	36	ADVERSE
<b>TOTAL</b>	<b>-32</b>	<b>-22</b>	<b>-454</b>	<b>-98</b>	<b>-46</b>	<b>FAVOURABLE</b>

### Explanations of Forecast Changes set out in Appendix C

The following notes relate to specific adjustments made to the Forecast since Budget Council in March 2025 as set out in Appendix C:

(1) Changes as a Result of Member Approvals

The forecast that was approved at the Council meeting in March 2025 has been updated to reflect the financial impact of Member decisions made since then.

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

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

(3) Staffing Costs

The estimate for staffing costs has been amended to take account of estimated pay awards, the estimated impact of the 2025 Triennial Pension Fund review and the increase in the National Living Wage which takes effect in April 2026, together with an increase in the provision for future pay awards at 3.0% for 2026/27 and 2.5% per annum thereafter.

(4) Updated Estimates of Income Budgets

The forecast has been updated to include revised estimates of the levels of income from Treasury Management investments from 2026/27 onwards.

(5) Other Forecast Changes

The forecast has been updated to include revised estimates of costs across a range of council services, and also specific grants, largely relating to housing-related services, which were announced as part of the 2026/27 Local Government Finance Settlement.



## Appendix F

### **BUDGET PROPOSALS - CAPITAL ITEMS**

	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Notes
Fairhaven Boathouse	117	0	0	0	0	This item relates to additional funding for the delivery of an enhanced programme of refurbishment works at Fairhaven Boathouse, full details of which can be found in the report to Executive Committee on 10th February 2026.
<b>TOTAL OF CAPITAL SCHEME PROPOSALS</b>	<b>117</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

### **BUDGET PROPOSALS - REVENUE ITEMS**

	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Description
Local Plan Examination Costs	0	131	50	50	0	This bid relates to additional Local Plan examination costs expected from 2026/27 to 2028/29. See bid document for more details.
Fylde Events Programme	0	40	40	40	40	This bid provides a structured proposal to secure and strengthen Fylde's events programme through a modest and controlled revenue investment. See bid document for more details.
Food Waste Collection Scheme Running Costs	0	140	280	580	600	This bid sets out the costs for the phased introduction of a Food Waste Collection service commencing in 2026/27. See bid document for more details.
<b>TOTAL OF REVENUE GROWTH PROPOSALS</b>	<b>0</b>	<b>311</b>	<b>370</b>	<b>670</b>	<b>640</b>	

# FBC – Revenue Growth Bid 2026/27

Prepared by/Bid Originator – Paul McKim

**Scheme Title: Local Plan Costs**

**DESCRIPTION OF SCHEME:**

**1. BACKGROUND**

The current Local Plan is the Fylde Local Plan to 2032 (incorporating Partial Review). This was adopted on 6th December 2021. Having the Local Plan in place ensures that the Council has effective control of where development may be located. The current Local Plan concentrates development at four strategic locations: Lytham and St Annes; the Fylde-Blackpool Periphery; Warton; and Kirkham and Wesham.

Since the Local Plan was adopted, the Government have fundamentally altered the way that housing needs are calculated substantially increasing the number of homes required. However, there are transitional arrangements in the National Planning Policy Framework (NPPF) from December 2024 that protect existing local plans for five years from the date of adoption, even if the housing requirement is significantly below the new need figure. Therefore, the policies of the Fylde Local Plan to 2032 (incorporating Partial Review) will remain applicable until 6th December 2026.

After 6th December 2026, Fylde Council will require a new or updated plan to retain effective control of development. In the absence of a new plan, the presumption in favour of sustainable development in the NPPF (often referred to as the “tilted balance”) would apply when assessing proposals for new development on sites not identified in the Local Plan.

The Corporate Plan states that the Council will measure success through the delivery of projects that meet the Council’s commitments. It includes “Carry out a review of the Fylde Local Plan” as a project to be delivered under the heading Measuring Success.

The preparation of a local plan must be in accordance with the process set out in regulations, including the production of evidence documents, two public consultations, submission to the Secretary of State and “examination in public”, with a series of hearings conducted by a planning inspector on behalf of the Secretary of State.

The Council published its timetable for the production of the new/updated local plan in its Local Development Scheme (LDS), in February 2025, following approval by Executive Committee. The timetable set out in the LDS includes the publication of an Options, Issues, Vision and Scope document for consultation in August 2025, the publication of the draft Fylde Local Plan to 2042 for consultation in May 2026, submission to the Secretary of State in August 2026 and adoption in October 2027.

The planning policy team have started work to produce the new Local Plan with the issuing of a “call-for-sites”, the drafting of the Options, Issues, Vision and Scope document, together with ongoing monitoring of development to establish the baseline for the new plan and have commissioned the Integrated Sustainability, Equalities and Health Impact Assessment which is needed to supported the planning making process.

These activities are funded through 2025/26 at an unfunded revenue increase for £130,802 to meet essential costs in the preparation of the Local Plan. Confirmed on the 8<sup>th</sup> July 2025.

At the same time consideration was also given by the Council to the provision of an increase in the revenue budget for the Local Plan during budget setting for the year for 2026/27 principally to meet the costs of the Local Plan examination.

## **2. COST PLAN**

In 2026/27, the costs predominantly relate to the examination of the plan by the Planning Inspectorate, on behalf of the Secretary of State. The content of the Costs Plan reflects the intention to produce the new plan through the simplest approach possible. The new local plan will, as far as possible, make use of the policies and remaining site allocations of the existing plan.

The studies in the Cost Plan are restricted to those essential to support the local plan progressing through examination. Government guidance makes it clear that, where the examination of a local plan has to be paused for any significant period, for instance due to inadequate evidence, the inspector will recommend withdrawal and will not allow further delay.

The existing budget for additional work for the Planning Policy Team is £15,000 per year, under the title Local Development Framework (which covers both the local plan and supplementary planning documents), this budget has been unchanged and unused for the last four years.

Work on local plan preparation is cyclical, but activity is required at all times, including monitoring of completed development, production of supplementary planning documents, input into planning applications/appeals and the master planning of sites, as well as commenting on changes to national policy consultations.

The policy team has operated without a full complement of staff for significant periods in the last four years. This has generated significant budget underspend that has been passed into general fund balances and contributed to the annual vacancy savings target at the end of each financial year equating to £148,427.

Since the announcement of the revised NPPF in December the council has been without a full complement of staff in the Planning Policy team including the Policy Manager who retired, and it was not possible to recruit a suitable replacement until May 2025. The service is now at full establishment.

The government has the powers to take over plan-making where local planning authorities either do not make or fail to keep to deadlines, the reputational damage to the council would be significant alongside the loss of local control over development.

The option of carrying out all, or more elements of the work in house has been considered. This would not be possible because even with a full complement of staff, which the team currently does not have, the process would take significantly longer resulting in the failure to achieve deadlines and expose the council to the same risk as the 'do nothing' option.

The Cost Plan has been developed based on delivering the revised Local Plan within the timeframe that will prevent the risk of appeal-led development based on in 'presumption in favour' ensuring that the council is able to control development based on sound evidence.

The recommendation is for consideration of a revenue budget of £131,000 for the year 2026-27 to progress the Fylde Local Plan to 2042 to examination and adoption and £50,000 per annum for following two years to address updates that will be needed as part of the merging of the local plan making process post adoption.

## **3. OUTCOMES**

The production of the new Fylde Local Plan to 2042 will provide a strategy with supporting policies and site allocations for the Borough extending to 2042 and would not require further review until 2032. It will provide an adopted development plan for the area which would be applicable post LGR and serve to protect the Borough from uncontrolled development protecting the special character of Fylde.

The Local Plan will need to be prepared in accordance with the Planning and Compulsory Purchase Act 2004 (as amended), and with associated regulations.

The production of the new Local Plan will require public consultations which will comply with relevant human rights and equalities legislation.

Without a Local Plan development would be appeal-led through the presumption in favour of sustainable development in national policy. Commissions will be carefully managed to ensure value for money.

The recommendations are for an in-year revenue budget increase for the Local Plan for 2025-26 of £130,802, and consideration of revenue budget of £131,000 for the year 2026-27 to progress the Fylde Local Plan to 2042 to examination and adoption and £50,000 per annum for following two years to address updates that will be needed.

The majority of these costs are linked to the promotion of the Regulation 19 and 21 Local Plan and the hosting and costs incurred in running an Examination in Public.

#### **4. CONTRIBUTION TO CORPORATE OBJECTIVES.**

**Quality services.** Production and adoption of the local plan will ensure a planned approach to development across the administrative area

**Clean and green environment.** The local plan will set requirements for adoption and integration of sustainable communities and carbon reduction in line with national policies

**Vibrant and healthy economy.** The local plan will set out a balanced approach for employment generation to meet local and sub regional needs. Will protect key sectors and business and will promote healthy and balanced town centre vitality.

**Safe and caring community.** The local plan will set out design requirements for developments and green and public realm to ensure it is accessible and safe for all our communities.

**A great place to visit –** The local plan will seek to support our built heritage, countryside and coastline for the benefit of visitors and our communities

#### **Summary of Revenue Costs**

The following table shows the estimated costs:

<b>Financial year</b>	<b>Amount</b>
2026/27	£131,000
2027/28 *	£ 50,000
2028/29*	£ 50,000
2029/30	

*\*Future revenue requirements against work programmes post local plan adoption for supplementary policies work on design guides; heritage and conservation statements; infrastructure delivery and biodiversity plans.*

#### **5. ANY OTHER INFORMATION**

The Cost Plan has been developed based on delivering the revised Local Plan within the timeframe that will prevent the risk of appeal-led development based on in 'presumption in favour' ensuring that the council is able to control development based on sound evidence.

**Scheme Title:** Local Plan 2026/27

# FBC – Revenue Growth Bid 2026/27

Prepared by/Bid Originator – Service Director – Place and Culture

**Scheme Title: Fylde Events Growth Programme**

## **DESCRIPTION OF SCHEME:**

### **1. BACKGROUND**

Fylde Borough Council delivers and supports a programme of Council-owned and Council-supported events which play an important role in supporting local communities, town centres and the wider visitor economy. These events are designed primarily for residents, while also welcoming visitors and generating positive economic and reputational benefits for the borough.

Independent footfall monitoring and visitor evidence demonstrates that events consistently deliver significant uplifts in town centre footfall, attract a high proportion of new visitors, and support secondary spend across retail, food and drink, accommodation and transport.

Over recent years, the scale, profile and compliance requirements associated with events delivery have increased. This has placed additional pressure on a small core team and highlighted the need to secure proven events on a more sustainable footing, while ensuring delivery remains safe, high quality and proportionate.

This bid builds on early discussion with Lead Members and provides a structured proposal to secure and strengthen Fylde's events programme through a modest and controlled revenue investment.

### **2. PROPOSAL**

It is proposed that Fylde Borough Council approve a revenue investment of approximately £40,000 per annum to:

- Secure Fylde Ice Festival and Fylde Fest (October) as permanent Council-owned events
- Deliver events on a borough-wide basis, rotating between St Annes, Lytham and Kirkham where appropriate
- Introduce a fixed-term seasonal events support role covering the peak delivery period from March to October

The seasonal role is intended to strengthen delivery resilience during the busiest period, absorb essential administrative and coordination workload, and enable the Events Officer role to operate more strategically across the events season.

This approach avoids permanent staffing growth, provides flexibility ahead of Local Government Reorganisation, and ensures that existing specialist roles, including at Fairhaven Lake, remain focused on income generation and site performance.

### **3. OUTCOMES**

The proposed investment will deliver the following outcomes and wider benefits:

- Sustained and increased town centre footfall during key periods
- Improved quality, consistency and resilience across the events programme
- Stronger coordination with town councils, partners and third-party event organisers
- Improved ability to evidence impact and value for money through proportionate footfall and visitor monitoring
- Reduced delivery risk during peak events periods

- Positive community, wellbeing and place-making benefits through inclusive, free public events

Events are designed to benefit residents first, while also welcoming visitors. Independent footfall analysis indicates that typically **60–70% of event attendees are new visitors**, demonstrating that events grow the audience rather than simply redistributing existing footfall.

#### **4. CONTRIBUTION TO CORPORATE OBJECTIVES**

##### **Quality services**

- Deliver safe, well-managed and high-quality events for residents and visitors
- Improve service resilience and operational effectiveness during peak demand

##### **Clean and green environment**

- Promote outdoor, open-air events that make positive use of existing public spaces
- Support sustainable travel choices and place-based activity

##### **Vibrant and healthy economy**

- Increase footfall and dwell time within town centres
- Support local businesses through secondary visitor spend
- Strengthen Fylde’s reputation as a place to live, work and visit

##### **Safe and caring community**

- Deliver inclusive and accessible events that bring communities together
- Maintain robust safety, compliance and safeguarding arrangements

##### **A great place to visit**

- Enhance Fylde’s annual events calendar and destination offer
- Support the visitor economy in line with STEAM tourism evidence

#### **5. SUMMARY OF REVENUE COSTS**

The following table shows the estimated costs:

<b>Financial year</b>	<b>Amount</b>
2026/27	£ 40,000
2027/28	£ 40,000
2028/29	£ 40,000
2029/30	£ 40,000

The annual figure comprises:

- Fylde Ice Festival – circa £10,000
- Fylde Fest (October) – circa £14,000
- Seasonal events support role – circa £15,000–£16,000

No income assumptions are built into this bid.

#### **6. ANY OTHER INFORMATION**

Free, open-air public events do not generate a direct financial surplus. Their value lies in footfall, economic activity, reputation and community benefit rather than direct income.

Significant income associated with the wider visitor economy, including Council-related tourism income from major commercial events such as Lytham Festival, does not sit within the Tourism and Leisure budget and therefore does not directly offset the cost of free public events, despite contributing substantial economic benefit to the borough overall.

Comparable events elsewhere demonstrate that net event costs can represent strong value for money when economic and reputational impacts are considered.

Approval of this bid will provide clarity, stability and confidence for future events planning and delivery, while maintaining a proportionate and flexible approach to resourcing.

**Scheme Title:** Fylde Events Growth Programme

# FBC – Revenue Growth Bid 2026/27

Prepared by/Bid Originator: Clare Blyth, Service Director for Operations

**Scheme Title: Food Waste Collection Scheme running costs**

## Description of Scheme:

### 1. BACKGROUND

In October 2023 the Department of Environment, Food and Rural Affairs (Defra) published a new Waste Reform named 'Simpler Recycling' with the objective to boost national recycling rates and minimise confusion for service users around what can and cannot be recycled. This placed a statutory duty on Local Authorities to introduce a separate weekly good waste collection service to all households by 31<sup>st</sup> March 2026.

The Executive Committee, at its meeting on 28<sup>th</sup> April 2025 were advised of capital and revenue grants received from Defra to support the Council in its statutory requirement to introduce a weekly collection of household food waste by 31<sup>st</sup> March 2026. Members agreed a fully funded project be added to the capital programme for 2025/26 to the value of £794,751 for the capital costs associated with service introduction for the procurement of vehicles and containers, and a fully funded revenue budget increase to the Fylde Refuse revenue budgets for 2025/26 of £107,125, 2026/27 of £129,883 and 2027/28 of £20,800 to reflect the transitional revenue grant allocation of £257,808, received from Defra for mobilisation and project management of this project.

Members were informed that further funding was expected to be announced by Defra during 2025/26 for an annual grant to financially support the Council for the ongoing costs of providing the household food waste collection service and a further report would be brought to Executive Committee once this grant was received.

Members were also advised to ensure Officers had sufficient time and resource to effectively design and plan this new statutory service that a phased approach would be adopted. Service rollout will be phased across the borough across 2026/27 and 2027/28 which will allow sufficient time and resource to effectively manage stakeholder engagement, through a robust communications campaign and provide support to service users. This will be followed by post scheme monitoring and evaluation to track participation, customer satisfaction and recycling performance.

On 4<sup>th</sup> December 2025, Leadership Board were informed that following receipt of food waste funding for the initial implementation of the service what was not currently included in the budget were the ongoing running costs for the service. A full year estimate had been undertaken which concluded £580k was a reasonable estimate of running costs and staffing.

It was subsequently announced that the financial support to the Council for the ongoing costs of providing the weekly household food waste collection service would be included in the Council's annual settlement figure. However, when the settlement was announced there was no specific reference to any allocation in respect of the food waste service, rather the funding was "rolled-in" with the general funding allocations with the expectation that councils would implement the service regardless of any specifically identified funding.

### 2. PROPOSAL

It is proposed that the statutory household food waste collection service is introduced on a tapered basis starting in 2026/27 and that this is considered as part of the 2026/27 budget setting and is a recurring budget for the life of the forecast.

**3. OUTCOMES** (including details of the broader benefits achieved - for example community or environmental benefit, health and safety compliance, or statutory obligations)

The proposed investment will deliver the following outcomes and wider benefits:

- Meet the statutory requirements set out in the Environment Act 2021 for Local Authorities to provide a separate weekly food waste collection service to all households
- By doing so will support the Council in increasing current performance to achieve the national recycling target of 65% by 2035.
- That by introducing separate weekly food waste collections and increasing recycling performance has an overall positive impact on the Council's carbon emissions and wider sustainability targets, by removing food waste and other recyclable material from the general waste stream and reducing waste to landfill by processing as energy from waste through anaerobic digestion via Lancashire County Council's Materials Recycling Facility (MRF).

**4. Contribution to Corporate Objectives** (how does the proposal achieve or help deliver priorities within the Corporate Plan?)

Quality services

- Seek and act upon customer service reviews on all our services
- Seek new ways of providing services that deliver best outcomes for residents
- Work with all tiers of government to provide best value for money

Clean and green environment

- Increase recycling with partner organisations
- Develop and implement a climate change strategy to reduce our carbon footprint

Vibrant and healthy economy

- Continue to operate council finances responsibly within a balanced budget

**5. Summary of Revenue Costs**

The following table shows the estimated costs, including employee costs plus oncosts, vehicle fleet running costs, and supplies and services:

Financial year	Amount
2026/27	£140,000
2027/28	£280,000
2028/29	£580,000
2029/30	£600,000

**6. Any Other Information**

The Cost Plan has been developed based on a tapered introduction of the weekly household food waste collection service commencing from 2026/27 and by adopting this approach will ensure direct support is provided to service users during and after scheme implementation at each phase. This will be followed by post scheme monitoring and evaluation to track participation, customer satisfaction and recycling performance.

To not introduce a separate weekly food waste would be a breach of statutory duties imposed in the Environment Act 2021.

**Scheme Title:** Food Waste Collection Scheme running costs

## **Capital Strategy 2026/27 to 2029/30**

### **1. Background**

The Local Government Act 2003 requires the Council to have regard to the CIPFA Treasury Management Code of Practice, and specifically the Prudential Code, when determining how much it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital expenditure plans of local authorities are affordable, prudent and sustainable. The Prudential Indicators required by the Prudential Code are designed to support and record local decision making in a manner that is publicly accountable.

The CIPFA Prudential Code 2021 requires the Council to produce a Capital Strategy. The format of the Capital Strategy incorporates the current Capital Programme (along with any new proposed capital expenditure for the period 2026/27 to 2029/30), and what was previously termed the Annual Treasury Management Strategy Report. These elements are now brought together thus linking investment decisions in terms of financial assets (e.g. loans and deposits) together with those relating to physical assets (e.g. land and buildings purchased to achieve an investment yield), with a particular emphasis on how all capital and investments are financed.

Furthermore, the Capital Strategy sets out how the investment of capital resources contributes to the delivery of the Council's key objectives and priorities and describes the long-term context in which capital expenditure and investment decisions are made. The new reporting format aims to ensure that due consideration is given to both the risk and reward of all investment decisions and the impact of such decisions on the delivery of the Corporate Plan.

### **2. Format of the Reporting Requirements**

The reporting arrangements under the CIPFA Prudential Code 2021 requires the Council to prepare and present for approval a number of documents relating to treasury management and capital expenditure. These are:

#### **The Treasury Management Policy**

This statement sets out the overarching principles to which the Council will adhere in its Treasury Management activities and details those policies and practices which will remain in place as cornerstones for effective treasury management. The statement also details responsibility for functions and approved delegations to Council bodies and officers relating to treasury management activities.

#### **The Capital Strategy**

The Capital Strategy is intended to provide a short overview of the authority's approach to, and activities relating to, treasury management and capital expenditure. There is a particular emphasis on the method of financing of capital expenditure along with a number of prudential indicators to measure how the concepts of prudence, affordability and sustainability have been considered as part of the development of the Capital Programme.

The **Capital Strategy** is comprised of a number of component parts addressing particular aspects of the overall strategic approach. These are as follows:

### **Part A. The Capital Programme**

This section details the key aspects of the Council's Capital Programme including any proposed additional Capital Expenditure during the life of the Strategy.

### **Part B. The Treasury Management Strategy**

This section details the Council's approach to borrowing and investment in financial assets, focussing primarily on the risk management aspect of investment decisions. It incorporates an Investment Strategy, a Borrowing Strategy, the key Treasury Management Indicators and an Interest Rate Forecast.

### **Part C. The Investment Strategy**

This section details the Council's approach to borrowing and investment in physical assets (primarily focussing on commercial/investment property transactions) and considers the key aspect of proportionality in terms of the scale of investment activity relative to the profile of the particular authority. It addresses key concepts such as the security and liquidity of investments, as well as considering the capacity and skills of investment decision-makers.

### **Part D. The Minimum Revenue Provision Statement**

The Council must put aside resources where the Council finances capital expenditure by debt (internal or external borrowing), to repay that debt in later years. This cost is charged to the revenue account annually, and forms part of the Council Tax cost to taxpayers and is known as Minimum Revenue Provision (MRP). The annual MRP statement for 2026/27 is included in this part of the report. The statement aims to show how the Council is behaving in a prudent manner with regard to capital expenditure.

## **Treasury Management Policy**

Fylde Borough Council defines its treasury management activities as:

1. The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
3. The Council acknowledges that effective treasury management will provide support towards the achievement of its corporate and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

### **Policy on Borrowing**

The Council currently holds no external debt. The last Public Works Loans Board (PWLB) loan of £1m, relating to historic borrowing to finance an element of previous years' capital expenditure, was repaid during 2019/20. It is not anticipated that any new external borrowing will be necessary during 2025/26, but there will be a requirement in the longer term. The Council's Capital Financing Requirement (a measurement of the "underlying need to borrow" for capital purposes), is currently being financed by "internal borrowing", a common practice whereby a local authority utilises its internal resources which are not required in the short to medium-term (comprising working capital and reserves), rather than external borrowing, to finance expenditure. Currently the use of internal borrowing continues to be the most cost-effective means of funding capital expenditure not financed from another source as it allows the council to lower the overall treasury risk by reducing both external debt and temporary investments, and to minimise interest costs. It is expected that internal borrowing will continue to be used for the rest of the financial year, and in the medium term, in line with advice from the Council's treasury advisers. However, this position will not be sustainable over the longer term and external borrowing will be required.

The Council will however be required to borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing as defined within the Capital Strategy.

### **Policy on Investments**

The Council holds significant invested funds, representing income received in advance of expenditure, monies held on behalf of the Collection Fund (Lancashire County Council, the Police and Crime Commissioner for Lancashire and Lancashire Combined Fire Authority) plus balances and reserves held for its own purposes. The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

The Council's Investment Strategy forms part of the Capital Strategy and includes further information on investment activities and the controls and limits that have been set in place to manage the associated risks.

The Council will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;

- Suitable treasury management practices, setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

Council Members will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid-year review, and an annual report after the close of the financial year.

The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices and the execution and administration of treasury management decisions to the Chief Financial Officer (who is also the Section 151 Officer), who will act in accordance with the Council's policy statement and treasury management practices and CIPFA's Standard of Professional Practice on Treasury Management.

The Council has nominated the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

## **The Capital Strategy - Overview**

This Capital Strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activities contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

Decisions made this year on capital and treasury management may have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, as summarised within this report.

### **1. Capital Expenditure and Financing**

Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

In 2026/27, the Council is planning capital expenditure of £9.837m. A summary of planned capital expenditure for the period 2025/26 to 2029/30 is shown in table 1 below.

**Table 1: Prudential Indicator: Estimates of Capital Expenditure**

	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	2029/30 Estimate £m
Total Capital Expenditure	12.767	9.837	6.113	1.842	1.988

**Governance:** New capital projects arise from a variety of sources and in a number of ways, including the changing needs for effective service delivery and the identification of projects to improve and enhance the borough.

The Council has a duty to manage its assets and capital resources in order to best deliver its objectives as set out in the Corporate Plan, which is accessible at the link below.

[Corporate Plan 2024-2028](#)

The prioritisation of capital investment according to a well-defined and rational approach is especially important in helping to prioritise resources when the demand for such resources exceeds the total of the resources available.

Capital Growth bid business cases for spending plans are reviewed by Management Team before passing through to the Leadership Board for review prior to consideration by the Executive Committee and the scrutiny process. Budget decisions are ultimately made at Full Council in line with the Constitution and Financial Regulations as part of an updated Medium Term Financial Strategy (MTFS) report on a proposed budget

package, which could include capital budget proposals. Full details of the Council’s capital programme for 2025/26 to 2029/30 are shown within Part A of this Capital Strategy document.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council’s own resources (revenue, reserves and capital receipts) or debt (borrowing or leasing). The planned financing of the programmed expenditure for the period 2025/26 to 2029/30 is shown in table 2 below.

**Table 2: Capital financing**

	<b>2025/26 Estimate £m</b>	<b>2026/27 Estimate £m</b>	<b>2027/28 Estimate £m</b>	<b>2028/29 Estimate £m</b>	<b>2029/30 Estimate £m</b>
External sources	6.106	1.835	1.535	1.535	1.536
Own resources	3.791	3.912	2.578	0.307	0.452
Borrowing (see note below)	2.870	4.090	2.000	0.000	0.000
<b>TOTAL</b>	<b>12.767</b>	<b>9.837</b>	<b>6.113</b>	<b>1.842</b>	<b>1.988</b>

In the above table, borrowing refers to that element of the capital financing which is not currently planned to be met by external grants, capital receipts, the council’s own reserves, other external finance or direct revenue financing. The Council currently meets all its prudential borrowing needs through Internal Borrowing which is when the Authority uses its own cash resources to temporarily finance capital expenditure rather than new external borrowing, as detailed in the Councils Policy on Borrowing shown earlier in this report.

Given the significant financial resources directed towards delivery of the Capital Programme and the consequential revenue implications of some of the financing options, it is necessary for the Council to carefully consider the most appropriate mechanism for ensuring that the programme is delivered in the most cost-effective manner.

It is expected that internal borrowing will continue to be used for the rest of the financial year, and in the medium term, in line with advice from the Council’s treasury advisers. However, this position will not be sustainable over the longer term and external borrowing will be required during the life of the financial forecast.

The external borrowing requirement will be monitored carefully on an ongoing basis.

The Authority is required to provide for an element of the accumulated capital expenditure each year through a charge to revenue known as the Minimum Revenue Provision (MRP). Planned MRP repayments are shown in table 3 below.

**Table 3: Minimum Revenue Provision**

	<b>2025/26 Estimate £m</b>	<b>2026/27 Estimate £m</b>	<b>2027/28 Estimate £m</b>	<b>2028/29 Estimate £m</b>	<b>2029/30 Estimate £m</b>
Minimum Revenue Provision	0.402	0.386	0.583	0.672	0.633

The Council’s Minimum Revenue Provision statement is shown at Part D of this strategy document.

The Council’s underlying need to borrow is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts. The CFR is expected to increase by £2.468m by the end of 2025/26. The majority of this increase is due to the St Annes Square public realm capital schemes that are financed by borrowing. Based on the above figures for expenditure and financing, the Council’s estimated CFR is shown in table 4 below.

**Table 4: Prudential Indicator Estimates of Capital Financing Requirement**

	<b>31.3.2026 Estimate £m</b>	<b>31.3.2027 Estimate £m</b>	<b>31.3.2028 Estimate £m</b>	<b>31.3.2029 Estimate £m</b>	<b>31.3.2030 Estimate £m</b>
Total Estimated CFR	5.076	8.780	10.197	9.525	8.892

**Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council expects to receive a total of £0.350m of capital receipts in the financial years 2025/26 to 2029/30 as shown in table 5 below.

**Table 5: Capital Receipts**

	<b>2025/26 Estimate £m</b>	<b>2026/27 Estimate £m</b>	<b>2027/28 Estimate £m</b>	<b>2028/29 Estimate £m</b>	<b>2029/30 Estimate £m</b>
Estimated Capital Receipts	0.070	0.070	0.070	0.070	0.070

## 2. Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council’s spending needs, while managing the risks involved. Surplus cash is invested until required to avoid excessive credit balances on the bank account and to generate investment income. A temporary shortage of cash could be met by short-term borrowing, if necessary, to avoid overdraft charges on the bank account. The Authority is typically cash-rich in the short-term as revenue income is often received before it is required to meet commitments. The revenue cash surpluses are also used to finance capital expenditure to reduce the need for external borrowing.

**Borrowing strategy:** The Council’s main objective when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. The Council repaid its last £1.0m of borrowing in December 2019 and has since been debt free.

The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Board, should the need to borrow arise.

Projected levels of the Council’s total outstanding debt are shown in table 6 below, compared with the capital financing requirement.

**Table 6: Prudential Indicator Gross Debt and the Capital Financing Requirement**

	<b>31.3.2026 Estimate £m</b>	<b>31.3.2027 Estimate £m</b>	<b>31.3.2028 Estimate £m</b>	<b>31.3.2029 Estimate £m</b>
Estimated Long Term Borrowing	0	0	2.000	2.000
Capital Financing Requirement	5.076	8.780	10.197	9.525

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

**Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the 'Authorised Limit' for external debt) each year. In line with statutory guidance, a lower 'Operational Boundary' is also required to be set as a warning level should debt approach the limit. This is detailed in table 7 below.

**Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt**

	<b>2025/26 limit £m</b>	<b>2026/27 limit £m</b>	<b>2027/28 limit £m</b>	<b>2028/29 limit £m</b>
Authorised limit – total external debt	6.0	9.5	10.5	10.0
Operational boundary – total external debt	2.0	2.0	2.0	2.0

Further details on borrowing are in the Treasury Management Strategy at Part B of this Capital Strategy document.

**Treasury investment strategy:** Treasury investments arise from the investment of surplus funds including the use of the Council's reserves and balances and from positive cash flows. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is, to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss.

Further details on treasury investments are included within the Treasury Management Strategy at Part B of this Capital Strategy document.

**Risk management:** The effective management and control of risk are prime objectives of the Authority's treasury management activities. The Treasury Management Strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

**Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Chief Financial Officer, who must act in line with the Treasury Management Strategy approved

by Council. Reports on treasury management activity are presented to Council and to The Audit and Governance Committee which is responsible for scrutinising treasury management activities.

### **3. Commercial Activities**

With central government financial support for local public services subject to continuous review, the Council has developed a Commercial Strategy as a framework to explore ways in which the authority can become more financially self-reliant by adopting a more commercial outlook. Among the areas covered by the Commercial Strategy is the potential investment in property assets as a means to generate additional revenue income. The strategy was first adopted in 2018 and updated at the Finance and Democracy Committee meeting of 28<sup>th</sup> March 2022). The strategy is accessible at this link: [Fylde Council Commercial Strategy](#)

Since adoption of the Commercial Strategy there have been no acquisitions of property assets solely to generate future income streams, although the parameters and expectations of such a consideration in the future are set out within the strategy.

**Governance:** Decisions relating to capital expenditure for all purposes, including for the acquisition of property assets, are made in accordance with the Financial Regulations of the Council, this requiring the approval of either the Executive Committee or of the full Council.

### **4. Liabilities**

The Council is required to meet its share of any future deficit of the Lancashire Local Government Pension Fund. Full details of the defined benefit pension scheme can be found in the Council's statutory financial accounts.

The Council has also set aside £1.660m (as at 31<sup>st</sup> March 2025) as a Business Rates Appeal Provision to cover risks arising from the costs of Business Rates appeals as a consequence of the transfer of such risks under the localisation of business rates arrangements introduced in 2013.

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

The Council also faces a number of contingent liabilities for which it has not set aside a specific sum. A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

**Governance:** Decisions on incurring new discretionary liabilities are made in accordance with the Financial Regulations of the Council, this requiring the approval of either the Executive Committee or by a meeting of the full Council.

## **Revenue Budget Implications**

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream of the council i.e. the amount funded from Council Tax, business rates and general government grants including New Homes Bonus.

**Table 8: Prudential Indicator: Proportion of financing costs to net revenue stream**

	<b>2025/26 forecast</b>	<b>2026/27 budget</b>	<b>2027/28 budget</b>	<b>2028/29 budget</b>
Financing costs (£m)	0.402	0.386	0.653	0.672
Proportion of net revenue stream	2.9%	2.9%	4.8%	5.5%

Further details on the revenue implications of capital expenditure are in table 3 of the Capital Strategy.

**Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years may extend for up to 50 years into the future. The Chief Financial Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable.

## **5. Knowledge and Skills**

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Chief Financial Officer is a qualified accountant with 40 years of Local Government finance experience. The Council supports accountancy staff to study towards relevant professional accountancy qualifications and the staff within the treasury team attend treasury seminars and workshops provided by CIPFA and other external service providers.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their particular field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Training is provided to councillors as part of the member training and development programme and more detailed treasury management training is offered to councillors who serve on the Audit and Governance Committee by the Council's treasury management advisors.

### **Part A. The Capital Programme**

This section details the key aspects of the Council's Capital Programme including any proposed additional Capital Expenditure during the life of the Capital Strategy. The report includes the impact of all capital growth approved by members to date, including the significant investment in swimming pools in St Annes and Kirkham approved at the council meeting of 27<sup>th</sup> January 2026.

For 2025/26 the Council's underlying need to borrow, as represented by the CFR, has increased to £5.0m based on past and current capital expenditure plans that have been approved as part of the Capital Programme. The

CFR peaks at £10.2m during 2027/28 over the life of the Capital Programme reducing down to £8.9m by 2029/30.

**Table 1** shows the updated 5 year Capital Programme 2025/26 to 2029/30 by scheme.

**Capital Programme: Table 1**

**UPDATED 5 YEAR CAPITAL PROGRAMME 2025/26 TO 2029/30 - BY SCHEME**

	Estimate 2025/26 £000	Estimate 2026/27 £000	Estimate 2027/28 £000	Estimate 2028/29 £000	Estimate 2029/30 £000
<b>TOURISM, LEISURE &amp; CULTURE PORTFOLIO</b>					
Fairhaven Lake & Promenade Gardens Restoration	114				
Fairhaven Lake H&S Fencing	34				
Improvements to Ashton Gardens Parks Footpaths	63				
Promenade Footways	95	40	40	40	40
Coastal Signage Improvements	54				
Outdoor Digital Signage	20				
Blackpool Road North Playing Fields drainage	26				
Park View Drainage Improvement Scheme	15				
Fairhaven Boathouse - Remodelling and Refurbishment Scheme	304				
Pagoda Building	25				
Boating Pool Safety Improvements	24				
Lytham St Annes Art Collection Display Options	11				
St Annes Beach Hub Facility	38				
Lytham Hall - Drainage & Green Car Parking	75				
Park View Community Centre	96				
Improvement Works to St Annes Swimming Pool	39	4,075	2,226		
Kirkham Pool Refurbishment	0	1,500	1,500		
Kirkham Pool - Holding, Security, Preservation and Project Works	150				
Play Zones - FBC match funding contributions	152				
Friends of Clifton Park - New Play Area	125				
Kirkham Bowling Club - Lease & Utility Provision	18				
Singleton Village Green	1	0			
<b>Sub total</b>	<b>1,479</b>	<b>5,615</b>	<b>3,766</b>	<b>40</b>	<b>40</b>
<b>CUSTOMER &amp; OPERATIONAL SERVICES PORTFOLIO</b>					
Replacement Vehicles	2,021	617	782	237	382
Household Food Waste Collection Service	795				
Depot Heat Management System	13				
Bartec IT Solution for Statutory Refuse and Recycling Services	22				
Car Park Improvements	116	30	30	30	30
Kirkham Toilet Block Internal Refurbishment	9				
<b>Sub total</b>	<b>2,976</b>	<b>647</b>	<b>812</b>	<b>267</b>	<b>412</b>
<b>ENVIRONMENT PORTFOLIO</b>					
Carbon Neutral Vehicles	34				
Replacement ICT System for Environmental Health and Housing	25				
<b>Sub total</b>	<b>59</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Capital Programme: Table 1 (Continued)

### UPDATED 5 YEAR CAPITAL PROGRAMME 2025/26 TO 2029/30 - BY SCHEME

	Estimate 2025/26 £000	Estimate 2026/27 £000	Estimate 2027/28 £000	Estimate 2028/29 £000	Estimate 2029/30 £000
<b>SOCIAL WELLBEING PORTFOLIO</b>					
Disabled Facilities Programme	1,890	1,535	1,535	1,535	1,535
Affordable Warmth Scheme - Housing	75				
Housing Needs Grant	46				
Empty Homes Strategy	175				
Local Authority Housing Fund - Phase 2	283				
Replacement of Town Centre CCTV Systems	15				
<b>Sub total</b>	<b>2,484</b>	<b>1,535</b>	<b>1,535</b>	<b>1,535</b>	<b>1,535</b>
<b>CORPORATE AND ECONOMIC DEVELOPMENT PORTFOLIO</b>					
Purchase of Land Adjacent to Squires Gate Station	6				
Public Transport Improvements	30				
St Annes Square - Public Realm Improvements (Phase 1)	1,606				
Lytham Regeneration Schemes	331	700			
Future High Street Fund: Kirkham	1,509				
Garden Street, St Annes	500	1,000			
St Annes Pier Link Project	1,397				
St Annes Masterplan Development	350				
Regeneration - Project Management	40	40			
Warton Village Centre Enhancement Scheme (Phase 2)		300			
<b>Sub total</b>	<b>5,769</b>	<b>2,040</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Expenditure</b>	<b>12,767</b>	<b>9,837</b>	<b>6,113</b>	<b>1,842</b>	<b>1,987</b>

**Table 2** shows a summary of the updated 5 year Capital Programme 2025/26 to 2029/30 by Portfolio, including how the programme is to be financed.

**Capital Programme: Table 2**

**UPDATED 5 YEAR CAPITAL PROGRAMME 2025/26 TO 2029/30 - FINANCING**

	Estimate 2025/26 £000	Estimate 2026/27 £000	Estimate 2027/28 £000	Estimate 2028/29 £000	Estimate 2029/30 £000
<b>Portfolio:</b>					
Finance & Resources Portfolio	0	0	0	0	1
Tourism, Leisure & Culture Portfolio	1,479	5,615	3,766	40	40
Customer & Operational Services Portfolio	2,976	647	812	267	412
Environment Portfolio	59	0	0	0	0
Social Wellbeing Portfolio	2,484	1,535	1,535	1,535	1,535
Corporate & Economic Development Portfolio	5,769	2,040	0	0	0
<b>Total Expenditure</b>	<b>12,767</b>	<b>9,837</b>	<b>6,113</b>	<b>1,842</b>	<b>1,988</b>
<b>Financing:</b>					
Capital Receipts - General Asset Sales	45	45	45	45	45
Capital Receipts - Right to Buy Receipts	25	25	25	25	25
Better Care Fund / Disabled Facilities Grant	1,810	1,455	1,455	1,455	1,455
Disabled Facilities Grant Repayments - 'Housing Needs Grants'	46				
Section 106 Monies - Lytham	130				
Section 106 Monies - Public Transport Improvements	30				
Section 106 Monies - Empty Homes Strategy	175				
Section 106 Monies - Local Authority Housing Fund - Phase 2	129				
Section 106 Monies - Hole in One Development	30				
Section 106 Monies - Ashtons Nursery Gardens Site	6				
Section 106 Monies - Play Zones	10				
Section 106 Monies - Future High Street Fund: Kirkham	124				
Section 106 Monies - Warton Village Centre	0	260			
Capital Investment Reserve	1,664	3,225	1,726		
Fleet Replacement Reserve	2,055	617	782	237	382
ICT Investment Reserve	2				
Other External Finance (see analysis below )	3,616	120	80	80	80
Prudential Borrowing	2,870	4,090	2,000	0	0
<b>Total Financing</b>	<b>12,767</b>	<b>9,837</b>	<b>6,113</b>	<b>1,842</b>	<b>1,987</b>

**Total surplus (-) / shortfall in year** 0 0 0 0 0

**Cumulative surplus (-) / shortfall** 0 0 0 0 0

See note below for external funding available to finance the above schemes:

**Other External Finance: Analysis**

LSP Performance Reward Grant Reserve	1				
Central Government Grant - Future High Street Fund: Kirkham	848				
Lancashire County Council Highways Capital Grant	425				
New Fylde Housing - DFG Contribution	80	80	80	80	80
Heritage Lottery Fund - Fairhaven Restoration Project (Remainder of £1.476m)	60				
Lancashire County Council - St Annes Pier Link Project	500				
Household Support Fund - Affordable Warmth Scheme	75				
Police & Crime Commissioners Community Safety Fund	10				
DLUHC - Local Authority Housing Fund - Phase 2	154				
Lancashire County Council - St Annes Square - Public Realm Improvements	243				
Friends of Clifton Park - Contribution to New Play Area	60				
Defra Grant - Household Food Waste Collection Service	795				
Ballam Road Car Park Contribution - Former Tenants	6				
UK Shared Prosperity Fund - Singleton Village Green	1				
UK Shared Prosperity Fund - St Annes Pier Link Project	358				
Warton Parish Council		10			
Lancashire Environment Fund - Warton Village Centre	0	30			
	3,616	120	80	80	80

## **Part B. The Treasury Management Strategy**

### **1. Introduction**

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. As an active investor, the Council, in common with all investors, is exposed to a number of financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit are considered in the Investment Strategy (see Part C of this Capital Strategy).

### **2. Economic background**

The most significant impacts on the Council's treasury management strategy for 2026/27 are expected to include: the influence of the government's 2025 Autumn Budget, lower short-term interest rates alongside higher medium and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and geopolitical issues.

The Bank of England cut Bank Rate in December 2025 by 0.25% to 3.75%. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending.

CPI was 3.4% in the 12 months to December 2025, up from 3.2% in November. The MPC continues to expect inflation to fall to around 3% in the final quarter of 2025/26, before steadily returning to the 2% target by late 2026 or early 2027.

Interest rate forecast: Arlingclose, the Council's treasury management adviser, currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate through 2025 and 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications.

**Table 1: Arlingclose Interest Rate Forecast**

Quarter Ending	Bank Rate %	Investment Rates		Borrowing Rates		
		3 month %	5 year %	5 year %	20 year %	50 year %
Dec 2025	3.75	3.82	3.96	4.76	5.96	5.54
Mar 2026	3.50	3.55	3.85	4.65	5.80	5.45
Jun 2026	3.25	3.30	3.80	4.60	5.75	5.40
Sep 2026	3.25	3.30	3.75	4.55	5.70	5.40
Dec 2026	3.25	3.30	3.75	4.55	5.70	5.40
Mar 2027	3.25	3.30	3.75	4.55	5.70	5.40
Jun 2027	3.25	3.30	3.75	4.55	5.70	5.40
Sep 2027	3.25	3.30	3.75	4.55	5.70	5.40
Dec 2027	3.25	3.30	3.75	4.55	5.70	5.40
Mar 2028	3.25	3.30	3.75	4.60	5.75	5.45
Jun 2028	3.25	3.35	3.80	4.60	5.75	5.45
Sep 2028	3.25	3.35	3.80	4.60	5.75	5.45

**3. Treasury Balances Forecast**

On 31<sup>st</sup> December 2025 the Authority had no external debt and £21m of investments. This is summarised in Table 2 below. The revised forecast of treasury balances is shown in Table 3.

**Table 2: Existing Investment & Debt Portfolio Position at 31.12.25**

	<b>31.12.25 Actual Portfolio £m</b>
<b>External Borrowing:</b>	
Public Works Loan Board	0.0
<b>Total External Borrowing</b>	<b>0.0</b>
<b>Treasury investments:</b>	
<b>Short Term</b>	
Banks	0.0
Local Authorities	17.0
Debt Management Office	4.0
Money Market Funds	0.0
<b>Total Treasury Investments</b>	<b>21.0</b>
<b>Net Lending / (Borrowing)</b>	<b>21.0</b>

**Table 3: Treasury Balances Forecast**

	<b>31.03.26 Estimate £m</b>	<b>31.03.27 Forecast £m</b>	<b>31.03.28 Forecast £m</b>	<b>31.03.29 Forecast £m</b>	<b>Note</b>
Capital Financing Requirement (CFR)	5.1	8.8	10.2	9.5	1
<b>Less: Long Term Borrowing</b>	-	-	(2.0)	(2.0)	2
<b>Cumulative Borrowing Requirement</b>	<b>5.1</b>	<b>8.8</b>	<b>8.2</b>	<b>7.5</b>	3
Usable Reserves and Provisions as at 31 <sup>st</sup> March	14.3	11.4	9.5	9.7	4
Less: Internal Borrowing	(5.1)	(8.8)	(8.2)	(7.5)	5
<b>Forecast cash available for Investment</b>	<b>9.2</b>	<b>2.6</b>	<b>1.3</b>	<b>2.2</b>	6

Notes to Table 3

1. The CFR is the amount the Authority needs to borrow for a capital purpose. The CFR increases when Prudential Borrowing is used to finance the capital programme. The Authority's capital expenditure plans are the key driver of treasury management activity and are summarised within the Capital Programme.
2. This is the amount of debt that the Authority is currently forecast to borrow. The Council repaid the last £1m of Public Works Loan Board debt in December 2019 and has since been debt free.
3. This is the cumulative amount of new borrowing that is required to finance the Capital Programme. The timing of any new borrowing will be determined by the profile of capital expenditure and the availability of Internal Borrowing (Note 6), the expectation being that no additional external borrowing will be required in the short term.
4. This is the estimated amount of usable reserves, balances and provisions which are available funds. These estimates are assessed taking into account the budgeted drawdown of reserves, balances and provisions as estimated in the Financial Forecast Update 2025/26 to 2029/30 and the Capital Programme.
5. Internal Borrowing occurs when the Authority uses its own cash resources to finance capital expenditure rather than new external borrowing. The amounts shown are the cumulative amount of borrowing required at the end of each year.
6. This is the forecast amount of cash available for investment after allowing for the funding of Internal Borrowing.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Authority became debt free in 2019 and its capital plans do not currently imply any need to borrow over the next two years. The cash available for investing is forecast to reduce over time as reserves are drawn down, working capital reduces and internal borrowing is used to fund the Capital Programme.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 3 shows that the Authority expects to comply with this recommendation during 2026/27.

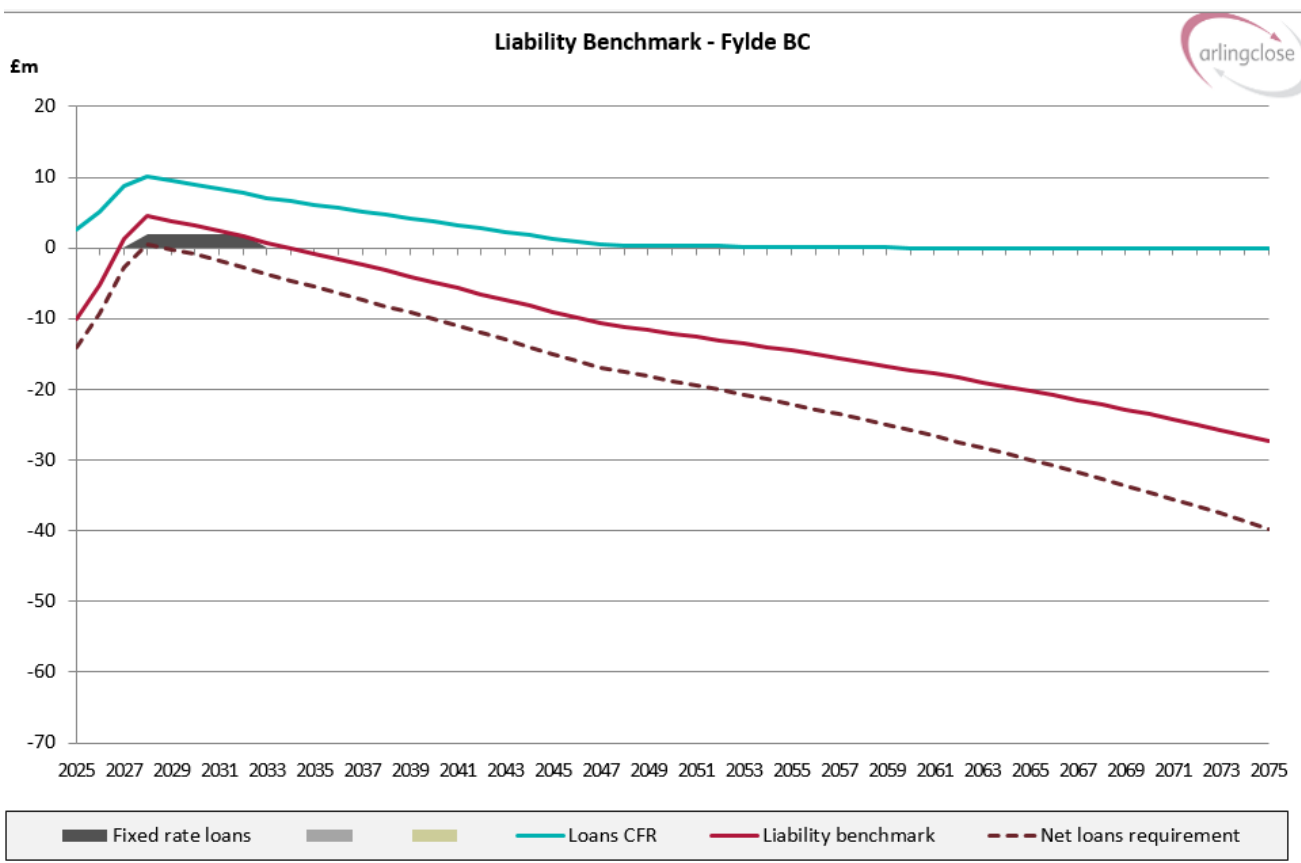
The CIPFA Prudential and Treasury Management Codes have introduced a new Prudential Indicator known as the **Liability Benchmark**. The liability benchmark is a measure of how well the existing loans portfolio matches the Authority's planned borrowing needs. It tells the Authority how much it needs to borrow, when, and the maturity of investments needed to match the planned borrowing needs. It is made up of four balances:

- Existing borrowing, which for Fylde is nil
- CFR – projected into the future
- Net loans requirement – a forecast of the Authority's net loan debt (net of investments for treasury management purposes)
- Liability benchmark – a forecast of the Council's gross loan debt

**Table 4: Prudential Indicator Liability/(Asset) Benchmark**

	31.03.25 Actual £m	31.03.26 Estimate £m	31.03.27 Estimate £m	31.03.28 Estimate £m	31.03.29 Estimate £m
CFR	2.6	5.1	8.8	10.2	9.5
Less: External borrowing	0	0	0	2.0	2.0
<b>Internal borrowing</b>	<b>2.6</b>	<b>5.1</b>	<b>8.8</b>	<b>8.2</b>	<b>7.5</b>
Less: Usable Reserves & Provisions / Balance Sheet Resources	(16.6)	(14.3)	(11.5)	(9.6)	(9.7)
<b>Investments</b>	<b>14.0</b>	<b>9.2</b>	<b>2.7</b>	<b>1.4</b>	<b>2.2</b>
Treasury Investments	14.0	9.2	4.0	4.0	4.0
<b>New Borrowing</b>	<b>0.0</b>	<b>0.0</b>	<b>1.3</b>	<b>2.6</b>	<b>1.8</b>
Net loans requirement/(Balance of Resources)	(14.0)	(9.2)	(2.7)	0.6	(0.2)
Plus: Liquidity allowance requirement	4.0	4.0	4.0	4.0	4.0
<b>Liability / (Asset) Benchmark</b>	<b>(10.0)</b>	<b>(5.2)</b>	<b>1.3</b>	<b>4.6</b>	<b>3.8</b>

Using the forecasts in Table 4 above, the long-term liability/asset benchmark includes capital expenditure that is required to be funded by borrowing, the minimum revenue provision on capital expenditure, and includes expenditure and reserves (all increasing by inflation of 2.5% in the longer term from 2029). This is shown in the Arlingclose chart below over a 50-year period.



The blue line shows the Capital Financing Requirement (CFR), is projected to increase to £10.2m by March 2028 before reducing as the Council makes Minimum Revenue Provision annually. The CFR measures the underlying need to borrow, although external borrowing undertaken can be offset by the Council’s balance sheet resources. The “liability benchmark” is established by calculating the funding requirement net of balance sheet resources, then adding on a £4m liquidity buffer. This indicates that in the short term there are sufficient resources to fund the existing capital programme by internal borrowing, with external borrowing currently forecast to be required in 2027/28.

#### 4. Borrowing Strategy

The Authority currently holds no external debt. The balance sheet forecast in table 3 shows that the Authority does not expect to need to borrow in 2026/27. The Authority may however decide to take external borrowing to pre-fund future years’ requirements, providing this does not exceed the authorised limit for borrowing of £8.0 million. There are currently no plans in place to take external borrowing during 2026/27.

**Objectives:** The Authority’s chief objective when borrowing money is to strike an appropriate risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans in the event that the Council’s long-term plans change is a secondary objective.

**Strategy:** Given the pressures on public finances and in particular to local government funding, the Authority’s borrowing strategy continues to address the key issue of affordability. The key element of this has been to repay historic debt and to avoid external borrowing, for so long as that is possible, by the use of internal borrowing. By doing so, the Council is able to avoid external borrowing costs and reduce overall treasury risk.

The benefits of internal borrowing will be monitored regularly, and this strategy will be reviewed if the outlook for borrowing rates indicates a significant risk of a rise in borrowing rates, with the outcome being that external loans may be taken whilst borrowing rates are relatively cheap.

The Authority has previously raised all of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities in order to lower interest costs. PWLB loans are no longer available to local authorities to fund the purchase of investment assets primarily for yield.

It may be necessary for the Council to borrow in the short-term to cover unexpected cash flow movements, although current cash flow projections suggest this will not be necessary.

**Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd)
- Any other UK public sector body
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body
- UK public and private sector pension funds (except Lancashire County Pension Fund as it is the Council's own pension fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

**Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as debt liabilities:

- Leasing
- Hire purchase
- Private Finance Initiatives
- Sale and leaseback
- Similar asset-based finance

All decisions on borrowing will be reported as part of the Council's annual reporting cycle on Treasury Management and Prudential Indicators.

## **5. Investment Strategy**

The Council holds significant invested funds, representing income received in advance of expenditure, monies held on behalf of the Collection Fund (Lancashire County Council, the Police and Crime Commissioner for Lancashire and Lancashire Combined Fire Authority) plus balances and reserves held. At 31<sup>st</sup> December 2025 the Authority had treasury investments of £21m but these are expected to diminish in the forthcoming years as funds is required to fund the Capital Programme.

**Objectives:** The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the

risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

**Strategy:** The Council will continue to adopt a prudent approach to investment management to ensure that cash balances are readily available to fund capital projects and meet revenue needs.

**ESG Policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors’ decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority’s ESG policy does not include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Investment and /or the UK Stewardship Code.

**Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 4 below, subject to the cash limits (per counterparty) and the time limits shown.

**Table 4: Approved investment counterparties and limits**

Investment Type / Minimum Credit Rating (Note 1)	Banks Unsecured (Note 2)	Banks Secured (Note 3)	Government (Note 4)
UK Government (Gilts & Debt Management Office)	n/a	n/a	£ Unlimited for up to 50 years
UK Treasury Bills	n/a	n/a	£ Unlimited for up to 1 year
UK Local Authorities	n/a	n/a	£5m each for up to 5 years Lancashire County Council call account - £8m
Institutions Rated A- (or above)	£1.5m each for up to 6 months	£2m each for up to 1 year	N/A
UK Unrated Building Societies (Note 2)	£1m each (maximum of £2m in total) for up to 3 months		
Money Market Funds (Note 5)	£3m per Fund		
Pooled Funds (Note 6)	£2m per Fund (£5m in total)		
Real Estate Investment Trusts (6)	£2m in Total		
Registered Housing Providers (Note 7)	£2m in total for up to 5 years		
Any other organization (Note 8)	£100k each for up to 5 years		

This table should be read in conjunction with the notes below.

**Notes to Table 4**

**1. Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered.

**2. Banks and building societies unsecured:** Includes accounts, deposits, certificates of deposit and unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

**3. Banks secured:** Includes covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank’s assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in.

Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.

**4. UK Government:** Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

**5. Money Market Funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

**6. Strategic Pooled Funds:** These Funds are shares in diversified investment vehicles which invest in any of the investment types above (Notes 2 to 4), plus equity shares and property. These funds provide wide diversification, together with the services of a professional Fund Manager. The Money Market Funds offer same-day liquidity and very low volatility and are used as an alternative to instant access bank accounts. The Cash Plus and Bond Funds may be used for investments for a longer period and the value of these investments may change in line with market prices but offer enhanced returns over the longer term. These funds have no defined maturity date but are available for withdrawal after a short notice period.

**7. Real Estate Investment Trusts (REITS):** REITS are pooled investments in property (real estate) funds. As with many property funds, REITs offer enhanced returns over the longer term as compared to other types of investment but are more volatile especially as the share price reflects price fluctuations as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

**8. Registered providers:** These are longer term Loans or bonds that are secured or guaranteed on the assets of Registered Providers of Social Housing. These bodies are highly regulated by the Homes and Communities Agency and are likely to receive government support if needed.

**9. Other organisation:** This is subject to an external credit assessment and specific advice from the Council's treasury management adviser.

**10. Foreign Countries:** Investments with institutions domiciled in foreign countries rated AA+ or higher will be limited to £2m per foreign country. This limit does not apply to Pooled Funds as these funds spread their investments over many countries in order to reduce risk.

**11. Operational bank accounts:** The Council's own bank account which is used for all of the Council's operational activities will have a minimum credit rating of BBB- and assets greater than £25 billion. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity. The balances in the Council's own bank account will ideally be kept below £2m. Due to cash flow fluctuations this limit may be exceeded on occasion and if the limit is exceeded for more than three working days the Chief Financial Officer will review the position.

**12. Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- No new investments will be made,
- Any existing investments that can be recalled or sold at no cost will be, and
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a counterparty of the Council is on review for a possible credit rating downgrade (so that it may fall below the approved rating criteria), then only investments that can be withdrawn on the next working day will be made until the outcome of the review is announced. This policy will not apply to credit rating 'negative outlooks' which indicate a long-term trend rather than an imminent change of credit rating.

**13. Reputational Considerations:** The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020, and 2022 this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested

**14. Other information on the security of investments:** Credit ratings are not the only predictors of investment default. Other information is also used to assess the credit quality of counterparties. This information includes credit default swap prices, financial statements, potential government support and reports in the financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

To minimise counterparty risk, the Chief Financial Officer (Section 151 Officer) may implement additional internal treasury instructions from time-to-time, over and above the approved investment strategy cash limits and time limits, as and when the economic or market conditions require that more prudent approach is adopted.

All investments are authorised by the Chief Financial Officer (Section 151 Officer) or the Deputy S151 Officer.

**Liquidity management:** The Council uses a detailed daily cash flow forecast to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast. The

council spreads its liquid cash over a number of providers (e.g. Bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

**Treasury Management Indicators**

The Authority measures and manages its exposures to treasury management risks using the following indicators:

**Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the average credit rating of its investment portfolio. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	A-

**Liquidity** – the Authority will continue to manage its cash flow so as to not go overdrawn.

**Yield** – the benchmark for returns on investments is the Sterling Overnight Index Average (SONIA). Actual investment returns are monitored against budget.

**Maturity structure of borrowing:** This indicator is set to control the Authority’s exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

**Table 5: Maturity Structure of Debt**

	Lower Limit	Upper Limit
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years and above	0%	100%

No lower limit is set in order to allow flexibility when managing the debt portfolio in the current economic conditions. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The Council does not hold any debt, however, if funding is required for cash flow purposes this is all likely to have a maturity date of less than one year.

**Long-term Treasury Management Investments:** The purpose of this indicator is to control the Authority’s exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury investments will be:

**Table 6: Price Risk Indicator**

	2026/27	2027/28	2028/29
Limit on principal invested beyond year end	£4.0m	£2.0m	£2.0m

**Table 7: Interest Rate Risk Indicator**

**Interest rate exposures:** Currently all of the Councils investments are at fixed rates of interest. However, as these investments mature the investments to be arranged to replace them are expected to be at lower yield levels as interest rates are predicted to reduce during 2026/27. The following indicator shows the sensitivity of future investments and borrowing to a change in interest rates at the current levels of investment/borrowing:

Interest rate risk indicator	Values subject to interest rate exposure:	Impact of a 1% rate rise (Increase in interest receivable)			Impact of a 1% rate fall Reduction in interest receivable		
		2026/27	2027/28	2028/29	2026/27	2027/28	2028/29
		£m	£m	£m	£m	£m	£m
Investments	10.0	(0.061)	(0.088)	(0.100)	0.061	0.088	0.100
Borrowing	0.0	The council has no external borrowing					

### **Related Matters**

The CIPFA Code requires the Council to include the following in its Treasury Management Strategy.

- **Policy on use of financial derivatives** – the Council will only use financial derivatives (such as swaps, forwards, futures and options) where it can be clearly demonstrated to reduce the level of financial risks that the Council is exposed to. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- **Markets in Financial Instruments Directive** – the Council has opted up to professional client status with its providers of financial services, including advisors, banks and brokers allowing it to access a greater range of services but without the additional regulatory protections afforded by individuals and small companies. Given the size and the range of the Councils treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

### **Financial Implications**

The latest budget for investment income in 2026/27 is £415k, based on an average investment portfolio of £17m through the year at an estimated *average* interest rate of 3.07%. If actual levels of investments and borrowing, or actual interest rates, differ from those as forecast, performance against budget will be correspondingly different. No budget provision has been made for debt interest payable in 2026/27 as there is

no planned external borrowing in 2026/27. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

**Other Options Considered**

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer (who is also the Section 151 officer), having consulted the Lead Member for Finance and Resources, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults and reduced liquidity
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain

## Part C. Non- Treasury Investment Strategy

### Introduction

The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

### Treasury Management Investments

The Authority typically receives its income (e.g. from taxes and grants) before it pays for its expenditure (e.g. through payroll and invoices). It also holds reserves for various purposes including future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy

**Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

**Further details:** Full details of the Authority’s policies and its plan for 2026/27 for treasury management investments are covered in the Treasury Management Strategy at Part B.

### Commercial Investments: Property

The Ministry for Housing, Communities and Local Government (MHCLG) defines property to be an investment if it is held primarily or partially to generate a profit.

The Council holds a number of assets which generate rental returns that contribute to the general revenue resource available to be spent on local public services. These have all been held for a number of years and have been acquired over time for various reasons, including the improvement of the general economic development position of the borough, and are largely tourism and leisure related, reflecting one of the key economic forces within the area. The Council has not acquired commercial property of a speculative nature nor acquired commercial property solely for the economic return to be derived from that property. The main revenue generating investments held by the Council include the Pleasure Island site in St Annes, Carr Bridge Caravan

Park in Westby-with-Plumpton, a commercial lease of part of the former public offices building and a number of café concessions in the borough.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the authority's most recent Statement of Accounts as at 31<sup>st</sup> March 2025 as shown below:

	2023/24	2024/25
	£'000	£'000
Rental Income from Investment Property	(381)	(393)
Direct operating expenses arising from investment	68	469
	(313)	76
Changes in Fair Value of Investment Properties	11	287
<b>Net (Gain) / Loss</b>	<b>(302)</b>	<b>363</b>

The increase in direct operating costs in 2024/25 relates to one-off increased costs including repairs and maintenance expenditure. This will be kept under review in future years with the annual asset revaluations. There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The Council is not dependent upon profit generating activities to achieve a balanced revenue budget, this representing less than 1% of Gross Service Expenditure for 2024/25.

The following table summarises the movement in the fair value of investment properties over the most recent year for the Council's accounts.

	2023/24	2024/25
	£'000	£'000
<b>Value at start of year</b>	5,325	5,335
Additions	21	551
Net gains /(losses) from fair value adjustments	(11)	(287)
Reclassification of Assets	-	233
<b>Value at end of year</b>	<b>5,335</b>	<b>5,832</b>

## Investment Properties – Classification

The categories of investment properties held by the Council are used are summarised in the table below:

Property type	Value as at 01/04/2024	Value as at 01/04/2025	Gain / (Loss)
	£'000	£'000	£'000
Ground Leases	602	818	216
Retail/Leisure Land & Buildings	4,050	3,732	(318)
Other Land & Buildings	683	1,282	599
<b>Total</b>	<b>5,335</b>	<b>5,832</b>	<b>497</b>

**Security:** In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. A fair value assessment of the Authority’s investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment.

**Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding property investments by completing due diligence checks and relevant officer skill sets.

**Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay any capital borrowed, the Authority minimises this risk by ensuring that commercial investments remain proportionate to the size of the authority.

**Governance:** Any decisions on commercial investments are made in line with the criteria and limits approved by Full Council or it’s committees in line with Financial Regulations, the Constitution and the Commercial Strategy which was first adopted in 2018 and updated in 2022 (Finance and Democracy Committee 28<sup>th</sup> March 2022) and is accessible at the link below:

[Fylde Council Commercial Strategy](#)

**Investment Indicators:** The Council has set the following quantitative indicators to allow elected members and the public to assess the Councils total risk exposure as a result of its investment decisions.

**Total Risk exposure:** The first indicator in the table below shows the Council’s total exposure to potential investment losses. The valuation of property assets takes place at the end of the financial year and future year valuations are not forecast in advance. Therefore, the future year valuation of property is the same as that for 31<sup>st</sup> March 2025.

**Table 1: Total Investment Exposure**

Investment Exposure	31.03.2025 Actual £m	31.03.2026 Forecast £m	31.03.2027 Forecast £m
Treasury management investments	14.0	9.2	4.0
Commercial investments: Property Asset Values	5.8	5.8	5.8

**How investments are funded:** Government Guidance is that the following indicator shows how investments are funded. The Council has not, and does not intend to, undertake any borrowing to fund its treasury management or commercial property investments as shown in the table below.

**Table 2: Investments Funded by Borrowing**

<b>Investments funded by borrowing</b>	<b>31.03.2025 Actual £m</b>	<b>31.03.2026 Forecast £m</b>	<b>31.03.2027 Forecast £m</b>
Treasury management investments	Nil	Nil	Nil
Commercial investments: Property	Nil	Nil	Nil

**Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the fair value of those property assets at the start of the financial year.

Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

**Table 3: Investment Rate of Return (net of all assets)**

<b>Investments rate of return</b>	<b>2024/25 Actual %</b>	<b>2025/26 Forecast %</b>	<b>2026/27 Forecast %</b>
Treasury management investments	5.02%	3.86%	3.07%
Commercial investments: Property	6.7%	6.0%	6.0%

The rate of return on Treasury Management investments is reducing in line with the forecast changes to Bank rate.

**Capacity, Skills and Culture**

**Elected members and statutory officers:**

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Chief Financial Officer is a qualified accountant with over 40 years of Local Government finance experience and is supported by the Deputy Chief Financial Officer who is also a qualified accountant, with 28 years of Local Government finance experience. The Council supports accountancy staff in the wider team to study towards relevant professional accountancy qualifications and the staff within the treasury team attend treasury seminars and workshops provided by CIPFA and other external service providers. Training is provided to Councillors as part of the Member training and development programme and more detailed treasury management training is offered to Councillors who serve on the Audit and Governance Committee by treasury management advisors Arlingclose Limited.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

## Part D. The Minimum Revenue Provision Statement

Where the Authority funds capital expenditure with debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The *Local Government Act 2003* requires the Authority to have regard to the Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in April 2024.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is aligned with that over which the capital expenditure provides benefits.

The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and provides a number of options for calculating a prudent amount of MRP, but does not preclude the use of other appropriate methods. The following statement incorporates options recommended in the Guidance.

MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Expenditure in Local Authorities*, 2021 edition.

- For unsupported capital expenditure incurred before 1<sup>st</sup> April 2008 MRP will be determined as 4% of the CFR in respect of that expenditure. (*Option 2 in the guidance*)
- For unsupported capital expenditure incurred after 31<sup>st</sup> March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. (*Option 3 in the guidance*)
- For assets acquired by leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- Where former operating leases have been brought onto the balance sheet due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the MRP charges will be adjusted so that the overall charge for MRP over the life of the lease reflects the value of the right-of-use asset recognised on transition rather than the liability.

### Capital loans

- For capital expenditure on loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loan principal received during in the year, with the capital receipts so arising applied to finance the expenditure instead.
- For capital expenditure on loans to third parties which were made primarily for service purposes, the Authority will make nil MRP except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.

- For capital loans made on or after 7<sup>th</sup> May 2024 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised. Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.
- For capital loans made before 7<sup>th</sup> May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.

### Overpayments

In earlier years, the Authority has not made any voluntary overpayments of MRP that are available to reduce the revenue charges in later years. It is planned to make no overpayment in 2026/27.

MRP Overpayments	£m
Actual balance 31.03.2025	0
Approved overpayment/drawdown in 2025/26	0
Expected balance 31.03.2026	0
Planned overpayment/drawdown in 2026/27	0
Forecast balance 31.03.2027	0

### Capital receipts

Proceeds from the sale of capital assets are classed as capital receipts and are typically used to finance new capital expenditure. Where the Authority decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:

- Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.
- Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.
- Capital receipts arising from other assets which form an identified part of the Authority's MRP calculations will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.
- Any other capital receipts applied to repay debt will be used to reduce MRP in 10 equal instalments starting in the year after receipt is applied.

Fylde Borough Council

Useable Reserves and  
Balances  
Policy

## Policy on Useable Reserves and Balances

### **1 The Useable Reserves and Balances Policy**

- 1.1 Setting the level of useable reserves and balances is just one of several related decisions in the formulation of the Council's Medium Term Financial Strategy.
- 1.2 In establishing and approving the Medium Term Financial Strategy, "the Council will ensure that it maintains a prudent level of reserves in line with best practice and relevant guidelines".
- 1.3 Any surplus balances will be considered in the light of the budget forecast and the risks associated with that forecast. Any changes to this Policy will require approval by Members.

### **2 Integrated Financial Planning**

- 2.1 Under section 114 of the Local Government Finance Act 1988 the Chief Financial Officer is required to report to all Councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year.
- 2.2 There are no statutory minimum levels of general reserves but in line with best practice and CIPFA advice it is suggested that 5% of the total net budget requirement is set as the minimum for the reserve balances. For Fylde this equates to approximately £650k based on a net budget requirement for 2026/27 of approximately £13m.

During 2008/09, due to the downturn in the economy, the Council had to take urgent in year action to make further service cuts in order to maintain minimum balances at that time. In order to remain financially robust over the medium term, Budget Council in February 2009, based on the advice of the Chief Financial Officer, agreed to increase the minimum level of balances to £750k.

- 2.3 Due to the range and scale of the risks that are presently facing the Council, as set out in Sections 10 and 13 of this report, and in particular the uncertainty surrounding the Council's main source of funding as a consequence of planned reform to local government financing, it was considered appropriate to raise the minimum level of General Fund balances to £1m, effective from the 2024/25 financial year, and it is proposed to maintain £1m as the minimum level for future years.

In making a recommendation as to the level of balances which should be maintained, the Chief Financial Officer will pay particular attention to:-

- The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates, etc.)
  - The authority's track record in budget and financial management including the robustness of the Council's Medium Term Financial Strategy
  - The authority's capacity to manage in-year budget pressures
  - The strength of the financial information and reporting arrangements
  - The authority's virement and end of year procedures in relation to revised budget and cash limit under/over-spends at authority and departmental level
  - The adequacy of the authority's insurance arrangements to cover major unforeseen risks.
- 2.4 The level of earmarked reserves will be reviewed in the preparation of each update to the Medium Term Financial Strategy and annually as part of the closure of accounts process. The creation of any new Earmarked Reserves will be subject to Member approval.
  - 2.5 The Council's General Fund Reserve balance as at 31st March 2025 was £4.937m.

### **3 Reporting Framework**

- 3.1 Any recommended changes to the level of useable reserves held will be reported within the Medium Term Financial Strategy or in the consideration of the Annual Accounts and will take account of the strategic, operational and financial risks facing the authority at that time.
- 3.2 In making any recommendation the Chief Financial Officer will provide Members, (in line with the requirements of the Local Government Act 2003) with an opinion on the robustness of the budget estimates and on the adequacy of the Council's useable reserves.

### **4 Earmarked General Fund Reserves**

- 4.1 Earmarked general fund reserves are a means of voluntarily and prudently building up funds to meet known future or predicted liabilities. When establishing reserves the Council must adhere to the International Financial Reporting Standards (IFRS) and in particular the need to distinguish between reserves (set aside for future liabilities) and provisions (mandatory set asides for actual liabilities existing).

In approving any new earmarked reserves the Council needs to identify the purpose of the reserve, the protocol for its use and the procedures for its management and control. The earmarked reserves as at 31st March 2025 and expected at 31st March 2026 are set out in a note at the end of this Appendix. The note identifies any earmarked reserves that can be released to revenue if required.

### **5 Presentation of the Reserves & Balances**

- 5.1 These have been presented in a way which is intended to be an easy to follow and useful summary format. These Reserves & Balances are also fully detailed in the Annual Statement of Accounts but are presented in a more technical format to ensure that the Council comply with the new International Financial Reporting Standards (IFRS).

### **6 Earmarked Reserves – Proposals for 2026/27**

- 6.1 As result of the settlement as outlined within this report the Council determined, at the January 2026 meeting, to transfer the remaining balance held in the Collection Fund Deficit Reserve in the sum of £1.398m into the Capital Investment Reserve in order to support additional capital expenditure.
- 6.2 In order to provide sufficient resources to meet the financing of the future vehicle replacement programme, and to avoid the requirement for external funding in respect of such, it was approved in 2024/25 that the Funding Volatility Reserve would be closed and the balance in the sum of c£4.5m was transferred to the new Fleet Replacement Reserve.

6.3 It is proposed that a further transfer be made into the Fleet Replacement Reserve in 2025/26 equivalent to the balance of the fleet replacement financing requirement estimated at £0.861m in 2025/26 to provide sufficient resource to meet the cost of operational fleet replacement over the life of the forecast. This is summarised in the table below:

**Fleet Replacement Reserve (FRR) - Analysis of Contributions & forecast balances**

	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
<b>Opening balance at start of year</b>	<b>3,212</b>	<b>2,018</b>	<b>1,401</b>	<b>619</b>	<b>382</b>
<b>Budgeted Transfers into FRR from the GF Surpluses 2025/26</b>	<b>861</b>				
Fleet Replacement Expenditure 2025/26	- 2,055				
Fleet Replacement Expenditure 2026/27		- 617			
Fleet Replacement Expenditure 2027/28			- 782		
Fleet Replacement Expenditure 2028/29				- 237	
Fleet Replacement Expenditure 2029/30					- 382
<b>Forecast balance at end of year</b>	<b>2,018</b>	<b>1,401</b>	<b>619</b>	<b>382</b>	<b>0</b>
<b>FLEET REPLACEMENT RESERVE USED IN YEAR</b>	<b>- 2,055</b>	<b>- 617</b>	<b>- 782</b>	<b>- 237</b>	<b>- 382</b>

6.4 In order to provide sufficient resources to meet capital investment requirements members approved that the balance of the Collection Fund Deficit Reserve is utilised and transferred in the sum of £1.398m to the Capital Investment Reserve. The capital schemes that remain to be funded from the Capital Investment Reserve and the forecast balance at the end of each year throughout the forecast are set out in the table below:

**Capital Investment Reserve - Analysis of forecast balances, contributions and expenditure**

	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2028/29 £000
<b>Opening balance at start of year</b>	<b>5,499</b>	<b>6,180</b>	<b>3,417</b>	<b>1,693</b>	<b>1,693</b>
<b><u>Schemes approved at Budget Council 5th March 2019</u></b>					
Coastal Signage Improvements	- 17				
Purchase of Land Adjacent to Squires Gate Station	- 5				
<b><u>Schemes approved at Budget Council 4th March 2020</u></b>					
Outdoor Digital Signage	- 20				
Beach Safety Sign Improvements	- 37				
<b><u>Schemes approved at Budget Council 4th March 2021</u></b>					
Park View Drainage Improvement Scheme	- 15				
Fairhaven Boathouse - Remodelling and Refurbishment Scheme	- 212				
Purchase of Land Adjacent to Squires Gate Station	- 1				
Blackpool Road North Playing Fields Drainage	- 26				
St Annes Paddling Pool (boating lake) - health and safety improvements - F&D January 2022	- 24				
<b><u>Schemes proposed for Approval by Council 3rd March 2022</u></b>					
Replacement of Town Centre CCTV Systems	- 4				
<b><u>Changes since Budget Council March 2022</u></b>					
Lytham St Annes Art Collection Display Options - F&D June 2022	- 11				
<b><u>Budget Council March 2023 Proposals</u></b>					
Lytham Hall Drainage and Green Car Parking - Budget Proposal - T&L - 3	- 75				
Kirkham Toilet Block Internal Refurbishment - OM - 1	- 9				
<b><u>Changes since Budget Council March 2023</u></b>					
Replacement ICT System - Environmental Health & Housing - Executive Committee - 19/09/23	- 23				
<b><u>Budget Council March 2024 Proposals</u></b>					
Fairhaven Lake H&S Fencing	- 34				
Depot Heat Management System	- 13				
Improvements to Ashton Gardens Parks Footpaths	- 63				
Freckleton PC Community Centre Roof					
<b><u>Council - 07th Oct 2024</u></b>					
Improvement Works to St Annes Swimming Pool	- 39				
<b><u>Executive Committee - 03rd December 2024</u></b>					
Bartec I.T. Solution for Statutory Refuse and Recycling Services	- 22				
Park View Community Centre Capital Bid Request	- 60				
<b><u>Budget Council Proposals - March 2025</u></b>					
St Annes Masterplan Development	- 350				
Play Zones - FBC match funding contributions	- 124				
Friends of Clifton Park - New Play Area	- 65				
<b><u>Council - 31st March 2025</u></b>					
Kirkham Pool (Temp holding, Security, Preservation, Project enabling)	- 150				
<b><u>Executive Committee - 29th April 2025</u></b>					
Kirkham Bowling Club Lease & Utility Provision	- 18				
Playzones	- 18				
Singleton Village Green		- 135			
Removal of Singleton Village Green		135			
<b><u>Council - 30th September 2025</u></b>					
Future High Street Fund: Kirkham	- 112				
<b><u>Council - 26th January 2026</u></b>					
St Annes & Kirkham Pool		- 3,225	- 1,726		
<b><u>Executive Committee - Feb 2026</u></b>					
Fairhaven Boathouse	- 117				
<b><u>Collection Fund Deficit Reserve Transfer</u></b>					
	<b>1,398</b>				
<b><u>Budgeted Top Up / Transfer to CIR Feb 2026</u></b>					
	<b>947</b>	<b>462</b>	<b>2</b>		
<b>Forecast balance at end of year</b>	<b>6,180</b>	<b>3,417</b>	<b>1,693</b>	<b>1,693</b>	<b>1,693</b>

<b>CAPITAL INVESTMENT RESERVE USED IN YEAR</b>	<b>- 1,664</b>	<b>- 3,225</b>	<b>- 1,726</b>	<b>0</b>	<b>0</b>
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6.5 The table below summarises the council's budgeted movements to and from reserves during 2025/26:

### Useable Reserves and Balances Position

#### Earmarked Reserves

Reserve	Purpose	How and When Used	ACTUAL Balance 31/03/25 £000	Budgeted Transfers in for 2025/26 £000	Budgeted Use/ Transfers out 2025/26 £000	Estimated Balance 31/03/26 £000	Comments
Capital Investment Reserve	Created in 2012/13, this is a voluntary revenue set aside established to fund capital expenditure and thus minimise the future need to borrow.	As required to meet the cost of capital expenditure.	5,499	2,345	-1,664	6,180	Whilst the balance at 31/03/26 is projected to be £6.180m, after taking account of the previously approved schemes scheduled to be delivered in later years that are to be funded from this reserve, including significant funding towards the swimming pool capital schemes, <b>the un-committed balance on this reserve is reduced to £1.229m at 31/03/26</b> (before any budgeted transfers in in later years).
Fleet Replacement Reserve	Created in 2024/25, this is a voluntary revenue set aside established to fund the council's operational fleet replacement programme.	As required to meet the cost of operational fleet replacement expenditure.	3,212	861	-2,055	2,018	Following a review of the financing of the council's capital programme in 2024/25, this reserve is to be used to fund operational vehicle replacements on an ongoing basis.
Collection Fund Deficit Reserve	Created in 2013/14, this is a voluntary set-aside of funds to meet the Council's share of the collection fund deficit.	To be used to meet the estimated deficit on the collection fund.	1,398	0	-1,398	0	On 27th January 2026 Council approved the transfer of the remaining balance of £1.398m from this reserve into the Capital Investment Reserve.
ICT Investment Reserve	Voluntary set aside for the funding of new IT initiatives and development of IT systems - this fund was established from savings in revenue ICT expenditure .	To be used to fully fund ICT developments and investment in moving this important support function forward.	25		-2	23	£15k used in 2024/25 to fund the replacement Environmental Health IT system, with a further £2k in 2025/26. The remaining balance to be earmarked for any further works identified.
Performance Reward Grant Reserve	Created in 2009/10, this is a voluntary set aside of performance reward grant (PRG). The Fylde Local Strategic Partnership (LSP) are the appointed decision making body in relation to the allocation of the PRG.	Used to set aside Performance Reward Grant funding in order to support LSP approved projects.	1		-1	0	The LSP approved some legacy funding for projects prior to it's wind-up in March 2013. The remaining balance of funds is earmarked for the replacement of CCTV equipment.
Community Right to Bid/Challenge Reserve	Created in 2012/13, this is a set aside of grant awarded to fund costs involved in potential future community right to bid.	Used to meet any potential costs arising from the community right to bid/challenge initiatives.	46			46	Not available for release as the monies are earmarked for meeting community right to potential bid/challenge costs.
Homes for Ukraine Reserve	Created in 2022/23, this is a set aside of unspent Government grant, relating to the scheme which provides funding to residents who have sponsored a Ukrainian national or family to come to live in the UK with them.	To be used in line with the purpose of this government funding.	326		-65	261	To be used in line with the purpose of this government funding. It is possible that not all the budgeted expenditure will take place during the year and that some funding will remain in the reserve at year end.
Asylum Seeker Dispersal Reserve	Created in 2023/24, this is set aside of unspent Home Office grant intended to address concerns raised by Local Authorities in relation to pressure on local services associated with supporting Asylum Seekers with settled status leaving National Asylum Support Service accommodation.	To be used in line with the purpose of this government funding.	125	50		175	To be used in line with the purpose of this government funding. It is possible that not all the budgeted expenditure will take place during the year and that some funding will remain in the reserve at year end.
Weekly Food Waste Collection Reserve	Created in 2024/25, this is set aside of unspent grant from DEFRA towards mobilisation costs for the introduction of a food waste collection service.	To be used in line with the purpose of this government funding.	188	70	-107	151	Created in 2024/25, this is set aside of unspent grant from DEFRA towards mobilisation costs for the introduction of a food waste collection service. To be used in line with the purpose of this government funding.
Total Earmarked Reserves			10,820	3,326	-5,292	8,854	

#### 2. General Fund Reserve

General Fund	An unallocated general working balance reserve fund to help cushion the impact of uneven costs of running council's day to day services or the impact of unexpected events or emergencies.	In line with the annual budget and MTFs approved by Council, taking in to account strategic, operational and financial risks facing the council over the medium term.	4,937		-366	4,571	This is the position in line with the Council's current financial forecast.
Total General Fund Reserves			4,937	0	-366	4,571	

<b>Total</b>	<b>15,757</b>	<b>3,326</b>	<b>-5,658</b>	<b>13,425</b>
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### SPECIAL EXPENSES POLICY

At its meeting of 3rd March 2008, the Council implemented a differential taxation policy by introducing special expense charges as set out in the following recommendations:

- i) *That the resolutions of the former Policy and Resources Committee of 15 January 2001, relating to special expenses (minute 13), be rescinded in relation to categories (a) and (b) as set out in the minute, so that items falling within those categories (parks, gardens, open spaces and games sites) or within this resolution but outside those categories (Christmas lights/trees) will become the council's special expenses under section 35(2)(d) of the Local Government Finance Act 1992 and that the items of Special Expenses as listed in paragraph 9.4 be approved.*
- ii) *That the principle of differential taxation be agreed and the impact is set out in Table A of Appendix E (of that report).*

*For clarification the special expense charge relates to costs incurred in respect of the provision of recreational resources on parks, playing fields, open spaces and gardens located within Lytham and St Annes, together with the costs of Christmas lights and/or trees in those same locations.*

Note: The area referenced in the above extract as 'Lytham' is the area that, with effect from 2025/26, forms the two new parishes of Ansdell and Lytham.

For 2025/26 an increase of 3.06% was applied to each of the individual elements of the Council Tax charge i.e. the borough-wide charge and the special expense charge. This equated to an increase of 2.99% in the average Band D charge.

For 2026/27 an average Band D Council Tax of £239.11 is proposed (that being an increase of £6.94 or 2.99% as compared to the 2025/26 charge). This equates to a proposed increase of 3.00% for 2026/27 in respect of each of the individual elements of the Council Tax charge.

Therefore, the special expenses policy for 2026/27 shall be:

- the annual special expense charge per property will be set for 2026/27 with a 3.00% increase on the 2025/26 level, that being £88.52 per band D property;
- the annual borough wide charge per property will be set for 2026/27 with a 3.00% increase on the 2025/26 level, that being £188.68 per band D property; and
- the budget resource to be allocated to delivering concurrent services and chargeable as special expenses for 2026/27 will be set at a sum equivalent to the annual special expense charge per property (band D equivalent) multiplied by the tax base for the special expense area.

For the purposes of charging special expenses, both the special expense costs and the tax bases relating to the areas of Ansdell, Lytham and St Annes will each be aggregated and the Council Tax charge per property at each band level will be the same across the whole area.