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Council

Wednesday, 24th February, 2021, 6.00 pm

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Supplementary Agenda

I am now able to enclose, for consideration at the above meeting of the Council, the following information:

Gary Hall
Chief Executive

Electronic agendas sent to Members of the Council

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REPORT TO	ON
Council	**24 February 2021**

TITLE	REPORT OF
General Fund Revenue and Capital Budget and Council Tax 2021/22	**Deputy Director of Finance (Section 151 Officer)**

Is this report confidential?	No

PURPOSE OF REPORT

1. To seek approval of the Cabinet's budget proposal

RECOMMENDATION(S)

2. The Cabinet recommends that Council:

a) Approve the budget and proposals set out in this report including:
   - Council Tax set out in the resolutions (at Appendix A)

b) Note the Parish Precepts (Appendix B)

c) Approve the council's Medium Term Financial Strategy (Appendix C)

d) Note the council's forecast cumulative budget deficit & budget strategy 2021-22 to 2023-24 (Appendix D)

e) Note significant budget movements from the 2020/21 Budget (at Appendix E)

f) Note the general fund forecast assumptions (at Appendix F)

g) Approve the capital programme for 2020/21 to 2023/24 (Appendices G1, G2 & G3)

h) Approve the Capital Strategy (Appendix H)

i) Approve the Treasury Management Strategy (Appendix I) and note the advice of the treasury management consultants (Appendix I1)

j) Approve the council's Pay Policy (at Appendix J) and publication on the council's website from April 2021

k) Note the advice of the Statutory Finance Officer in relation to the robustness of the budget and the risks contained within it as set out in the Statutory Report (Appendix K).

l) Note the Budget Consultation 2021/22 Report (at Appendix L)

m) Note the Assessing the Impact of Budget Proposals 2021/22 Report (at Appendix M)

n) Approve the recommendations in the Fees and Charge report (at Appendix N)

EXECUTIVE SUMMARY OF REPORT

3. The budget forecast over the next 3 years have been updated to take account of the following:
   - A freeze on council tax in 2021/22.
   - There is a proposed 1.99% increase in council tax in 2022/23 and 2023/24 this will be revisited every year and will be dependent upon the outcome of the Government announcements regarding the Fair Funding Review and review of the business rates system.
   - Significant investment of over £1million in revenue budgets to support the delivery of corporate strategy priorities
   - Capital investments of over £62m in corporate priority projects
   - Strategies to reduce the budget deficit in the medium term

4. Funding to South Ribble Council is forecast to fall from over £14m in 2016/17 to £12m by 2023/24. However, the council is ambitious in its approach to meeting the budget deficit through generating efficiency savings, such as those already realised through shared services and additional income generated through investments within the borough.

5. The budget is set to ensure the objectives of the council's Corporate Strategy priorities are met. The budget ensures that resources and investment are targeted to key priorities as outlined in the Corporate Strategy. In particular,14 priority projects are being proposed for delivery over the next 12-18 months that will directly support delivery of long-term outcomes. The budget also includes additional investments including planned improvements to community facilities, support to businesses and young people during the recovery from Covid-19.

6. The council is expanding its capital programme with large scale investments included in the budget over the coming three years.

REASONS FOR RECOMMENDATIONS

7. Setting the annual budget is a statutory requirement

OTHER OPTIONS CONSIDERED AND REJECTED

8. None

CORPORATE OUTCOMES

9. The report relates to the following corporate priorities:

An exemplary council	✓	Thriving communities	✓
A fair local economy that works for everyone	✓	Good homes, green spaces, healthy places	✓

BACKGROUND

10. The Cabinet published the 2021/22 Draft Budget and Summary Budget Position over the Medium Term at Executive Cabinet on 10 February 2021.The report set out the cabinet's intention for spending and investment in the borough for the forthcoming financial year 2021/22. These papers expand upon that report and set out in more detail for Council the Cabinet's budget proposals in 2021/22.

BUDGET CONSULTATION RESULTS

11. Consultation on the 2021/22 budget ran from the 2 February to the 14 February 2021 and was conducted via an online survey. The consultation was publicised through a structured digital campaign which included Facebook and Twitter, reaching over 15,200 users. Awareness was also raised through traditional media outlets and local networks to ensure maximum reach with support offered to complete the survey digitally. The consultation received 105 responses to questions asking residents to indicate their preferred priorities for investment, and also to provide any other suggestions.

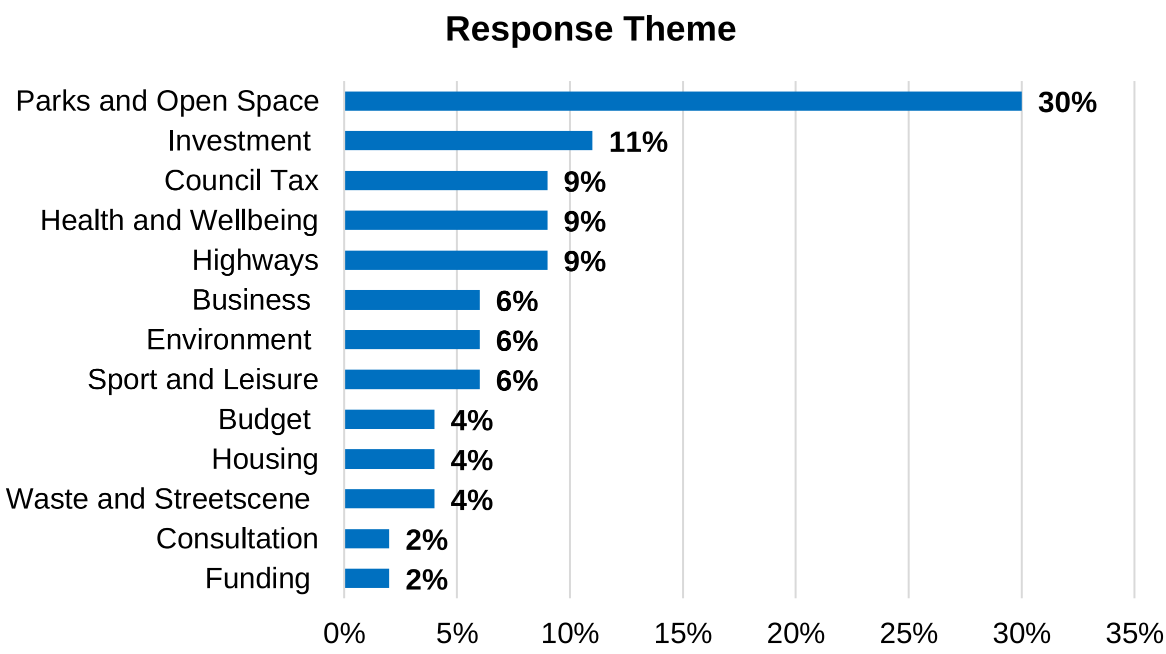
12. Participants were asked to rank on a scale of one ('low priority') to five ('high priority') what should be prioritised when allocating funding. The results are presented in the table below:

I want the council to allocate money to:	**Responses scoring 4 or 5 (Percentage)**	**Responses scoring 4 or 5 (Frequency)**	**Responses scoring 1 or 2 (Percentage)**	**Responses scoring 1 or 2 (Frequency)**
Neighbourhood working to undertake local improvement projects in the local area	67%	70	10%	10
Supporting businesses to get back on their feet after Covid-19	79%	83	7%	7
Improving Leyland town centre including delivering the plans set out in the Town Deal	36%	38	38%	40
Additional support for vulnerable children through the Holiday Hunger scheme and support with technology for home learning	67%	70	13%	14
Improvements to community facilities such as community centres and open spaces	67%	70	16%	17
Support to achieve positive mental health for young people	70%	73	10%	10
Delivering excellent leisure services and running leisure centres efficiently	65%	68	12%	13
Taking steps to retain wealth within the borough through better procurement and local job creation	77%	81	9%	9
Improvements to play areas across the borough	42%	44	25%	26

13. ‘Supporting businesses to get back on their feet post Covid-19’ was considered the highest priority and relates to proposals around extending financial support for businesses beyond the period of government assistance. ‘Retaining wealth in the borough through job creation and procurement’ was also a high priority.

14. Positive mental health for young people, neighbourhood working, improvements to community centres and Holiday Hunger were considered high priorities, reflecting the recent context and concerns as we emerge from the pandemic.

15. Respondents were asked to review the proposals and provide their suggestions through an open-ended question, with the intention of gaining more qualitative feedback and wider suggestions perhaps not covered in the proposals. Responses were grouped together and categorised by theme with the frequency shown in the chart below:



16. The most common theme in response to this question was parks and open spaces with other prevalent themes including highways, and health and wellbeing. A majority of positive comments referred to the Council Tax freeze with many respondents expressing support due to personal financial pressures caused by the pandemic.

17. Wider comments related to investing across the borough and providing tailored support for businesses.

THE BUDGET – FUNDING SOURCES

Spending Review 2020 and Final Local Government Finance Settlement

18. There continues to be uncertainty regarding the council's funding streams with the government announcing a one-year financial settlement for 2021/22 rather than the expected multi-year settlement. Budget assumptions have been made based on the Final Local Government Finance Settlement that was announced on 4 February 2021. The Government has announced the budget will be published on 3 March 2021.

Business Rates

19. The assumption for the 2021/22 budget is that Government funding will be in line with levels experienced in 2020/21, this includes the assumption that the council will once again be a member of the Lancashire Business Rates Pool. South Ribble Borough Council benefits from additional business rates income of approximately £1.6m from being in the pool. This is assumed to continue in 2021/22.

20. Forecasting levels of business rates beyond 2021/22 remains complicated due to uncertainty regarding the quantum of business rates that will remain when the system is reset. The date of this reset is still uncertain, the Government had forecast an implementation date of April 2022 and so it is assumed in the budget that reforms will take place then. The level of business rates retained by South Ribble Borough Council under the new system will also depend on the outcome of the fair funding review. This review will set new baseline funding allocations for all Local Authorities and aims to simplify the existing system and provide an up to date assessment of Authorities relative needs and resources. Until the Government completes the fair funding review and the reset of business rates, the council will continue to have to work with considerable uncertainty in its budget planning.

21. To be prudent, the budget assumes over the medium-term that the council will lose the benefit from being in the pool and therefore eventually reduce retained business rates income by £1.6m. Previous announcements from Government have mentioned a transitional period for implementing funding reforms. As such, the budget assumes a reduction in business rates income of £807k in 2022/23 and the full £1.638m by 2023/24.

New Homes Bonus

22. As expected, funding from New Home Bonus (NHB) will discontinue in 2023/24. Allocations included in the budget are as follows:
    - 2021/22 – allocation £363k
    - 2022/23 – allocation £93k

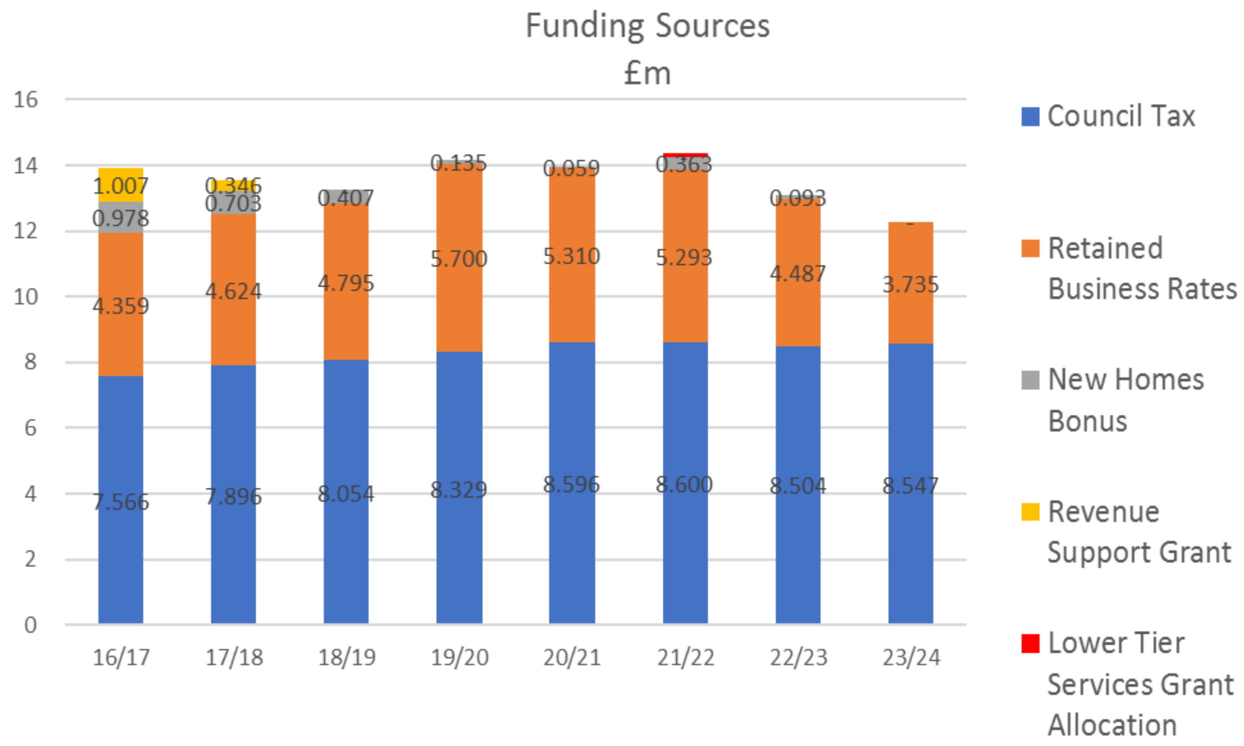
    It should be noted these figures will be passed to the City Deal as per the original agreement.

23. The government is due to consult on reforms to the new home bonus shortly, with a view to implementing reform in 2022/23. It is expected that a replacement to new home bonus will be announced however nothing further is known as to how the scheme will operate and what additional levels of funding, if any, will be made available to the council. Again, this creates a significant degree of uncertainty for the council.

Lower Tier Services Grant

24. The Government calculates every year the council's core spending power that is a combination of the council's council tax income, business rates income and new homes bonus grant allocation. For 2021/22 the reduction in new homes bonus is not offset by the assumed additional income that the council would receive if it chose to increase council tax charges by 2%. As such the government has introduced a one-off £100k grant to compensate the council in 2021/22 called the Lower Tier Services Grant. This is an un-ringfenced grant that has been included in the council's funding streams.

25. Funding to South Ribble Council is forecast to fall from over £13.9m in 2016/17 to £12.3m by 2023/24



Pay Award

26. The Government spending review announced a pay freeze in 2021/22 for the majority of public sector staff with a guaranteed a pay rise of at least £250 for all staff that earn less than £24,000 per year. These assumptions have been included in the pay budget for South Ribble Council in 2021/22 although these Government proposals are not yet agreed with public sector unions.

27. The spending review also announced that national living wage will rise from £8.72 to £8.91 an hour and will be extended to workers aged 23 and over from April 2021 This will not affect South Ribble Council's pay bands for 2021/22 as the council pays above this level already.

28. Looking further forward, the budget includes a 2% pay increase for all staff in 2022/23 and 2023/24. This assumption adds approximately £200k to the pay budget each financial year.

Pensions

29. As part of a triennial pension review the Lancashire County Pension Fund announced an increase in employer pension contributions for 2020/21 to 2022/23 to meet the future costs of the scheme. The contributions have increased from 14.4% to 16.4% resulting in an increase in the council's contribution. The same contribution rate is assumed for 2023/24 although this will be reviewed when the new three-year review is undertaken.

Brexit and Covid 19

30. Concerns remain about the impact of the United Kingdom's withdrawal from the European Union (BREXIT). Much speculation continues around the likely financial effects of the final leave arrangements, but it is clear that the continued uncertainty has presented significant concerns across the country. The potential risks to the council include increases in inflation, a slowdown in the local economy affecting rental and property values and income from retained business rates and council tax. To date the council has received £52k of funding from Government for EU Exit Preparation.

31. The financial impact of Covid-19 has been outlined in the quarterly budget monitoring reports approved by Executive Cabinet throughout 2020/21. This includes:

- Forecast reductions in council tax and business rates collection rates. The Government has provided grant support for this loss in income during 2020/21.
- Government grant funding received to support various initiatives including support to businesses, providing additional support to the homelessness and supplying food to residents as well as providing vital support to the track and trace system.
- Government support for the council's reductions in fees and charges in 2020/21 including reduced car parking income. This is forecast to continue in April to June 2021.
- Some reductions in rents at the council's investment properties.

32. As part of budget setting for 2021/22 and further forward the following assumptions have been made regarding Covid-19 and Brexit:

Income

- The impact on fees and charges will not be permanent and that income levels will return to pre-Covid levels during 201/22 including the council's major sources of income such planning fees, car parking and garden waste subscriptions.

Expenditure

- Any expenditure relating to the council's compliance with the current or future Government's requirements relating to Brexit or Covid-19 will be met through existing budgets or grants from Government. This could include future grants to businesses, support to the homelessness or support to residents such as additional council tax support.
- There will be additional net expenditure incurred in 2021/22 relating to bringing the council's leisure services in-house. It is expected this cost will reduce over the medium-term. These figures are identified separately in this budget report and detailed below.

BUDGET DEFICIT

33. The council's forecast gross budget deficit is summarised in table 1 and is based upon the reductions in funding described above and the following key budget assumptions.

Table 1: Cumulative Gross Budget Deficit

	2021/22 £m	2022/23 £m	2023/24 £m
Cumulative Gross Budget Deficit	0.150	1.905	3.290

34. All deficits and savings identified in the table 1 and in the remainder of this report are cumulative. For example, the deficit of £3.290m in 2022/23 identified above is the result of a £1.905m deficit in 2022/23 and further budget pressures and reduced funding of £1.385m identified for 2023/24.

Table 2: Key Budget Assumptions

Key Assumptions	2021/22	2022/23	2023/24
Growth in Council Tax Base	0.40%	0.50%	0.50%
Council Tax Increases	0.00%	0.00%	0.00%
Increase in Retained Business Rates through Growth	0.11%	0.00%	0.00%
Total Forecast New Homes Bonus	£363k	£93k	£0
Future Service Pension Rate	16.4%	16.4%	16.4%
Pension Fund Deficit Recovery	£72k	£75k	£75k
Additional Business Rates - Lancashire Pool 21/22 Transitional Business Rates Income 22/23	£1.638m	£0.807m	£0.000m
Pay Award	0%	2%	2%

35. The gross cumulative budget deficits are based upon the reductions in funding described previously in the report and the key budget assumptions outlined in table 2.

36. A detailed breakdown of the three-year budget including the gross budget deficit is provided in Appendix D of this agenda. Included in this appendix are the revenue budget implications regarding the council's capital projects, as with other assumptions it should be noted that the profile of expenditure and income is potentially subject to change. A full description of budget assumptions and risks are provided in Appendix F – General Fund Forecast Assumptions and in Appendix K – Report of the Chief Finance Officer of this agenda.

BALANCING THE BUDGET

37. A key influencing factor on the forthcoming budget is the effective management of the budget in the preceding years. Outlined below are the some of the efficiencies and income that have been delivered and are forecast to be delivered over the medium-term.

Efficiency Savings

38. During 2020/21 South Ribble Council has expanded the scope of **shared services** with Chorley Council. The first phase went live on 1 April 2020 and shared Chief Executive and Director roles were approved in late 2020. Further service reviews will be undertaken with current forecast savings of £328k in 21/22 rising to £508k by 2023/24

39. The budget includes a savings target for staffing costs of £150,000 to reflect the fact that there will always be turnover of staff during a year that will cause a certain level of underspending.

Income

40. The council reviewed its parking charges as per the report to Full Council on 25 November 2020. The effect of the changes is a forecast additional £18k income with the offer of 1 hour free being outweighed by the new banding and the East Street car park charges. Further reviews of fees and charges will be undertaken during 2021/22 as per Appendix N to the budget report.

41. Table 2 illustrates through efficiency savings and additional income generated the council is able to set a balanced budget in 2021/22. These figures also include approximately £1m a year revenue investment in corporate strategy priorities. The surplus of £346k in 2021/22 will be used to part fund the forecast leisure services deficit in 2021/22. The deficit is forecast to reduce over the medium-term as the leisure services industry recovers from the Covid-19 pandemic.

Table 3: Cumulative Budget Deficit

	2021/22 £m	2022/23 £m	2023/24 £m
Cumulative Budget Deficit/(Available Resources)	**0.150**	**1.905**	**3.290**
Shared Services	(0.288)	(0.288)	(0.288)
Shared Services – Additional	(0.040)	(0.120)	(0.120)
Shared Services – Phase 2 Forecast	0.000	(0.100)	(0.100)
Staff Turnover	(0.150)	(0.150)	(0.150)
Parking Income	(0.018)	(0.018)	(0.018)
Adjusted Budget Deficit/(Available Resources)	**(0.346)**	**1.229**	**2.614**
Contribution to Leisure Services Deficit	0.346	0.000	0.000
Budget Deficit/(Available Resources)	**0.000**	**1.229**	**2.614**

INVESTING IN OUR PRIORITIES

42. The Corporate Plan has been refreshed in 2020 with the aim of achieving a concise, streamlined strategy as a clear statement of what the council aims to achieve, focusing on delivery and better outcomes for residents. The strategy retains the existing vision with an additional emphasis on 'accountability' to reflect the council's commitment to openness and transparency. The four corporate priorities have been refreshed. The presentation of the strategy has been streamlined so that it is focussed, concise and a clear statement of how the council will prioritise, deliver and monitor activity.

43. The strategy sets out not only the council's vision, priorities, and long-term outcomes for the period 2020/21 to 2021/22 but also priority activities to be delivered through the corporate projects and how we intend to measure success over the year ahead. The Corporate Strategy identifies our key priorities as a council which are: -
    - An exemplary council
    - Thriving communities
    - A fair local economy that works for everyone
    - Good homes, green spaces, healthy places

44. All council work should be aligned to ensure that resources and investment are targeted to key priorities. In particular,14 priority projects are being proposed for delivery over the next 12-18 months that will directly support delivery of the long-term outcomes. Each year projects will be reviewed and refreshed based on progress and impact.

45. Outlined below are just a few of the key projects that have been delivered and will be delivered over the next three years. The Medium-Term Financial Strategy delivers a budget that is robust and sustainable and that also delivers both the capital and revenue commitments required to deliver the corporate strategy priorities.

INVESTING IN OUR PRIORITIES

THRIVING COMMUNITIES

£117,000 to create a network of community hubs, providing services & support that meet the needs of local neighbourhoods

£60,000 to support vulnerable families and children by providing access to food during the school holidays over the next four years

£50,000 to support access to advice services and information by working in partnership with the Citizens Advice Bureau

Looking ahead:

£500,000 over the next two years to deliver a programme of improvements to community facilities to provide quality amenities for residents, encouraging positive mental and physical health as part of an active community

£50,000 to support positive mental health for young people through officer resource to deliver a programme of early intervention activity

A FAIR LOCAL ECONOMY THAT WORKS FOR EVERYONE

£150,000 to deliver an extended programme of support for businesses beyond government grants to ensure that the council is doing as much as possible to help businesses get back on their feet

£150,000 to implement a plan to retain wealth and grow the local economy through a progressive procurement framework and social value policies

AN EXEMPLARY COUNCIL

£20,000 to provide a fund for technology and equipment to support children to access remote learning where there is a need

£150,000 to develop a Credit Union that will enable access to safe and ethical banking options for all residents

£50,000 to support access to advice services and information by working in partnership with the Citizens Advice Bureau

GOOD HOMES, GREEN SPACES, HEALTHY PLACES

£250,000 to support action on the green agenda including tree planting (in addition to A Tree for Every Resident), becoming a green employer by 2022 and car charging points as part of infrastructure improvements

£50,000 to undertake work to plan for an Extra Care scheme that will provide high quality accommodation to meet the future needs our residents

Looking ahead:

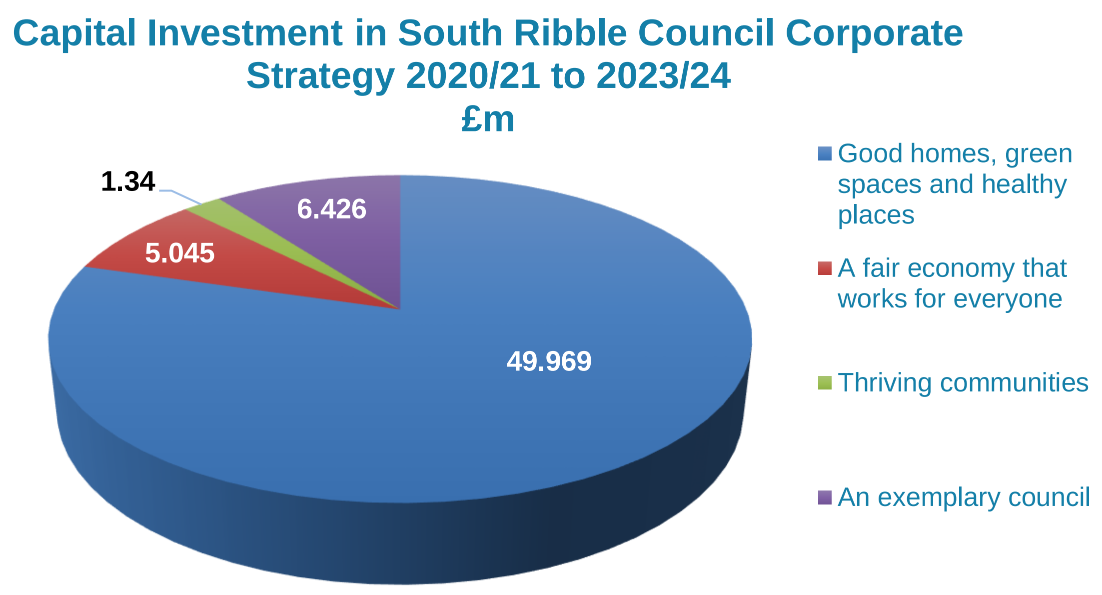
£2m to deliver affordable housing units

£500,000 to deliver neighbourhood improvement projects including:
- Development of a nature reserve at Pickerings Farm
- Tidy up of community areas in Pope Lane area
- Improvements to Kingsfold Community Centre and playing fields
- More dog bins and relevant signage

CAPITAL PROGRAMME

46. The council's capital programme forms part of the council's overall financial strategy to deliver some of its key objectives contained in the Corporate Priorities. The capital programme must be affordable and based upon prudence. The current local government financial position and the need to make revenue savings will impact on the council's ability to finance further capital spending unless additional funding is secured from external sources.

47. Details of the capital programme including new capital investment are outlined in the Appendix G1. The capital programme for 2020/21 to 2023/24 totals £62m and is an indication of how ambitious the council is in delivering its Corporate Strategy and the priorities within it. A breakdown of the capital programme is detailed below.



FUTHER INVESTMENT – 2020/21 to 2023/24

48. The council proposes to allocate a further £3.6m to support a programme of improvements for residents and communities right across the borough including:

49. £625,000 to fund improvements to play areas and open spaces across the borough

50. £500,000 to deliver neighbourhood improvement projects including:
- Development of a nature reserve at Pickerings Farm
- Tidy up of community areas in Pope Lane area
- Improvements to Kingsfold Community Centre and playing fields
- More dog bins and relevant signage

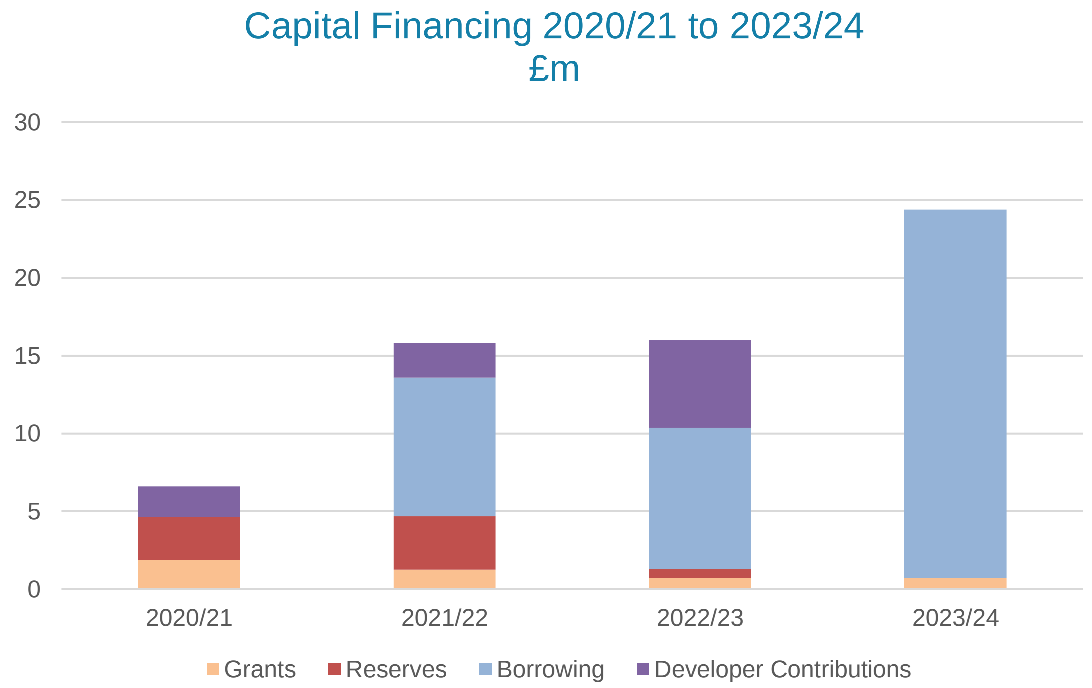
51. £20,000 to provide a fund for technology and equipment to support children to access remote learning where there is a need

52. £2m to deliver affordable housing units – with the focus over the next year on undertaking feasibility work and developing a programme in line with the council's Home Build programme

53. £500,000 over the next two years to deliver a programme of improvements to community facilities to provide quality amenities for residents, encouraging positive mental and physical health as part of an active community

CAPITAL FINANCING

54. The financing of the capital programme for the period 2020/21 to 2023/24 is set out in appendix G2 to the budget report and summarised in the proceeding chart.



55. The capital programme includes a number of schemes that are forecast to generate revenue that will meet the annual cost of borrowing required to complete the project. These include investment in affordable housing and extra care as well as future investments in sport and leisure services.

56. The council will invest at least £6.4m over the coming three years of contributions from developers as outlined in appendix G2. A summary of s106 funding received and allocated is attached in appendix G3

57. Appendix H – Capital Strategy - to the budget report outlines the council's capital strategy including specific risks within the programme, performance indicators and the council's capital ambition beyond the three-year budget cycle.

MEETING THE MEDIUM-TERM FINANCIAL CHALLENGE

58. Despite the budget savings identified in this report, as outlined above there remain large forecast budget deficits of £1.229m in 2022/23 and £2.614m in 2023/24. To achieve the required reduction in net expenditure the council's strategy will be:

1. **To make investments within the borough that provide benefits to residents and businesses whilst also generating income for the council.**

2. **To realise savings through the procurement of its contracts including joint contractual arrangements with Chorley Council.**

3. **To identify efficiencies through investment in infrastructure, ICT and through exploring alternative delivery models that will enable the council to balance the budget whilst seeking to minimise the impact on front line service users**

59. Further details of these strategies are given in the MTFS which can be found at appendix C to the agenda of this report. The summary of the forecast savings and income generation is given below in Table 4.

Table 4: South Ribble Council Medium-Term Financial Strategy

	2021/22 £m	2022/23 £m	2023/24 £m
Cumulative Budget Deficit/(Available Resources)	**0.000**	**1.229**	**2.614**
Council Tax Increases – 0% 21/22, 1.99% 22/23, 1.99% 23/24	0.000	(0.162)	(0.324)
Additional Transformation Efficiencies and Income	0.000	(1.067)	(2.290)
Adjusted Budget Deficit/(Available Resources)	**0.000**	**0.000**	**0.000**

RESERVES

60. The council has ensured a prudent and affordable approach to delivering medium-term financial strategies. The council has set aside and increased the balances to several reserves as outlined in Table 5 below.

Table 5: Forecast Reserve Balances as at the Beginning of 2021/22

Reserves	2021/22 £m
Borough Council Elections	0.160
Borough Investment Acct	4.256
Business Rates Retention	3.094
Capital Funding	0.330
City Deal	1.851
Climate Change	0.250
Credit Union	0.150
Community Wealth Building	0.150
Business Grants	0.150
Mental Health for Young People	0.050
Housing Needs Surveys	0.040
Local Plans	0.095
My Neighbourhoods	0.067
Restructure Costs	0.100
Transformation Fund	0.163
Ring-fenced income	0.289
Sports Dev income	0.117
Covid Recovery Fund	0.500
Income Equalisation Reserve	0.150
General Reserve	4.239
Total Reserves	**16.201**

61. The majority of these reserves are necessary to mitigate the financial impact of the uncertainty the council faces such as the reforms to future funding levels and the impact of Brexit and Covid-19 on its residents and local businesses.

62. The council has set aside £3.1m to manage any one-off reductions in business rates such as unbudgeted changes to valuations or the implementation of future expected Government reforms.

63. The Council has set aside £150k for use as an Income Equalisation Reserve to cover any potential temporary reliefs and losses on investment income over the recovery period from Covid 19.

64. The council has set aside £4.2m in general funds, approximately 27% of the annual net expenditure budget, to manage future uncertainty in expenditure and income over the medium-term. Unlike other councils throughout the country, the council has not budgeted to utilise this reserve to manage budget deficits however this will be reviewed as part of the council's continual budget management process.

65. Over the remainder of 20/21 reserves will be adjusted to reflect the likely outturn revenue position. This includes significant grant funds around Covid-19 and Business Rates which may need to be carried forward as a reserve. to cover future expenditure.

Borough Investment Account

66. The total reserve as forecast at 21/22 is £4.256m and the majority has been committed.

City Deal

67. As part of the City Deal arrangement the council receives £492k per annum for 10 years from LCC for community provision and to mitigate the significant financial risks that could impact on the deliverability of the City Deal. The reserve now stands at £1.851m. It is proposed this reserve is not committed until the future of the City Deal, and the financial risks, are better understood.

Transformation Fund

68. The transformation fund stands at £163k which has been committed to the delivery of the council's digital strategy, including the Civic Centre conference centre hearing loop and an upgrade to the IDOX system.

Repairs and Maintenance

69. The council has two main repairs and maintenance budgets:
    - a £300k per annum revenue budget for the council's reactive and planned maintenance repairs and maintenance – this excludes leisure centres.
    - a £250k revenue contribution to reserves to meet larger maintenance needs included in the capital programme. This has been committed to clear the back log of maintenance at the council's leisure facilities. However, it is expected that this contribution can be released to help support the Leisure Centre deficit as detailed below.

Covid Recovery Fund

70. During 2020/21, the council has played a significant part in leading the local response to Covid-19. This has included work around the community hub, business support and grants, enforcement and supporting the work of the Lancashire Resilience Forum. This work has been largely undertaken by council officers, while also maintaining council service provision and the delivery of the council's priorities.

71. The government has provided one-off grant funding to recognise the response requested from local government. A large part of the response has been delivered using existing council resources, bringing in additional capacity where needed. This means that the council is likely to have an underspend in its general fund budget at the end of 2020/21.

72. The level of underspend generated from the use of existing council resources in the Covid response will be confirmed through the quarter three and outturn monitoring reports presented to Cabinet. However, it is likely to be at least £500k.

73. It is proposed that a Covid Recovery Fund should be created from that underspend to support the borough's recovery from Covid-19. The recovery fund would be available to provide funding to support:

LEISURE SERVICES

74. While the council has balanced the budget for 2021/22, one of the largest financial impacts on the council due to Covid-19 was the disruption caused to leisure services. It is estimated that income to the centres, currently run by Serco Leisure Operating Limited through South Ribble Community Leisure Trust will be at 75% of normal levels for 2021/22. It is estimated that the leisure industry will take three years to recover to pre-Covid levels of usage and income.

75. This challenge has had a fundamental impact on leisure centre operators across the country, with most needing significant support from the contracting councils to continue to operate. An additional challenge for South Ribble is that the current contract ends at the end of the 2020/21 financial year. Undertaking a procurement exercise until the leisure operator market has recovered is unlikely to be successful. The operators in the market have faced unprecedented challenges over this financial year and would be unlikely to be able to take part in a bidding process. Those that may bid are very likely to be far more risk adverse and want the council to carry any risks for potential losses.

76. A proposal to bring the leisure services within the management of the council from April 2021 has been approved by the Cabinet and Council, with full proposals currently being developed. The rationale for bringing the management of the leisure centres into council control is that while there will be a financial impact, that financial impact would exist under any management model. The direct management will provide for greater control by the council to control costs and drive the recovery of the centres. These full proposals will consider which is the most appropriate management model to balance the risks and benefits of managing the centres directly.

77. Table 6 below sets out the budgeted costs of running the leisure centres. This is based on the financial projections whereby income at the centres will recover to provide a breakeven position by 24/25.

Table 6: Forecast Cost of Bringing Leisure Services In-House

	2021/22 £m	2022/23 £m	2023/24 £m
Forecast Income	(2.052)	(2.488)	(2.749)
Operational Expenditure	3.327	3.327	3.327
Net Operating Income	**1.275**	**0.839**	**0.578**
Additional SRBC support to leisure centres	0.112	0.112	0.112
SRBC Existing Leisure Budget	(0.466)	(0.466)	(0.466)
Net Existing Council Budget Support	**(0.354)**	**(0.354)**	**(0.354)**
Net Cost to the Council	**0.921**	**0.485**	**0.224**

78. It is important to note that a similar budgetary provision would need to be made regardless of the management model pursued. A prudent approach has been taken to the deficit levels and it is anticipated that it should be improved with effective management of the centres.

79. As the challenges faced by the leisure centres are of a temporary nature, it is appropriate to create one-off provisions to cover any potential deficit over the medium term financial strategy period.

80. Over the MTFS period, there is £500k per year within the revenue budget, budgeted as a contribution to increase capital and repairs and maintenance reserves. It was expected these would be required to contribute to the Leisure Service in some form following the conclusion of the leisure contract. Over the three years this would total £1.5m and this combined with the 21/22 contribution of £346k will fund the £1.6m expected to be required over the period to 2023/24. As such it is proposed to use these funds to cover the deficit described above. Timing issues of releasing the funding will be mitigated by use of other reserves in 21/22 and 22/23 to be topped back up by these funds in 23/24.

81. Making use of the identified budget to fund the temporary deficit in leisure funding will not prevent the council from continuing to undertake the necessary work to support high quality leisure provision. The initial draft funding model for the leisure centres includes provision for repairs and maintenance, and there is already budget within the council's capital programme for work to leisure centres.

CONCLUSIONS

82. This paper outlines for the Council the Executive's budget proposals for 2021/22 which are:

- **A budget that sets out the risk to the council of the future uncertainty in Government funding over the medium-term.**

- **A budget that has allowed the council to include in the budget approximately £1m of revenue investment packages.**

- **Investments will be made in key areas to support the Corporate Strategy:**

    - *An* exemplary *council*
    - *Thriving communities*
    - *A fair local economy that works for everyone*
    - *Good homes, green spaces, healthy places*

- **The assumptions included in the budget have been assessed in the light of the latest information available at this time. They are also compatible with:**
    - the proposed Capital Strategy as set out in Appendix H
    - the proposed Treasury Management Strategy as set out in Appendix I
    - the proposed Pay Policy as set out in Appendix J.

83. The MTFS contains the updated budget forecasts to 2023/24 which identifies that further budget savings will be required to bridge the funding gap in future years. The forecasted budget deficit in 2023/24 is estimated to be £2.614m and the MTFS sets out options that can be considered to bridge this gap. Therefore, the MTFS provides a plan to deliver a balanced budget over the longer term in Appendix C.

84. The council will develop the Transformation Strategy to deliver efficiencies and additional income to support the continued provision of services to its residents and businesses. There are still factors that may affect the current forecast financial position namely the scheduled reform in business rates retention.

85. The contents of this report are supplemented with additional reports, policies and statements to provide further details as referenced below:

Appendix A	Formal Council Tax Resolution 2021/22
Appendix B	Parish Precepts 2021/22
Appendix C	South Ribble Council Medium Term Financial Strategy 2021/22 to 2023/24
Appendix D	Cumulative Budget Deficit & Budget Strategy 2020-21 to 2023-24
Appendix E	Variance Analysis – Movements from 2020/21 Original Estimates
Appendix F	General Fund Forecast Assumptions
Appendix G1	Capital Programme 2020/21 to 2023/24
Appendix G2	Capital Programme Financing 2020/21 to 2023/24
Appendix G3	Developer's Contributions
Appendix H	Capital Strategy
Appendix I	Treasury Management Strategy 2021/22 to 2023/24
Appendix I1	Advice of Treasury Management Consultants
Appendix J	Pay Policy 2021/22
Appendix K	Report of the Chief Finance Officer
Appendix L	Budget Consultation 2021/22
Appendix M	Assessing the Impact of 2021/22 Budget Proposals
Appendix N	Fees and Charges 2021/22

IMPLICATIONS OF REPORT

86. Some of figures outlined in the report are estimates and based on assumptions that are likely to change. These include external risks such as changes to Government funding arrangements, changes to interest rates and national and local economic changes. In addition, the council faces internal risks such as the risks of delivering transformational change including the expansion of shared services.

87. The risks are dealt with through managing prudent levels of reserves, continually monitoring government announcements, monitoring current and future economic projections and by making prudent budget assumptions.

Risk

88. The financial risks are outlined throughout the report as well as the appendices to the report.

Equality and diversity

89. The equality impact assessment is outlined in appendix M to this report.

Air quality implications

90. None

COMMENTS OF THE STATUTORY FINANCE OFFICER

91. The financial implications of the above report are detailed in the report and furthermore in the MTFS 2021/22 to 2023/24 (Appendix C) and the Chief Finance Officer's Report (Appendix K). The risks and opportunities regarding the council's capital programme are outlined in the Capital Strategy (Appendix H).

COMMENTS OF THE MONITORING OFFICER

92. The budget proposals are in accordance with the requirements of legislation

James Thomson
Deputy Director of Finance (and Section 151 Officer)

SOUTH RIBBLE MEDIUM TERM FINANCIAL STRATEGY

2021/22 to 2023/24

South Ribble Borough Council

FOREWARD

Councillor Matthew Tomlinson
Cabinet Member (Finance, Property and Assets)

The Covid-19 pandemic has given us some of the toughest months we've had to endure in recent history and as a council we have been doing all we can – using our resources and budgets – to support our residents and businesses through the challenges.

We have worked hard to continue to provide essential services during the pandemic while supporting thousands of people though the South Ribble Together Community Hub, our holiday hunger initiatives and through support to our local businesses. This proposed budget will allow us to sustain vital services and ensure a strong recovery from the pandemic by investing in neighbourhoods, communities and businesses

To support South Ribble residents and despite the expectation from Government to do so, we will not increase council tax in 2021/22. Despite this council tax freeze, we are still able to set a balanced budget in 2021/22.

Looking forward, there is a huge amount of uncertainty regarding future Government funding particularly surrounding business rates income retained by the council, we have plans in place to meet the financial challenges we face. We will continue to transform services to deliver efficiencies as well as investing in capital expenditure projects throughout the borough.

This year, we're taking our leisure centre management back in house so we can provide better and more flexible services to you all. Work is starting on refurbishing Worden Hall to bring it back into use and plans are being developed for an extra care facility in Leyland.

Alongside this we are on with delivering much needed affordable homes across the borough and have completed more of our green links, which have given you places to walk and exercise during lockdown, helping with our residents' mental health.

The uncertainty surrounding the budget increases over time, but the council will continue to deliver its priorities as set out in this Medium Term Financial Strategy to make South Ribble a healthy and happy community, flourishing together in a safer and fairer borough.

INTRODUCTION

1. The approval of the annual budget is an important stage in the council's annual planning and budgetary process, as the revenue estimates form the basis for setting the council tax for the following year. This section aims to put finance into its corporate context. Not all matters can be covered in detail, but it is intended to give a flavour of how finance influences the way South Ribble Borough Council operates and is governed.

FINANCE AND CORPORATE PLANNING

2. Within the framework of legislation and Government controls, local authorities retain responsibility for determining the level of their budgets and how those budgets will be spent, subject to legislation and grant conditions.

3. The purpose of the council's budget is;
   - To enable the council to fulfil its statutory duty to set Council Tax each financial year
   - To ensure that use of the council's financial resources is planned and that a balanced budget is set in 2021/22.
   - To set financial targets for service managers against which their use of financial resources can be measured and controlled.
   - To facilitate the delivery of the council's corporate strategy and subsequent priorities by allocating resources between services according to agreed strategies and plans.

4. The first is a statutory requirement and the council, if it does nothing else, must fulfil this obligation. All these points are important especially the last regarding the delivery of the council's corporate strategy. It means that finance always needs to be seen in the context of other council plans, whether at service level or, ultimately, at corporate level. South Ribble Council will ensure that its financial resources, subject to all other constraints, are allocated in accordance with council priorities.

5. In practice there are a number of constraints that might prevent the council from spending purely in accordance with its current priorities, for example: -

   - Government constraints over use of resources
   - Legal requirements to provide certain services
   - Financial and legal commitments, and other agreements, e.g. staff contracts
   - Costs incurred in implementing change

- Limited availability of resources
- Time needed to plan for change
- Pressure to maintain and improve services and not to cut back

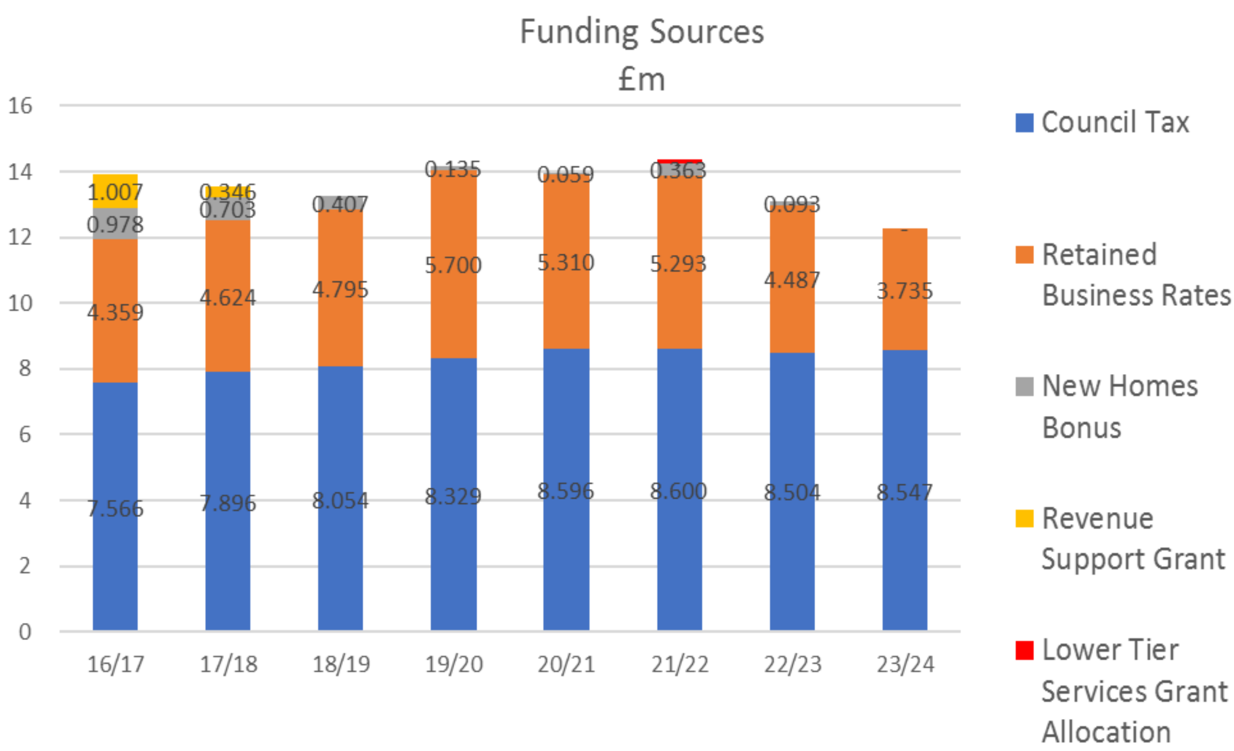
6. It is important for the council to recognise these constraints and to plan the use of resources over the short and medium term.

THE FINANCIAL CONTEXT

7. There continues to be uncertainty regarding the council's funding streams with the Government announcing a one-year financial settlement for 2021/22 rather than the expected multi-year settlement. The budget assumes the government will implement the changes to business rates and the Fair Funding review from April 2022 however this is far from certain. Budget assumptions have been made based on the Final Local Government Finance Settlement that was announced on 4 February 2021. The Government has announced the budget will be published on 3 March 2021.

8. Setting the council's medium-term budget has become increasingly difficult due to the Covid-19 pandemic. The impact of the pandemic has affected all South Ribble residents and businesses. As we recover, the council will set a budget that provides vital services and ensure a strong recovery from the pandemic by investing in neighbourhoods, communities and businesses.

FUNDING LEVELS



9. The chart above outlines the forecast level of funding across the next three years in comparison to previous allocations. Retained business rates are forecast to reduce in 22/23 when the Fair Funding Review and reset are forecast to be implemented. This is a cautious but necessary assumption given the uncertainty surrounding the new system.

Business Rates

10. South Ribble Council benefited in 2020/21 from membership of the Lancashire business rates pool. It is assumed this will continue in 2021/22 but, due to the uncertainty beyond April 2022, the benefit of this additional income is assumed to reduce in 2022/23 and is assumed to end in 2023/24 onwards.

11. Forecasting levels of business rates beyond 2021/22 remains complicated due to uncertainty regarding the quantum of business rates that will remain when the system is reset. The date of this reset is still uncertain, this budget assumes it will take place in April 2022. The level of business rates retained by South Ribble Council under the new system will also depend on the outcome of the Fair Funding Review. This review will set new baseline funding allocations for all Local Authorities and aims to simplify the existing system and provide an up to date assessment of Authorities relative needs and resources.

12. A final consideration to the council's retained business rates income is the potential for there to be a continued national economic slow-down. This could result in an increase in the number of appeals against rateable values as well as reducing local economic activity and therefore reducing retained business rates. The council's share of the provision for appeals will stand at approximately £3.290m in 2021/22 which is comparable to the national average. In addition, the council's business rates income equalisation reserve has over £3m set aside over the medium-term to manage the risk of temporary reductions in retained business rates.

13. For the reasons highlighted above the council will also assume no increase in business rates budgets through growth in the collection of business rates. Although the council will continue to focus resources on expanding local businesses, there are still large uncertainties that may erode progress on retained business rates income.

New Homes Bonus

14. New Homes Bonus is a grant allocated to councils for expanding the number of homes in the borough. South Ribble's allocation are used to contribute towards the City Deal project. The spending review announced a gradual reduction and ultimate removal of New Homes Bonus grant. Government proposals are for allocations to reduce as follows:
    - 2021/22 – 2 year allocation - for South Ribble Council approximately £363k
    - 2022/23 – 1 year allocation - for South Ribble Council approximately £93k
    - 2023/24 – no allocation

Lower Tier Services Grant

15. The Government calculates every year the council's core spending power that is a combination of the council's council tax income, business rates income and new homes bonus grant allocation. For 2021/22 the reduction in new homes bonus is not offset by the assumed additional income that the council would receive if it chose to increase council tax charges by 2%. As such the government has introduced a one-off £100k grant to compensate the council in 2021/22 called the Lower Tier Services Grant. This is an un-ringfenced grant that has been included in the council's funding streams.

OTHER BUDGET ASSUMPTIONS

Pay Award

16. The Government spending review announced a pay freeze in 2021/22 for the majority of public sector staff with a guaranteed a pay rise of at least £250 for all staff that earn less than £24,000 per year. These assumptions have been included in the pay budget for South Ribble Council in 2021/22 although these Government proposals are not yet agreed with public sector unions.

17. The spending review also announced that national living wage will rise from £8.72 to £8.91 an hour and will be extended to workers aged 23 and over from April 2021 This will not affect South Ribble Council's pay bands for 2021/22 as the council pays above this level already.

18. Looking further forward the council is has included a 2% pay increase for all staff in 2022/23 and 2023/24. This assumption adds approximately £200k to the pay budget each financial year.

Covid-19

19. The pandemic has impacted on the council finances as well as the wider economic environment. This has created more uncertainty in the early stages of the MTFS. To mitigate this risk the Government has provided £1.481m (20/21) and £0.505m (21/22) of unringfenced funding. The council will also receive compensation for loss of some fees and charges for April to June 2021 and is also able to spread any council tax or business rates deficits in 2020/21 over the next three years (as opposed to the usual one year).

20. To help manage this uncertainty the council will create, from the Government grant funding, a Covid-19 Recovery Fund of up to £500k to support local businesses and communities. The MTFS therefore has in place some funds to help the council manage the Covid-19 recovery period however the full medium-term impact of this recovery is not yet clearly understood. This could yet impact further on council expenditure, income and Government funding levels.

Brexit

21. Concerns remain about the impact of the United Kingdom's withdrawal from the European Union (BREXIT). Much speculation continues around the likely financial effects of this but it is clear that continued uncertainty, including the recovery from Covid-19, presents significant issues across the economy. The potential risks to the council include changes to interest rates and inflation, a slowdown in the local economy affecting rental and property values and income from retained business rates. These risks will be closely monitored and reported throughout the period of the MTFS.

PLANNING AND DELIVERY OF THE COUNCILS CORPORATE STRATEGY

22. The Corporate Plan has been refreshed in 2020 with the aim of achieving a concise, streamlined strategy as a clear statement of what the council aims to achieve, focusing on delivery and better outcomes for residents. The strategy retains the existing vision with an additional emphasis on 'accountability' to reflect the council's commitment to openness and transparency. The four corporate priorities have been refreshed. The presentation of the strategy has been streamlined so that it is focussed, concise and a clear statement of how the council will prioritise, deliver and monitor activity.

23. The strategy sets out not only the council's vision, priorities, and long-term outcomes for the period 2020/21 to 2021/22 but also priority activities to be delivered through the corporate projects and how we intend to measure success over the year ahead. The Corporate Strategy identifies our key priorities as a council which are: -
    - An exemplary council
    - Thriving communities
    - A fair local economy that works for everyone
    - Good homes, green spaces, healthy places

24. All council work should be aligned to ensure that resources and investment are targeted to key priorities. In particular,14 priority projects are being proposed for delivery over the next 12-18 months that will directly support delivery of the long-term outcomes. Each year projects will be reviewed and refreshed based on progress and impact.

25. Outlined below are just a few of the key projects that have been delivered and will be delivered over the next three years. The Medium-Term Financial Strategy delivers a budget that is robust and sustainable and that also delivers both the capital and revenue commitments required to deliver the corporate strategy priorities.

INVESTING IN OUR PRIORITIES

£117,000 to create a network of community hubs, providing services & support that meet the needs of local neighbourhoods

£60,000 to support vulnerable families and children by providing access to food during the school holidays over the next four years

£50,000 to support access to advice services and information by working in partnership with the Citizens Advice Bureau

Looking ahead:

£500,000 over the next two years to deliver a programme of improvements to community facilities to provide quality amenities for residents, encouraging positive mental and physical health as part of an active community

£50,000 to support positive mental health for young people through officer resource to deliver a programme of early intervention activity

£150,000 to deliver an extended programme of support for businesses beyond government grants to ensure that the council is doing as much as possible to help businesses get back on their feet

£150,000 to implement a plan to retain wealth and grow the local economy through a progressive procurement framework and social value policies

INVESTING IN OUR PRIORITIES

£20,000 to provide a fund for technology and equipment to support children to access remote learning where there is a need

£150,000 to develop a Credit Union that will enable access to safe and ethical banking options for all residents

£50,000 to support access to advice services and information by working in partnership with the Citizens Advice Bureau

£250,000 to support action on the green agenda including tree planting (in addition to A Tree for Every Resident), becoming a green employer by 2022 and car charging points as part of infrastructure improvements

£50,000 to undertake work to plan for an Extra Care scheme that will provide high quality accommodation to meet the future needs our residents

Looking ahead:

£2m to deliver affordable housing units

£500,000 to deliver neighbourhood improvement projects including:

- Development of a nature reserve at Pickerings Farm
- Tidy up of community areas in Pope Lane area
- Improvements to Kingsfold Community Centre and playing fields
- More dog bins and relevant signage

MEETING THE FINANCIAL CHALLENGE – THE TRANSFORMATION STRATEGY

THE ROLE OF TRANSFORMATION

26. The role of transformation across both councils is to bring together all of the different elements of change such as culture, systems, people, core processes, leadership and strategy to deliver change. Overall, this change aims to position the council to be sustainable, deliver the aims of the Medium-Term Financial Strategy and the corporate priorities.

27. The purpose of the transformation strategy is to be the framework through which the overarching change programme for the council will be effectively coordinated and managed. The key themes, goals and delivery programme of transformation depend on the organisation's priorities and needs as outline in the Corporate Strategy.

28. As outlined throughout the MTFS, there is huge uncertainty in future funding levels. Part of the role of the Transformation Strategy is to embed the process by which the council continually strives to generate efficiency savings and where possible generate additional income. During 2020/21 the council has continued to extend the services it shares with Chorley Council and in doing so has expanded the breadth of experience and resilience within its service as well as generating efficiency savings.

29. South Ribble is currently developing its Transformation Strategy ready for the beginning of the new financial year.

SENIOR LEADERSHIP TEAM

30. To enable the future transformation of its services the Leadership Team has been expanded to include service leads from both councils. This will facilitate the delivery of innovative and wide-ranging efficiency and income generating proposals.

31. In terms of transformation, the purpose of the Leadership Team is to:
    - Develop the Transformation Strategy
    - Monitor project progress and issues
    - Ensure proposals meet with the overall objectives of the Transformation Strategy and anticipated savings
    - Consider dependencies between projects to make sure that activity is coordinated (particularly with regard to consultation/service reviews) and monitor overall demands on capacity
    - Review and scrutinise corporate performance

WHAT IS THE BUDGET GAP?

32. The estimated gross budget gap based prior to the actions been taken to balance the budget is:

Table 1: Cumulative Gross Budget Deficit

	2021/22 £m	2022/23 £m	2023/24 £m
Cumulative Gross Budget Deficit	0.150	1.905	3.290

33. All deficits and savings identified in the table 1 and in the remainder of this report are cumulative. For example, the deficit of £3.290m in 2023/24 identified above is the result of a £1.905m deficit in 2022/23 and further budget pressures and reduced funding of £1.385m identified for 2023/24.

BALANCING THE BUDGET

34. A key influencing factor on the forthcoming budget is the effective management of the budget in the preceding years. Outlined below are the some of the efficiencies and income that have been delivered and are forecast to be delivered over the medium-term.

Efficiency Savings

35. During 2020/21 South Ribble Council has expanded the scope of **shared services** with Chorley Council. The first phase went live on 1 April 2020 and shared Chief Executive and Director roles were approved in late 2020. Further service reviews will be undertaken with current forecast savings of £328k in 21/22 rising to £508k by 2023/24

36. The budget includes a savings target for staffing costs of £150,000 to reflect the fact that there will always be turnover of staff during a year that will cause a certain level of underspending.

Income

37. The council reviewed its parking charges as per the report to Full Council on 25 November 2020. The effect of the changes is a forecast additional £18k income with the offer of 1 hour free being outweighed by the new banding and the East Street car park charges. Further reviews of fees and charges will be undertaken during 2021/22 as per Appendix N to the budget report.

38. Table 2 illustrates through efficiency savings and additional income generated the council is able to set a balanced budget in 2021/22. These figures also include approximately £1m a year revenue investment in corporate strategy priorities. The surplus of £346k in 2021/22 will be used to part fund the forecast leisure services deficit in 2021/22. The deficit is forecast to reduce over the medium-term as the leisure services industry recovers from the Covid-19 pandemic.

Table 2: Cumulative Budget Deficit

	2021/22 £m	2022/23 £m	2023/24 £m
Cumulative Budget Deficit/(Available Resources)	**0.150**	**1.905**	**3.290**
Shared Services	(0.288)	(0.288)	(0.288)
Shared Services – Additional	(0.040)	(0.120)	(0.120)
Shared Services – Phase 2 Forecast	0.000	(0.100)	(0.100)
Staff Turnover	(0.150)	(0.150)	(0.150)
Parking Income	(0.018)	(0.018)	(0.018)
Adjusted Budget Deficit/(Available Resources)	**(0.346)**	**1.229**	**2.614**
Contribution to Leisure Services Deficit	0.346	0.000	0.000
Budget Deficit/(Available Resources)	**0.000**	**1.229**	**2.614**

MEETING THE MEDIUM-TERM FINANCIAL CHALLENGE

39. Despite the budget savings identified in this report, as outlined above there remain large forecast budget deficits of £1.229m in 2022/23 and £2.614m in 2023/24. To achieve the required reduction in net expenditure the council's strategy will be:

1. **To make investments within the borough that provide benefits to residents and businesses whilst also generating income for the council.**
2. **To realise savings through the procurement of its contracts including joint contractual arrangements with Chorley Council.**
3. **To identify efficiencies through investment in infrastructure, ICT and through exploring alternative delivery models that will enable the council to balance the budget whilst seeking to minimise the impact on front line service users**

40. The summary of the forecast savings and income generation is given below in Table 3.

Table 3: South Ribble Council Medium-Term Financial Strategy

	2021/22 £m	2022/23 £m	2023/24 £m
Cumulative Budget Deficit/(Available Resources)	**0.000**	**1.229**	**2.614**
Council Tax Increases – 0% 21/22, 1.99% 22/23, 1.99% 23/24	0.000	(0.162)	(0.324)
Additional Transformation Efficiencies and Income	0.000	(1.067)	(2.290)
Adjusted Budget Deficit/(Available Resources)	**0.000**	**0.000**	**0.000**

41. A transformation programme will be developed to manage the changes the council needs to make to ensure it continues to deliver high quality services while maintaining a balanced budget. While this will include many different aspects, such as organisational change and development, set out below are the main strands of the strategy that could generate savings and income over the medium-term.

Council Tax

42. The Provisional Local Government Finance Settlement outlines the Core Spending Power available to local authorities. This is the level of resources the Government assumes councils will have available and is predicated on all councils across the country increasing council tax up to the referendum limit of 2% (5% for authorities with social care responsibilities) year-on-year. As such, if the council were to increase council tax by a lower amount it is likely it will need to then bridge a larger gap between funding allocated to it, via business rates retention and the fair funding review, and funding required to deliver services in 2021/22 onwards.

43. South Ribble's Council Tax rate sits within the middle of other Lancashire authorities. There is a wide range of charges across Lancashire and the gap between South Ribble and the next authority (Hyndburn) is quite significant.

	Band D Equivalent 2020/21 £
Preston	320.75
Rossendale	279.57
Pendle	270.62
Hyndburn	266.77
South Ribble	**223.24**
West Lancs.	208.39
Wyre	204.74
Chorley	191.37
Fylde	165.39
Ribble Valley	155.69

44. This budget proposes to freeze South Ribble Council's share of council tax in 2021/22. Increases of 1.99% have been forecast for 2022/23 and 2023/24 however these will be reviewed annually and will be subject to the outcome of the delayed Government reforms to council funding expected in April 2022.

45. While a freeze in Council Tax increase does have implications for future year budgets, with the current overall budget position and amount of reserves that it is achievable. This will help support residents still suffering significant financial impacts as a result of Covid-19.

Future Savings and Income Generation

46. The level of future savings required to balance the budget will be largely dependent upon the outcome of the Fair Funding Review and Business Rates Review as well as the recovery of leisure services. Both the impact of this review and the date of implementation remain unknown but are forecast to reduce the council's funding by £1.6m by 2023/24

47. The council will continue to invest in its services to recognise additional income and efficiencies. Future opportunities, which will be included in the transformation programme, are:

- A **base budget review**, to ensure that service budgets are accurate and represent the true funding need within services.
- The **shared services relationship** with Chorley will continue to expand. In addition to the savings achieved through changes that have been already approved, the coming years will see the expansion of shared services into new areas, starting with ICT and Customer Services.
- A **programme of service reviews**, working with services to identify service savings and efficiencies.
- A **review of reserves** to ensure that reserves continue to be used in an effective manner to support good governance and service delivery.
- The council is bringing forward a number of developments that will produce **additional income sources** in the medium term. Revenue models for these schemes will be developed in 2021/22 including for the affordable housing and extra care schemes. In addition, a review will be undertaken of the council's existing commercial portfolio to ensure that it delivers the most effective returns.

48. It is important to note that the plans that will be delivered through the transformation programme aim to ensure that the council manages its budget effectively and prudently. The full amount of savings may not need to be delivered; if the reductions in funding currently assumed are less the savings required will be reduced. This will be monitored and managed during the MTFS period.

CAPITAL PROGRAMME

49. The council's capital programme forms part of the council's overall financial strategy to deliver some of its key objectives contained in the Corporate Priorities. The capital programme must be affordable and based upon prudence. The current local government financial position and the need to make revenue savings will impact on the council's ability to finance further capital spending unless additional funding is secured from external sources. The capital programme is constructed based upon the following objectives.

CAPITAL PROGRAMME OBJECTIVES

The resources available will be targeted at areas that deliver corporate priorities as described in the annual Corporate Strategy

Borrowing will be managed to ensure the future impact on revenue is minimised

The council will consider the purchase and/or development of assets to generate a sustainable revenue stream to counteract against the risk of future reductions in grant funding and year to year fluctuations in locally sourced funding; however only where this investment supports the regeneration of the Borough.

Borrowing solely for the purpose of generating yield is no longer permissible.

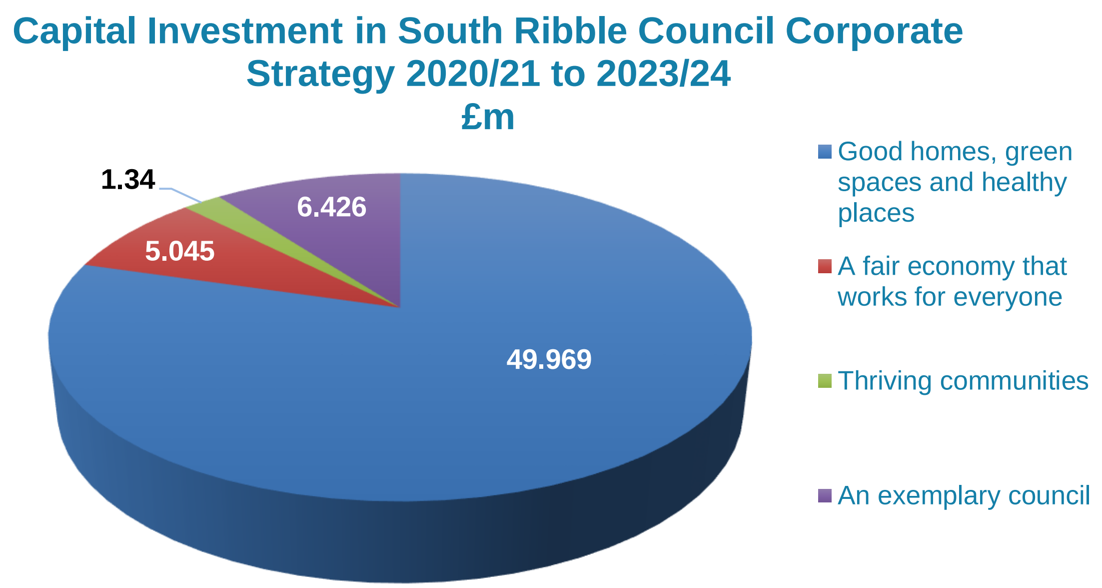
The council will consider working with partners to assist them to meet both their objectives and the council's objectives; this must have no impact on medium-term revenue budgets. This support may include granting loans to organisations at a rate that generates a greater return to the council.

The council will continue to identify land to assist in delivering its affordable housing targets.

The council will look to maximise opportunities to attract external finance to sustain its programme of work.

50. The capital programme is updated continually for agreed changes and reported to Executive Cabinet during the financial year on a quarterly basis. A prudent approach is taken when preparing the programme to ensure that financing resources are only forecast in the capital programme when there is relative certainty that they will be received.

51. Details of the capital programme including new capital investment are outlined in the Appendix G1. The capital programme for 2020/21 to 2023/24 totals £62m and is an indication of how ambitious the council is in delivering its Corporate Strategy and the priorities within it. A breakdown of the capital programme is detailed below.



FUTHER INVESTMENT – 2020/21 to 2023/24

52. The council proposes to allocate a further £3.6m to support a programme of improvements for residents and communities right across the borough including:

53. £625,000 to fund improvements to play areas and open spaces across the borough

54. £500,000 to deliver neighbourhood improvement projects including:

- Development of a nature reserve at Pickerings Farm
- Tidy up of community areas in Pope Lane area
- Improvements to Kingsfold Community Centre and playing fields
- More dog bins and relevant signage

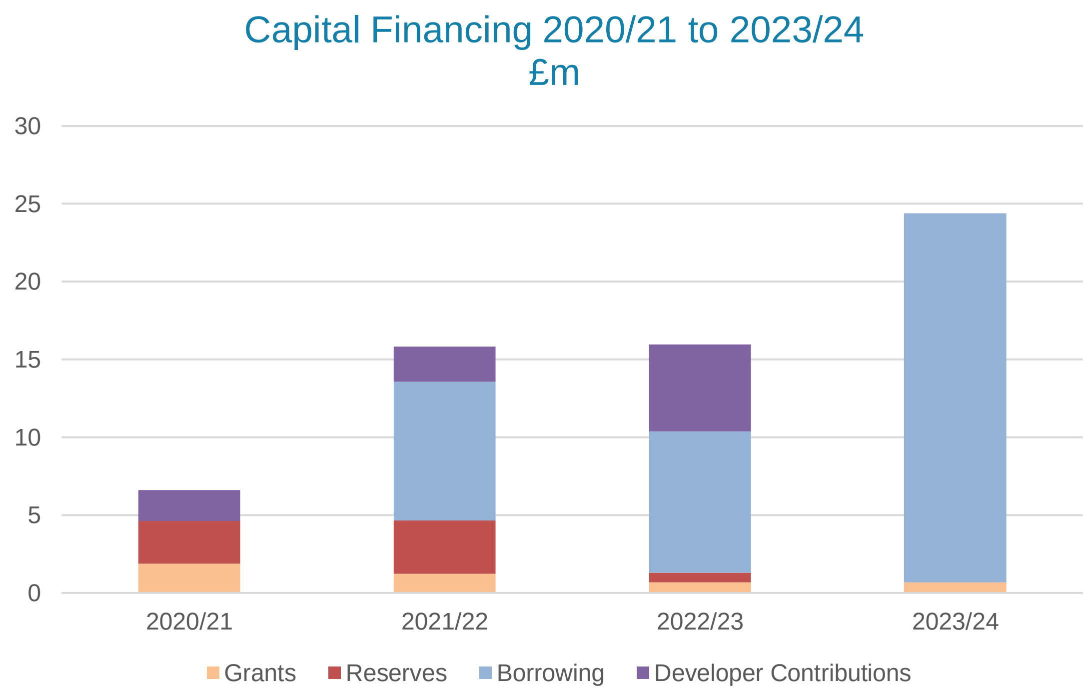
55. £20,000 to provide a fund for technology and equipment to support children to access remote learning where there is a need

56. £2m to deliver affordable housing units – with the focus over the next year on undertaking feasibility work and developing a programme in line with the council's Home Build programme

57. £500,000 over the next two years to deliver a programme of improvements to community facilities to provide quality amenities for residents, encouraging positive mental and physical health as part of an active community

CAPITAL FINANCING

58. The financing of the capital programme for the period 2020/21 to 2023/24 is set out in appendix G2 to the budget report and summarised in the proceeding chart.



59. The capital programme includes a number of schemes that are forecast to generate revenue that will meet the annual cost of borrowing required to complete the project. These include investment in affordable housing and extra care as well as future investments in sport and leisure services.

60. The council will invest at least £6.4m over the coming three years of contributions from developers as outlined in appendix G2. A summary of s106 funding received and allocated is attached in appendix G3

61. Appendix H – Capital Strategy - to the budget report outlines the council's capital strategy including specific risks within the programme, performance indicators and the council's capital ambition beyond the three-year budget cycle.

RESERVES

62. The council has ensured a prudent and affordable approach to delivering medium-term financial strategies. The council has set aside and increased the balances to several reserves as outlined in Table 4 below. The expected balances of these reserves are given in table 4 below.

Table 4: Forecast Reserve Balances

Reserves	2021/22 £m
Borough Council Elections	0.160
Borough Investment Acct	4.256
Business Rates Retention	3.094
Capital Funding	0.330
City Deal	1.851
Climate Change	0.250
Credit Union	0.150
Community Wealth Building	0.150
Business Grants	0.150
Mental Health for Young People	0.050
Housing Needs Surveys	0.040
Local Plans	0.095
My Neighbourhoods	0.067
Restructure Costs	0.100
Transformation Fund	0.163
Ring-fenced income	0.289
Sports Dev income	0.117
Covid Recovery Fund	0.500
Income Equalisation Reserve	0.150
General Reserve	4.239
Total Reserves	**16.201**

63. The majority of these reserves are necessary to mitigate the financial impact of the uncertainty the council faces such as the reforms to future funding levels and the impact of Brexit and Covid-19 on its residents and local businesses.

64. The council has set aside £3.1m to manage any one-off reductions in business rates such as unbudgeted changes to valuations or the implementation of future expected Government reforms.

65. The Council has set aside £150k for use as an Income Equalisation Reserve to cover any potential temporary reliefs and losses on investment income over the recovery period from Covid-19.

66. The council has set aside £4.2m in general funds, approximately 27% of the annual net expenditure budget, to manage future uncertainty in expenditure and income over the medium-term. The council has not budgeted to utilise this reserve to manage budget deficits however this will be reviewed as part of the council's continual budget management process.

67. Over the remainder of 20/21 reserves will be adjusted to reflect the likely outturn revenue position. This includes significant grant funds around Covid-19 and Business Rates which may need to be carried forward as a reserve. to cover future expenditure.

Borough Investment Account

68. The total reserve as forecast at 21/22 is £4.256m, the majority has been committed.

City Deal

69. As part of the City Deal arrangement the council receives £492k per annum for 10 years from LCC for community provision and to mitigate the significant financial risks that could impact on the deliverability of the City Deal. The reserve now stands at £1.851m. It is proposed this reserve is not committed until the future of the City Deal, and the financial risks, are better understood.

Transformation Fund

70. The transformation fund stands at £163k which has been committed to the delivery of the council's digital strategy, including the Civic Centre conference centre hearing loop and an upgrade to the IDOX system.

Repairs and Maintenance

71. The council has two main repairs and maintenance budgets:
    - a £300k per annum revenue budget for the council's reactive and planned maintenance repairs and maintenance – this excludes leisure centres.
    - a £250k revenue contribution to reserves to meet larger maintenance needs included in the capital programme. This has been committed to clear the back log of maintenance at the council's leisure facilities. However, it is expected that this contribution can be released to help support the Leisure Centre deficit as detailed below.

Covid Recovery Fund

72. During 2020/21, the council has played a significant part in leading the local response to Covid-19. This has included work around the community hub, business support and grants, enforcement and supporting the work of the Lancashire Resilience Forum. This work has been largely undertaken by council officers, while also maintaining council service provision and the delivery of the council's priorities.

73. The government has provided one-off grant funding to recognise the response requested from local government. A large part of the response has been delivered using existing council resources, bringing in additional capacity where needed. This means that the council is likely to have an underspend in its general fund budget at the end of 2020/21.

74. The level of underspend generated from the use of existing council resources in the Covid response will be confirmed through the quarter three and outturn monitoring reports presented to Cabinet. However, it is likely to be at least £500k.

75. It is proposed that a Covid Recovery Fund should be created from that underspend to support the borough's recovery from Covid-19. The recovery fund would be available to provide funding to support:

TREASURY MANAGEMENT STRATEGY

76. The Chartered Institute of Public Finance and Accounting published Code of Practice for Treasury Management (Local Government Act 2003) requires councils to have regard to the prudential code. The primary requirements are to:

- Create and maintain a treasury management policy statement which sets out the policies and objectives to the council's treasury management achievements.
- Create and maintain treasury management practices which set out the manner in which the council will seek to achieve its policies and objectives.
- Provide the Executive with an annual strategy report.
- Specify to whom the responsibility for implementing and monitoring treasury management activities is delegated.

77. In all respects the council complies with the above and reviews these requirements in the annual Treasury Strategy and also in the Treasury Mid-Year Review reports. In respect of Council Strategy for Treasury Management the principles will be as follows:-

The council will:

- Have regard to the prudential code and set prudential indicators to ensure the council's capital investment plans are affordable, prudent, and sustainable.
- Make decisions regarding borrowing and investment based upon the latest information, look to optimise returns on investment, and to minimise borrowing costs.
- Ensure the costs of borrowing are reflected in revenue forecasts.
- Comply with guidance relating to investments, ensuring that capital is kept secure, and liquidity is maintained at an appropriate level.
- Not engage purely in borrowing to invest or lend on to make a return, as this is unlawful.
- Agree a set of investment instruments which the council can use based upon monitoring risk.

The prudential indicators, targets and measures will be agreed as part of the budget setting process in February 2021, via the production of the annual Treasury Management Strategy – Appendix I to the budget report.

CONCLUSION

78. The review of the MTFS has again been undertaken against a background of significant reductions in funding and increasing costs. These factors present a risk to the council's sustainable financial position unless budget savings continue to be delivered and additional income opportunities are provided alongside the delivery of the council's Corporate Strategy priorities.

79. The MTFS covers three years between 2021/22 and 2023/24 the report outlines how the budget has been balanced for 2021/22.

80. The financial context continues to be increasingly challenging and uncertain. Approaches are outlined in the MTFS as to how the budget gap of £1.229m (2022/23) and £2.614m (2023/24) can be addressed. The council will develop a refreshed Transformation Strategy for 2021/22 onwards that will be developed and delivered by the Senior Leadership Team and reported regularly to members.

81. The Council will continue to keep the MTFS under review given:

- the level of efficiency savings and income generation required to balance the budget over the medium term. The timing of the delivery of these targets will need to be closely managed and where necessary reserves utilised to meet temporary delays in transformation strategy net budget reductions.

- the high degree of uncertainty surrounding the changes to Government policy such as business rates retention and the fair funding review as well as the uncertainty regarding the ongoing implications of the UK leaving the EU and Covid-19.

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Cumulative Budget Deficit & Budget Strategy 2021/22 to 2023/24 **Appendix D**

	2021/22 £'000	2022/23 £'000	2023/24 £'000
Cash Base Budget Requirement	**14,046**	**13,503**	**13,613**
Cash Movements			
Staffing	109	213	217
Budgets in 2020/21 that are not recurring in 2021/22	(520)	(87)	19
Contracts	87	239	88
Growth	88	8	140
Income	(41)	-	-
Other Adjustments	(266)	(263)	(25)
Revised Cash Budget Requirement	**13,503**	**13,613**	**14,052**
Savings			
Shared Services Phase 1 (Approved)	(288)	(288)	(288)
Shared Services – Phase 1 (Next Phase) Forecast	(40)	(120)	(120)
Shared Services – Phase 2 Forecast	-	(100)	(100)
Contributions To Reserves			
Capital Funding Reserve – allocate to leisure	250	250	250
Repairs & Maintenance Reserve – allocate to leisure	250	250	250
Housing Needs Surveys Reserve	20	-	-
Budgets Not In Directorates:			
Minimum Revenue Provision (MRP - capital financing)	298	500	531
Interest on borrowing	82	166	390
Interest receivable on short-term investments	(200)	(200)	(200)
Parish Precept	434	436	438
Pension Costs	71	91	112
Staff Turnover	(150)	(150)	(150)
Total Net Expenditure	**14,230**	**14,448**	**15,165**

	2021/22 £'000	2022/23 £'000	2023/24 £'000
Funding Sources			
Council Tax - Borough	(8,086)	(8,126)	(8,167)
Council Tax - Parishes	(434)	(436)	(438)
Council Tax - Collection Fund (Surplus) / Deficit	(80)	58	58
New Homes Bonus payable to City Deal	(363)	(93)	-
Retained Business Rates	(3,828)	(3,829)	(3,886)
Section 31 Government Grants	(1,465)	(1,465)	(1,487)
Pooling arrangements	-	807	1,638
Lower Tier Grant	(100)	-	-
	(14,356)	**(13,084)**	**(12,282)**
Use of Reserves			
Business Rates Retention Reserve	(65)	(65)	(65)
Elections Reserve	-	-	(160)
Local Plans Reserve	(26)	(25)	(44)
Ring-fenced Income Reserve	(44)	(44)	-
Sports Development funding Reserve	(85)	-	-
Total Funding	**(14,576)**	**(13,380)**	**(12,875)**
(Surplus) / Deficit	**(346)**	**1,229**	**2,614**

Cash Budget Movements 2021/22 to 2023/24

Appendix E

	2021/22 £'000	2022/23 £'000	2023/24 £'000
Cash Base Budget Requirement	**14,046**	**13,503**	**13,613**
Staffing			
Pay Award - Apply £250 increase to salaries	50	-	-
Pay Award - 2% increase in 22/23 and 23/24	-	213	217
Events Team remodelling	59	-	-
Budgets in 2020/21 that are not recurring in 2021/22			
Central Lancs Economic Strategy	(20)	-	-
Housing Surveys	(40)	-	-
Leisure consultants residual budget	(5)	-	-
Local Plan reduced costs	(72)	(2)	19
Planning temporary officer	(25)	-	-
Property Condition Surveys	(118)	-	-
Sports Development income increased back to usual levels	(100)	-	-
Time Credits contribution	(13)	-	-
Town Twinning	(5)	-	-
Waste Officers part-funded by grant	(17)	-	-
Youth Support project reduced budget	(105)	(85)	-
Contracts			
Insurance	23	55	-
Waste contract inflation	43	58	60
Waste contract estimated price increase at renewal in 22/23	-	100	-
Other minor inflation increases	21	26	28
Growth			
Dial-a-ride - 3 year contribution ending 22/23	20	-	(20)
Elections costs in 23/24	-	-	160
IT software and maintenance	68	8	-
Leisure			
Cost of service in house	921	485	224
Reserve contribution to in house service	(921)	(485)	(224)
Income			
Car Parking	(18)	-	-
Affordable Housing at Pearson House	(33)	-	-
Waste special collections reduction	10	-	-
Other Adjustments			
Movement in the amount of New Homes Bonus to be paid to City Deal	(238)	(270)	-
Other minor adjustments	(28)	7	(25)
Revised Cash Budget Requirement	**13,503**	**13,613**	**14,052**

GENERAL FUND FORECAST ASSUMPTIONS APPENDIX F

The following assumptions have been made as part of reporting a gross deficit of £0.150m in 2021/22 and reporting a gross deficit of £1.905m and £3.290m in 2022/23 and 2023/24 respectively.

Key Assumption	21/22	22/23	23/24	Comment

INCOME/FUNDING

Increase in Council Tax	0.00%	1.99%	1.99%	There will be 0% increase in 2021/22 with future increases dependent on the outcome of the fair funding and business rates review.
Council Tax Base Increases	0.40%	0.50%	0.50%	A prudent estimate based on housebuilding projections both past and present
Increase in Retained Business Rates through Growth	0.11%	0.00%	0.00%	Revaluations, appeals and possible changes to the baseline mean that the Council assumes no increase in the business rates base through growth in 2022/23 or 2023/24. Growth outlined in 2021/22 is based on figures up to January 2021 and may be subject to small changes.
Additional Business Rates - Lancashire Pooling Arrangements 21/22 Transitional Business Rates Income 22/23	£1.638m	£0.807m	£0.000m	The 2021/22 figure is the additional business rates retained by South Ribble Council as part of its membership to the Lancashire business rates pool. It is assumed the pool does not continue in 2022/23 as a result of the fair funding review and business rates reforms being implemented. This additional funding is assumed to be lost however it is also assumed that there will be transitional arrangements in place to enable councils to manage the implications of the new funding regime.
Business Rates Retention Reserve	£3.094m	£3.029m	£2.964m	The council has set aside resources to manage any one-off large reductions in retained business rates. A reserve of £3m equates approximately to a 53% reduction in 2021/22 levels of business rates income.

Key Assumption	21/22	22/23	23/24	Comment
New Homes Bonus	£363k	£93k	£0	The allocations assumed in the coming three years are based on the outcome of the provisional finance settlement. New Homes Bonus will be phased out by 2023/24 with no announcement regarding what might replace it to continue to incentivise councils to support housebuilding. The allocations are now paid in full to City Deal whereas in previous years an element of the historic allocations was retained by the council.
Planning Fee Income	£545k	£545k	£545k	One of the largest sources of income to the council is from planning fees. Despite the impact of Covid-19 during 2020/21, planning income has exceeded the budget. As such the budget will remain at the same level but will reviewed annually.
Garden Waste Subscription Income	£683k	£683k	£683k	Despite the reduction in the charge for the subscription income levels have exceeded budgeted levels in 2020/21. It is possible subscription levels will fall as the economy recovers from the recession and so the budget will remain at the current level and will be reviewed annually.
Income from Investment Properties	£1.105m	£1.105m	£1.105m	The council owns over 130 units across numerous sites that generate a rental income to the council. There are currently 9 units vacant however it is assumed these units will be let during 2021/22. Any temporary reduction in income from these sites will be met through a £150k reserve that has been created for 2021/22.
Income on Interest Earned	£200k	£200k	£200k	The council has historically held high cash balances and so invests these in interest earning funds as per the Treasury Management Strategy. Interest rates have fallen and are forecast to remain low over the medium-term. This budget has been reduced by £100k from £300k to £200k to account for this.

EXPENDITURE

Key Assumption	21/22	22/23	23/24	Comment
Pay Award	0.0%	2.0%	2.0%	The Government spending review announced a pay freeze in 2021/22 for the majority of public sector staff with a guaranteed a pay rise of at least £250 for all staff that earn less than £24,000 per year. These assumptions have been included in the pay budget for South Ribble Council in 2021/22 although these Government proposals are not yet agreed with public sector unions.
Vacancy Saving	£150k	£150k	£150k	The council has achieved larger savings in vacancies in prior years however some new structures have been approved and posts permanently recruited to. Other temporary structures still exist but some posts are filled by more expensive agency staff.
Future Service Pension Rate	16.4%	16.4%	16.4%	As part of a triennial pension review the Lancashire County Pension Fund announced an increase in employer pension contributions for 2020/21 to 2022/23 to meet the future costs of the scheme. The contributions increased from 14.9% to 16.4% resulting in an increase in the council's contribution. The same contribution rate is assumed for 2023/24 although this will be reviewed when the new three-year review is undertaken.
Pension Fund Deficit Recovery	£72k	£75k	£75k	South Ribble Council's share of the Lancashire Pension Fund remains in deficit however annual contributions have reduced dramatically as the pension performance has been strong. The figures for 2021/22 and 2022/23 are the confirmed contributions that are the result of the triennial pension review undertaken in 2019.
General Price Inflation	0.8% to 1.2%	Maximum 2%	Maximum 2%	Inflation forecasts from the Office of Budget Responsibility (OBR) have been used to inform the budget over the coming 3 years. The OBR forecasts inflation to remain below the Bank's 2% target rate until at least 2025. Inflation is only applied to specific council contracts including the waste collection contract.

Key Assumption	21/22	22/23	23/24	Comment
Pay Award	0.0%	2.0%	2.0%	The Government spending review announced a pay freeze in 2021/22 for the majority of public sector staff with a guaranteed a pay rise of at least £250 for all staff that earn less than £24,000 per year. These assumptions have been included in the pay budget for South Ribble Council in 2021/22 although these Government proposals are not yet agreed with public sector unions.
Leisure Services – additional expenditure over budget	£0.920m	£0.485m	£0.224m	The contract with Serco Leisure Operating Limited will terminate on 31 March 2021 after which the council will bring the services in-house. The transitional recovery from Covid-19 will mean income levels are lower than in previous years. As outlined in the budget report, the total additional cost of £1.6m will be met through the use of reserves previously set aside for repairs and maintenance and revenue funding of capital schemes.

Risk

The uncertainty in the coming years relates to primarily:

- to future government funding, due to the Fair Funding Review, the localisation of business rates expected from 2022-23
- the impact of Covid-19 and Brexit on the national and local economy and as a result on the council's budgets.

South Ribble Borough Council is becoming increasingly reliant on income generating services and therefore may be adversely affected by the current economic uncertainty as a result of Brexit and reforms to government funding.

Business Rates

The impact of Covi-19 on the national and world economy has meant the UK slipped into recession in 2020 with a risk of a double-dip recession due to the current lockdown arrangements.

The effect on the business rates retained by the council is twofold:

- Private sector investment in the local economy is reduced or the local economy shrinks
- Local businesses submit increased numbers of appeals against their rateable values. When constructing rateable values the Valuation Office assesses the rent at which the site may reasonably be expected to let.

The first outcome would result in stagnated or lower retained business rates to the council in the short and possibly medium term.

To mitigate the impact of a contraction in the local economy the council has set aside a **Business Rates Retention Reserve.** The reserve will stand at approximately £3m by 2021/22. This reserve can be used to smooth out the short-term impact that a slowdown in the local economy may present to retained business rates. However, permanent or prolonged reductions in business rates would result in a reduction in the council's budget.

The council holds a provision to mitigate the impact that appeals have on the business rates collection fund, included the backdated impact on the council's resources. It is possible that any slowdown experienced from Brexit could result in businesses appealing against their rateable value. The council's share of the provision for appeals will stand at approximately £3.29m in 2021/22, an increase of £0.6m, which is comparable to the national average. It should be noted that since the introduction of the check, challenge, appeal process the number of appeals lodged and taken fallen has reduced dramatically.

Other uncertainty to business rates comes from the proposed reforms to the business rates retention system in 2022/23. The fair funding review will change the distribution of retained income across England and the outcomes are uncertain. As well as setting aside the income equalisation reserve, the council has been prudent in its medium-term budgeting and assumed that the £1.638m benefit of being in the Lancashire Pool in 2021/22 will not be realised in future years. The outcome of the business rates reform will not be known until late in 2021 at the earliest.

Council Tax

During a recession the council could expect a reduction in council tax receipts as some council residents may experience difficulties in meeting their financial commitments. During the recession in 2020 the council's capital receipts had fallen by £0.698m representing a 1% fall in forecast receipts. South Ribble's share of this deficit is forecast to be approximately £84,000 meaning the council would be £84,000 short of its budgeted council tax income in 2020/21. This level of shortfall in council tax collection is manageable and the council expects the figures to be broadly in line with budgeted income in 2021/22 onwards.

Other Budgets

The UK in recession could bring with it a slowdown in the construction industry and Brexit could impact further on the UK construction industry as it is significantly dependent on EU migrant workers and EU construction materials. Perhaps the largest impact this may have on the council's budget is through reductions in planning fee income. An expected slow-down in developments within the borough could reduce the number of applications processed by the council. Planning income was £110k lower than budgeted in 2019/20, mainly due to pre-application fees not having the take up expected. However, income in 2020/21 is forecasted generate a surplus of £100k and so no adjustment to the budget is deemed necessary at this stage. This will be reviewed during 2021/22.

The largest contract the council will manage in 2021/22 will be with the waste collection services provider. Similar risks will present themselves in terms of availability of workers and the supply of plant. This is deemed a low risk problem as the contractor uses a local workforce and although it orders plant from within the EU, it also has a contingency fleet available to the council.

Grant Funding

The council has not European funding bids in place but will be making future bids over the medium term including:

- a bid to Homes England to enable the construction of the Extra Care Facility
- a bid of up to £25m from the Government's Town Deal. The council has already received £162k to develop the Leyland Town Deal and Investment Plan

The council does not deem any outcomes of Covid-19 or Brexit to impact on the ability of the council to successfully bid for external funding.

General Fund

As outlined in this appendix the council holds many different specific reserves to manage the financial risks it is exposed to. The largest reserve the council holds is the general fund which is forecast to be £4.2m by the end of 2020/21. South Ribble Council holds a large general fund relative to its size and is above average when compared to other Lancashire District Councils, as a result it is in a strong position to manage the financial risks it is exposed to.

Capital Programme 2020/21 to 2023/24 **Appendix G1**

Scheme Name	20/21	21/22	22/23	23/24	Total 2020-24
Good homes, green spaces and healthy places					
Green Infrastructure					
Green Infrastructure unallocated	-	189	200	200	589
Green Link - Penwortham Holme to Howick	100	150	-	-	250
Green Link - Shruggs Wood	61	-	-	-	61
Leyland Loop	91	100	-	-	191
Total Green Infrastructure	**252**	**439**	**200**	**200**	**1,091**
Worden Park					
Arboretum landscaping	30	-	-	-	30
Craft Units Windows and Security Grills	40	-	-	-	40
Farmyard Cottages Windows and rendering	50	-	-	-	50
Farmyard Cottages - Heating	50	-	-	-	50
Ice House front façade	10	-	-	-	10
North Lodge	4	-	-	-	4
Overflow Car Park	120	-	-	-	120
Sewerage pumping station and sceptic tanks	20	20	-	-	40
Shaw Brook weirs and banking	-	-	40	-	40
Shaw Wood footpaths	-	-	33	-	33
Walled garden pot house - replace the building frame and base walls	-	50	50	-	100
Worden Park fountain	-	80	-	-	80
Worden Park infrastructure and landscaping	-	120	200	112	432
Worden Hall refurbishment	120	1,450	600	-	2,170
Total Worden Park	**444**	**1,720**	**923**	**112**	**3,199**
Other Parks and Open Spaces					
Hurst Grange Park drainage	-	25	-	-	25
Hurst Grange Coach House Phase 2	300	433	-	-	733
Hurst Grange Park Paths	-	40	-	-	40
Open Spaces - Bent Lane	68	-	-	-	68
Open Spaces - Balcarres Green	26	-	-	-	26
Other Parks - Footpaths (Fossdale Moss, Priory, Valley Road)	-	45	-	-	45
Playground - Worden Park	50	-	-	-	50
Playground - Leadale Green	35	-	-	-	35
Playground - Seven Stars	175	-	-	-	175
Playground - Haig Avenue	-	175	-	-	175
Playground - Hurst Grange	190	35	-	-	225

Scheme Name	20/21	21/22	22/23	23/24	Total 2020-24
Playground - Bellis Way	49	10	-	-	59
Playground - Bent Lane	-	175	-	-	175
Tarn Wood, Penwortham	31	-	-	-	31
A tree for every resident	35	53	48	-	136
Withy Grove Park	-	-	60	-	60
Total Other Parks & Open Space	**959**	**991**	**108**	**-**	**2,058**
Sports and Leisure					
King George V Playing Fields, Higher Walton	50	-	-	-	50
King George V Playing Fields, Higher Walton Additional works	-	-	25	-	25
Leisure Facility	12	-	-	18,988	19,000
Leisure Centre refurbishments	-	500	1,600	-	2,100
Lostock Hall Football Facility (St Gerard's)	90	-	-	-	90
Sport Pitch Hub	70	3,200	-	-	3,270
Total Sports and Leisure	**222**	**3,700**	**1,625**	**18,988**	**24,535**
Housing					
Affordable Housing - former McKenzie Arms, Bamber Bridge	100	1,700	453	-	2,253
Affordable Housing – Tom Hanson House, Station Road, Bamber Bridge	588	-	-	-	588
Disabled Facilities Grants	750	1,027	682	682	3,141
Empty Homes grants	-	39	-	-	39
Extra Care scheme	-	200	6,000	3,800	10,000
Next Steps Accom - Purchase 2 houses	140	-	-	-	140
Private Sector home improvement grants	6	98	98	98	300
Total Housing	**1,584**	**3,064**	**7,233**	**4,580**	**16,461**
Good homes, green spaces and healthy places	**3,461**	**9,913**	**10,090**	**23,880**	**47,344**
A fair economy that works for everyone					
Car Park resurfacing, Ryefield Avenue, Penwortham	-	40	-	-	40
Church Road, Bamber Bridge	-	40	-	-	40
Land Acquisition Croston Road	30	-	-	-	30
Leyland Train Station Ticket Office	15	45	-	-	60
Masterplanning & Regen - Leyland	750	2,000	-	-	2,750
Masterplanning & Regen - Penwortham	50	-	2,000	-	2,050
New Longton Regeneration	-	75	-	-	75
A fair economy that works for everyone	**845**	**2,200**	**2,000**	**-**	**5,045**
Thriving communities					

Scheme Name	20/21	21/22	22/23	23/24	Total 2020-24
Hoole Village Hall Grant	200	-	-	-	200
St Mary's, Penwortham - Churchyard wall repairs	40	100	-	-	140
Thriving communities	**240**	**100**	**-**	**-**	**340**
An exemplary council					
IT Programme					
IT Unallocated Funding	-	262	200	200	662
Capita Software Upgrade (c/f)	5	-	-	-	5
Civic Centre conference centre hearing loop	-	35	-	-	35
HFX Upgrade (c/f)	4	-	-	-	4
Idox (c/f)	147	-	-	-	147
Single Sign On and Calendar Integration	33	-	-	-	33
Members tablet refresh	52	-	-	-	52
Mobile phone upgrade	12	-	-	-	12
Front to Back Office Automation	17	-	-	-	17
Help Desk System	-	5	-	-	5
Tablet refresh (agile working)	-	35	-	-	35
Total IT Programme	**269**	**337**	**200**	**200**	**1,006**
Other non-ICT projects					
Corporate Buildings Unallocated	100	150	200	200	650
Corporate Buildings - Civic Centre	40	50	50	50	190
Civic Centre emergency lighting	9	-	-	-	9
Civic Centre Dementia Garden	12	-	-	-	12
Civic Centre LED Lighting	45	-	-	-	45
Civic Centre New Entrance	-	150	-	-	150
Civic Centre Solar Panels	31	-	-	-	31
Civic Centre 3rd Floor	-	50	-	-	50
Polling Booths	22	-	-	-	22
Vehicles and Plant replacement programme	1,530	2,189	490	54	4,263
An exemplary council	**2,056**	**2,926**	**940**	**504**	**6,426**

Scheme Name	20/21	21/22	22/23	23/24	Total 2020-24
New Schemes for the MTFS					
Good homes, green spaces and healthy places					
Open Spaces - Mounsey Road	-	50	-	-	50
Playground - The Holme, Bamber Bridge	-	175	50	-	225
Playground - Moss Side Village Green	-	125	50	-	175
Playground - Birch Avenue, Penwortham	-	75	-	-	75
Playground - Margaret Road, Penwortham	-	-	100	-	100
Sumpter House	-	-	2,000	-	2,000
Thriving communities					
Kingsfold Community Centre Improvements	-	-	150	-	150
Neighbourhood Improvements	-	-	350	-	350
Leisure Local	-	250	250	-	500
Total New Schemes	**-**	**675**	**2,950**	**-**	**3,625**
Grand Total	**6,602**	**15,814**	**15,980**	**24,384**	**62,780**

Capital Financing

Appendix G2

Funding Sources and Schemes they are applied to	20/21	21/22	22/23	23/24	Total 2020-24
Grants					
DFG	750	1,027	682	682	3,141
Lottery - Hurst Grange Coach House	300	213	-	-	513
Towns Fund - Leyland Masterplan	750	-	-	-	750
Next Steps Accommodation	70	-	-	-	70
Contributions					
External Contributions - Playground Bellis Way £29k, Hurst Grange Coach House £30k, Kingsfold CC £75k, Extra Care £3m	29	30	3,075	-	3,134
Section 106 Affordable Housing - Station Road, McKenzie Arms, Extra Care	758	1,700	2,453	-	4,912
Section 106 Other (not aff hsg) - Various parks and open spaces projects	1,087	355	73	-	1,515
CIL - Green Link Penwortham Holme to Howick	100	150	-	-	250
Reserves					
Borough Investment - Hoole Village Hall and Worden Hall	320	1,450	600	-	2,370
Capital Funding *	2,168	1,321	-	-	3,488
My Neighbourhoods - Dementia Garden	2	-	-	-	2
Repairs and Maintenance - Leisure Centre Refurbishments	-	500	-	-	500
Transformation - IT projects	269	146	-	-	415
Borrowing *	-	8,922	9,096	23,702	41,720
Total	**6,602**	**15,814**	**15,980**	**24,384**	**62,780**

* The Capital Funding Reserve will be called upon first to fund schemes that do not have alternative funding sources. Borrowing is assumed once the reserve is fully utilised.

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Developers Contributions — Appendix G3

The council receives Section 106 contributions from developers of housing sites throughout the borough. Most of these contributions come with restrictions as to what they can be spent on. The main categories are:

- Affordable Housing
- Public Open Space, Sports and Recreation
- Town Centre Enhancements
- Transport

Contributions towards affordable housing are also referred to as 'commuted sums'. They are paid by a developer when the size or scale of a development triggers a requirement for certain number of affordable housing units on site but the actual number delivered is lower. The council then uses the commuted sums to ensure affordable housing is delivered in alternative schemes either by the council itself as the developer or paying over to another developer.

For receipts in the 'Transport' category, the work is carried out by LCC, as the highways authority, and the receipt is paid over on completion. The Council is reliant on LCC planning and delivering these projects.

Table 1 summarises the forecasted use of Section 106 in the current financial year 2020/21 and across the next 3 financial years. The vast majority of the 'use' of the receipts relates to capital expenditure on schemes within the capital programme. Occasionally there are minor amounts that are used for revenue expenditure. No new receipts have been assumed due to there being too much uncertainty about timing and potential values.

Table 2 lists the schemes within the capital programme that are forecasted to utilise Section 106.

Community Infrastructure Levy (CIL)

The Council publishes an annual Infrastructure Funding Statement that outlines what projects CIL can be spent against. There is only one scheme in the capital programme that is forecasted to use CIL – "Green Link Penwortham Holme to Howick", which has a total budget of £250,000. Any CIL received in relation to sites within the City Deal are to be paid over. The balance of CIL that has been received and not yet committed in £1.230m.

Table 1 – Summary of Section 106 Usage

Category	Balance c/f 19/20	Receipts in 20/21	Forecast Use 20/21	Balance c/f 20/21	Forecast Use in Future Years	Balance Not Yet Allocated
Affordable Housing	5,044	224	(758)	4,509	(4,245)	264
Public Open Space, Sports or Recreation	1,841	21	(1,086)	776	(423)	353
Town Centre Enhancements	82	-	(15)	67	(42)	25
Transport	575	-	-	575	(565)	10
Total	**7,541**	**245**	**(1,859)**	**5,927**	**(5,275)**	**653**

Table 2 – Section 106 funding to be applied to capital schemes

Scheme	20/21 £'000	21/22 £'000	22/23 £'000	Total £'000
Affordable Housing - former McKenzie Arms, Bamber Bridge	100	1,700	453	2,253
Affordable Housing - Tom Hanson House, Station Road, Bamber Bridge	588			588
Extra Care scheme			2,000	2,000
Next Steps Accom - Purchase 2 houses	70			70
Affordable Housing Total	**758**	**1,700**	**2,453**	**4,912**
A tree for every resident	35	53	48	136
Arboretum landscaping	30			30
Church Road, Bamber Bridge		40		40
Green Link - Shruggs Wood	61			61
King George V Playing Fields, Higher Walton	50			50
King George V Playing Fields, Higher Walton Additional works			25	25
Leyland Loop	91			91
Leyland Train Station Ticket Office	15	45		60
Lostock Hall Football Facility (St Gerard's)	90			90
New Longton Regeneration		75		75
Open Spaces - Balcarres Green	26			26
Open Spaces - Bent Lane	68			68
Overflow Car Park	120			120
Playground - Bellis Way	20	10		30
Playground - Haig Avenue		97		97
Playground - Hurst Grange	190	35		225
Playground - Leadale Green	35			35
Playground - Seven Stars	175			175
Playground - Worden Park	50			50
Tarn Wood, Penwortham	31			31
Other Section 106 Total	**1,087**	**355**	**73**	**1,515**
Grand Total	**1,845**	**2,055**	**2,527**	**6,427**

APPENDIX H

South Ribble Borough Council Capital Strategy

INTRODUCTION

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to provide a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with corporate objectives and take account of stewardship, value for money, prudence, sustainability and affordability.

PURPOSE

2. The capital strategy sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward an impact on the achievement of corporate strategy priorities.

3. The capital strategy sets out a framework for the self-management of capital finance and examines the following areas:

   - Capital expenditure
   - Treasury Management
   - Commercial Activity
   - The future ambition of the council's capital programme

4. The capital strategy is to be approved annually by Full Council alongside the budget setting papers.

CAPITAL EXPENDITURE

5. The council's capital programme forms part of the council's overall financial strategy to deliver some of its key objectives contained in the Corporate Priorities. The capital programme must be affordable and based upon prudence. The current local government financial position and the need to make revenue savings will impact on the council's ability to finance further capital spending unless additional funding is secured from external sources. The capital programme is constructed based upon the following objectives.

CAPITAL PROGRAMME OBJECTIVES

The resources available will be targeted at areas that deliver corporate priorities as described in the annual Corporate Strategy

Borrowing will be managed to ensure the future impact on revenue is minimised

The council will consider the purchase and/or development of assets to generate a sustainable revenue stream to counteract against the risk of future reductions in grant funding and year to year fluctuations in locally sourced funding; however only where this investment supports the regeneration of the Borough.

Borrowing solely for the purpose of generating yield is no longer permissible.

The council will consider working with partners to assist them to meet both their objectives and the council's objectives; this must have no impact on revenue budgets. This support may include granting loans to organisations at a rate that generates a greater return to the council.

The council will continue to identify land to assist in delivering its affordable housing targets.

The council will look to maximise opportunities to attract external finance to sustain its programme of work.

GOVERNANCE

6. Democratic decision-making and scrutiny provide overall political direction and ensure accountability for investment in the capital programme. These processes include:

    - Full Council approves the Council's Corporate Strategy that is refreshed every year, this strategy features numerous capital projects that are then built into the council's budget setting process.
    - The Chief Finance Officer is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the executive before submission to the Full Council.
    - Full Council approves the capital programme as well as the Treasury Management and Investment Strategy. The revenue implications of these strategies are included in the annual budget and Medium-Term Financial Strategy, all of which is approved by Full Council.
    - Cabinet receives quarterly revenue and capital budget monitoring reports, approves variations (or recommends approvals to Full Council) and considers new bids for inclusion in the capital programme.
    - Portfolio holders are assigned projects in line with their responsibilities
    - Scrutiny can call in Cabinet reports, receive and scrutinise reports
    - All projects progressing to the capital programme follow the constitution and financial regulations, this includes adjustments to the projects as they progress
    - The capital programme is subject to internal and external audit.

7. The definition of 'capital' will be determined by the Chief Finance Officer, having regard to government regulations and accounting requirements.

NEW CAPITAL PROPOSALS

8. A new proposed scheme must be assigned a project manager and a new project must focus on the benefits it can deliver through the measurable project outcomes, not just time and cost.

9. Where necessary, business cases are created and scrutinised by the finance team to ensure all financing, capital and revenue expenditure and income implications have been considered across the lifecycle of the investment with appropriate levels of sensitivity analysis surrounding key assumptions. If required, external expertise will be sought to provide specialist support such as VAT and governance advice. Outline risk registers are included and scrutinised by internal audit, finance and the service managers.

10. New proposals along with the business cases are reported to the Shared Senior Management Team (SMT) and Senior Leadership Team (SLT) to ensure schemes are compliant with the council's overall strategic objectives. The role of SLT is to ensure that new proposals are not considered in isolation but rather considered alongside existing schemes and other new proposals. In doing this SLT ensures the council's corporate priorities are driving future capital investment. For example, the council's Medium-term

Financial Strategy includes the ambition to create future efficiency savings, contract savings and income generation, as well as benefit residents and local communities. Projects that are brought forward to SLT must meet one or more of these objectives.

11. Once considered by SLT new proposals are taken to the Shared Senior Management Team (SMT), including the Chief Finance Officer, and if accepted they are taken to the administration for approval. In line with the requirements of the constitution, the new project may be taken to Cabinet or Full Council for final approval. Projects are monitored through the council's bespoke project management framework and toolkit (based on Prince 2 principles) to ensure responsible officers are identified, business cases are reviewed, risks managed, stakeholders suitably engaged, outputs achieved and benefits realised.

AFFORDABILITY, PRUDENCE AND SUSTAINABILITY

12. The Prudential Code requires that the Authority shall ensure that all capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so it will take into account its arrangements for the repayment of debt and consideration of risk and the impact on the Council's overall fiscal sustainability.

13. The Authority is required to make reasonable estimates of the total capital expenditure that it plans to incur in the forthcoming financial year and at least the following two financial years.

14. The capital programme outlined in Table 1; subject to approval at Full Council on 23 February 2021.

Table 1: Capital Programme 2020/21 to 2023/24

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Good homes, green spaces and healthy places	3.461	10.338	12.290	23.880	**49.969**
A fair economy that works for everyone	0.845	2.200	2.000	0.000	**5.045**
Thriving communities	0.240	0.350	0.750	0.000	**1.340**
An exemplary council	2.056	2.926	0.940	0.504	**6.426**
Total Capital Expenditure	**6.602**	**15.814**	**15.980**	**24.384**	**62.780**
Grants	1.870	1.240	0.682	0.682	**4.474**
External Contributions	0.029	0.030	3.075	0.000	**3.134**
S106 / CIL	1.945	2.205	2.527	0.000	**6.677**
Reserves	2.758	3.417	0.600	0.000	**6.775**
Prudential Borrowing	0.000	8.922	9.096	23.702	**41.720**
Total Financing	**6.602**	**15.814**	**15.980**	**24.384**	**62.780**

15. The Capital Expenditure Prudential Indicator (Table 1) is the platform from which most Prudential Indicators of the Council are formed; this Prudential Indicator (PI) is grounded in the Council's capital programme and is a stated affordability indicator within the Prudential Code.

16. The predominantly high value projects within any capital programme means capital expenditure is a significant source of risk for any Council; the nature of these projects means they are often subject to cost variations, slippage or changes in specification.

17. Having established through the governance process that the capital programme is affordable, the monitoring of agreed against actual is a key element of risk management which this PI is designed to assist with; quarterly monitoring, using this PI as it's cornerstone, will help sign-post where schemes are straying from expectation either in regard to cost or timeframe

18. A typical measure of affordability is to compare the council's capital financing costs (interest and MRP) to the net revenue stream (council tax, business rates, revenue support grant and new homes bonus income). An increasing percentage would mean a greater proportion of the council's funding being used to meet its debt.

Table 2: Capital Financing / Net Revenue Stream

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
MRP and Interest	**0.619**	**0.381**	**0.666**	**0.922**
Council Tax	(8.596)	(8.600)	(8.666)	(8.871)
Business Rates including grants for reliefs	(5.309)	(5.293)	(4.487)	(3.735)
Lower Tier Services Grant	-	(0.100)	-	-
New Homes Bonus	(0.660)	(0.363)	(0.093)	-
Funding	**(14.566)**	**(14.356)**	**(13.246)**	**(12.606)**
Capital Financing/Net Revenue Stream	**4.25%**	**2.65%**	**5.03%**	**7.31%**

19. Table 2 gives a proposed performance indicator regarding the affordability of the council's capital strategy. It should be noted however that this indicator will increase due to reductions in Government funding such as the elimination of New Homes Bonus or changes to retained business rates.

PRUDENCE

20. The Code also states that "In order to ensure that over the medium term net debt will only be for a capital purpose, the local authority should ensure that net debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years." This is a key indicator of prudence.

Table 3: Capital Financing Requirement 2020/21 to 2023/24

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Opening Capital Financing Requirement	**2.998**	**2.379**	**10.980**	**19.480**
Increase in prudential borrowing	0	8.900	9.000	23.700
Provision made for debt repayments	(619)	(299)	(500)	(531)
Closing Capital Financing Requirement	**2.379**	**10.980**	**19.480**	**42.649**

21. As such there is a requirement to ensure that net debt (the sum of borrowing and other long-term liabilities, net of investments) in 2021/22 does not, except in the short term, exceed **£10.980m**.

ASSET MAINTENANCE

22. The Council sets aside sufficient budget every year for the maintenance of its assets. Where possible, revenue resources are set aside every year to fund the replacement and enhancement of Council owned short-life assets. This approach mitigates any potential cost to the council's revenue budget of borrowing to fund capitalised expenditure on council owned assets.

INCOME GENERATING INVESTMENTS

23. The council owns over 130 units across numerous sites that generate a rental income to the council. There are currently 9 units vacant however it is assumed these units will be let during 2021/22.

24. Any temporary reduction in income from these sites will be met through a £150k reserve that has been created for 2021/22.

25. The council assets that generate net income are summarised below

Table 4: Summary of Net Income from Investment in Capital Assets

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Income from Investment Properties	(1.105)	(1.105)	(1.105)	(1.105)
Other assets	(0.220)	(0.220)	(0.220)	(0.220)
Income from new investments	0.000	(0.033)	(0.033)	(0.033)
Total Net Income from Investments	**(1.325)**	**(1.358)**	**(1.358)**	**(1.358)**
Gross Directorate Budgets South Ribble Council	15.371	14.861	14.971	15.410
% Net Income to Gross Directorate Budgets	**8.62%**	**9.14%**	**9.07%**	**8.81%**

26. 'Other assets' includes Leyland Market, Leyland Civic Centre, Moss Side Depot and Worden Park Craft Units. The income from new investments relates to the Affordable Housing at Station Road, Bamber Bridge (Tom Hanson House) which will be operational in quarter 1 of 2021/22. At this point in time no further additional income has been assumed from future council investments such as affordable housing at the former McKenzie Arms and an extra care facility. These will be included in the budget as the financial models are finalised.

27. The council's gross directorate budgets are funded by approximately 9% through the income generated by these assets. As the council invests in income generating assets throughout the MTFS period the percentage identified above will increase. As such it is important to monitor this performance indicator and analyse the risk associated with the income assumed in the budget.

RISK APPETITE

28. A key element of the Capital Strategy is to define the Council's risk appetite. South Ribble Borough Council is exposed to a number of investment and commercial risks:

- **Financial risk** relating to the investment of cash, market volatility, currency markets, etc
- **Economic risk** relating to whether the local / national economy is growing or contracting
- **Counterparty risk** relating to investments, loans to third parties and business transactions
- **Operational risk** arising from transactions
- **Strategic risk** relating to the decisions taken by the Council in pursuit of its corporate objectives, i.e. the purchase of major new assets.
- **Reputational risk** relating to the adverse impact of the Council's dealings
- **Environmental** and **social risks** arising from the adverse impact of investments
- **Governance risk** relating to the transparency and accountability of decisions and decision-makers.

29. The Council has no appetite for **reputational, governance** and **foreign currency risk**. Its approach to other risks is as follows:

- **Financial** – subject to full due diligence and appropriate external advice the Council will have a moderate risk appetite for investment / expenditure on a range of asset classes, property and longer-term investments. Security and liquidity will be appropriate for the type of investment made. Income generation will prevail over capital appreciation. The Council will have no appetite for volatile or emerging market sector investments.

- **Economic –** The Council will have a high risk appetite for appropriate investments / expenditure in the Borough, it has no risk appetite for investments outside the Borough. The Council will have a low appetite for interest rate risk exposure. The key challenge for 2021/22 will be to restore economic activity in the wake of the ongoing Covid-19 pandemic.

- **Counterparty –** the Council will have a high appetite for highly rated counterparties and financial institutions and a low appetite for unsecured non-investment debt. All investments will be subject to careful due diligence and an assessment of the Council's corporate priorities and liquidity profile.

- **Operational –** the Council will have a low risk appetite for all operational risk arising from factors such as: price errors, administrative errors, IT security, etc. Specific business risks are identified at business unit level and business continuity plans identify and mitigate as appropriate. There is no appetite for fraud, regulatory breaches and exceeding approved limits.

- **Strategic** – The Council will have a high appetite for investments which further its corporate priorities, increase revenue streams and / or facilitate the efficient and effective delivery of core service objectives,

- **Environmental and social** – the Council will have no appetite for environmental and social risk.

NEW CAPITAL SCHEMES

The council proposes to allocate a further £3.6m to support a programme of improvements for residents and communities right across the borough including:

£625,000 to fund improvements to play areas and open spaces across the borough

£500,000 to deliver neighbourhood improvement projects including:

- Development of a nature reserve at Pickerings Farm
- Tidy up of community areas in Pope Lane area
- Improvements to Kingsfold Community Centre and playing fields
- More dog bins and relevant signage

£20,000 to provide a fund for technology and equipment to support children to access remote learning where there is a need

£2m to deliver affordable housing units – with the focus over the next year on undertaking feasibility work and developing a programme in line with the council's Home Build programme

£500,000 over the next two years to deliver a programme of improvements to community facilities to provide quality amenities for residents, encouraging positive mental and physical health as part of an active community

THRIVING COMMUNITIES

GOOD HOMES, GREEN SPACES, HEALTHY PLACES

AN EXEMPLARY COUNCIL

A FAIR LOCAL ECONOMY THAT WORKS FOR EVERYONE

FUTURE CAPITAL INVESTMENT AMBITION

30. The council's ambition to invest within the borough stretches beyond the time scales of its approved capital programme. The council will invest to deliver efficiency savings, generate additional income to be reinvested in services and invest to support local residents and communities.

INCOME GENERATING INVESTMENT

31. The council is committed to investing within the borough to bring forward sites that will further enhance local employment as well as generating a revenue stream for the council. The council's local plan is undergoing a review to be concluded within the MTFS period. Employment sites identified from this review will be considered for development whether controlled by the council or in partnership with other developers.

32. The council will identify external funding wherever possible to deliver its investment ambitions. The council has already successfully bid for and received £750k to purchase sites in Leyland town centre and has received a further £160k to create a Leyland town investment plan. This plan will form a bid of up to £25m to Government as part of the Town Deal to bring over £30m of investment to the town centre.

HOUSING

33. The council already has included in the capital programme several large scale projects to bring forward affordable housing in the borough. The council will continue to implement the Homebuild project bringing forward the development of better quality of homes in South Ribble.

34. The council will continue to bid for and utilise external funds to complete housing projects including One Public Estate, Land Release Funding, funding from Homes England and Commuted (s106) sums.

INVESTING TO GENERATE EFFICIENCY SAVINGS

35. The council's Medium-Term Financial Strategy identifies a further £2.614m revenue budget efficiency savings to be realised by 2023/24. These savings will come through reduced revenue budgets and additional income generation. The council's Corporate Strategy recognises the need to invest in services to deliver these savings.

36. The council has already included in its capital programme over £1m to **modernise its ICT** to both improve the efficiency of its staff as well as improve its customer facing services. Moving forward, the council will capture any further efficiency of service delivery within its Digital strategy allocating the remaining £600k capital budget to implement these changes.

37. The council set aside £650k to develop **council owned corporate buildings**. Investment in the facilities at the civic centre will enhance the commercial offer as well providing better use of space for staff and additional facilities such as meeting rooms and break out areas.

The investment outlined above emphasise the council's ambition to utilise capital expenditure to drive forward efficiencies as well as income generating opportunities for the benefit of its residents and council tax payers. Further opportunities are and will be considered with funding identified to continue this ambition.

KNOWLEDGE AND SKILLS

38. The council has professionally qualified staff across a range of disciplines including finance, legal and property that follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills. The council establishes project teams from all the professional disciplines from across the council as and when required. External professional advice is taken where required and will always be sought in consideration of any major commercial property investment decision.

39. Internal and external training is offered to members to ensure they have up to date knowledge and expertise to understand and challenge capital and treasury decisions taken by the strategic director of finance and governance.

RECOMMENDATIONS

40. It is recommended that the prudential indicators outlined in Table 5 are approved as part of the 2021/22 budget.

41. It should be noted that these performance indicators are specific to South Ribble Borough Council due both to its composition of funding and its unique level of commercial activity. As such these cannot be benchmarked effectively against other council's indicators. The indicators can however be monitored over time. As such it is proposed that these performance indicators will be monitored, reported and, where necessary adjusted, every six months. They will be reported to Governance Committee and Full Council.

Table 5 – Prudential Indicators 2020/21 to 2023/24

Indicator	2020/21	2021/22	2022/23	2023/24
Estimated Capital Expenditure (Table 1)	£6.602m	£15.814m	£15.980m	£24.384m
Capital Financing / Net Revenue Stream (Table 2)	4.25%	2.65%	5.03%	7.31%
Estimated Capital Financing Requirement (Table 3)	£2.379m	£10.980m	£19.480m	£42.649m
% Net Income to Gross Directorate Budgets (Table 4)	8.62%	9.14%	9.07%	8.81%

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APPENDIX I

REPORT TO	ON
Council	**24 February 2021**

TITLE	REPORT OF
Treasury Management Policy Statement 2021/22	**Deputy Director of Finance (Section 151 Officer)**

Is this report confidential?	No

PURPOSE OF THE REPORT

1.1 To present for approval the Prudential and Treasury Indicators and Treasury Management and Investment Strategies for 2021/22 to 2023/24, and the Minimum Revenue Policy Statement for 2021/22.

2. RECOMMENDATION(S)

2.1 That Council approve:

- The capital expenditure Prudential Indicators for 2021/22 to 2023/24 in Tables 1 to 5.
- The annual Minimum Revenue Provision (MRP) Policy statement starting at paragraph 10.3.
- The Treasury Management Strategy and treasury management Prudential Indicators for 2021/22 to 2023/24, in Tables 6 to 10.
- The Annual Investment Strategy 2021/22 including Investment Counterparties starting at paragraph 12.

3. REASONS FOR RECOMMENDATIONS

3.1 Setting the annual budget is a statutory requirement part of which is the Treasury Management Policy.

4. OTHER OPTIONS CONSIDERED AND REJECTED

4.1 None

5. CORPORATE OUTCOMES

1. The report relates to the following corporate priorities:

An exemplary council	✓	Thriving communities	
A fair local economy that works for everyone		Good homes, green spaces, healthy places	

6. BACKGROUND TO THE REPORT

6.1 For each financial year the Council sets a balanced budget so that cash income raised during the year is sufficient to meet all of its cash expenditure commitments. One of the key functions of the Council's treasury management activity is to ensure that these cash flows are effectively managed, so that cash is available when it is needed. Surplus cash is invested having regard to risk, liquidity and yield.

6.2 A further key function of the treasury management activity is to ensure that the Council has sufficient funds to pay for its capital and other investment plans. These capital plans, which are set out in the Capital Programme, identify the borrowing needs of the Council over a longer time horizon than the current year. In managing its longer-term cash flow requirements for capital expenditure the Council will take out loans or alternatively use its cash flow surpluses in lieu of external borrowing. This latter practice is referred to as "internal borrowing". In managing its loans, it may at times be advantageous for the Council to repay or restructure its borrowings to optimise interest payments or achieve a balanced debt portfolio.

6.3 Having regard to these activities, the Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

"The management of the Council'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."

6.4 As treasury management decisions involve borrowing and investing substantial sums of money, the Council is exposed to potentially large financial risks, including the loss of invested funds and the revenue effect of changing interest rates. The identification, control and monitoring of risk are therefore integral elements of treasury management activity.

6.5 The Treasury Management Policy Statement for 2021/22 is based upon the Deputy Chief Finance Officer and Treasury Officers' views on interest rates supplemented by leading market forecasts. The policy statement covers:

a) The policy for managing capital borrowing and debt rescheduling
b) The annual investment strategy for treasury management investments
c) Reporting arrangements
d) Training arrangements
e) Performance indicators
f) Minimum Revenue Provision (MRP) Policy
g) Use of treasury management advisors

6.6 Council of 26 February 2020 approved the Treasury Management Strategy for 2020/21, including Prudential and Treasury Indicators, the Treasury Management and Investment Strategies, and the annual Minimum Revenue Provision (MRP) Policy Statement for 2020/21. Treasury Management activities during the year have been overseen by the Governance Committee.

6.7 This report updates Prudential and Treasury Indicators for financial years 2021/22 to 2023/24. It presents updated Treasury Management and Investment Strategies and proposes the Minimum Revenue Provision Policy Statement for 2021/22.

7. TREASURY MANAGEMENT STRATEGY 2021/22

7.1 The strategy for 2021/22 covers two main areas:

Capital issues
- the capital plans and the Prudential Indicators;
- the Minimum Revenue Provision (MRP) policy.

Treasury management issues
- the current treasury position;
- Treasury Indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

7.2 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code, and MHCLG Investment Guidance.

7.3 The Statutory Guidance on Minimum Revenue Provision remains the 3rd edition, as issued by the Ministry of Housing, Communities & Local Government on 2 February 2018.

8. TRAINING

8.1 The CIPFA Code requires the Responsible Officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training will be provided on the implications of the revised CIPFA Prudential and Treasury Management Codes, and the revised MHCLG Investment Guidance and MRP Guidance.

8.2 The training needs of treasury management officers are reviewed periodically. Both CIPFA and Link Asset Services provide workshops and seminars.

9. TREASURY MANAGEMENT CONSULTANTS

9.1 The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors. The advisors provide access to specialist skills and resources including

- Technical support on treasury matters and capital finance issues.
- Economic and interest rate analysis.
- Debt services, which includes advice on the timing of borrowing.
- Debt rescheduling advice surrounding the existing portfolio.
- Generic investment advice on interest rates, timing and investment instruments.
- Credit ratings/market information service comprising the three main credit rating agencies.

9.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

9.3 The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed, documented and subjected to regular review.

10. CAPITAL PRUDENTIAL INDICATORS 2020/21 – 2023/24 AND MRP POLICY STATEMENT

10.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

10.2 **Capital expenditure**

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Table 1 - Capital Expenditure	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Good homes, green spaces and healthy places	3,461	10,338	12,290	23,880
A fair economy that works for everyone	845	2,200	2,000	0
Thriving communities	240	350	750	0
An exemplary council	2,056	2,926	940	504
Capital Expenditure Total	**6,602**	**15,814**	**15,980**	**24,384**

The table below summarises the above capital expenditure plans identified in the Capital & Investment Strategy and the Capital Programme and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a borrowing requirement.

Table 2 - Capital Financing	2020/21 Revised £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Capital expenditure from Table 1	6,602	15,814	15,980	24,384
Grants & Contributions	(1,899)	(1,270)	(3,757)	(682)
S106/CIL	(1,945)	(2,205)	(2,527)	0
Revenue and Reserves	(2,758)	(3,417)	(600)	0
Net financing needed for year	**0**	**8,922**	**9,096**	**23,702**

The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes:

Table 3 - Capital Financing Requirement	2020/21 Revised £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Opening CFR	2,999	2,380	11,003	19,599
Net financing need for the year (Table 2)	0	8,922	9,096	23,702
Less MRP/VRP	(619)	(299)	(500)	(531)
Closing CFR	**2,380**	**11,003**	**19,599**	**42,770**

10.3 **Minimum Revenue Provision (MRP)**

The Council has a statutory requirement to set aside each year part of their revenues as a provision for the repayment of debt, called the Minimum Revenue Provision (MRP). The provision is in respect of capital expenditure incurred in previous years and which has been financed by borrowing.

The statutory requirement per the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [SI 2008/414] is for each local authority to determine an amount of MRP which it considers to be "prudent".

As "prudence" is not defined in the regulations, the MHCLG had issued accompanying statutory guidance which explains that the broad aim of a "prudent provision" is to ensure that the debt is repaid over a period that is either, reasonably commensurate with the period over which the capital expenditure provides benefit, or, in the case of borrowing supported by formula grant, reasonably commensurate with the period implicit in the determination of that grant. Each authority must determine what they consider is a prudent amount while having regard to the guidance.

The guidance also recommends that each local authority prepare an annual statement of its strategic policy on making MRP, to be approved by the full Council. A variety of options are provided to councils in the regulations, so long as there is a prudent provision.

For capital expenditure incurred before 1 April 2008 Option 1 is applied.

This provides for local authorities to continue to calculate MRP in line with the minimum existing statutory charge of 4% of outstanding debt related to supported borrowing only, less an adjustment that ensures consistency with previous capital regulatory regimes no longer in force.

From 1 April 2008 for all unsupported borrowing (including finance leases) the MRP policy will be Option 3 – Asset Life Method

This method is appropriate for calculating MRP in relation to debt incurred as unsupported borrowing (also known as prudential borrowing), and must be used for revenue expenditure capitalised by direction or regulation. Under this option there are two methods available:

- (Equal instalment method. This generates a series of equal annual amounts over the life of each asset that is financed by borrowing, with the life determined upon acquisition. This means that the charge to revenue closely matches the period of economic benefit of the asset.
- Annuity method. This method links the MRP to the flow of benefits from an asset where the benefit is expected to increase in later years.

Under this option, authorities should consider the type of assets that they finance through prudential borrowing, as the type of asset and its useful life may have a significant impact on the level of MRP charged. Where expenditure is capitalised by direction or regulation, the guidance specifies certain maximum lives to be used in the calculation.

Finance Leases and PFI
The guidance indicates that for finance leases and on-balance sheet PFI contracts, the MRP requirement could be met by making a charge equal to the element of the finance lease rental that goes to write down the balance sheet liability under proper accounting practices.

10.4 **Affordability prudential indicators**

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicator:

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Table 4 - Ratio of Financing Costs to Net Revenue Stream	2020/21 Estimate %	2020/21 Revised %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %
Ratio	5.03	3.81	1.72	5.77	9.94

The estimates of financing costs include current capital commitments and the proposals in the Budget and Capital and Capital Strategy reports. The increasing ratio for the remainder of the budget period reflects the additional level of borrowing required to finance the Council's planned Capital Programme. However, the intention for schemes funded through borrowing is that they will, where possible, deliver a financial return and therefore contribute to the sustainability of the Council's debt financing costs.

10.5 **Core funds and expected investment balances**

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

Table 5 - Year-End Resources	2020/21 Estimate £000	2020/21 Revised £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Core Funds/Working Balances	(40,369)	(46,944)	(43,378)	(37,221)	(36,131)
Under/(over) borrowing (Table 6)	4,173	2,350	6,448	10,468	21,746
Expected investments	**(36,196)**	**(44,594)**	**(36,930)**	**(26,754)**	**(14,386)**

11. BORROWING

11.1 The capital expenditure plans set out in paragraph 10.2 above provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant Treasury / Prudential Indicators, the current and projected debt positions and the annual Investment Strategy.

11.2 **Current portfolio position**

11.3 The Council's treasury portfolio position at 31 March 2021, with forward projections, is summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 6 - Portfolio Position	2020/21 Estimate £000	2020/21 Revised £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Debt at 1 April	0	0	0	4,461	9,186
Other long-term liabilities (OLTL)	322	390	0	0	0
Total gross debt 1 April	322	390	0	4,461	9,186
Expected change in Debt	743	0	4,461	4,725	12,151
Expected change in OLTL	(322)	(390)	0	0	0
Expected change in gross debt	421	(390)	4,461	4,725	12,151
Gross debt 31 March	743	0	4,461	9,186	21,337
Capital Financing Requirement (Table 3)	4,916	2,350	10,909	19,653	43,082
Under / (over) borrowing	**4,173**	**2,350**	**6,448**	**10,468**	**21,746**

11.4 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

11.5 The Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

11.6 **Treasury Indicators: limits to borrowing activity**

The Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Table 7 - Operational Boundary	2020/21 Estimate £000	2020/21 Revised £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Debt	750	0	4,500	9,200	21,400
Other long-term liabilities	0	0	0	0	0
Operational Boundary	**750**	**0**	**4,500**	**9,200**	**21,400**

The Authorised Limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

Table 8 - Authorised Limit	2020/21 Estimate £000	2020/21 Revised £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Debt	3,750	3,000	7,500	12,200	24,400
Other long-term liabilities	0	0	0	0	0
Authorised Limit	**3,750**	**3,000**	**7,500**	**12,200**	**24,400**

11.7 **Maturity structure of borrowing**

These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Table 9 - Maturity Structure of Borrowing		
Maturity structure of fixed interest rate borrowing 2021/22		
	Lower	**Upper**
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	30%
5 years to 10 years	0%	50%
Over 10 years	0%	100%

It is not anticipated that any borrowing will be taken at variable interest rates.

11.8 **Control of interest rate exposure**

Please see paragraphs 11.9, 12.4 and Appendices I1-3.

Appendix I3 compares the forecast of a year ago with that prepared for the mid-year review, and the current forecast.

11.9 **Prospects for borrowing interest rates**

Borrowing interest rates fell to historically very low levels as a result of the Covid-19 pandemic and the associated quantitative easing operations of the Bank of England, and have remained low since. The unexpected increase of 1% in PWLB rates in October 2019 had a major impact on local authority borrowing plans. However, in March 2020, the Government began a consultation process for reviewing the rates for PWLB borrowing for different types of local authority capital expenditure. The outcomes of this review were announced on 25 November 2020, with the principal results being the reversal of the previous 1% increase in rates, but with the introduction of an exclusion on the use of PWLB borrowing where a local authority's three-year capital programme includes the purchase of assets for yield.

With PWLB rates remaining at low levels and forecast to do so for some time then, where there is a financing requirement, borrowing from the PWLB should be actively considered, as should the relative merits of borrowing across different maturity periods. If it appears that greater value can be obtained in borrowing for shorter maturity periods, the Council will assess its risk appetite in conjunction with budgetary pressures to reduce total interest costs. This will be balanced by also considering longer-term borrowing for the purpose of certainty.

While it is likely, based upon the capital plans set out above, that the Council will need to enter into long-term external borrowing during the term of this strategy, this will be balanced against ongoing consideration of the use of internal cash balances as an alternative.

11.10 **Borrowing strategy**

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then borrowing will be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported at the next available opportunity.

11.11 **Policy on borrowing in advance of need**

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

12. ANNUAL INVESTMENT STRATEGY

12.1 Investment Policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the CIPFA Treasury Management in the Public Services: Guidance Notes for Local Authorities incl Police and Fire Authorities (2018) ("the CIPFA TM Code"). The Council's investment priorities will be **S**ecurity first, portfolio **L**iquidity second, and only then return (**Y**ield).

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Treasury Management Practice 1 (TMP1) deals with credit and counterparty risk management. In applying this practice, the following limits are relevant:

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of £6m will be held in aggregate in non-specified investments, specifically term deposits with UK local authorities.

12.2 Creditworthiness policy

The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

Yellow	5 years
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	Not to be used

The yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.

The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Council use will be a Short-Term rating (Fitch or equivalents) of F1 and a LongTerm rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly and will be checked at the time of placing investments. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service, and has access to the websites of Fitch, Moody's and Standard & Poor's.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition, this Council will also use market data and market information, information on any external support for banks to help support its decision-making process.

Investment Counterparties 2021/22

Category	Institutions	LAS Colour Code	Maximum Period	Limit per Institution
Banks & Building Societies: Call Accounts /Term Deposits / Certificates of Deposit (CDs)				
Government related/guaranteed	DMADF (DMO) UK Local Authority	Yellow Yellow	6 months 2 years	Unlimited £6m per LA
UK part-nationalised institutions	Royal Bank of Scotland group	Blue	1 year	£6m per group
UK-incorporated Institutions	UK banks and building societies of high credit quality	Orange Red Green	1 year 6 months 3 months	£6m per group (or independent institution)
Non-UK Banks	Non-UK banks of high credit quality	Orange Red Green	1 year 6 months 3 months	£4m per group (or independent institution); £8m in total for this category
Money Market Funds				
Money Market Funds	MMFs of high credit quality - AAA rated		Instant access	£5m per fund

12.3 **Country limits**

In addition to the detailed UK counterparties, the above list includes non-UK banks from countries which have a minimum sovereign credit rating of AA- from Fitch. To this are added the requirement for the individual institution to itself have a high credit rating and a limit of £4m per institution/group and £8m in total in this category of investment.

The list of eligible countries at the date of this report would then be as shown below. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

The only non-UK counterparty used in the last three years is the German bank Landesbank Hessen-Thüringen Girozentrale (Helaba). The Council currently has the maximum amount of £4m invested with this counterparty.

APPROVED COUNTRIES FOR INVESTMENTS – United Kingdom plus the following:

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar

12.4 **Investment strategy**

In-house funds
Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations
Bank Rate is forecast to remain unchanged at 0.10% across the whole of the period covered by this strategy report. Current Bank Rate forecasts for financial year ends (March) are shown below, compared to those from twelve months ago:

- 2020/21 0.10% Was 0.75% in 2020/21 Treasury Strategy report
- 2021/22 0.10% Was 1.00%
- 2022/23 0.10% Was 1.25%
- 2023/24 0.10%

With the Bank Rate unlikely to rise from 0.10% for a considerable period, it is very difficult to say when it may start rising, so it needs to be assumed that investment earnings from money market-related instruments will remain below 0.50% for the foreseeable future.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows. The long term forecast is for periods over 10 years in the future):

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

	Now	**2020/21 report**
2020/21	0.10%	0.75%
2021/22	0.10%	1.00%
2022/23	0.10%	1.25%
2023/24	0.10%	1.50%
2024/25	0.20%	1.75%
Long-term later years	2.00%	2.25%

The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but remains subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. It may also be affected by ongoing developments resulting from Brexit.

There is relatively little UK domestic risk of either increases or decreases in Bank Rate or significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away, given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

On negative investment rates, while the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis. This has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

For money market funds (MMFs), yields have continued to drift lower. Some managers have already reduced fee levels to ensure that net yields for investors remain positive, wherever possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in what are unprecedented circumstances, has meant there is a surfeit of money available at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home, at a time when many local authorities are probably having difficulties over accurately forecasting when funds will be received or when further large receipts may be received from the Government.

Investment Treasury Indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

Table 10 - Maximum Principal Sums Invested > 365 Days	2020/21 Estimate £000	2020/21 Revised £000	2021/22 Estimate £000	2022/23 Estimate £000	2022/24 Estimate £000
UK Government	0	0	0	0	0
UK Local Authorities	6,000	6,000	6,000	6,000	6,000
UK Banks & Building Societies	0	0	0	0	0
Non-UK Banks	0	0	0	0	0
Total	**6,000**	**6,000**	**6,000**	**6,000**	**6,000**

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

12.5 **Investment Risk Benchmarking**

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day LIBID compounded. However, it is recognised that the provision of LIBOR and associated LIBID rates is currently expected to cease at the end of 2021. Officers will work with the Council's treasury management advisors to determine a suitable replacement investment benchmark ahead of this and will report back to members accordingly.

12.6 **End of Year Investment Report**

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

12.7 **Accounting treatment of investments**

The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, officers will review the accounting implications of new transactions before they are undertaken.

13. Risk

The financial risks are outlined throughout the report as well as the appendices to the report.

14. Equality and diversity

None

15. Air quality implications

None

COMMENTS OF THE STATUTORY FINANCE OFFICER

These are contained in the report.

COMMENTS OF THE MONITORING OFFICER

The recommendations are appropriate as explained in the body of the report.

16. BACKGROUND DOCUMENTS

CIPFA Treasury Management in the Public Services: Code of Practice & Cross-Sectoral Guidance Notes (December 2017 edition)
CIPFA Treasury Management in the Public Services: Guidance Notes for Local Authorities (July 2018 edition)
CIPFA Prudential Code for Capital Finance in Local Authorities (December 2017 edition)
CIPFA Standards of Professional Practice: Treasury Management
MHCLG Guidance on Local Government Investments
MHCLG Guidance on Minimum Revenue Provision

APPENDIX I1 – Economic Background
APPENDIX I2 – Interest Rate Forecasts
APPENDIX I3 – Comparison of Interest Rate Forecasts

ECONOMIC BACKGROUND

Advice from Link Asset Services:

- **UK.** The Bank of England Monetary Policy Committee has continued to keep the Bank Rate unchanged at 0.10%. However, it has revised its economic forecasts to take account of the renewed national lockdowns, which are inevitably going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of quantitative easing (QE) of £150bn, to start in January when the current programme of £300bn, announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".
- Its forecasts had appeared, at that time, to be rather optimistic in terms of three areas:
    - The economy would recover to reach its pre-pandemic level in Q1 2022
    - An expectation that there would be excess demand in the economy by Q4 2022.
    - CPI inflation was therefore projected to be a little above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".
- Significantly, there has been no mention of negative interest rates in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC has now said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.
- One key addition to the Bank's forward guidance in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise the Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. Inflation is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor due to base effects from twelve months ago falling out of the calculation, and so is not a concern. Looking further ahead, it is also unlikely to be a problem for some years as it will take a prolonged time for spare capacity in the economy, created by this downturn, to be used up.

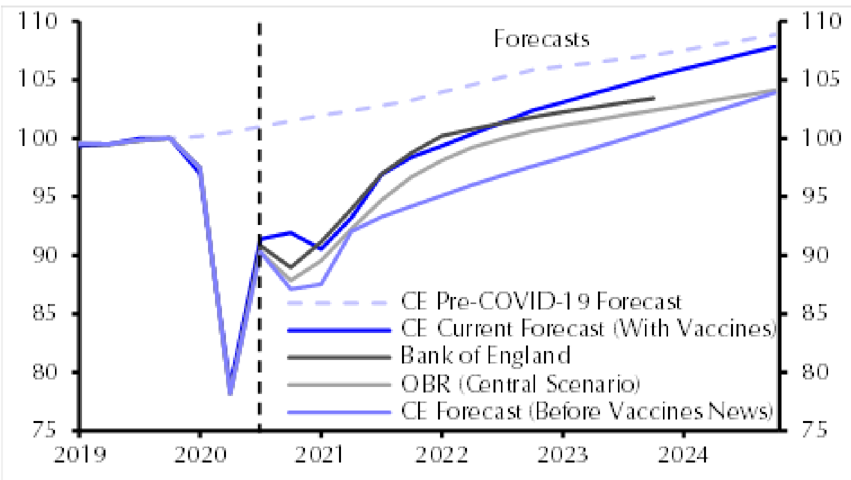
- **Public borrowing** was forecast in November by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.

- Overall, the **pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3. This still left the economy 8.6% smaller than in Q4 2019. While the one month second national lockdown that started on 5th November caused a further contraction of 5.7% m/m in November, this was much better than had been feared and showed that the economy is adapting to new ways of working. This left the economy 'only' 8.6% below the pre-crisis level.

- **Vaccines – the game changer.** The Pfizer announcement on 9th November 2020 of a successful vaccine was followed by approval of the Oxford University/AstraZeneca and Moderna vaccines. The Government has a set a target to vaccinate 14 million people in the most at risk sectors of the population by 15th February. As of mid-January, it has made good and accelerating progress in hitting that target. The aim is to vaccinate all adults by September. This means that the national lockdown which started in early January could be replaced by regional tiers of lighter restrictions, beginning possibly in Q2. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines have radically improved the economic outlook, so that it may now be possible for GDP to recover to its pre-virus level as early as Q1 2022. These vaccines have enormously boosted confidence that life could largely return to normal during the second half of 2021. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for when life returns to normal.

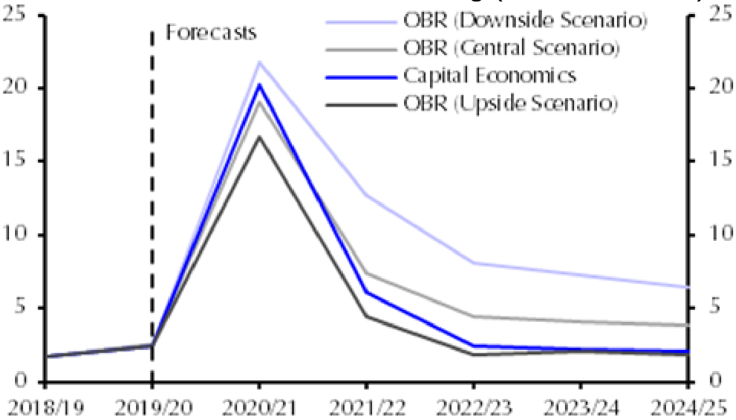
- Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant risk is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development, and vaccine production facilities are being ramped up around the world.

Chart: Level of real GDP (Q4 2019 = 100)



This recovery of growth, which eliminates the effects of the pandemic by about the middle of the decade, would have major repercussions for public finances as it would be consistent with the government deficit falling to around 2.5% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts assumed that politicians do not raise taxes or embark on major austerity measures and so (perversely!) depress economic growth and recovery.

Chart: Public Sector Net Borrowing (as a % of GDP)



- There will still be some painful longer-term adjustments as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

- **Brexit.** The final agreement of a trade deal on 24th December 2020 has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector, where temporary equivalence has been granted in both directions between the UK and EU. This now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.

- **Monetary Policy Committee meeting of 17 December.** All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downsides risks to the economy that it had highlighted in November. But this was caveated by it saying, "Although all members agreed that this would reduce downside risks, they placed different weights on the degree to which this was also expected to lead to stronger GDP growth in the central case." So, while vaccines are a positive development, in the eyes of the MPC at least, the economy is far from out of the woods in the shorter term. The MPC, therefore, voted to extend the availability of the Term Funding Scheme, (cheap borrowing), with additional incentives for small and medium size enterprises for six months from 30th April 2021 until 31st October 2021. (The MPC had assumed that a Brexit deal would be agreed.)

- **Fiscal policy.** In the same week as the MPC meeting, the Chancellor made a series of announcements to provide further support to the economy: -
  - An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March 2021.
  - The furlough scheme was lengthened from the end of March 2021 to the end of April 2021.
  - The Budget on 3rd March 2021 will lay out the "next phase of the plan to tackle the virus and protect jobs". This does not sound like tax rises (which could hold back the speed of economic recovery) are imminent.

- The **Financial Policy Committee** (FPC) report on 6th August 2020 revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

- **US.** The Democrats gained the presidency and a majority in the House of Representatives in the November elections: After winning two key Senate seats in Georgia in elections in early January, they now also have a very slim majority in the Senate due to the vice president's casting vote. President Biden will consequently have a much easier path to implement his election manifesto. However, he will not have a completely free hand as more radical Democrat plans may not be supported by all Democrat senators. His initial radical plan for a fiscal stimulus of $1.9trn, (9% of GDP), is therefore likely to be toned down in order to get through both houses.

- **The economy** had been recovering quite strongly from its contraction in 2020 of 10.2% due to the pandemic, with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a fourth wave. The latest upturn poses a threat that the recovery in the economy could stall. This is the single biggest downside risk to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, individual states might feel it necessary to return to more draconian lockdowns.

- The restrictions imposed to control the spread of the virus are once again weighing on the economy with employment growth slowing sharply in November and declining in December, and retail sales dropping back. The economy is set for further weakness into the spring. GDP growth is expected to rebound markedly from the second quarter of 2021 onwards as vaccines are rolled out on a widespread basis and restrictions are loosened.

- After Chair Jerome Powell unveiled the Fed's adoption of a flexible average inflation target in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline and long-term bond yields duly rose after the meeting. The Federal Open Market Committee's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

- The Fed's meeting on 5 November was unremarkable - but at a politically sensitive time around the elections. At its 16 December meeting the Fed tweaked the guidance for its monthly asset quantitative easing purchases, with the new language implying those purchases could continue for longer than previously believed. Nevertheless, with officials still projecting that inflation will only get back to 2.0% in 2023, the vast majority expect the Fed funds rate to be still at near-zero until 2024 or later. Furthermore, officials think the balance of risks surrounding that median inflation forecast is firmly skewed to the downside. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping Treasury yields low – which will also have an influence on gilt yields in this country.

- **EU.** In early December, the figures for Q3 GDP confirmed that the economy staged a rapid rebound from the first lockdowns. This provides grounds for optimism about growth prospects for next year. In Q2, GDP was 15% below its pre-pandemic level. But in Q3 the economy grew by 12.5% q/q leaving GDP down by "only" 4.4%. That was much better than had been expected earlier in the year. However, growth is likely to stagnate during Q4 and in Q1 of 2021, as a second wave of the virus has seriously affected many countries. The €750bn fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the countries most affected by the first wave.

- With inflation expected to be unlikely to get much above 1% over the next two years, the ECB has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB's December meeting added a further €500bn to the PEPP scheme, (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead. The Bank's forecast for a return to pre-virus activity levels was pushed back to the end of 2021, but stronger growth is projected in 2022. The total PEPP scheme of €1,850bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle before later in quarter 2 of 2021.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction that occurred in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

- **Japan.** A third round of fiscal stimulus in early December took total fresh fiscal spending this year in response to the virus close to 12% of pre-virus GDP. That's huge by past standards, and one of the largest national fiscal responses. The budget deficit is now likely to reach 16% of GDP this year. Coupled with Japan's relative success in containing the virus without draconian measures so far, and the likelihood of effective vaccines being available in the coming months, the government's latest fiscal effort should help ensure a strong recovery and to get back to pre-virus levels by Q3 2021, around the same time as the US and much sooner than the Eurozone.

- **World growth.** World growth has been in recession in 2020 and this is likely to continue into the first half of 2021 before recovery in the second half. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

- Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage, which they then trade with the rest of the world. This has boosted worldwide productivity and growth and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high-tech areas and production of rare earth minerals used in high-tech products. It is achieving this by massive financial support (i.e. subsidies) to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

Summary

Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand and the pace of recovery in their economies.

If there is a huge surge in investor confidence as a result of successful vaccines, which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

INTEREST RATE FORECASTS

Brexit. The interest rate forecasts provided by Link Asset Services and shown at Appendix I3 below were predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. There is therefore no need to revise these forecasts now that a trade deal has been agreed. There is still the possibility that Brexit may reduce the economy's potential growth rate in the long run. However, much of that potential drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is still subject to some uncertainty due to the virus and the effect of any mutations, and how quick vaccines are in enabling a relaxation of restrictions.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields (and so PWLB rates) in the UK.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **UK government** takes too much action, too quickly, to raise taxation or introduce austerity measures that depress demand and the pace of recovery of the economy.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package for the impacts of the COVID pandemic. These actions will help shield weaker economic regions for the next two or three years. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is insupportable. There remains a sharp divide between northern EU countries, favouring low debt to GDP and annual balanced budgets, and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resulting from the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Angela Merkel has stepped down from being the CDU party leader, but she will remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Italy, Spain, Austria, Sweden, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU, and they had threatened to derail the 7-year EU budget until a compromise was thrashed out in late 2020. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **UK -** a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a rapid series of increases in the Bank Rate to stifle inflation.

Comparison of Interest Rate Forecasts – Treasury Strategy 2020/21 – 2022/23 (Jan 2020), and Treasury Strategy 2021/22 – 2023/24 (Feb 2021)

	Bank Rate %			PWLB Borrowing Rates % (including 0.20% certainty rate adjustment)											
				5 year			10 year			25 year			50 year		
	Feb 21	Nov 20	Jan 20	Feb 21	Nov 20	Jan 20	Feb 21	Nov 20	Jan 20	Feb 21	Nov 20	Jan 20	Jan 21	Nov 20	Jan 20
Mar-21	0.10	0.10	0.75	0.90	1.80	2.50	1.30	2.10	2.70	1.90	2.50	3.30	1.70	2.30	3.20
Jun-21	0.10	0.10	1.00	0.90	1.80	2.60	1.30	2.10	2.80	1.90	2.60	3.40	1.70	2.40	3.30
Sep-21	0.10	0.10	1.00	0.90	1.80	2.70	1.30	2.10	2.90	1.90	2.60	3.50	1.70	2.40	3.40
Dec-21	0.10	0.10	1.00	0.90	1.80	2.80	1.30	2.20	3.00	1.90	2.60	3.60	1.70	2.40	3.50
Mar-22	0.10	0.10	1.00	1.00	1.90	2.90	1.40	2.20	3.10	2.00	2.60	3.70	1.80	2.40	3.60
Jun-22	0.10	0.10	1.25	1.00	1.90	2.90	1.40	2.20	3.10	2.00	2.70	3.80	1.80	2.50	3.70
Sep-22	0.10	0.10	1.25	1.10	1.90	3.00	1.50	2.30	3.20	2.10	2.70	3.80	1.90	2.50	3.70
Dec-22	0.10	0.10	1.25	1.10	1.90	3.00	1.50	2.30	3.20	2.10	2.70	3.90	1.90	2.50	3.80
Mar-23	0.10	0.10	1.25	1.10	1.90	3.10	1.50	2.30	3.30	2.10	2.70	4.00	1.90	2.50	3.80
Jun-23	0.10			1.20			1.60			2.20			2.00		
Sep-23	0.10			1.20			1.60			2.20			2.00		
Dec-23	0.10			1.20			1.60			2.20			2.00		
Mar-24	0.10			1.20			1.60			2.20			2.00		

The January 2020 forecasts were included in Treasury Strategy 2020/21 to 2022/23.
Link Asset Services provided an updated forecast in February 2021.

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APPENDIX J

PAY POLICY STATEMENT- 2021/22

1. Introduction

The Localism Act 2011 – [Chapter 8 - Pay Accountability] requires all local authorities in England and Wales to produce a pay policy statement from 2012/13 and for each financial year thereafter, and must do so with regard to any guidance from the Secretary of State for Communities and Local Government.

Additional information is also reported in compliance with The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

The Policy must be agreed by the Full Council and be publicly available.

2. Policy Objective

The purpose of the Pay Policy is to provide transparency with regard to the Council's approach to the setting of pay for all its employees and therefore identifies:

- The methods by which salaries of all employees are determined
- The details of the remuneration of its most senior employees, i.e. Chief Officers
- The relationship between the salary of its Chief Officers and other employees within the Council.
- Details relating to the lowest paid employees.

3. Scope

The pay policy covers the remuneration of all employees of the Council including temporary employees.

4. Pay Structure

In determining the pay and remuneration of its employees the Council will comply with all relevant employment legislation. This includes the Equality Act 2010 and the Part-time Regulations 2008.

The Council uses the nationally negotiated pay spine as the basis for its local pay structures, with the exception being those most senior level posts referred to within the Policy. The Council also adheres to the national pay bargaining arrangements in respect of increases to the nation pay spine.

The pay spine is used to determine the salaries of all council employees, apart from the Chief Officers and senior officers, which are addressed separately within this policy. The grading structure of the majority of the posts was established as part of the Single Status job evaluation process and subsequent pay grade structure was adopted following Council approval in April 2007. This also addressed the Council's approach to the job evaluation of posts and the harmonisation of key terms and conditions of employment. Since 2007 all new posts and posts that have changed significantly are evaluated in accordance with the same Job Evaluation Scheme. The Council operates the GLPC [Greater London Provincial Council] Scheme

All other pay related enhancements and payable allowances/expenses are the subject of either nationally or locally negotiated and/or determined rates.

The Council complies with all relevant legislation and statutory guidance, including the Criminal Finances Act 2017 and the Intermediaries Regulation 35 (IR35), to ensure that all employees and workers engaged to cover Council posts pay the correct rates of tax and National Insurance at source.

5. Shared Services

With effect from 1st October 2020 a number of service areas became shared between South Ribble Borough Council and Chorley Borough Council detailed below:

- Communications and Visitor Economy
- Transformation & Partnerships
- Human Resources
- Legal
- Democratics & Member Services
- Elections

In order to amalgamate services from the different Councils it was necessary to implement a new pay structure, still based upon the nationally negotiated pay spine. Employees on levels 10 to 17 receive an additional 6% of salary in lieu of access to the lease car scheme for which former Chorley Council employees previously had access to. Chorley Council employees who transferred to the Shared Services Pay structure with a lease car agreement in place will retain their lease car for the period of the agreement (3 years) and then revert to the 6% travel allowance.

6. Chief Officer Remuneration

The Localism Act refers to the position of Chief Officer and states that this refers to: the Head of Paid Service; Statutory Chief Officers; non-statutory Chief Officer posts and their direct reports (known as Deputy Chief Officers). It should be noted that this definition is very broad, and takes account of Metropolitan and County Councils as well as District Councils with far fewer management levels.

Therefore, for the purpose of this policy for South Ribble Borough Council, Chief Officers are:

- The Chief Executive (Head of Paid Services) Shared Post (see below)
- Deputy Chief Executive Shared Post

Salary increases are in line with JNC Chief Officers pay award which is negotiated annually

Shared posts

Both the Chief Executive and Deputy Chief Executive post are shared between South Ribble Borough Council and Chorley Borough Council and the level of remuneration is reflected in the increased level of duties and responsibilities relating to the two councils.

Chief Executive

Details of remuneration are contained in the annual Statement of Accounts.

The Chief Executive also receives reimbursement of professional subscription fees where membership of a particular professional organisation/s is required to carry out the full role of the post.

The Chief Executive is currently designated as the Deputy Chief Finance officer as this post is currently absent and will also take on the role of Returning Officer for any Local, National and European elections, payment for which will be in accordance with the statutory calculation.

Any other allowances relating to the post are the same as for all other posts within the Council, for example, reimbursement of fuel expenditure from business travel.

Deputy Chief Executive

There is one post of Deputy Chief Executive reporting directly to the Chief Executive.

Details of remuneration are contained in the annual Statement of Accounts.

Any other allowances relating to the posts are the same as for all other posts within the Council, for example, reimbursement of fuel expenditure from business travel.

Director and Assistant Director Senior Officer Remuneration

As detailed within Section 5, South Ribble Borough Council has a number of shared services with Chorley Borough Council. The Director of Communities, Director of Early Intervention and Director of Governance are employed by South Ribble Borough Council and have responsibility for services across the two Councils. Similarly, the Director of Customer & Digital and Chief Finance Officer similarly have responsibility across the two Councils and as they are employed by Chorley Borough Council (CBC), details of their remuneration is contained within the CBC pay policy.

There are three posts of Director and two Assistant Directors, which are considered to be Senior Officer's posts and two other posts that sit within senior officer salary ranges on NJC terms and conditions:

- Director of Governance (Shared post with Chorley Borough Council)
- Director of Planning and Development (Shared post with Chorley Borough Council)
- Director of Communities (Shared post with Chorley Borough Council)
- Assistant Director Neighbourhoods
- Assistant Director Projects and Development

Details of remuneration are contained in the annual Statement of Accounts.

Any other allowances relating to the posts are the same as for all other posts within the Council, for example, reimbursement of fuel expenditure from business travel.

Annual increases are in line with NJC Terms and Conditions

7. <u>Recruitment of Chief Executive and Chief Officers</u>

Under Section 112 of the Local Government Act 1972, the Council has the "power to appoint officers on such reasonable terms and conditions as the authority thinks fit" where there is a requirement to recruit to the post of Chief Executive or Chief Officer.

The appointment to the Councils Chief Executive, Deputy Chief Executive and statutory officer posts will be dealt with by the Appointment and Employment Panel and in accordance with the Council's constitution.

8. Relationship between Chief Executive/Chief Officer Pay and other Employees

Under the provisions of the Code of Recommended Practice for Local Authorities on Data Transparency, issued by the Ministry for Housing, Communities and Local Government (MHCLG) (formerly Department of Communities & Local Government – DCLG) under section 2 of the Local Government Planning and Land Act 1980, the Council is expected to publish its "pay multiple", i.e. the ratio between the highest paid salary and median average salary of the whole of the Council's workforce.

The relationship between the maximum average salaries of the Chief Executive and Chief Officers and the median salary and the lowest paid salary are:

Post	Benchmark Salary	Ratio
Chief Executive salary	median salary	1:5.0
Deputy Chief Executive	median salary	1:3.9
Director Planning & Development	median salary	1:2.9
Director of Communities	Median salary	1:2.9
Assistant Directors salary	median salary	1:2.1
Chief Executive salary	lowest salary	1:7.1
Deputy Chief Executive	lowest salary	1:5.6
Director Planning & Development	Lowest salary	1:4.2
Director of Communities	lowest salary	1:4.2
Assistant Directors salary	lowest salary	1:2.9

The median salary is £25,481 (The median figure excludes casual employees who are only employed on an ad hoc or occasional basis)

The Council is requirement to report annually on gender pay gap statistics as part of the public sector equality duty. These statistics are published on its website.

9. Lowest Paid Employees

The basic pay of the Council's lowest paid employees comprises a locally agreed grade range implemented in April 2007 and derived from the national pay spine, as set out in the National Joint Council for Local Government Services National Agreement on Pay and Conditions of Service.

At present the Council pay the Foundation Living wage but are not an accredited Living wage employer therefore there is no commitment to pay it. This is subject to SRBC'S annual agreement as part of the Pay Policy. The current Foundation Living wage stands at £9.30 per hour. The new pay line commences at £9.30 per hour. South Ribble Borough Council are consistent with the Foundation Living Wage.

10. Apprentices

There are a number of apprentices currently employed by South Ribble Council for a fixed period. With effect from 1st April 2019 all apprentices in their first year would receive the current National Living Wage regardless of their age and in the second year of their apprenticeship receive the Living Wage Foundation rate as detailed below:

National Living Wage	£8.72 per hour
Living Wage Foundation	£9.30 per hour

11. Other conditions Relating to Chief Officers and other Employees

Performance-related Pay

The Localism Act requires Councils to provide details of any performance related pay for its Chief Officers. However, South Ribble Borough Council does not have any such arrangements.

Bonuses

There are no schemes in relation to the payment of bonuses for any employees, including Chief Officers.

Payments on the termination of employment

The Council's Redundancy Policy applies equally to all employees regardless of their grade.

Pension Arrangements

All employees, including Chief Officers, are entitled to join the Local Government Pension Scheme if they so wish. No alternative options are available should employees not wish to join the scheme.

Starting Salary

For all appointments, including internal appointments and any employee re-graded, negotiations will commence on the lowest point of a grade, however where there is strong justification of the need for a higher starting point this will be considered. This justification must be supported by both the appropriate Director and Human Resources.

Grade Progression

Each grade consists of a number of incremental salary points, through which employees may progress until the top of the grade is reached. Progression within each grade will normally be by annual increment at 1 April each year subject to the maximum of the grade. However, Directors have the discretion to advance an individual employee's incremental progression within the grade on the grounds of special merit or ability to assist in the retention of able professional or other staff.

Specialist Support

In exceptional circumstances, it may be necessary for the Council to make temporary appointments, to address capacity and/or skills gaps. These appointments should be for as short a period as is practicable and comply with appropriate procurement rules.

Market Supplements

The Council also has a process by which it can consider paying market supplements where there have been difficulties in recruiting to the posts or the market demand/supply reflects the need. By taking account of external pay levels in the labour market in order to attract and retain employees with particular skills, knowledge and experience. On such occasions the Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using data sources available from within the local government sector and outside, as appropriate. All market supplements have to be agreed with Human Resources and the relevant Director and are reviewed regularly.

Professional Subscriptions

A number of employees are member of professional organisations in connection with their employment at the Council. Where there is a direct link to the employee's role, the council will reimburse the employee.

Honorariums

The council has guidelines on the use of honoraria for substantial additional duties and responsibilities. Any additional payments are subject to regular reviews and must be agreed in advance of payment with the relevant Director and Human Resources.

Relocation Allowance

Guidance on relocation allowance provides for up to £4000 for actual relocation. This can be used for rent, removals, travel connected to relocation etc, provided the relocation is from a minimum distance of 80 miles from the Civic Centre and is within the South Ribble area, within a set period of time.

Reservists Leave

The Council will grant up to an additional 10 days (pro-rata for part-time employees) of paid leave per annum to employees who are Reservists under the 'Special Leave for Public Duties' to attend military training and annual camp.

Gender Pay Gap reporting

This information is published in compliance with the The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 and relates to the 31 March 2019.

Average hourly rates of pay for male and female employees (Regulations 8 and 9):

	Male	Female	Difference
Mean hourly rate	£15.03	£13.73	8.6%
Median hourly rate	£12.75	£13.25	3.9%

Bonus payments made to male and female employees (Regulations 10, 11 and 12):

This information is not reported as bonuses are not paid to any employee of Chorley Council.

The proportions of male and female employees in the lower, lower middle, upper middle and upper quartile pay bands:

	Male	Female
Lower quartile	40.0%	60.0%
Lower middle quartile	57.6%	42.4%
Upper middle quartile	43.5%	56.5%
Upper quartile	53.5%	46.5%

12. Publication of the Policy

The Policy will be published on the Council's Website, prior to April 2021

13. Review of Pay Policy

The Policy will be subject to annual review and must be approved by the Council prior to 31 March each year. If there is a need to amend the Policy between reviews, then any such amendments will be considered by the Cabinet, prior to approval by the Council.

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South Ribble Borough Council

APPENDIX K

REPORT TO	ON
Full Council	24 February 2021

TITLE	REPORT OF
Report of the Chief Finance Officer	Deputy Director of Finance (s151)

Is this report confidential?	No

PURPOSE OF REPORT

1. To provide advice to the Council as required under s25 of the Local Government Act 2003.

RECOMMENDATION

2. The Council are recommended to note the Chief Finance Officer's comments and advice under Section 25 of the Local Government Act 2003 as set out in this report and have regard to it when considering the budget proposals for 2021/22.

REASONS FOR RECOMMENDATION

3. This comments of the Chief Finance Officer are required by statute as the Chief Finance Officer should report to members the robustness of the budget estimated including how they have been constructed and the assumptions that underpin them. In addition, the Chief Finance Officer must report to members the adequacy of the proposed financial reserves.

OTHER OPTIONS CONSIDERED AND REJECTED

4. The comments within this report are a statutory requirement and as such no other options are considered

EXECUTIVE SUMMARY OF REPORT

5. This report outlines the key assumptions and risks contained in the budget and identifies that over time working balances will be increased to mitigate some of those risks.

6. Budget assumptions have been made based on the Provisional Local Government Finance Settlement that was announced on 17 December 2020. The Government has announced that the budget will be published on the 3 March 2021. South Ribble Council will revert to membership of the Lancashire Business Rates Pool. In addition, the

Government maintained New Homes Bonus allocations in 2021/22 however it will remove New Homes Bonus allocations by 2023/24.

7. The Government has supported the economy through the Covid-19 pandemic through various grants and other initiatives. Grants of over £36m have been made available to South Ribble Council to enable it to support council services, its communities and local businesses. This investment in public services is welcomed, however Government borrowing is estimated by the Office for Budget Responsibility (OBR) to reach £393.5bn by the end of 2020/21 compared to £58bn in 2019/20. This level of public sector debt will necessarily require the Government to bring future public finances to a more sustainable position. It is possible therefore that future Government investment in public services will be curtailed.

8. It is my view that the outcome of the fair funding review, expected for 2022/23, will result in the Government reducing funding for district councils and possibly transferring some of this to upper tier authorities, many of which will continue to struggle to fund adult social care and children's services. The uncertainty created by the new business rates regime means we must be prudent when budgeting for future levels of retained business rates, as such I have assumed that the benefit of pool membership in 2021/22 will not continue in 2022/23 onwards.

9. In terms of the 2021/22 budget once again all key budgets have been reworked to align with expected outturn for 2020/21 and therefore reflect the ongoing cost of delivering the current levels of service.

10. The forecast is that the budget will be balanced in 2021/22 and that the Council's **general fund balances** will be over £4.0m. The general fund balance is above that of other Lancashire District Councils and is required to manage short-term one-off risks to the revenue budget. Funds continue to be set aside as earmarked reserves in 2019/20 that will:

    - support the delivery of the council's corporate strategy
    - enable the council to support its residents and businesses during the Covid-19 pandemic.
    - help mitigate some of the risks within the current and proposed new business rates system.

11. Key risks remain, in particular the forecasting of **business rate receipts** in 2022/23 onwards. The council will benefit from being a member of the Lancashire Business Rate Pool in 2021/22. However, the new 2022/23 75% retention scheme is unlikely to resemble the current pool scheme. As such the benefit in 2021/22 will be treated as a one-off and only growth that is achieved in the business rates base will be built into the base budget. It is prudent to assume zero percent growth over the medium-term period.

12. The council continues to develop its **Capital Strategy**, this report demonstrates that the council's capital expenditure and investment decisions are taken in line with corporate objectives and take account of stewardship, value for money, prudence, sustainability and affordability. I am satisfied the report, Appendix H to the main budget report, provides this assurance to members and outlines what the strategic intent is for the council over the medium to long-term.

13. Having reviewed the underlying assumptions and commented on the position in relation to key risks and working balances I am satisfied that the budget assumptions are reasonable, the key financial risks have been considered and the budget is deliverable.

14. Further analysis of the risks to revenue and capital budgets are analysed at the end of this report.

CORPORATE OUTCOMES

15. The report relates to the following corporate priorities: *(tick all those applicable):*

An exemplary council	✓	Thriving communities	
A fair local economy that works for everyone		Good homes, green spaces, healthy places	

BACKGROUND

16. Under the requirements of Section 25 of the Local Government Act 2003 the Chief Finance Officer is required to advise members when setting the budget as to the robustness of the estimates and the adequacy of working balances.

THE ROBUSTNESS OF ESTIMATES

17. In terms of the budget proposals, once again in 2020/21 a thorough reassessment of the budgets has been undertaken by budget holders, service managers and directors and their accountants based upon the latest information available. In terms of the key assumptions contained particularly in the 2021/22 budget these are shown in the main budget report but are summarised for convenience below

KEY ASSUMPTIONS

18. The table below shows the key assumptions made in forecasting forward the Council's financial position. Further analysis is provided in Appendix F – General Fund Forecast Assumptions.

Key Assumptions	2021/22	2022/23	2023/24
Growth in Council Tax Base	0.40%	0.50%	0.50%
Council Tax Increases	0.00%	0.00%	0.00%
Increase in Retained Business Rates through Growth	0.11%	0.00%	0.00%
Total Forecast New Homes Bonus	£363k	£93k	£0
Future Service Pension Rate	16.4%	16.4%	16.4%
Pension Fund Deficit Recovery	£72k	£75k	£75k
Additional Business Rates - Lancashire Pool 21/22 Transitional Business Rates Income 22/23	£1.638m	£0.807m	£0.000m
Pay Award	0%	2%	2%

In terms of the key assumptions I would make the following comments to confirm their validity:-

COUNCIL TAX INCREASES

19. The administration is proposing no increase in council tax in 2021/22. The MTFS does model future increases however it is acknowledged that this will be revisited every year and will depend upon the outcome of the business rates and fair funding review. A prudent 0.5% expansion of the council tax base, excluding council tax increases, is being assumed which is in line with growth experienced in previous years.

REDUCTION IN RETAINED BUSINESS RATES

20. The council will benefit from being a member of the Lancashire Business Rates Retention Pool in 2021/22. However, the 75% business rates regime, expected in 2022/23, is unlikely to resemble the pool and therefore the council may experience a reduction in retained business rates in the medium term, for example:
    - the final scheme may change the tier splits and provide more of the retained rates to upper tier authorities
    - when the new system is reset the Government may reduce or remove the section 31 grants, these are grants that compensate councils for Government initiatives that reduce locally generated business rates e.g. small business rates relief or retail reliefs. These grants currently equate to £1.465m a year and therefore any reduction in these grants poses a large risk to the council.
    - the quantum of business rates in the system may include the New Homes Bonus allocations that the government is phasing out over the next three years.

21. The new business rates regime will dictate the quantum of business rates to be shared nationally and locally however it is the fair funding review that will dictate how this is shared out. The fair funding review is expected to generate new funding 'baselines' for all councils in 2022/23. How these will be calculated, and therefore how much the council will be allocated, is still not finalised however it is believed it will be based on factors such as population growth, rurality, deprivation levels and other local area adjustments such as local labour costs. The fair funding review will allocate retained business rates based on a council's relative need to all other councils, as a result of this it is not possible for the council to conduct any meaningful analysis of the likely outcome of this review. At this stage South Ribble Council will assume the benefit of pool membership, approximately £1.6m, will be permanently lost by 2023/24 as a result of the business rates and fair funding review. The budget assumes a transitional year in 2022/23 whereby 50% reduction is experienced.

22. The budget report explains the volatile nature of this particular core income stream and why accurate forecasting of future receipts is problematic. The income levels contained within the retained business rates budget are based upon a set of assumptions that may impact on the total amount collected in future years, in particular the outcomes within the appeals process. The council has set aside over £3m in reserves to manage one-off fluctuations in retained business rates.

23. A final consideration to the council's retained business rates income is the potential for there to be a national economic slow-down. This is further discussed in Appendix F – General Fund Forecast Assumptions. In brief this may result in an increase in the

number of appeals against rateable values as well as reducing local economic activity and therefore reducing retained business rates. The council's share of provision for appeals will stand at £3.290m in 2021/22, an increase of £0.600m, which is comparable to the national average.

NEW HOMES BONUS

24. The spending review announced a gradual reduction and ultimate removal of New Homes Bonus. Government proposals are for allocations to reduce as follows:
    - 2021/22 – 3 year allocation - for South Ribble Council approximately £363k
    - 2022/23 – 1 year allocation - for South Ribble Council approximately £93k

25. The following announcement was made with the finance settlement in 2021/22:

    The government has committed £622 million to continue the New Homes Bonus scheme in 2021-22. The scheme financially rewards councils for the number of additional new homes they built, locally incentivising housing growth and creating homes for local residents. We will soon be inviting views on how we can reform the scheme from 2022-23 to ensure it is focussed where homes are needed most.

26. As such there may be a replacement to New Homes Bonus however nothing can or has been assumed in the budget.

LOWER TIER SERVICES GRANT

27. The Government calculates every year the council's core spending power that is a combination of the council's council tax income, business rates income and new homes bonus grant allocation. For 2021/22 the reduction in new homes bonus is not offset by the assumed additional income that the council would receive if it chose to increase council tax charges by 2%. As such the government has introduced a one-off £100k grant to compensate the council in 2021/22 called the Lower Tier Services Grant. This is an un-ringfenced grant that has been included in the council's funding streams.

BORROWING

28. The council took £10m of temporary (3 month) borrowing in 2020//21 to ensure the council managed its cash balances at the beginning of the pandemic. The council also secured a temporary £6m overdraft. Since then the council has managed its cash balances without the need for further borrowing. The assumption built into the 2021/22 forecast is that the internal cash balances will be sufficient to manage the cash flow requirements of the council, even as the council begins investing in large scale capital projects such as Worden Hall and affordable housing.

29. The treasury implemented a 1% increase in PWLB borrowing in 2020/21 however this increase has been reversed for 2021/22 and with it is brought a number of reforms. The largest change is that the council will no longer be able to borrow from PWLB if it has <u>any</u> investment in its capital programme for purely commercial reasons. This is not a risk to the council's current capital programme as all investments have other non-commercial objectives. However, moving forward, this will prohibit the council from investing anywhere in its capital programme purely for investment returns.

30. The council's 2021/22 budget includes an income budget of £200k for income earnt on its cash balances. The current base interest rate is at an historic low of 0.1%. With the continuing expiry of investments placed at higher, pre-pandemic, interest rates and their replacement at significantly lower returns, it may not be possible to maintain the same level of performance during 2021/22.

31. The budget for interest earned has been reduced from £300k in 2020/21 to £200k in 2021/22 to account for this however the budget will be reviewed and, if required, adjusted in 2021/22 to account for continued low interest earnt.

PENSION FUND CONTRIBUTIONS

32. As part of a triennial pension review the Lancashire County Pension Fund announced an increase in employer pension contributions for 2020/21 to 2022/23 to meet the future costs of the scheme. The contributions have increased from 14.4% to 16.4% resulting in an increase in the council's contribution. The same contribution rate is assumed for 2023/24 although this will be reviewed when the new three-year review is undertaken.

PAY AWARD

33. The Government spending review announced a pay freeze in 2021/22 for the majority of public sector staff with a guaranteed a pay rise of at least £250 for all staff that earn less than £24,000 per year. These assumptions have been included in the pay budget for South Ribble Council in 2021/22 although these Government proposals are not yet agreed with public sector unions.

34. The spending review also announced that national living wage will rise from £8.72 to £8.91 an hour and will be extended to workers aged 23 and over from April 2021 This will not affect South Ribble Council's pay bands for 2021/22 as the council pays above this level already.

35. Looking further forward, the budget includes a 2% pay increase for all staff in 2022/23 and 2023/24. This assumption adds approximately £200k to the pay budget each financial year.

MEDIUM TERM FINANCIAL STRATEGY

36. The MTFS sets out the Council's plans to bridge the funding gap as summarised below:

Balancing the Budget

	2021/22 £m	2022/23 £m	2023/24 £m
Cumulative Budget Deficit/(Available Resources)	**0.150**	**1.905**	**3.290**
Shared Services	(0.288)	(0.288)	(0.288)
Shared Services – Additional	(0.040)	(0.120)	(0.120)
Shared Services – Phase 2 Forecast	0.000	(0.100)	(0.100)
Staff Turnover	(0.150)	(0.150)	(0.150)
Parking Income	(0.018)	(0.018)	(0.018)
Adjusted Budget Deficit/(Available Resources)	**(0.346)**	**1.229**	**2.614**
Contribution to Leisure Services Deficit	0.346	0.000	0.000
Forecast Council Tax Increase – 0% 21/22, 1.99% 22/23 & 23/24	0.000	(0.162)	(0.324)
Future Transformation Savings/Additional Income	0.000	(1.067)	(2.290)
Net Budget Deficit/(Available Resources)	**0.000**	**0.000**	**0.000**

37. The level of future savings required to balance the budget will be largely dependent upon the outcome of the Fair Funding Review and Business Rates Review as well as the recovery of leisure services. Both the impact of this review and the date of implementation remain unknown but are forecast to reduce the council's funding by £1.6m by 2023/24

38. The strategy shows that broadly speaking the administration will attempt to bridge the gap by generating efficiency savings and additional income.

39. The greatest budget challenge for the council is to generate £2.1m of efficiency savings by 2023/24. Significant savings have already been identified from the first phase of **shared services** and both councils are successfully expanding these arrangements. A **programme of service reviews**, working with services to identify service savings and efficiencies.

40. The council is bringing forward a number of developments that will produce **additional income** sources in the medium term. Revenue models for these schemes will be developed in 2021/22 including for the Affordable Housing and Extra Care schemes. In addition, a review will be undertaken of the council's existing commercial portfolio to ensure that it delivers the most effective returns.

41. I am satisfied that these efficiency saving targets, although challenging, would be achievable if the council were to experience such a reduction in business rates income.

LEVELS OF RESERVES

42. The level of general fund reserves is over forecast to be approximately £4.0m over the medium term. This is higher than general fund balances at most Lancashire District councils and importantly the MTFS does not rely on utilising balances to meet deficits over the three-year period. General fund balances are there to manage potential risks contained in the budget particularly around:
    - the volatility in the funding system in relation to business rate retention
    - possible re-profiling of savings and income generation proposals into future years
    - risk of loss of deposits should a future banking crisis occur

43. There are risks to revenue budgets surrounding the major capital projects that may begin to generate income towards the end of the medium-term strategy. These include the risk of voids in the council's affordable housing stock. In addition to this, there continues to be uncertainty surrounding the effects of the United Kingdom's withdrawal from the EU and the recovery of the national economy post-Covid. Further analysis is provided in Appendix F to this report.

44. To manage this uncertainty the council will create a Covid Recovery Fund of up to £500k to support local businesses and communities. In addition, the council has created a £150k earmarked reserves to help manage one-off reductions in income at its investment sites.

45. I deem the general balances of £4m and the earmarked reserves prudent given the risks facing the council and its residents and businesses.

IMPLICATIONS OF REPORT

46. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal	✓	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

EQUALITY AND DIVERSITY

47. None

AIR QUALITY IMPLICATIONS

48. None

COMMENTS OF THE STATUTORY FINANCE OFFICER

49. These are contained within the report.

COMMENTS OF THE MONITORING OFFICER

50. The report is designed to ensure that the relevant legislation is complied with in terms of Statutory Officer advice.

James Thomson
Deputy Director of Finance (s151)

Report Author:	Email:	Telephone:	Date:
James Thomson	James.thomson@southribble.gov.uk	01257 515025	15/02/21

RISKS TO MEDIUM TERM FINANCIAL STRATEGY

The Medium-Term Financial Strategy outlines how the Council will achieve its corporate strategy priorities whilst recognising the budgetary pressures it will experience over the coming 3 years. Within the strategy are a number of risks that are outlined below.

RISKS TO REVENUE BUDGET

HIGH RISK

75% Business Rates Retention
The government continues its ambition to implement a new 75% business rates retention scheme for all local authorities by 2022/23. The council will continue with the Lancashire Business Rates Pool in 2021/22. Forecasting the effects of the new retained scheme using prior year data is challenging for the following reasons:

- The local preceptors should receive more of the locally generated business rates (from 50% to 75%) however, the government may introduce a less favourable split between lower and upper tier authorities
- The level of locally generated business rates may be reduced if the government reduces its allocations of section 31 grants – grants used to compensate councils for Government policies that reduce business rates e.g. small businesses and retail reliefs
- The current pool uses historic baseline funding levels however, the result of the government's fair funding review will see this baseline adjusted with the potential for South Ribble Council to receive less of its retained NDR income.

The government continues to develop the fair funding review and new business rates system however it remains uncertain when the new system will be introduced. There remains a lot of work to be completed by the Government including the need to develop transitional arrangements. After this a consultation exercise will need to be undertaken. The budget is prudent and assumes implementation of the fair funding review and 75% business rates regime in April 2022 however this is far from certain.

Post-Covid Recovery
The pandemic has impacted on the council finances as well as the wider economic environment. This has created more uncertainty in the early stages of the MTFS. To mitigate this risk the Government has provided £1.481m (20/21) and £0.505m (21/22) of unringfenced funding. The council will also receive compensation for loss of some fees and charges for April to June 2021 and is also able to spread any council tax or business rates deficits in 2020/21 over the next three years (as opposed to the usual one year).

To help manage this uncertainty the council will create a Covid Recovery Fund of up to £500k to support local businesses and communities. The council has also created a £150k earmarked reserves to help manage one-off reductions in income at its investment sites.

The MTFS has in place some funds to help the council manage the Covid recovery period however the full medium-term impact of this recovery is not yet clearly understood. This could yet impact further on council expenditure, income and Government funding levels.

MEDIUM RISKS

Business Rates Appeals and Other Business Rates Adjustments
The Council's shareprovision for business rates appeals stood at £2.69m at the beginning of 2020/21 and allowance has been made for additional provision of £0.6m during the year. Of this, during the year there has been approximately £24k of successful backdated appeals charged to the provision.

In April 2017 a new business rates appeal process was introduced called 'Check, Challenge and Appeal'. The benefit of the multi-stage process is that it requires businesses to complete its own 'Check' and therefore should discourage speculative appeals. To date there has been no successfully challenged appeal reported by the VoA against the 2017 list. The VoA has focussed on clearing the backlog of prior year appeals and so it is prudent to assume more appeals will be coming through from the 2017 list in 2020/21.

Recently a number of press reports stated that the VOA had agreed a 25% rebate in office rates, worth around £481m nationwide, due to the impact of the pandemic. The argument for the rebate is that due Covid the office sector have experienced lower demand, realise lower rental values and as a result have lower rateable values. No agreement has been made with the VOA however it is understood it is in discussions that cover a number of property types. The council has 536 offices with rateable value of £8.5m. This highlights the potential volatility of the business rates system and is why the council must be prudent when setting aside reserves and provisions to manage this income stream.

The budget for 2021/22 includes further additional provision of £0.6m. This is deemed sufficient to meet the potential successful appeals that may transpire from the outstanding lists.

Pay Inflation
The Government has proposed a pay freeze for Council staff in 2021/22, except for those on lower pay, and this has been assumed in the budget. Negotiations with the employee unions is not complete and so it is possible a higher pay settlement may be approved. Every 1% increase in pay results in over £100k of additional expenditure to South Ribble Council. An average 2% pay increase per year has been assumed for 2022/23 to 2023/24.

Universal Credit
The Government is consolidating a number of welfare benefits into a revised Universal Credit Scheme. One of these is housing benefit which is currently administered by the Council. Universal credit will be managed by the Department of Work and Pensions. The full scheme was rolled out in South Ribble in July 2018 however take up has been slow. There is the potential risk that bad debts will increase when people move to UC as it becomes more difficult to recover overpayments. This is because the housing benefit element of debt might not have the same priority over other debt recover such as fuel or rent arrears. We have seen an increase more over the last 12 months from HB to UC as take-up has increased and therefore, there is a possibility that the council's bad debt provision will need to be increased with a subsequent charge to the general fund.

Delivery of Budgeted Savings and Additional Income
The MTFS includes potential cumulative savings targets of £0.9m and £2.1m in 2022/23 and 2023/24 respectively. Achieving these goals will require a change in organisational culture, enhanced sharing of services across organisations and further capital investment in income generating schemes. The monitoring and robust challenge of all proposals is overseen by the council's Shared Services Management Team. Risks are reported to Shared Services Management Team. as well as members and actions taken when required. Given the council's likely increased dependency on generating income there will always be some risks that sit outside of the council's control and are therefore more difficult to manage.

The council's general fund balance of £4m has been set such that potential delays in bringing forward income or generating savings can be temporarily managed within council resources.

As noted in the report the council is still able to borrow from PWLB at low rates to fund its capital programme. However, Government reforms have meant that in order to utilise these funds the council is prohibited from investing anywhere in its capital programme purely for investment returns. Although this will not affect the council's current capital programme, it will reduce the scope of investments the council can pursue in order to generate income and therefore balance future revenue budgets.

Existing Income
The major income streams the council benefits from include planning, garden waste subscriptions and trade waste collection as well as commercial income from investment properties the council owns. Uncontrollable reductions in income could leave services under-funded. The council has been prudent when budgeting for income and has set aside an income equalisation reserve of £150k for its investment properties to manager any temporary voids from these units.

Interest Rates
The council's 2021/22 budget includes an income budget of £280k for income earnt on its cash balances. The current base interest rate is at an historic low of 0.1%. With the continuing expiry of investments placed at higher, pre-pandemic, interest rates and their replacement at significantly lower returns, it may not be possible to maintain the same level of performance during 2021/22.

LOW RISK

Inflation
The council's expenditure is subject to annual inflation based on indexation that is determined by external stakeholders. Sharp increases in inflation would result in higher day to day expenditure and possible budget overspends. Inflation forecasts from the Office of Budget Responsibility (OBR) have been used to inform the budget over the coming 3 years. The OBR forecasts inflation to remain below the Bank's 2% target rate until at least 2025. Inflation is only applied to specific council contracts including the waste collection contract. This will be reviewed annually to ensure budgets are sufficient to meet inflationary pressures however it is expected that inflation will remain low throughout the MTFS period.

RISKS TO CAPITAL BUDGET

MEDIUM RISKS

Overspends on Capital Projects
All capital projects are monitored on a monthly basis, with the major capital projects monitored on an ongoing basis by council officers and commissioned external project managers. Any potential overspends are highlighted by the relevant project group or officer and reported to the Chief Finance Officer.

Actions plans are agreed to manage potential overspends and managed by the project officer. If necessary, financing is identified within the capital programme to meet any additional required resources. Changes to the capital programme are reported quarterly to Executive Cabinet. Changes to a capital project between these periods are taken on a separate report to Executive Cabinet or Full Council.

LOW RISK

Insufficient Financing to Delivery Capital Programme
The council continues to have a significant gap between its capital funding requirement and current borrowing levels. As such borrowing is available to the council if funding sources previously allocated to projects no longer become available.

Insolvency of Major Contractor
As part of the tender process the financial standing of each contractor has been thoroughly assessed. These checks are regularly and the council's subscription to a credit check agency provides alerts were the credit status to change.

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APPENDIX N

REPORT TO	ON
COUNCIL	Wednesday 24th February 2021

TITLE	PORTFOLIO	REPORT OF
Fees and Charges 2021/22	Cabinet Member (Finance, Property and Assets)	Deputy Director of Finance (Section 151 Officer)

Is this report confidential?	No

PURPOSE OF THE REPORT

1. At 25th November 2020 Council a Fees and Charges Policy was introduced whereby charges are to be reviewed annually and, where possible, charges are increased if there is a gap between the cost of delivering the service and the income collected.

2. An examination of some of the council's existing fees and charges has been undertaken and this report aims to bring together an overall position.

RECOMMENDATIONS

3. Council notes, reviews and comments on the contents of this report.

4. Council approves the annual inflationary increases to certain charges, in line with usual practice in recent years, which are summarised in Table 2.

EXECUTIVE SUMMARY

5. Most services have reviewed their Fees and Charges on a fairly recent basis. Of those services not recently reviewed a benchmarking exercise has been undertaken to give an understanding of where there is divergence from other Local Authorities. The main area this identified was Bulky Waste Collection as requiring review.

CORPORATE OUTCOMES

6. The report relates to the following corporate priorities: *(tick all those applicable):*

An exemplary council		Thriving communities	
A fair local economy that works for everyone	✓	Good homes, green spaces, healthy places	

FEES AND CHARGES

7. An exercise was undertaken to bring together a list of all fees and charges made by the council. As this consists of a large number of individual items, they have been categorised into broader categories for the purposes of this report.

8. It is proposed that most fees and charges, as listed in table 1 on a separate page further down this report, are not adjusted for 2021/22. Some services have been reviewed recently and are not in need of an update. Others were due to be reviewed in 2020/21 but the reviews have been delayed due to other work pressures.

9. For information, the table gives indicative figures using fixed percentages to show what the potential effects might be on income budgets if charges were increased in future.

10. Table 2, immediately below Table 1, shows the fees and charges that have had inflationary increases of 0.70% applied in 2021/22, which is following usual practice in recent years.

Garden waste subscriptions

11. The annual charge for Garden Waste collection was reduced with effect from 1st April 2020 from £30 to £25 per bin. The table below shows that South Ribble's charge is lower than all but one of the other councils in Lancashire, with Ribble Valley not applying any charge.

Council	Charge £
District Councils	
Burnley	30
Chorley	30
Fylde	30
Hyndburn	30
Lancaster	40
Pendle	33
Preston	35
Ribble Valley	0
Rossendale	35
South Ribble	25
West Lancs	30
Wyre	35
Unitary Councils	
Blackburn with Darwen	30
Blackpool	40

Bulky waste collections

12. The charge for bulky waste collections has not been reviewed many years. The charges will be reviewed in 2021/22. The table below shows how South Ribble's charge compares to neighbouring councils.

Council	**Charge £**
Chorley	40.00
Preston	20.50
South Ribble	16.00
West Lancs	13.00

13. A full list of all fees and charges will be uploaded to the Council's website.

Table 1 – Fees and Charges with No Changes

Fee	Notes	Statutory Y-N	Last Review	Expected Review	21/22 Income Budget £	Indicative Increases 1.0%	Indicative Increases 2.0%	Indicative Increases 3.0%
Building Control	In agreement with Chorley and Preston City Councils, fees were set in August 2017 with an average increase of 6%. A review was intended to be done in 2020/21 but has delayed.	N	2017-18	2020-21	(190,820)	(1,908)	(3,816)	(5,725)
Conference and Business Centre	Prices were increased in 2020/21 and will remain unchanged in 2021/22.	N	2020-21	2022-23	(36,000)	(360)	(720)	(1,080)
Garden Waste Subscription	Garden waste charges were reduced from £30 to £25 per year with effect from 1st April 2020.	N	2020-21	2022-23	(682,625)	(6,826)	(13,653)	(20,479)
GIS Street Naming	A review is planned for 2021/22.	N	More than 5 years ago	2021-22	(25,000)	(250)	(500)	(750)
Land Charges	The Infrastructure Act 2015 provides for the transfer of responsibility for Local Land Charges from local authorities to Land Registry. There has been no update as to when this transfer will be completed. A review of the existing fees was intended to be done in 2020/21 but has been delayed.	N	2015-16	2020-21	(80,000)	(800)	(1,600)	(2,400)
Legal	A review is planned for 2021/22.	N	2015-16	2021-22	(15,000)	(150)	(300)	(450)
Licensing	There are various aspects to Licensing fees and charges, some statutory and some discretionary. A review is planned for 2021/22.	Mixture	2018-19	2021-22	(234,931)	(2,349)	(4,699)	(7,048)

						Indicative Increases		
Fee	**Notes**	**Statutory Y-N**	**Last Review**	**Expected Review**	**21/22 Income Budget £**	**1.0%**	**2.0%**	**3.0%**
Parking	Car parking fees for 2021/22 were approved at Council November 2020.	N	2020-21	2022-23	(137,600)	(1,376)	(2,752)	(4,128)
Planning Applications	Planning fees are set nationally.	Y	N/A	N/A	(505,000)	N/A	N/A	N/A
Planning Pre-Applications	Planning Pre-App advice fees were introduced from 1st August 2018.	N	2018-19	2021-22	(40,000)	(400)	(800)	(1,200)
Summons Charges	Current charges for summons were last reviewed in 2018-19 in line with changes in Government legislation.	N	2018-19	2021-22	(228,000)	(2,280)	(4,560)	(6,840)
Waste & Recycling	Bulky waste charges have not been reviewed for many years.	N	More than 5 years ago	2021-22	(40,000)	(400)	(800)	(1,200)
					(2,214,976)	**(17,100)**	**(34,200)**	**(51,299)**

Table 2 – Fees and Charges with Inflationary Increases Applied

Fee	**Background**	**21/22 Income Budget £**	**Inflationary Increase of 0.7%**
Sports Pitches	Sports pitch hire Fees usually increased annually in line with CPI.	(17,692)	(124)
Public Health	Public Health Fees are usually increased annually in line with CPI.	(68,820)	(482)
Planning Searches	Planning search fees usually increased annually in line with CPI	(8,520)	(60)

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