

REPORT TO	ON
Cabinet	10 February 2021

TITLE	REPORT OF
Draft Budget 2021/22 and Summary Position over the Medium Term	Deputy Director of Finance (Section 151 Officer)

Is this report confidential?	No
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Purpose of the Report

- To set out the budget position for 2021/22 including the forecast for the following two years to 2023/24 and also present the relevant proposals in respect of:
 - The use of forecast resources identified in 2021/22
 - Budget consultation

Recommendations

- That members agree the contents of this report in order to start the budget consultation process and note the following proposed budget items, in particular:
 - A proposed freeze in council tax in 2021/22 with no proposed cuts to services
 - The forecast balanced budget for 2021/22 and the forecast budget position in 2022/23 and 2023/24
 - To note the impact of the challenges faced within the leisure centre industry and the subsequent budgetary impact on the council

Executive Summary

- 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 2022/23 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. Consultation on the proposed budget for 2021/22 will commence following approval of the proposals by Cabinet. The consultation will invite responses from residents, partners, parish councils and other stakeholders. Results will be analysed and published in February for consideration as part of the council's final budget.

Corporate outcomes

5. 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	✓

Funding

Spending Round 2020 and Provisional Local Government Finance Settlement

6. 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 Provisional Local Government Finance Settlement 2021/22 was published on 17 December 2020. The implications of this provisional settlement are outlined below.

Business Rates

7. The assumption for the 2021/22 budget is that Government funding will be in line with 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 £1.5m from being in the pool. This is assumed to continue in 2021/22.
8. 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.
9. To be prudent, the budget assumes over the medium-term that the council will lose the benefit from being in the pool and therefore reduce retained business rates income by £1.5m. 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 £750k in 2022/23 and the full £1,500k by 2023/24.

New Homes Bonus

10. As expected, funding from New Home Bonus (NHB) is still assumed to discontinue in 2023/24 however it has been announced that the existing New Homes Bonus scheme will be maintained for a further year. 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.

11. 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.

Council Tax

12. The Provisional Local Government Finance Settlement announced a council tax increase limit for district councils of up to 2% or £5 on a Band D equivalent in 2021/22. No announcement has been made regarding future years however it is assumed that the same principles will continue throughout the future three-year budget period.
13. The Provisional Local Government Finance Settlement publishes 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 less than that amount it will create a gap over the medium-term as to what funding the Government assumes the council will have and what funding it can actually generate. This is important for when the Government implements the changes following on from the Fair Funding Review. When setting the level of retained business rates for the council, the Government will assume the council enjoys a higher level of council tax to compensate for any potential fall in business rates.
14. The delays from the government in reforming council funding creates significant uncertainty however the impact of the Covid-19 pandemic on the borough's residents over the last year has been immense. On that basis, while noting the uncertainty in Government funding reforms, it is felt a freeze in Council Tax will best support residents of South Ribble Borough for 2021/22.

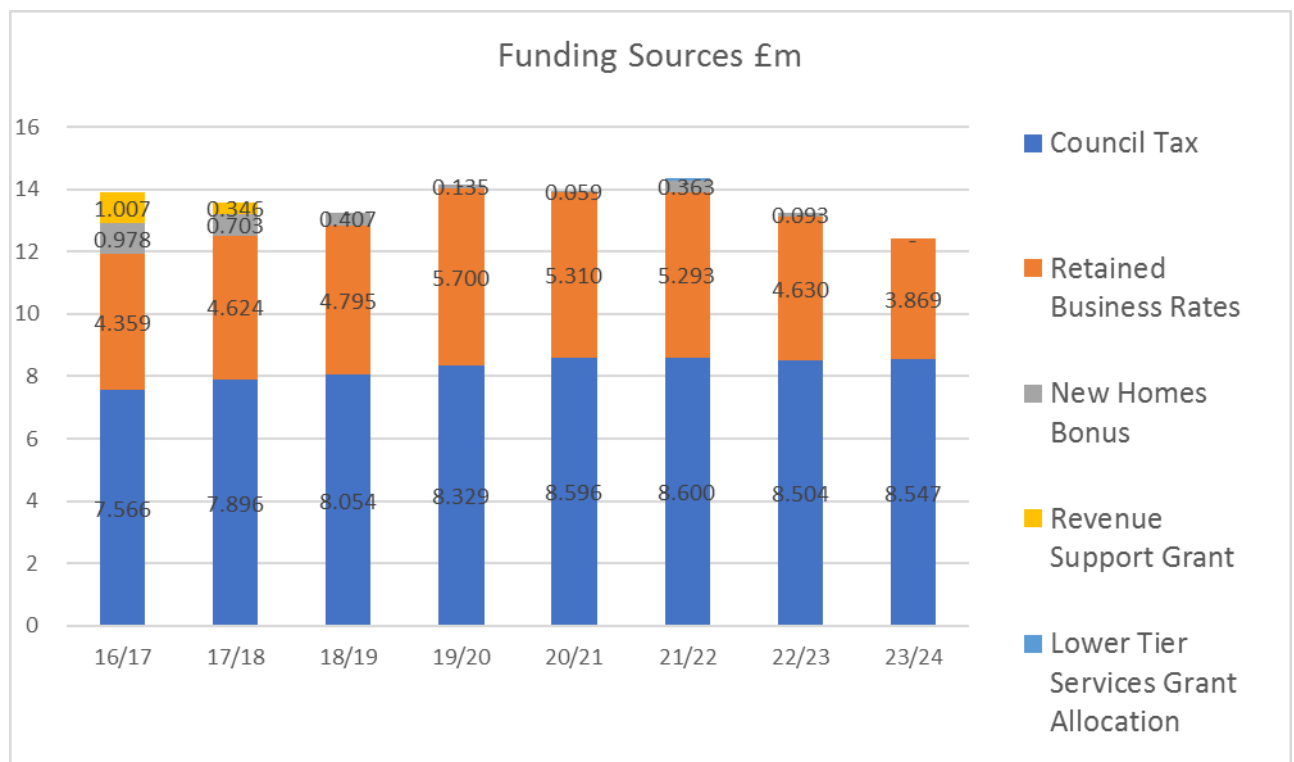
Lower Tier Services Grant

15. As introduced above, 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 will receive from increasing its council tax charges. As such the government has introduced

a one-off £100k grant to compensate the council in 2021/22 called the Lower Tier Services Grant. However as South Ribble Council pass much of its new homes bonus to City deal this actual constitutes an increase in funding retained. This is an unringfenced grant that has been included in the council's funding streams.

Covid-19 Funding

- During 2020/21 the council received numerous funding streams from Government to support businesses and residents during the pandemic. This included a £1.481m of unringfenced emergency funding to support the council through the immediate and long-term impacts of the pandemic. The provisional settlement also announced an additional £1.55 billion of unringfenced grant across all local government, of which South Ribble Council's allocation is £505k.



- 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.

Expenditure

Pay Award

- 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.

19. 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.
20. 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.

Pension

21. 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

22. 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.
23. 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 homelessness and food support to residents and support for the track and trace systems.
 - 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.
 - Reductions in rents at the council's investment properties.
24. 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 including the council's major sources of income such as 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

The council's total budget deficit is summarised in table 1 and is based upon the reductions in funding described above and the following key budget assumptions. It should be noted that some of the assumptions are still potentially subject to change that may impact positively or negatively on the budget.

Table 1: Total Budget Deficit

	2021/22	2022/23	2023/24
	£k	£k	£k
Council Tax	-8,600	-8,504	-8,547
Retained Business Rates	-5,293	-4,630	-3,869
Lower Tier Services Grant Allocation	-100	0	0
New Homes Bonus	-363	-93	0
TOTAL FUNDING	-14,356	-13,227	-12,416
NET EXPENDITURE	14,506	14,989	15,572
BUDGET DEFICIT	150	1,762	3,156

25. All deficits and savings identified in the table 1 and in the remainder of this report are cumulative. For example, the deficit of £3.156m in 2023/24 identified above is the result of a £1.762m deficit in 2022/23 and further budget pressures of £1.394m identified for 2023/24.

Table 2: Key Budget Assumptions

Key Assumptions	2021/22	2022/23	2023/24
Increase in Retained Business Rates through Growth	0%	0%	0%
Future Service Pension Rate	16.4%	16.4%	16.4%
Pension Fund Deficit Recovery	£0.072m	£0.075m	£0.075m
Additional Business Rates - Lancashire Pool 21/22 Transitional Business Rates Income 22/23	(£1.500m)	(£0.750m)	(£0.000m)
Reduction in Business Rates through Fair Funding Review and Business Rates Reforms	£0.000m	£0.750m	£1.500m
Pay Award (average)	0%	2%	2%

Balancing the Budget in 2021/22

26. Funding to South Ribble Council has remained relatively stable since 2016/17 in cash terms. However, there is significant uncertainty over the coming years given the potential Business Rates changes under the Fair Funding review. During this period, the council has continued to experience inflationary increases in staff and non-staff budgets. However, the council has been able to manage these cost increases within its existing budget and programme of savings.
27. The most significant change in assumptions for 2021/22 is around Leisure Services. While it is hoped the sector will recover there are significant uncertainties and as a result a prudent assumption has been made over likely costs in the medium term. This is further detailed later in this report.
28. The council has been successful in keeping its costs down whilst continuing to provide the high-quality services expected from its residents. The council will continue to achieve this by continually reviewing its budgets and contracts. Future savings forecast through the council's commitment to explore and invest in alternative delivery models, including sharing more services with Chorley Borough Council will aid in managing identified deficits.
29. The council will continue to invest within South Ribble to improve housing, provide employment opportunities as well as generate income and therefore make the council less reliant on the increasingly uncertain funding from Government.

Table 3: Balancing the Budget

	2021/22	2022/23	2023/24
TOTAL BUDGET DEFICIT	150	1,762	3,156
Efficiency Savings			
Shared Services	-288	-288	-288
Shared Services - Additional	-40	-120	-120
Shared Services – Phase 2 Forecast	0	-100	-100
Council Tax Increase – 0% 21/22 1.99% 22/23 & 23/24	0	-162	-324
Parking Income	-18	-18	-18
Staff Turnover	-150	-150	-150
NET DEFICIT / (SURPLUS)	-346	925	2,156

30. On 25th November 2020 Full Council approved the proposals for phase 2 of **shared services** with Chorley Borough Council, including a joint digital strategy, customer services operating model, shared leadership and management, and joint Chief Executive. This report built on the already successful implementation of phase 1 of expanded shared services between the two councils. The total forecast savings from the two phases of shared services are £288k in 2021/22 rising to £488k by 2023/24. Now that joint Directors at both councils are in place, service reviews will be undertaken at both councils with the possibility of other efficiencies being generated.
31. A report on **car parking charges** was taken to Council on 25th November 2020 following a review of provision and a wide consultation on how best to support local businesses and residents. A consequence of the changes is that the anticipated income from car parking will increase by £18k.
32. During any year, vacancies and other changes made within staffing structures create savings in staffing budgets. £150k is anticipated each year from **staffing turnover**.
33. The savings generated mean that even with a Council Tax freeze, there is a surplus budget projected in 2021/22. The application of the surplus is covered in more detail later in this report when discussing the management of leisure centres.

Investing in our priorities

34. In September 2021, the council reviewed and refreshed its Corporate Strategy in the light of Covid-19. Set out in the following pages are the areas of budget investment that the council will make in delivering its priorities and supporting the borough and its residents to achieve their full potential.

Investing in priorities

In 2020/21 the council has already allocated **£700k** of revenue investment to deliver corporate strategy priorities through projects and initiatives that create the right conditions and provide the opportunities for everyone in South Ribble to succeed and thrive in line with our four priorities. These investments will continue into the next financial year.

£117,000 to create a network of community hubs, providing services and 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

£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

£20,000 towards vital community transport in partnership with the third sector

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

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

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

This is in addition to **£16m** capital investment to deliver key schemes that will deliver exciting improvements to community assets such as Worden Hall, leisure facilities and affordable



**GOOD HOMES,
GREEN SPACES,
HEALTHY PLACES**



**AN EXEMPLARY
COUNCIL**

**A FAIR LOCAL
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Looking ahead

This year will see further agreed investment in key programmes including:

£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

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



We also propose 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

£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

Medium Term Financial Planning

35. Despite the budget savings identified in this report, as outlined above there remain forecast budget deficits of £0.925m in 2022/23 and £2.156m in 2023/24. The council's medium term plan to meet the budget deficits is outlined below in Table 4.

Table 4: Medium Term Financial Plan

	2021/22	2022/23	2023/24
TOTAL BUDGET DEFICIT	-346	925	2,156
Future Savings		-925	-2,156
Contribution to Leisure Services Deficit	346		
NET DEFICIT / (SURPLUS)	0	0	0

36. 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

37. 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.
38. 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
Rosendale	279.57
Pendle	270.62
Hyndburn	266.77
South Ribble	223.24
West Lancs.	208.39
Wyre	204.74
Chorley	171.37
Fylde	165.39
Ribble Valley	155.69

39. 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.
40. 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

41. 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 £1.5m by 2023/24
42. 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.

43. 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.

Reserves

44. 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. The expected balances of these reserves are given in table 5 below.

Table 5: Forecast Reserve Balances

	2021/22
	£k
Borough Council Elections	-160
Borough Investment Acct	-4,256
Business Rates Retention	-3,094
Capital Funding	-330
City Deal	-1,851
Climate Change	-250
Credit Union	-150
Community Wealth Building	-150

Business Grants	-150
Mental Health for Young People	-50
Housing Needs Surveys	-40
Local Plans	-95
My Neighbourhoods	-67
Restructure Costs	-100
Transformation Fund	-163
Ring-fenced income	-289
Sports Dev income	-117
Covid Recovery Fund	-500
Income Equalisation Reserve	-150
General Reserve	-4,239
Total Reserves	-16,201

45. 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.
46. 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.
47. 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.
48. 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.
49. 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

50. The total reserve as forecast at 21/22 is £4.256m and this has been committed.

City Deal

51. 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

52. 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

53. 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.

Leisure Services

54. While the council's budget is balanced, one of the largest financial impacts on the council due to Covid-19 was the disruption caused to leisure services. Covid-19 has had a devastating impact on the operation of leisure centres. The income received during lockdown periods has reduced income to close to zero. Even in periods since March when centres have been open, restrictions have meant that income remained limited.
55. 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.
56. This challenge has had a fundamental impact on leisure centre operators, with most needing significant support from the contracting councils to continue to operate. In South Ribble, the council has provided for £240k from Covid funding in 2020/21 to potentially support the Trust up to November 2020. In addition, a bid for £210k has been successful to the National Leisure Recovery Fund to provide for the period

December 2020 to March 2021. These payments are still subject to agreement with the leisure operator, and will only be paid where the council is obliged to pay.

57. 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.
58. 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.
59. The table below sets out the budgeted costs of running the leisure centres. This is based on the financial information on income and expenditure in the centres, with income at 75% of the normal levels, increasing to 90% in 2022/23 and 100% by the end of 2023/24. As a result, the expectation is a breakeven position by 24/25 and 23/24 will be the final transitional year to achieving this.

	2021/22	2022/23	2023/24
Income	-2,463,242	-2,985,341	-3,298,754
Reduction due to VAT	410,540	497,557	549,792
Adjusted Income	-2,052,701	-2,487,784	-2,748,962
Operational Expenditure	3,327,074	3,327,074	3,327,074
Net Operating Income	1,274,373	839,290	578,112
Recharges from SRBC to leisure centres	112,000	112,000	112,000
SRBC Existing Leisure Budget	-466,000	-466,000	-466,000
Net Council Support	-354,000	-354,000	-354,000
Net Council Reserve Usage	920,373	485,290	224,112

60. 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.
61. 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.
62. 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.
63. 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 provision within the council's capital programme for work to leisure centres.

Covid Recovery Fund

64. 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.
65. 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.
66. 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.
67. 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:

- Business support, advice and grant programmes as our businesses recover from Covid.
 - Economic development and recovery planning
 - Community support programmes and funding
 - Support for other Covid-recovery, including the recovery of other council functions
68. The allocation of the fund will be approved as necessary by Cabinet or the relevant Executive Member.

Capital Programme

69. This report has dealt with the Council's revenue budget. Implicit in the investment programme set out above, however, are financial implications for the capital programme. The latest three-year Capital Programme can be found in appendix G1 and G2 attached. The council has an ambitious capital programme with over £62m budgeted to be invested over the MTFS period. As detailed above a further £3.6m is proposed to be added to the programme as a result of this report. This will be reported to budget council in an updated capital programme.

Implications of report

70. 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.
71. 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.

Comments of the Statutory Finance Officer

72. The financial implications of the above report are all contained in the report but to clarify all proposals are funded and can be accommodated within the 2021/22 budget. It should be noted that the report does contain several assumptions on some future budget elements and also what the final outturn position will be for 2020/21.

Comments of the Monitoring Officer

73. There are no concerns with this report from a Monitoring Officer perspective.

Background documents

There are no background papers to this report

Appendices

Appendix G1 and G2 Capital Programme and Capital Strategy

James Thomson

Deputy Director of Finance (and Section 151 Officer)

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