

SOUTH RIBBLE MEDIUM TERM FINANCIAL STRATEGY

2021/22 to 2023/24

FOREWARD



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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 through 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

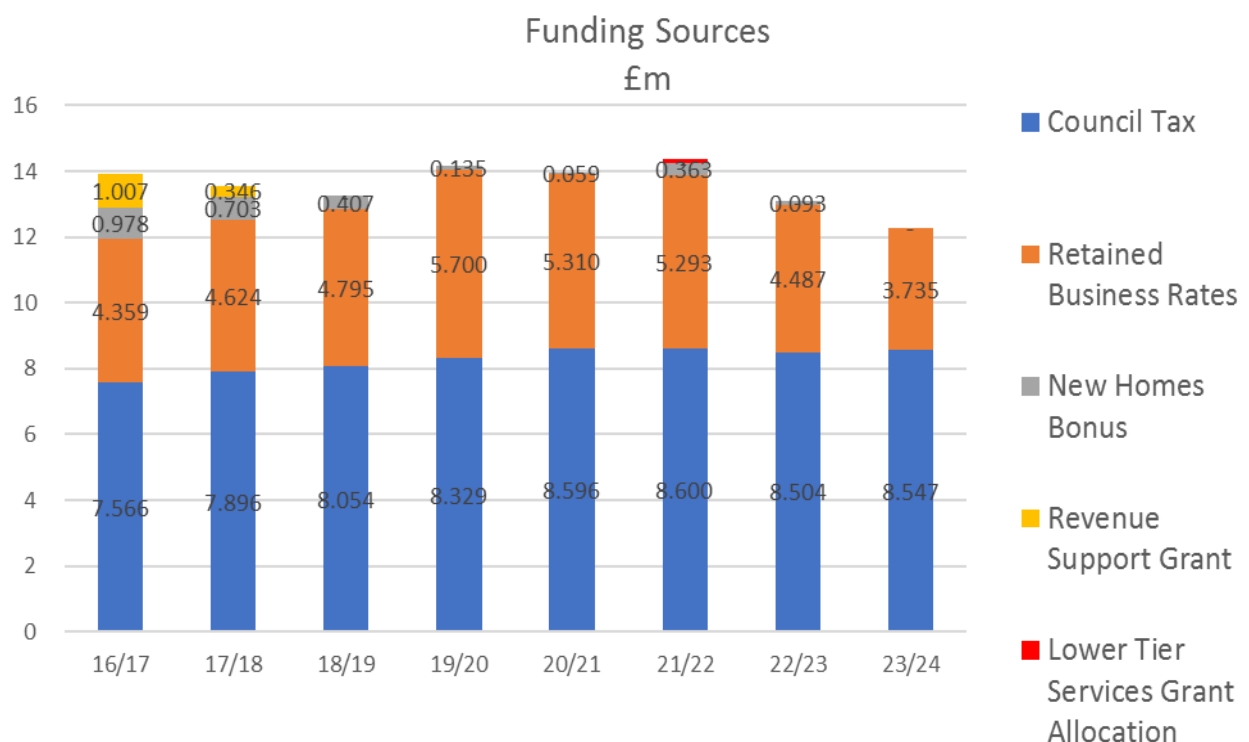
- Limited availability of resources
- Time needed to plan for change
- Pressure to maintain and improve services and not to cut back

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



THRIVING COMMUNITIES

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

INVESTING IN OUR PRIORITIES



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

£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

GOOD HOMES,
GREEN SPACES,
HEALTHY PLACES



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
Rosendale	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.

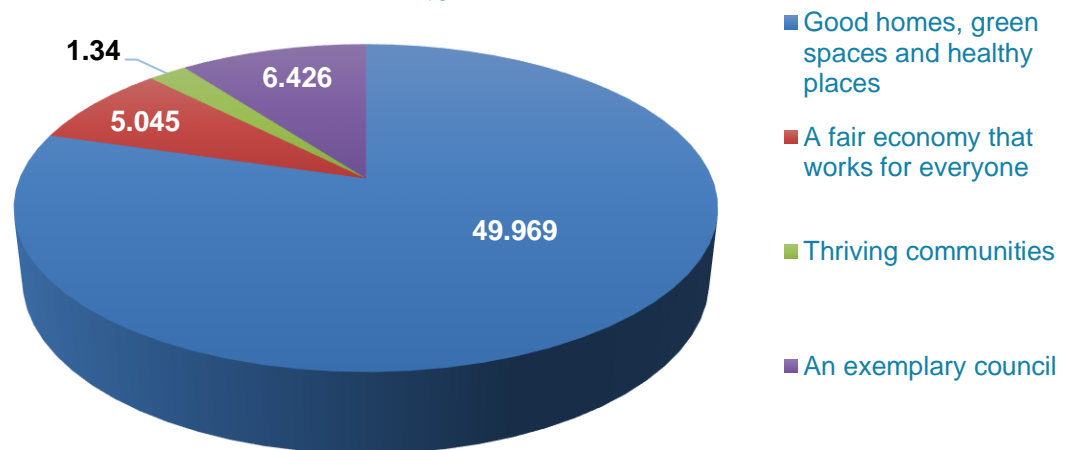
The council will consider working with partners to assist them to meet both their objectives and the council's objectives; this must have no impact on medium-term revenue budgets. This support may include granting loans to organisations at a rate that generates a greater return to the council.

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.

Capital Investment in South Ribble Council Corporate Strategy 2020/21 to 2023/24 £m



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.

Capital Financing 2020/21 to 2023/24
£m



- 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.